As filed with the Securities and Exchange Commission on December 5, 2011

No. 333-178179

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OF 1933

Acadia Healthcare Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**8093**	**45-2492228**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial*	*(I.R.S. Employer Identification No.)*

Classification Code Number)

830 Crescent Centre Drive, Suite 610

Franklin, Tennessee 37067

(615) 861-6000

Christopher Howard

Executive Vice President, General Counsel and Secretary

Acadia Healthcare Company, Inc.

830 Crescent Centre Drive, Suite 610

Franklin, Tennessee 37067

(615) 861-6000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Richard W. Porter, P.C.	
Sarah B. Gabriel	**Donald J. Murray**
Kirkland & Ellis LLP	**Dewey & LeBoeuf LLP**
300 North LaSalle	**1301 Avenue of the Americas**
Chicago, Illinois 60654	**New York, New York 10019**
(312) 862-2000	**(212) 259-8000**

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2)	AMOUNT OF REGISTRATION FEE (2)(3)
Common Stock, $0.01 par value per share	9,583,332	$9.165	$ 87,831,237	$ 10,065

(1) Includes shares of common stock that the underwriters may purchase from us pursuant to their over-allotment option.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, on the basis of the average high and low prices of the Registrant s common stock on November 18, 2011, as reported by The Nasdaq Global Market.
(3) This amount was previously paid in connection with the initial filing of this registration statement.

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

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 5, 2011

PRELIMINARY PROSPECTUS

8,333,333 Shares

Acadia Healthcare Company, Inc.

Common Stock

We are offering 8,333,333 shares of our common stock. Our common stock is traded on The Nasdaq Global Market under the symbol ACHC. On December 1, 2011, the last reported sale price of our common stock on The Nasdaq Global Market was $8.40 per share.

Investing in our common stock involves a high degree of risk. Please read Risk Factors beginning on page 16 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses to Acadia Healthcare Company, Inc.	$	$

Delivery of the shares of common stock is expected to be made on or about , 2011. We have granted the underwriters an option for a period of 30 days to purchase an additional 1,249,999 shares of our common stock solely to cover over-allotments. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $, and the total proceeds to us, before expenses will be $.

Joint Book-Running Managers

Jefferies	**Citigroup**

Co-Managers

Raymond James	**RBC Capital Markets**	**Avondale Partners**

Prospectus dated , 2011

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

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COMPANY BACKGROUND

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

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

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

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

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NON-GAAP FINANCIAL MEASURES

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

Pro Forma EBITDA and Pro Forma Adjusted EBITDA, as presented in this prospectus, are supplemental measures of our performance and are not required by, or presented in accordance with, generally accepted accounting principles in the United States (GAAP). Pro Forma EBITDA and Pro Forma Adjusted EBITDA are not measures of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our liquidity. Our measurements of Pro Forma EBITDA and Pro Forma Adjusted EBITDA may not be comparable to similarly titled measures of other companies and are not measures of performance calculated in accordance with GAAP. We have included information concerning Pro Forma EBITDA and Pro Forma Adjusted EBITDA in this prospectus because we believe that such information is used by certain investors as measures of a company s historical performance. We believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of issuers of equity securities, many of which present EBITDA and Adjusted EBITDA when reporting their results. Our presentation of Pro Forma EBITDA and Pro Forma Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

MARKET AND INDUSTRY DATA

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

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TRADEMARKS AND TRADE NAMES

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

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PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before making an investment decision. You should carefully read the entire prospectus, including the section entitled Risk Factors beginning on page 16 and the financial statements and notes thereto included elsewhere in this prospectus, before making any investment decision.

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

Our Company

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

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

Our outpatient community-based services provide therapeutic treatment to children and adolescents who have a clinically defined emotional, psychiatric or chemical dependency disorder while enabling patients to remain at home and within their community. Many patients who participate in community-based programs have transitioned out of a residential facility or have a disorder that does not require placement in a facility that provides 24-hour care.

Our Competitive Strengths

We believe the following strengths differentiate us from our competitors:

Premier operational management team with track record of success. Our management team has approximately 145 combined years of experience in acquiring, integrating and operating a variety of behavioral health facilities. Following the sale of Psychiatric Solutions, Inc. (PSI) to Universal Health Services, Inc. in November 2010, certain of PSI s key former executive officers joined Acadia in February 2011. The combination of the Acadia management team with the operational expertise of the former PSI management team gives us what we believe to be the premier leadership team in the behavioral health care industry. The new management team intends to bring its years of experience operating behavioral health facilities to generate strong cash flow and grow a strong business.

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Favorable industry and legislative trends. According to the National Institute of Mental Health, approximately 6% of people in the United States suffer from a seriously debilitating mental illness and over 20% of children, either currently or at some point during their life, have had a seriously debilitating mental disorder. We believe the market for behavioral services will continue to grow due to increased awareness of mental health and substance abuse conditions and treatment options. National expenditures on mental health and substance abuse treatment are expected to reach $239 billion in 2014, up from $121 billion in 2003, representing a compound annual growth rate of approximately 6.4%.

While the growing awareness of mental health and substance abuse conditions is expected to accelerate demand for services, recent healthcare reform is expected to increase access to industry services as more people obtain insurance coverage. A key aspect of reform legislation is the extension of mental health parity protections established into law by the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (the MHPAEA). The MHPAEA provides for equal coverage between psychiatric or mental health services and conventional medical health services and forbids employers and insurers from placing stricter limits on mental health care compared to other health conditions. According to IBISWorld, the MHPAEA is projected to affect more than 113 million individuals.

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

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

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

Business Strategy

We are committed to providing the communities we serve with high quality, cost-effective behavioral health services, while growing our business, increasing profitability and creating long-term value for our stockholders. To achieve these objectives, we have aligned our activities around the following growth strategies:

Increase margins by enhancing programs and improving performance at existing facilities. We believe we can improve efficiencies and increase operating margins by utilizing our management s expertise and experience within existing programs and their expertise in improving performance at underperforming facilities. We believe the efficiencies can be realized by investing in growth in strong markets, addressing capital-constrained facilities that have underperformed and improving management systems. Furthermore, the combination of Acadia, YFCS and PHC provides the combined company an opportunity to develop a national marketing strategy in many markets which should help to increase the geographic footprint from which our existing facilities attract patients and referrals.

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

Drive organic growth of existing facilities. We seek to increase revenue at our facilities by providing a broader range of services to new and existing patients and clients. The YFCS acquisition presented us with an opportunity to provide a wider array of behavioral health services (including adult services and acute-care services) to patients and clients in the markets YFCS serviced, without increasing the number of our licensed beds. We believe there are similar opportunities to market a broader array of services to the markets served by PHC s facilities. We also intend to increase licensed bed counts in our existing facilities, with a focus on increasing the number of acute psychiatric beds. For example, since September 1, 2011, we have added 76 beds and expect to add approximately 95 additional beds by March 31, 2012. Additionally, 42 beds have already been converted from residential treatment care beds to acute psychiatric care beds, which have higher reimbursement rates on average. Furthermore, we believe that opportunities exist to leverage out-of-state referrals to increase volume and minimize payor concentration, especially with respect to our youth and adolescent focused services and our substance abuse services.

Recent Developments

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

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

- our issuance of $150,000,000 in aggregate principal amount of 12.875% senior notes due 2018 (the Senior Notes);
- the effectiveness of an amendment to Acadia s senior secured credit facility (the Second Amendment);
- the payment of a cash dividend to the holders of shares of Acadia s common stock immediately prior to the Merger of approximately $74.4 million;
- the permanent repayment of all outstanding indebtedness under PHC s senior credit facility; and

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- the payment of approximately $40.9 million of fees and expenses related to the foregoing transactions, including approximately $20.6 million paid to Waud Capital Partners, L.L.C. (Waud Capital Partners) to terminate its professional services agreement and approximately $2.4 million of change in control payments paid to certain PHC executives, commitment, placement and other financing fees, financial advisory costs and other transaction costs and professional fees.

For a description of our senior secured credit facility and the Second Amendment, see Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Description of Other Indebtedness. Unless the context otherwise requires, references in this prospectus to Senior Secured Credit Facility shall refer to our senior secured credit facility, as amended.

Equity Sponsor

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

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

Company Information

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

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THE OFFERING

Common stock outstanding prior to this offering	We estimate that 22,608,604 shares are outstanding prior to this offering. This estimate assumes that all former PHC stockholders have surrendered their PHC stock certificates, letters of transmittal and any other related deliveries in accordance with the exchange procedures set forth in the PHC merger agreement and the related letter of transmittal.
Common stock being offered	8,333,333 shares
Common stock outstanding after this offering	Subject to the assumptions set forth above, we estimate that there will be 30,941,937 shares outstanding after the completion of this offering.
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $65.6 million assuming a public offering price of $8.40 per share. We plan to use the proceeds from this offering principally to fund our acquisition strategy, and otherwise for general corporate purposes and the repayment of debt under the Senior Secured Credit Facility. Subject to receipt of the consent of our lenders under the Senior Secured Credit Facility, we may also use the proceeds to repay debt under the Senior Notes. See Use of Proceeds.
Risk Factors	Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 16 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock. See Risk Factors.
Symbol for trading on The Nasdaq Global Stock Market	ACHC

Unless otherwise indicated, all information in this prospectus relating to the number of shares of common stock to be outstanding immediately after this offering:

- gives effect to the issuance of 8,333,333 shares of our common stock in this offering;
- excludes:
  - 302,134 shares of common stock issuable upon exercise of stock options outstanding as of November 1, 2011 (after giving effect to the Merger) at a weighted average exercise price of $7.36 per share;
  - 90,750 shares of common stock issuable upon the exercise of warrants outstanding as of November 1, 2011 (after giving effect to the Merger) at a weighted average exercise price of $12.37 per share;

- an aggregate of 2,700,000 shares of our common stock reserved for future grants under our 2011 Incentive Compensation Plan as of November 1, 2011; and

- assumes no exercise by the underwriters of their over-allotment option to purchase up to 1,249,999 additional shares of our common stock from us.

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SUMMARY HISTORICAL CONDENSED CONSOLIDATED FINANCIAL DATA AND UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

Acadia Historical Financial Data

The following table sets forth summary historical condensed consolidated financial data for Acadia and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to YFCS operating results prior to April 1, 2011 or the consummation of the Transactions. Acadia has derived the historical consolidated financial data as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from Acadia Healthcare Company, LLC s audited consolidated financial statements included elsewhere in this prospectus. Acadia has derived the summary consolidated financial data as of and for the nine months ended September 30, 2010 and 2011 from Acadia Healthcare Company, Inc. s unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Acadia has derived the summary consolidated financial data as of December 31, 2008 from Acadia Healthcare Company, LLC s audited consolidated financial statements not included in this prospectus. The results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The summary consolidated financial data below should be read in conjunction with Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Combined Financial Information and Acadia Healthcare Company, LLC s consolidated financial statements and the notes thereto included elsewhere in this prospectus. On May 13, 2011, Acadia Healthcare Company, LLC elected to convert to a corporation (Acadia Healthcare Company, Inc.) in accordance with Delaware law.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
	2008	2009	2010	SEPTEMBER 30, 2010 (unaudited)	SEPTEMBER 30, 2011 (unaudited)
			(In thousands)		
Income Statement Data:					
Net patient service revenue	$ 33,353	$ 51,821	$ 64,342	$ 48,344	$ 146,019
Salaries, wages and benefits	22,342	30,752	36,333	28,980	110,750
Professional fees	952	1,977	3,612	1,151	5,111
Provision for doubtful accounts	1,804	2,424	2,239	1,803	1,664
Other operating expenses	8,328	12,116	13,286	8,792	24,344
Depreciation and amortization	740	967	976	728	3,114
Interest expense, net	729	774	738	549	4,143
Sponsor management fees				105	1,135
Transaction related expenses				104	10,594
Income (loss) from continuing operations, before income taxes	(1,542)	2,811	7,158	6,132	(14,836)
Income tax provision (benefit)	20	53	477	459	3,382
Income (loss) from continuing operations	(1,562)	2,758	6,681	5,673	(18,218)
(Loss) income from discontinued operations, net of income taxes	156	119	(471)	13	(765)
Net income (loss)	$ (1,718)	$ 2,877	$ 6,210	$ 5,686	$ (18,983)
Balance Sheet Data (as of end of period):					
Cash and equivalents	$ 45	$ 4,489	$ 8,614	$ 6,479	$ 1,254
Total assets	32,274	41,254	45,395	42,937	269,609
Total debt	11,062	10,259	9,984	10,051	138,125
Total members equity	15,817	21,193	25,107	24,648	76,986

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YFCS Historical Financial Data

The following table sets forth summary historical condensed consolidated financial data for YFCS and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to Acadia s acquisition of YFCS or the Transactions. Acadia has derived the historical consolidated financial data as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from YFCS audited consolidated financial statements included elsewhere in this prospectus. Acadia has derived the summary consolidated financial data as of and for the three months ended March 31, 2010 and 2011 from YFCS unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Acadia has derived the summary consolidated financial data as of December 31, 2008 from YFCS audited consolidated financial statements not included in this prospectus. The results for the three months ended March 31, 2011 are not necessarily indicative of the results that may have been expected for the entire fiscal year. The summary financial data below should be read in conjunction with Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations YFCS Acquisition, Unaudited Pro Forma Condensed Combined Financial Information and YFCS consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED	
	2008	2009	2010	MARCH 31, 2010 (unaudited)	MARCH 31, 2011 (unaudited)
			(In thousands)		
Income Statement Data:					
Revenue	$ 180,646	$ 186,586	$ 184,386	$ 45,489	$ 45,686
Salaries and benefits	110,966	113,870	113,931	27,813	29,502
Other operating expenses	37,704	37,607	38,146	8,944	9,907
Provision for bad debts	1,902	(309)	525	56	208
Interest expense	12,488	9,572	7,514	1,954	1,726
Depreciation and amortization	9,419	7,052	3,456	914	819
Impairment of goodwill			23,528		
Income (loss) from continuing operations, before income taxes	8,167	18,794	(2,714)	5,808	3,524
Provision for income taxes	3,132	7,133	5,032	2,267	1,404
Income (loss) from continuing operations	5,035	11,661	(7,746)	3,541	2,120
Income (loss) from discontinued operations, net of income taxes	964	(1,443)	(4,060)	(151)	(64)
Net income (loss)	$ 5,999	$ 10,218	$ (11,806)	$ 3,390	$ 2,056
Balance Sheet Data (as of end of period):					
Cash and equivalents	$ 20,874	$ 15,294	$ 5,307	$ 8,570	$ 4,009
Total assets	271,446	254,620	217,530	249,748	216,609
Total debt	138,234	112,127	86,073	98,831	84,304
Total stockholders equity	102,696	113,921	102,126	117,311	104,182

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PHC Historical Financial Data

The following table sets forth summary historical condensed consolidated financial data for PHC and its subsidiaries on a consolidated basis for the periods ended and at the dates indicated and does not give effect to the consummation of the Transactions. The consolidated financial statements of PHC and the notes related thereto are included elsewhere in this prospectus. PHC 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 prospectus. PHC has derived the historical consolidated financial data as of and for the three months ended September 30, 2010 and 2011 from PHC s unaudited interim financial statements included elsewhere in this prospectus. Certain amounts for all periods presented have been reclassified to be consistent with Acadia s financial information. PHC 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 prospectus. The summary financial data below should be read in conjunction with the PHC Management s Discussion and Analysis of Financial Condition and Results of Operations, Unaudited Pro Forma Condensed Combined Financial Information and PHC s consolidated financial statements and the notes thereto included elsewhere in this prospectus.

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

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Summary Unaudited Pro Forma Condensed Combined Financial Data

The following summary unaudited pro forma condensed combined financial data gives effect to (1) Acadia s acquisition of YFCS and the related debt and equity financing transactions on April 1, 2011, (2) PHC s acquisition of MeadowWood and related debt financing transaction on July 1, 2011 and (3) the Merger and the related issuance of Senior Notes on November 1, 2011, as if each had occurred on September 30, 2011 for the unaudited pro forma condensed combined balance sheet and January 1, 2010 for the unaudited pro forma condensed combined statements of operations. The unaudited pro forma condensed combined balance sheet, on a pro forma as adjusted basis, gives further effect to the sale of 8,333,333 shares of common stock in this offering, based on an assumed public offering price of $8.40 per share, the closing price of our common stock on December 1, 2011, as reported by The Nasdaq Global Market, and our receipt of the estimated net proceeds therefrom, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Acadia s condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of YFCS and related debt and equity transactions and Acadia s condensed consolidated statement of operations reflects the results of YFCS operations for the period from April 1, 2011 to September 30, 2011. PHC s condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of MeadowWood and related debt financing transaction on July 1, 2011.

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

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

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2010 combines the unaudited condensed consolidated statements of operations of Acadia, YFCS, HHC Delaware and PHC (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the three months ended September 30, 2010). The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2011 combines Acadia s unaudited condensed consolidated statement of operations for that period with the unaudited condensed consolidated statement of operations of YFCS for the three months ended March 31, 2011, the unaudited condensed consolidated statement of operations of HHC Delaware for the six months ended June 30, 2011 and the unaudited condensed consolidated statement of operations of PHC for the nine months ended September 30, 2011 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2011 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010 plus the unaudited condensed consolidated statement of operations of PHC for the three months ended September 30, 2011). The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines the audited consolidated statement of operations of Acadia, YFCS and HHC Delaware for that period with the unaudited condensed consolidated statement of operations of PHC for that period (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010).

The unaudited pro forma condensed combined financial data has been prepared using the acquisition method of accounting for business combinations under GAAP. The adjustments necessary to fairly present the unaudited pro forma condensed combined financial data have been made based on available information and in the opinion of management are reasonable. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed combined financial data. The pro forma adjustments are preliminary and revisions to the fair value of assets acquired and liabilities assumed and the financing of the Transactions may have a significant impact

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on the pro forma adjustments. A final valuation of assets acquired and liabilities assumed in the YFCS, MeadowWood and PHC acquisitions has not been completed and the completion of fair value determinations will most likely result in changes in the values assigned to property and equipment and other assets (including intangibles) acquired and liabilities assumed.

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

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

	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
Unaudited Pro Forma Condensed Combined Balance Sheet Data (as of September 30, 2011):			
Cash and equivalents	$ 1,254	$ 5,234	$ 70,827
Total assets	269,609	359,026	424,619
Total debt	138,125	285,610	285,610
Total stockholders equity	76,986	11,029	76,622

(1) Pro Forma EBITDA and Pro Forma Adjusted EBITDA are reconciled to pro forma net income (loss) in the table below. Pro Forma EBITDA and Pro Forma Adjusted EBITDA are financial measures not recognized under GAAP. When presenting non-GAAP

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financial measures, we are required to reconcile the non-GAAP financial measures with the most directly comparable GAAP financial measure or measures. We define Pro Forma EBITDA as pro forma net income (loss) adjusted for (loss) income from discontinued operations, net interest expense, income tax provision (benefit) and depreciation and amortization. Pro Forma Adjusted EBITDA differs from EBITDA as that term may be commonly used. We define Pro Forma Adjusted EBITDA, as Pro Forma EBITDA adjusted for equity-based compensation expense, transaction-related expenses, management fees, impairment charges, legal settlement, and integration and closing costs. For the nine-month periods ended September 30, 2011 and 2010 and the twelve-month period ended December 31, 2010, Pro Forma Adjusted EBITDA also includes adjustments relating to a rate increase on one of PHC s contracts, anticipated future operating income at the Seven Hills Behavioral Center, the elimination of rent expense associated with PHC s subsidiary, Detroit Behavioral Institute, Inc., and cost savings/synergies in connection with the Merger. See the table and related footnotes below for additional information.

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

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

(a) Transaction-related expenses related to the acquisition of YFCS and the Merger of approximately $13.0 million for the nine months ended September 30, 2011 have been excluded from the computation of pro forma net income. In addition, advisory fees paid to Waud Capital Partners of approximately $1.0 million for the nine months ended September 30, 2011 have been

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excluded from the computation of pro forma net income due to the termination of the professional services agreement between Acadia and Waud Capital Partners on November 1, 2011.

(b) Represents the equity-based compensation expense of Acadia, YFCS and PHC for the respective periods. Acadia recognized $19.8 million of equity-based compensation expense in the nine months ended September 30, 2011 related to equity units issued in conjunction with the YFCS acquisition.

(c) Represents a portion of the acquisition-related fees and expenses incurred by Acadia in the respective periods, but excludes certain one-time transaction related expenses associated with the acquisition of YFCS and the Merger that were excluded from the computation of pro forma net income. See note (a).

(d) Represents the management fees paid by MeadowWood to its former parent companies and a portion of the management fees paid by Acadia to its equity sponsor, Waud Capital Partners, that was not excluded in the computation of pro forma net income.

(e) In connection with the execution of the sale agreement and plan of merger for the purchase of YFCS, YFCS recorded an impairment charge of approximately $23.5 million for the year ended December 31, 2010 as a result of management s conclusion that the carrying value of goodwill exceeded the fair value implied by the sale of the company.

(f) Represents legal settlement expenses recognized by PHC resulting from an employee wrongful termination suit against PHC that was settled in April 2011.

(g) Represents costs incurred by Acadia related to the closing of the YFCS corporate office, including the costs of temporarily retaining certain employees for a transitional period following the acquisition date.

(h) Represents the increased revenue that would have resulted from an increased rate on one of PHC s contracts that became effective in March 2011, assuming such increased rate had been effective throughout all periods presented. The increased rate was estimated by multiplying the historical plan enrollment by the newly-contracted rate, which resulted in an approximate $0.17 million increase in revenue and EBITDA for each month prior to March 2011 in which the rate was not effective.

(i) The Seven Hills Behavioral Center was opened in the fourth quarter of 2008 and became certified by the Center for Medicare and Medicaid Services in July 2010. The adjustment represents the estimated additional operating income that would have been generated by this facility if it had operated at expected levels for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010. This adjustment is based upon the difference between the actual operating income for the Seven Hills Behavioral Center in the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively, and the operating income that we anticipate the facility will achieve when it operates at expected levels.

(j) Represents rent payments relating to PHC s subsidiary, Detroit Behavioral Institute, Inc. (d/b/a Capstone Academy), as if the leased property had been owned by PHC throughout the periods presented. PHC currently leases the Capstone Academy property. The lessor financed the acquisition of the property through the issuance of notes to certain lenders. On November 13, 2010, PHC, through its subsidiary Detroit Behavioral Institute, Inc. (d/b/a Capstone Academy), purchased the notes from the lenders. The lessor was in default at the time PHC purchased the notes, and PHC initiated foreclosure proceedings in court. Upon completion of the foreclosure proceedings, the property will be owned by Acadia and rent expense will no longer be incurred.

(k) Acadia expects to realize annual cost savings of approximately $3.4 million beginning in fiscal 2012 as a result of the Merger and the elimination of certain redundant positions, professional services and other expenses, as well as the efficiencies of integrating corporate functions within a larger company framework.

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

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RISK FACTORS

This offering and an investment in our common stock involve a high degree of risk. You should carefully consider the following risk factors discussed below as well as the other information presented in this prospectus, in evaluating us, our business and an investment in our common stock. If any of the following risks, as well as other risks and uncertainties, actually occurs, our business, financial condition, results of operations, cash flow and prospects could be materially and adversely affected. As a result, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition, operating results and cash flows and cause the value of our common stock to decline. See Forward-Looking Statements.

Risks Relating to Our Business

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

A significant portion of our revenues is from the government, principally Medicare and Medicaid. For the year ended December 31, 2010, Acadia derived approximately 68% of its revenues (on a pro forma basis giving effect to the YFCS acquisition) from the Medicare and Medicaid programs. PHC derived approximately 27% of its revenues from such programs for the fiscal year ended June 30, 2011 (on a pro forma basis giving effect to the MeadowWood acquisition). Changes in government health care programs may reduce the reimbursement we receive and could adversely affect our business and results of operations.

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

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

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

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

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

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

Furthermore, the availability of liquidity and credit to fund the continuation and expansion of many business operations worldwide has been limited in recent years. Our ability to access the capital markets on acceptable terms may be severely restricted at a time when we would like, or need, access to those markets, which could have a negative impact on our growth plans, our flexibility to react to changing economic and business conditions and our ability to refinance existing debt (including indebtedness under the Senior Secured Credit Facility). The current economic downturn or other economic conditions could also adversely affect the counterparties to our agreements, including the lenders under the Senior Secured Credit Facility, causing them to fail to meet their obligations to us.

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

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

- increase our vulnerability to general adverse economic and industry conditions;
- make it more difficult for us to satisfy our other financial obligations;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness (including scheduled repayments on our outstanding term loan borrowings under the Senior Secured Credit Facility), thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- expose us to interest rate fluctuations because the interest on the debt relating to revolving borrowings under the Senior Secured Credit Facility is imposed at variable rates;
- make it more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit our ability to borrow additional funds; and

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

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

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

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associated with health-related information and patient personal information and medical records; the screening, stabilization and/or transfer of patients who have emergency medical conditions; certification, licensure and accreditation of our facilities; operating policies and procedures, activities regarding competitors; and addition or expansion of facilities and services.

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

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

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

There are currently numerous legislative and regulatory initiatives at the federal and state levels addressing patient privacy and security concerns. In particular, federal regulations issued under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, require our facilities to comply with standards to protect the privacy, security and integrity of health care information. These regulations have imposed extensive administrative requirements, technical and physical information security requirements, restrictions on the use and disclosure of individually identifiable patient health and related financial information and have provided patients with additional rights with respect to their health information. Compliance with these regulations requires substantial expenditures, which could negatively impact our financial results. In addition, our management has spent, and may spend in the future, substantial time and effort on compliance measures.

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

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

We are subject to medical malpractice lawsuits and other legal actions in the ordinary course of business. Some of these actions may involve large claims, as well as significant defense costs. We cannot predict the outcome of these lawsuits or the effect that findings in such lawsuits may have on us. All professional and general liability insurance we purchase is subject to policy limitations. We believe that, based on our past experience and actuarial estimates,

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our insurance coverage is adequate considering the claims arising from the operations of our facilities. While we continuously monitor our coverage, our ultimate liability for professional and general liability claims could change materially from our current estimates. If such policy limitations should be partially or fully exhausted in the future, or payments of claims exceed our estimates or are not covered by our insurance, it could have a material adverse effect on our operations.

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

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

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

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

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

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

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

The expansion of health insurance coverage under the Health Reform Legislation may increase the number of patients using our facilities who have either private or public program coverage. In addition, a disproportionately large percentage of new Medicaid coverage is likely to be in states that currently have relatively low income eligibility requirements and may include states where we have facilities. Furthermore, as a result of the Health Reform Legislation, there may be a reduction in uninsured patients, which should reduce our expense from uncollectible accounts receivable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Increased labor union activity is another factor that could adversely affect our labor costs. To date, labor unions represent employees at only five of our 34 facilities. Although we are not aware of any union organizing activity at any of our other facilities, we are unable to predict whether any such activity will take place in the future. To the extent that a greater portion of our employee base unionizes, it is possible that our labor costs could increase materially.

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

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

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

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

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

We are subject to various federal, state and local laws and regulations that:

- regulate certain activities and operations that may have environmental or health and safety effects, such as the generation, handling and disposal of medical wastes,
- impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances, and
- regulate workplace safety.

Compliance with these laws and regulations could increase our costs of operation. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial position or cash flows. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse affect on our business.

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

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

Integration risks.

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

- additional psychiatrists, other physicians and employees who are not familiar with our operations;
- patients who may elect to switch to another behavioral health care provider;
- regulatory compliance programs; and

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

Integrating a new facility could be expensive and time consuming and could disrupt our ongoing business, negatively affect cash flow and distract management and other key personnel from day-to-day operations.

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

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Benefits may not materialize.

When evaluating potential acquisition targets, we identify potential synergies and cost savings that we expect to realize upon the successful completion of the acquisition and the integration of the related operations. We may, however, be unable to achieve or may otherwise never realize the expected benefits. In connection with the Merger, the expected improvements to our revenue base result from a rate increase on one of our contracts effective in March 2011 and the expansion of one of our existing contracts in December 2010. In an effort to illustrate the impact of these items on our operating income, we have made an estimate of the impact of these improvements for the twelve months ended June 30, 2011, even though they were not effective for that entire period. In addition, we have made an estimate of the future operating income we expect to earn once the Seven Hills Behavioral Center is operating at expected levels. The Seven Hills Behavioral Center was opened in the fourth quarter of 2008 and became CMS certified in July 2010. See Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations Anticipated Synergies, Cost Savings and Revenue Improvements. Although these estimates are presented in Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations Anticipated Synergies, Cost Savings and Revenue Improvements with numerical specificity, they are inherently uncertain and are not intended to represent what our financial position or results of operations might be for any future period. Our ability to realize the expected benefits from these improvements are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, such as changes to government regulation governing or otherwise impacting the behavioral health care industry, reductions in reimbursement rates from third party payors, reductions in service levels under our contracts, operating difficulties, client preferences, changes in competition and general economic or industry conditions. If we are unsuccessful in implementing these improvements or if we do not achieve our expected results, it may adversely impact our results of operations.

Assumptions of unknown liabilities

Facilities that we acquire may have unknown or contingent liabilities, including, but not limited to, liabilities for failure to comply with healthcare laws and regulations. Although we typically attempt to exclude significant liabilities from our acquisition transactions and seek indemnification from the sellers of such facilities for at least a portion of these matters, we may experience difficulty enforcing those obligations or we may incur material liabilities for the past activities of acquired facilities. Such liabilities and related legal or other costs and/or resulting damage to a facility s reputation could negatively impact our business.

Competing for acquisitions

We face competition for acquisition candidates primarily from other for-profit healthcare companies, as well as from not-for-profit entities. Some of our competitors have greater resources than we do. As a result, we may pay more to acquire a target business or may agree to less favorable deal terms than we would have otherwise. Our principal competitors for acquisitions have included Universal Health Services, Inc. (UHS), Aurora Behavioral Health Care (Aurora) and Ascend Health Corporation (Ascend). Also, suitable acquisitions may not be accomplished due to unfavorable terms.

Further, the cost of an acquisition could result in a dilutive effect on our results of operations, depending on various factors, including the amount paid for an acquired facility, the acquired facility s results of operations, the fair value of assets acquired and liabilities assumed, effects of subsequent legislation and limits on rate increases.

Managing growth

Some of the facilities we have acquired or may acquire in the future may have had significantly lower operating margins than the facilities we operated prior to the time of our acquisition thereof or had operating losses prior to such acquisition. If we fail to improve the operating margins of the facilities we acquire, operate such facilities profitably or effectively integrate the operations of the acquired facilities, our results of operations could be negatively impacted.

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

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

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

Controls designed to reduce inpatient services may reduce our revenues.

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

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

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

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

We currently operate 34 treatment facilities, 18 of which are located in Arkansas, Indiana, Michigan, Mississippi or Nevada. Our revenues in those states represented approximately 53% of our consolidated revenue for the year ended December 31, 2010 (on a pro forma basis giving effect to the YFCS acquisition and the Merger, including PHC s acquisition of MeadowWood). This concentration makes us particularly sensitive to legislative, regulatory, economic, environmental and competition changes in those states. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have a disproportionate effect on our overall business results.

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

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

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

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

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

Risks Relating to this Offering and Ownership of Our Common Stock

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

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

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

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

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

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

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

Our stock price may experience significant volatility due to external factors in our quarterly operating results.

The market price for our common stock is likely to be volatile, in part because our shares have a short history of being traded publicly. 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

Provisions of our charter documents 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 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. 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.

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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, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that 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 our outstanding voting stock will be deemed to have been approved by our board of directors, and thereby not subject to the restrictions set forth in our amended and restated certificate of incorporation that have the same effect as Section 203 of the DGCL. Accordingly, the provision in our 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 and Delaware law, the price investors may be willing to pay in the future for shares of our common stock may be limited.

We do not anticipate paying any cash dividends in the foreseeable future.

We intend to retain our future earnings, if any, for use in our business or for other corporate purposes and do 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 our results of operations, financial position and such other factors as our board of directors, in its discretion, deems relevant. In addition, the terms of our debt substantially limit our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

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

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

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FORWARD-LOOKING STATEMENTS

Some of the statements made in this prospectus constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements include any statements that address future results or occurrences. In some cases you can identify forward looking statements by terminology such as may, might, will, should, could or the negative thereof. Generally, the words anticipate, believe, continues, expect, intend, estimate, project, plan and similar expressions identify forward looking statements. In statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this prospectus under the headings Prospectus Summary, Risk Factors, Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations, PHC Management s Discussion and Analysis of Financial Condition and Results of Operations, Business are forward-looking statements.

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

- our significant indebtednesses and ability to incur substantially more debt;
- our future cash flow and earnings;
- our ability to meet our debt obligations;
- the impact of payments received from the government and third-party payors on our revenues and results of operations;
- the impact of the economic and employment conditions in the United States on our business and future results of operations;
- the impact of recent health care reform;
- the impact of our highly competitive industry on patient volumes;
- the impact of recruitment and retention of quality psychiatrists and other physicians on our performance;
- the impact of competition for staffing on our labor costs and profitability;
- our dependence on key management personnel, key executives and our local facility management personnel;
- compliance with laws and government regulations;
- the impact of claims brought against our facilities;

- the impact of governmental investigations, regulatory actions and whistleblower lawsuits;
- difficulties in successfully integrating the YFCS and PHC facilities and operations or realizing the potential benefits and synergies of these acquisitions;
- the impact on our growth strategy from difficulties in acquiring facilities in general and from not-for-profit entities due to regulatory scrutiny;
- difficulties in improving the operations of the facilities we acquire;
- the impact of unknown or contingent liabilities on facilities we acquire;
- the impact of state efforts to regulate the construction or expansion of health care facilities on our ability to operate and expand our operations;
- the impact of controls designed to reduce inpatient services on our revenues;
- the impact of fluctuations in our operating results, quarter to quarter earnings and other factors on the price of our common stock;

- the impact of different interpretations of accounting principles on our results of operations or financial condition;
- the impact of an increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients on our results of operations;
- the impact of legislative and regulatory initiatives relating to privacy and security of patient health information and standards for electronic transactions;
- the impact of the trend for insurance companies and managed care organizations to enter into sole source contracts on our ability to obtain patients;
- the fact that we have not previously been required to comply with regulatory requirements applicable to reporting companies;
- our status as a controlled company ; and
- the other risks described under the heading Risk Factors.

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

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USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of shares of 8,333,333 common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $65.6 million, assuming a public offering price of $8.40 per share, which was the closing price of our common stock on December 1, 2011, as reported by The Nasdaq Global Market.

A $1.00 increase (decrease) in the assumed initial public offering price of $8.40 per share would increase (decrease) our net proceeds from this offering by approximately $7.9 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, we estimate that the net proceeds from this offering will be approximately $75.5 million, assuming a public offering price of $8.40 per share, which was the closing price of our common stock on December 1, 2011, as reported by The Nasdaq Global Market, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the proceeds from this offering principally to fund our acquisition strategy. We have a number of acquisitions that are in various stages of development and consideration. While acquisitions are a principal element of our growth strategy, and at any given point in time we are likely to be in discussions with third parties regarding both small and substantial acquisitions, we are not currently a party to any definitive agreement regarding any material acquisition.

To the extent not used for acquisitions, we plan to use the proceeds for general corporate purposes and in addition, we may use the proceeds to repay debt under the Senior Secured Credit Facility and the Senior Notes, which we incurred to finance our acquisition of YFCS and the Merger. If we choose to repay the debt under the Senior Notes, we will need to obtain the consent of the lenders under the Senior Secured Credit Facility, which we are seeking. The applicable rate for Eurodollar Rate Loans and Base Rate Loans under the Senior Secured Credit Facility is 4.50% and 3.50%, respectively, from November 1, 2011 through the date of delivery of a compliance certificate for the first fiscal quarter ending after November 1, 2011. The maturity date of the Senior Secured Credit Facility is April 1, 2016. The Senior Notes bear interest at a rate of 12.875% per annum and mature on November 1, 2018. See Description of Certain Indebtedness.

As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the proceeds from this offering or the amounts that we will actually spend on the uses set forth above. Accordingly, we will retain broad discretion over the use of such proceeds. The uses, amounts and timing of our actual expenditures will depend on numerous factors, including the extent to which we are successful in identifying and completing acquisitions, our ability to obtain the consent of the lenders under the Senior Secured Credit Facility regarding the repayment of debt under the Senior Notes, the results of our ongoing integration efforts and the amount of cash generated or used by our operations. Under the terms of the Senior Secured Credit Facility, we are required to use 50% of the proceeds from this offering to repay outstanding debt thereunder unless such proceeds are used to finance permitted acquisitions (as defined in the Senior Secured Credit Facility) within 180 days of receipt thereof. Pending application of the proceeds as described above, we intend to place the proceeds in interest bearing time deposits of a national banking association which are insured by the Federal Deposit Insurance Corporation or to invest the proceeds in bonds or other debt obligations issued or guaranteed by the United States government or one of its agencies or instrumentalities or money market funds solely invested in or collateralized by such bonds or debt obligations.

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DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business and to repay indebtedness, and therefore we do not anticipate paying any cash dividends in the foreseeable future. Additionally, because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. See Description of Certain Indebtedness. Any future determination to pay dividends will be at the discretion of our board of directors, subject to compliance with covenants in current and future agreements governing our indebtedness (including the Senior Secured Credit Facility and the indenture governing the Senior Notes), and will depend upon our results of operations, financial condition, capital requirements and other factors that our board of directors deems relevant.

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CAPITALIZATION

The following table describes our cash and cash equivalents and our consolidated capitalization as of September 30, 2011:

- on an actual basis;
- on a pro forma basis giving effect to (1) PHC s acquisition of MeadowWood and related debt financing transaction on July 1, 2011 and (2) the Merger and the Transactions; and
- on a pro forma as adjusted basis giving further effect to the sale of 8,333,333 shares of common stock in this offering, based on an assumed public offering price of $8.40 per share, the closing price of our common stock on December 1, 2011, as reported by The Nasdaq Global Market, and our receipt of the estimated net proceeds therefrom, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. You should read this table in conjunction with Use of Proceeds, Selected Historical Financial Information, Unaudited Pro Forma Condensed Combined Financial Information, Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements of Acadia, YFCS, PHC and HHC Delaware and notes thereto appearing elsewhere in this prospectus.

	AS OF SEPTEMBER 30, 2011		
	ACTUAL	PRO FORMA (unaudited)	PRO FORMA AS ADJUSTED
	(In thousands, except share and per share amounts)		
Cash and cash equivalents	$ 1,254	$5,234	$ 70,827
Debt:			
Senior Secured Credit Facility:			
Senior secured term loan	$ 131,625	$131,625	$131,625
Revolving credit facility	6,500	6,500	6,500
Senior Notes		147,485	147,485
Total debt (including current portion)	$ 138,125	$ 285,610	$ 285,610
Stockholders equity:			
Common stock, $0.01 par value per share; 90,000,000 authorized and 17,633,116 issued and outstanding, actual; 90,000,000 authorized and 22,524,783 estimated issued and outstanding, pro forma; 90,000,000 authorized, 30,858,116 shares estimated issued and outstanding, pro forma as adjusted basis	176	225	308
Preferred stock, $0.01 par value per share; 10,000,000 shares authorized, no shares issued and outstanding, actual; 10,000,000 shares authorized, no shares issued and outstanding, pro forma; 10,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted			
Additional paid-in-capital	105,481	76,669	142,179
Accumulated deficit	(28,671)	(65,865)	(65,865)

Total equity	76,986	11,029		76,622
Total capitalization	$ 215,111	$296,639	$	362,232

A $1.00 increase (decrease) in the assumed public offering price of $8.40 per share would increase (decrease) each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, stockholders equity and total capitalization by approximately $7.8 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following tables set forth the unaudited pro forma condensed combined financial data for Acadia, YFCS, PHC and MeadowWood as a combined company, giving effect to (1) Acadia s acquisition of YFCS and the related debt and equity financing transactions on April 1, 2011, (2) PHC s acquisition of MeadowWood and related debt financing transaction on July 1, 2011 and (3) the Merger and the related issuance of Senior Notes on November 1, 2011, as if each had occurred on September 30, 2011 for the unaudited pro forma condensed combined balance sheet and January 1, 2010 for the unaudited pro forma condensed combined statements of operations. Acadia s condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of YFCS and related debt and equity transactions, and Acadia s condensed consolidated statement of operations reflects the results of YFCS operations for the period from April 1, 2011 to September 30, 2011. PHC s condensed consolidated balance sheet as of September 30, 2011 reflects the acquisition of MeadowWood and related debt financing transaction on July 1, 2011.

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

The unaudited pro forma condensed combined balance sheet as of September 30, 2011 combines the unaudited consolidated balance sheets as of that date of Acadia and PHC. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2010 combines the unaudited condensed consolidated statements of operations of Acadia, YFCS, HHC Delaware and PHC (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the three months ended September 30, 2010). The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2011 combines Acadia s unaudited condensed consolidated statement of operations for that period with the unaudited condensed consolidated statement of operations of YFCS for the three months ended March 31, 2011, the unaudited condensed consolidated statement of operations of HHC Delaware for the six months ended June 30, 2011 and the unaudited condensed consolidated statement of operations of PHC for the nine months ended September 30, 2011 (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2011 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010 plus the unaudited condensed consolidated statement of operations of PHC for the three months ended September 30, 2011). The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 combines the audited consolidated statements of operations of Acadia, YFCS and HHC Delaware for that period with the unaudited condensed consolidated statement of operations of PHC for that period (which was derived from the audited consolidated statement of operations of PHC for the fiscal year ended June 30, 2010 less the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2009 plus the unaudited condensed consolidated statement of operations of PHC for the six months ended December 31, 2010).

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

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

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

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF SEPTEMBER 30, 2011

(In thousands)

	ACADIA (1)	PHC (3)	PRO FORMA MERGER ADJUSTMENTS	*NOTES*	PRO FORMA COMBINED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,254	$ 3,261	$ 719	(8)	$ 5,234
Accounts receivable, net	25,469	12,466			37,935
Other current assets	9,634	6,780			16,414
Total current assets	36,357	22,507	719		59,583
Property and equipment, net	57,783	14,013	481	(7)	72,277
Goodwill	147,081	10,447	33,447	(7)	190,975
Intangible assets, net	18,887	683	1,117	(7)	20,687
Other assets	9,501	4,175	3,800	(8a)	15,504
			(648)	(7)	
			(1,324)	(6)	
Total assets	$ 269,609	$ 51,825	$ 37,592		$ 359,026
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 6,750	$ 235	$ (235)	(9)	$ 6,750
Accounts payable	10,984	2,522			13,506
Accrued salaries and benefits	12,276	2,572			14,848
Other accrued liabilities	6,394	1,712			8,106
Total current liabilities	36,404	7,041	(235)		43,210
Long-term debt	131,375	26,206	121,279	(9)	278,860
Other liabilities	24,844	900	183	(7)	25,927
Total liabilities	192,623	34,147	121,227		347,997
Equity:					
Common stock	176	208	(208)	(5)	225
			49	(7a)	
Additional paid-in capital	105,481	28,267	(28,267)	(5)	76,669
			45,629	(7a)	
			(74,441)	(8)	
Treasury stock		(1,809)	1,809	(5)	
Accumulated deficit	(28,671)	(8,988)	8,988	(5)	(65,865)
			(37,084)	(8a)	
			(110)	(7)	

Total equity	76,986	17,678	(83,635)	11,029
Total liabilities and equity	$ 269,609	$ 51,825	$ 37,592	$ 359,026

See accompanying notes to unaudited pro forma financial information.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(In thousands, except per share data)

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

Basic	17,633,116	4,931,829	(18)	22,564,945
Diluted	17,633,116	4,953,538	(18)	22,586,654

See accompanying notes to unaudited pro forma financial information

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(In thousands, except per share data)

	ACADIA HEALTHCARE (1)	YFCS (2)	ACADIA PRO FORMA YFCS ADJUSTMENTS	NOTES	PRO FORMA ACADIA	PHC (3)	HHC DELAWARE (4)	PHC PROFORMA MEADOWWOOD ADJUSTMENTS	NOTES	PRO FORMA PHC	PRO FORMA MERGER ADJUSTMENTS	NOTES	PRO FORMA COMBINED
Revenue	$ 146,019	$ 45,686			$ 191,705	$ 52,989	$ 7,541			$ 60,530			$ 252,235
Salaries, wages and benefits	110,750	29,502			140,252	27,839	4,747			32,586			172,838
Professional fees	5,111		1,901	(10)	7,012	5,629	454			6,083			13,095
Supplies	7,665		2,204	(10)	9,869	2,062	469			2,531			12,400
Rent	3,725		1,320	(10)	5,045	2,736	19			2,755			7,800
Other operating expenses	12,954	9,907	(5,425)	(10)	17,436	6,916	636			7,552			24,988
Provisions for doubtful accounts	1,664	208			1,872	3,006	339			3,345			5,217
Depreciation and amortization	3,114	819	(1,494)	(13a)	2,439	918	179	31	(13b)	1,128	150	(13c)	3,717
Interest expense, net	4,143	1,726	(169)	(14a)	5,700	967	224	369	(14b)	1,560	14,029	(14c)	21,289
Sponsor management fees	1,135				1,135						(1,000)	(17)	135
Transaction-related expenses	10,594		(10,594)	(11)		2,896		(2,896)	(11)				
Legal settlement						446				446			446
Total expenses	160,855	42,162	(12,257)		190,760	53,415	7,067	(2,496)		57,986	13,179		261,925
Income (loss) from continuing operations before income taxes	(14,836)	3,524	12,257		945	(426)	474	2,496		2,544	(13,179)		(9,690)
Provision (benefit) for income taxes	3,382	1,404	(133)	(15)	9,556	459	193	998	(16)	1,650	(5,272)	(16)	5,934
			4,903	(16)									
Income (loss) from continuing operations	$ (18,218)	$ 2,120	$ 7,487		$ (8,611)	$ (885)	$ 281	$ 1,498		$ 894	$ (7,907)		$ (15,624)
Earnings per unit/share income (loss) from continuing operations:													
Basic	$ (1.03)												$ (0.69)
Diluted	$ (1.03)												$ (0.69)

Weighted average shares:				
Basic	17,633,116	4,891,667	(18)	22,524,783
Diluted	17,633,116	4,891,667	(18)	22,524.783

See accompanying notes to unaudited pro forma financial information

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

(In thousands, except per share data)

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

Weighted average shares:				
Basic	17,633,116	4,903,097	*(18)*	22,536,213
Diluted	17,633,116	4,903,097	*(18)*	22,536,213

See accompanying notes to unaudited pro forma financial information.

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

(Dollars in thousands)

(1) The amounts in this column represent, for Acadia, actual balances as of September 30, 2011 or actual results for the periods presented.

(2) The amounts in this column represent, for YFCS, actual results for the period from January 1, 2010 to September 30, 2010, the period from January 1, 2011 to the April 1, 2011 acquisition date and for the year ended December 31, 2010.

(3) The amounts in this column represent, for PHC, actual balances as of September 30, 2011 or actual results for the periods presented. The condensed consolidated statements of operations of PHC have been reclassified to conform to Acadia s expense classification policies.

(4) The amounts in this column represent, for MeadowWood, actual results for the periods presented.

(5) Reflects the elimination of equity accounts of PHC.

(6) Reflects the elimination of PHC deferred financing costs in connection with the repayment of debt.

(7) Represents the adjustments to acquired property and equipment and intangible assets based on preliminary estimates of fair value and the adjustment to goodwill derived from the difference in the estimated total consideration transferred by Acadia and the estimated fair value of assets acquired and liabilities assumed by Acadia in the Merger, calculated as follows.

Estimated equity consideration [(a)]	$ 44,025
Estimated fair value of vested replacement share-based awards	1,543
Estimated repayment of indebtedness under PHC s senior credit facility	26,441
Estimated cash consideration to Class B common stockholders	5,000
Estimated total consideration	$ 77,009
Cash and cash equivalents	$ 3,261
Accounts receivable	12,466
Other current assets	6,780
Property and equipment	14,494
Contract-based and other intangible assets	1,800
Other long-term assets	2,203
Accounts payable	(2,522)
Accrued salaries and benefits	(2,572)
Other accrued liabilities	(1,712)
Deferred tax liability-long term [(b)]	(183)

Other long-term liabilities	(900)
Fair value of assets acquired less liabilities assumed	$ 33,115
Estimated goodwill	$ 43,894
Less: Historical goodwill	(10,447)
Goodwill adjustment	$ 33,447

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

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

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

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

Sources:	
Issuance of $150,000 of Senior Notes	$ 147,485
Uses:	
Cash payment to Acadia stockholders	(74,441)
Repayment of indebtedness under PHC s senior credit facility	(26,441)
Cash portion of merger consideration	(5,000)
Transaction costs [a]	(40,884)
Cash adjustment	$ 719

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

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

	CURRENT PORTION	LONG-TERM PORTION	TOTAL DEBT
Repayment of indebtedness under PHC s senior credit facility	$ (235)	$ (26,206)	$ (26,441)
Issuance of Senior Notes		147,485	147,485
Adjustments	$ (235)	$ 121,279	$ 121,044

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

(11) Reflects the removal of acquisition-related expenses included in the historical statements of operations relating to Acadia s acquisition of YFCS, PHC s acquisition of MeadowWood and the Merger. Acadia recorded $104, $10,594 and $849 of acquisition-related expenses in the nine months ended September 30, 2010 and 2011 and the twelve months ended December 31, 2010, respectively. YFCS recorded $534 of sale-related expenses in the twelve months ended December 31, 2010. PHC recorded $2,896 of acquisition-related and sale-related expenses in the nine months ended September 30, 2011.

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(12) Reflects the reclassification of workers compensation insurance expense of $1,239 for the twelve months ended December 31, 2010 to salaries, wages and benefits.

(13) Represents the adjustments to depreciation and amortization expense as a result of recording the property and equipment and intangible assets at preliminary estimates of fair value as of the respective dates of the acquisitions, as follows:

(a) YFCS acquisition:

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

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

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(b) MeadowWood acquisition:

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

(c) PHC acquisition:

	AMOUNT	USEFUL LIVES (IN YEARS)	MONTHLY DEPRECIATION	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Land	$ 1,540	N/A	$	$	$	$
Building and improvements	11,150	25, or lease term	93	837	837	1,116
Equipment	1,804	3-7	30	270	270	360
	14,494		123	1,107	1,107	1,476
	700	N/A				

Indefinite-lived license intangibles						
Customer contract intangibles	1,100	5	19	171	171	228
Total depreciation and amortization expense				1,278	1,278	1,704
Less: PHC pro forma depreciation and amortization expense				(1,166)	(1,128)	(1,549)
Depreciation and amortization expense adjustment				$ 112	$ 150	$ 155

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(14) Represents adjustments to interest expense to give effect to the Senior Secured Credit Facility entered into by Acadia on April 1, 2011, the debt incurred by PHC to fund the MeadowWood acquisition, the Second Amendment to the Senior Secured Credit Facility and the Senior Notes issued on November 1, 2011.

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

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

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

(b) The PHC pro forma interest expense adjustment assumes that the interest rate of 7.75% at July 1, 2011, the closing date of the loans under PHC s senior credit facility funding the MeadowWood acquisition, was in effect for the entire period, as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2010	NINE MONTHS ENDED SEPTEMBER 30, 2011	TWELVE MONTHS ENDED DECEMBER 31, 2010
Interest related to PHC s senior credit facility	$ 1,536	$ 1,521	$ 2,046
Plus: Amortization of debt discount and deferred loan costs	286	286	381

		1,822		1,807		2,427
Less: historical interest expense of PHC and MeadowWood		(635)		(1,438)		(851)
Interest expense adjustment	$	1,187	$	369	$	1,576

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

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

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

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

(15) Reflects an increase in income taxes of $2,453 for the nine months ended September 30, 2010, a decrease in income taxes of $133 for the nine months ended September 30, 2011 and an increase in income taxes of $2,448 for the twelve months ended December 31, 2010 to give effect to the election by Acadia Healthcare Company, LLC to be treated as a taxable corporation on April 1, 2011.

(16) Reflects adjustments to income taxes to reflect the impact of the above pro forma adjustments applying combined federal and state statutory tax rates for the respective periods.

(17) Represents the elimination of advisory fees paid to Waud Capital Partners pursuant to our professional services agreement dated April 1, 2011. The adjustment to eliminate advisory fees is factually supportable and directly attributable to the termination of the professional services agreement dated April 1, 2011. The adjustment to eliminate advisory fees is factually supportable and directly attributable to the termination of the professional services agreement on November 1, 2011.

(18) Adjustments to weighted average shares used to compute basic and diluted earnings per unit/share are as follows:

Basic earnings per unit/share

- The conversion and exchange of each Class A and Class B common shares of PHC for one-quarter (1/4) of a share of common stock of Acadia. The issuance of Acadia common stock based on the one-to-four conversion rate and the weighted average shares outstanding for the respective periods is 4,931,829, 4,891,667 and 4,903,097 for the nine months ended September 30, 2010, the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively. Weighted average shares outstanding are derived from PHC, Inc. consolidated financial statements for the respective periods.

Diluted earnings per unit/share

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

- The conversion of outstanding PHC employee stock options and warrants into substantially equivalent Acadia stock options and warrants. The estimated incremental dilutive effect of the stock options and warrants, derived from the consolidated financial statements of PHC based on the one-to-four conversion rate applicable to such award, is 21,709. The options and warrants do not have a dilutive effect for the nine months ended September 30, 2011 and twelve months ended December 31, 2010 given the pro forma combined loss from continuing operations.

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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 nine months ended September 30, 2010 and 2011 do not give effect to the YFCS acquisition prior to April 1, 2010 or the consummation of the Merger. We have 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 prospectus. We have 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 prospectus. We have derived the selected consolidated financial data presented below as of and for the nine months ended September 30, 2010 and 2011 from Acadia Healthcare Company, Inc. s unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year. The 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, Unaudited Pro Forma Condensed Combined Financial Information and Acadia Healthcare Company, LLC s consolidated financial statements and the notes thereto included elsewhere in this prospectus. In addition to the acquisitions described in the notes to the consolidated financial statements included elsewhere in this 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,					NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2007	2008	2009	2010	2010 (unaudited)	2011 (unaudited)
	(In thousands, except per share data)						
Income Statement Data:							
Net patient service revenue	$ 8,542	$ 25,512	$ 33,353	$ 51,821	64,342	$ 48,344	$ 146,019
Salaries, wages and benefits (1)	7,269	19,212	22,342	30,752	36,333	28,980	110,750
Professional fees	1,103	1,349	952	1,977	3,612	1,151	5,111
Provision for doubtful accounts	304	991	1,804	2,424	2,239	1,803	1,664
Other operating expenses (2)	4,865	8,112	8,328	12,116	13,286	8,792	24,344
Depreciation and amortization	202	522	740	967	976	728	3,114
Interest expense, net	171	992	729	774	738	549	4,143
Sponsor management fees						105	1,135
Transaction related expenses						104	10,594
Income (loss) from continuing operations, before income taxes	(5,372)	(5,666)	(1,542)	2,811	7,158	6,132	(14,836)
Income tax provision (benefit)			20	53	477	459	3,382
Income (loss) from continuing operations	(5,372)	(5,666)	(1,562)	2,758	6,681	5,673	(18,218)
(Loss) gain from discontinued operations, net of income taxes	(838)	(3,208)	(156)	119	(471)	13	(765)
(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	$ 5,686	$ (18,983)
Income (loss) from continuing operations per share-basic and diluted	$ (0.30)	$ (0.32)	$ (0.09)	$ 0.16	$ 0.38	$ 0.32	$ (1.03)
Cash dividends per share					$ 0.13	$ 0.13	$ 0.02
Balance Sheet Data (as of end of period):							
Cash and equivalents	$ 28	$ 1,681	$ 45	$ 4,489	$ 8,614	$ 6,479	$ 1,254

Total assets	17,878	23,414	32,274	41,254	45,395	42,937	269,609
Total debt	3,889	11,608	11,062	10,259	9,984	10,051	138,125
Total equity	7,568	7,135	15,817	21,193	25,107	24,648	76,986

(1) Salaries, wages and benefits for the nine months ended September 30, 2011 includes $19.8 million of equity-based compensation expense recorded related to equity units issued in conjunction with the YFCS acquisition.

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(2) Expenses of $0.9 million and $10.6 million, related to the acquisition of YFCS and the Merger are reflected in other operating expenses for the twelve months ended December 31, 2010 and the nine months ended September 30, 2011, respectively.

YFCS Historical Financial Data

The selected financial data presented below as of and for the fiscal years ended December 31, 2006, 2007, 2008, 2009 and 2010 and as of and for the three months ended March 31, 2010 and 2011 do not give effect to Acadia s acquisition of YFCS or the consummation of the Merger. Acadia acquired YFCS on April 1, 2011, and the financial results of Acadia give effect to the acquisition of YFCS from the date of acquisition. We have derived the selected financial data presented below for the fiscal years ended December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010 from YFCS audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated financial data presented below for the fiscal years ended December 31, 2006, 2007 and 2008 and for each of the two years in the period ended December 31, 2007 from YFCS audited financial statements not included in this prospectus. We have derived the selected consolidated financial data presented below as of and for the three months ended March 31, 2010 and 2011 from YFCS unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The results for the three months ended March 31, 2011 are not necessarily indicative of the results that may have been expected for the entire fiscal year. The selected consolidated financial data below should be read in conjunction with the Acadia Management s Discussion and Analysis of Financial Condition and Results of Operations YFCS Acquisition, Unaudited Pro Forma Condensed Combined Financial Information and YFCS consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	2006	2007	2008	2009	2010	2010 (unaudited)	2011 (unaudited)
	(In thousands)						
Income Statement Data:							
Revenue	$ 149,837	$ 171,425	$ 180,646	$ 186,586	$ 184,386	$ 45,489	$ 45,686
Salaries and benefits	88,870	105,754	110,966	113,870	113,931	27,813	29,502
Other operating expenses	32,216	36,799	37,704	37,607	38,146	8,944	9,907
Provision for bad debts	365	1,411	1,902	(309)	525	56	208
Interest expense	14,280	14,768	12,488	9,572	7,514	1,954	1,726
Depreciation and amortization	8,846	9,890	9,419	7,052	3,456	914	819
Impairment of goodwill					23,528		
Income (loss) from continuing operations, before income taxes	5,260	2,803	8,167	18,794	(2,714)	5,808	3,524
Provision for income taxes	1,491	1,252	3,132	7,133	5,032	2,267	1,404
Income (loss) from continuing operations	3,769	1,551	5,035	11,661	(7,746)	3,541	2,120
Income (loss) from discontinued operations, net of income taxes	(2,160)	844	964	(1,443)	(4,060)	(151)	(64)
Net income (loss)	$ 1,609	$ 2,395	$ 5,999	$ 10,218	$ (11,806)	$ 3,390	$ 2,056
Balance Sheet Data (as of end of period):							
Cash and equivalents	$ 8,492	$ 6,875	$ 20,874	$ 15,294	$ 5,307	$ 8,570	$ 4,009
Total assets	279,091	268,622	271,446	254,620	217,530	249,748	216,609
Total debt	151,102	139,687	138,234	112,127	86,073	98,831	84,304
Total stockholders equity	94,244	96,647	102,696	113,921	102,126	117,311	104,182

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PHC Historical Financial Data

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

	YEAR ENDED JUNE 30,					THREE MONTHS ENDED SEPTEMBER 30,	
	2007	2008	2009	2010	2011	2010 (unaudited)	2011 (unaudited)
	(In thousands, except per share data)						
Income Statement Data:							
Revenues	$ 40,563	$ 45,397	$ 46,411	$ 53,077	$ 62,008	$ 15,071	$ 20,684
Patient care expenses	19,738	22,133	23,835	26,307	30,236	7,024	10,466
Contract expenses	3,103	3,390	3,016	2,965	3,618	708	1,070
Provision for doubtful accounts	1,933	1,311	1,638	2,131	3,406	1,003	1,263
Administrative expenses	12,722	15,465	18,721	19,111	22,206	5,100	7,360
Legal settlement					446		
Operating income (loss)	3,067	3,098	(799)	2,563	2,096	1,236	525
Other income (loss) including interest expense, net	(8)	(148)	(177)	(37)	(108)		(949)
Income (loss) before income taxes	3,059	2,950	(976)	2,526	1,988	1,236	(424)
Provision for (benefit from) income taxes	1,144	1,366	65	1,106	1,408	557	(140)
Net income (loss) from continuing operations	1,915	1,584	(1,041)	1,420	580	679	(284)
Net income (loss) from discontinued operations	(233)	(1,259)	(1,413)				
Net income (loss)	$ 1,682	$ 325	$ (2,454)	$ 1,420	$ 580	$ 679	$ (284)
Net income (loss) from continuing operations per share of common stock							
Basic	$ 0.10	$ 0.08	$ (0.05)	$ 0.07	$ 0.03	$ 0.03	$ (0.01)
Diluted	$ 0.10	$ 0.08	$ (0.05)	$ 0.07	$ 0.03	$ 0.03	$ (0.01)
Cash dividends per share of common stock	$	$	$	$	$	$	$
Balance Sheet Data (as of end of period):							
Cash and equivalents	$ 3,308	$ 3,142	$ 3,199	$ 4,540	$ 3,668	$ 3,066	$ 3,261
Total assets	26,856	26,507	22,692	25,650	28,282	25,101	51,825
Total debt	2,566	2,422	2,241	2,557	2,239	2,340	26,535
Total stockholders equity	18,250	18,659	16,044	17,256	17,915	17,879	17,678

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ACADIA MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations with Selected Historical Financial Information Acadia Historical Financial Data and the audited consolidated financial statements and notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the Risk Factors section of this prospectus. Actual results may differ materially from those contained in any forward-looking statements. You should read Cautionary Statement Regarding Forward-Looking Statements and Risk Factors.

Overview

Our business strategy is to acquire and develop inpatient behavioral health care facilities and improve our operating results within our inpatient facilities and our other behavioral health care operations. From 2006 through 2010, the Company acquired 8 inpatient behavioral and substance abuse facilities. During this time, the Company also closed two underperforming assets. Our goal is to improve the operating results of our facilities by providing high quality services, expanding referral networks and marketing initiatives while meeting the increased demand for behavioral health care services through expansion of our current locations as well as developing new services within existing locations.

On April 1, 2011, Acadia completed the acquisition of YFCS, the largest private, for-profit provider of behavioral health, education and long-term support services exclusively for abused and neglected children and adolescents, for $178.0 million. YFCS operates 13 facilities in eight states and offers a broad array of behavioral programs to adults, adolescents and children. These programs include behavioral acute and residential care in inpatient facilities, therapeutic group homes, therapeutic foster care services, education, and other community based services. This transaction was financed with a new $135.0 million term loan facility and $10 million of borrowings on a new $30 million revolving credit facility, as well as $52.5 million of new equity contributions. On November 1, 2011, Acadia completed the Merger with PHC, a leading national provider of inpatient and outpatient mental health and drug and alcohol addiction treatment programs in Delaware, Michigan, Nevada, Pennsylvania, Utah and Virginia. In connection with the Merger, we issued $150.0 million of Senior Notes and used the proceeds of such debt issuance primarily to pay a cash dividend of $74.4 million to existing Acadia stockholders, repay PHC indebtedness of $26.4 million, fund the $5.0 million cash portion of the merger consideration issued to the holders of PHC s Class B Common Stock, pay a $20.6 million fee to terminate the professional services agreement between Acadia and Waud Capital Partners and pay transaction-related expenses. The Senior Notes were issued at a discount of $2.5 million. Additionally, pursuant to the merger agreement, we issued 4,891,667 shares of common stock of Acadia Healthcare Company, Inc. to the holders of PHC s Class A Common Stock and Class B Common Stock based on a one-to-four conversion rate and 19,566,668 PHC shares outstanding immediately prior to the Merger.

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

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

Anticipated Synergies, Cost Savings and Revenue Improvements

We believe that the Merger presents significant synergies through the elimination of certain corporate overhead costs. The current PHC corporate functions will be integrated with and moved to the existing Acadia corporate offices in Franklin, TN. As a result, we will eliminate certain redundant positions, professional services and other expenses, as well as achieve efficiencies by integrating corporate functions within a larger company framework. We are targeting annual cost savings of approximately $3.4 million per annum beginning in fiscal 2012 as a result of this integration. In addition to these cost savings, we believe that there are substantial opportunities to generate organic revenue growth by increasing bed capacity in existing facilities, increasing utilization rates at our existing facilities, leveraging out-of-state referrals to increase volume, developing a national marketing plan and expanding services at existing facilities. For example, since September 1, 2011, we have added 76 beds and expect to add approximately 95 additional beds by March 31, 2012. Additionally, 42 beds have been converted from residential treatment care beds to acute psychiatric care beds, which have higher reimbursement rates on average.

In addition to synergies relating to the Merger, we currently expect that the capitalization of a certain facility lease will reduce lease expense by approximately $0.7 million per annum. We incurred costs related to the closing of the YFCS corporate office, including the costs of temporarily retaining certain employees for a transitional period following the acquisition date, of approximately $0.9 million for the six months ended September 30, 2011. We have also identified a recent improvement to our revenue base from a rate increase on one of our contracts effective in March 2011. We believe that this improvement would have had a positive effect on operating income (before taxes) of $0.3 million and $1.9 million for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively. We estimated the improvement from the rate increase by multiplying historical plan enrollment by the newly-contracted rate. In addition, we incurred start up losses at the Seven Hills Behavioral Center, which was opened in the fourth quarter of 2008 and became CMS certified in July 2010. We estimate that the Seven Hills Behavioral Center would have generated additional operating income (before taxes) of approximately $0.2 million and $0.8 million for the nine months ended September 30, 2011 and the twelve months ended December 31, 2010, respectively, if such facility were operating at expected levels at the beginning of the period. See Risk Factors Risks Relating to Our Business We may not achieve all of the expected benefits from synergies, cost savings and recent improvements to our revenue base.

Sources of Revenue

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

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Results of Operations

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

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

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

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

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

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

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

Rents and leases. Rents and leases were $3.7 million for the nine months ended September 30, 2011, or 2.6% of revenue, compared to $1.0 million for the nine months ended September 30, 2010, or 2.0% of revenue. The increase in rents and leases is attributable to the acquisition of YFCS on April 1, 2011. Same-facility rents and leases were $1.0 million for the nine months ended September 30, 2011, or 1.9% of revenue, compared to $1.0 million for the nine months ended September 30, 2010, or 2.0% of revenue.

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $13.0 million for the nine months ended September 30, 2011, or 8.9% of revenue, compared to $5.0 million for the nine months ended September 30, 2010, or 10.3% of revenue. The decrease in other operating expenses as a percentage of revenue is attributable to the lower other operating expenses associated with the facilities acquired from YFCS on April 1, 2011. Same-facility other operating expenses were $6.0 million for the nine months ended September 30, 2011, or 11.1% of revenue, compared to $5.1 million for the nine months ended September 30, 2010, or 10.6% of revenue.

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

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

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

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

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

Year Ended December 31, 2010 as Compared to Year Ended December 31, 2009

Revenue. Revenue increased $12.5 million, or 24.2%, to $64.3 million for the year ended December 31, 2010 compared to $51.8 million for the year ended December 31, 2009. On a same-facility basis, revenue increased $7.0 million or 13.5% for the year ended December 31, 2010 compared to the year ended December 31, 2009. Same-facility revenue growth is attributable to an increase in same-facility inpatient days of 10.3% and an increase in same-facility outpatient visits of 17.6%. Revenue increased by $5.5 million in 2010 compared to 2009 as a result of the acquisitions of the Acadiana facility on March 5, 2009 and The Village facility on November 2, 2009.

Salaries, wages and benefits. SWB expense was $36.3 million for the year ended December 31, 2010 compared to $30.8 million for the year ended December 31, 2009, an increase of $5.5 million, or 18.1%. SWB expense represented 56.5% of revenue for the year ended December 31, 2010 compared to 59.3% of revenue for the year ended December 31, 2009. Same-facility SWB expense was $32.8 million in 2010, or 55.8% of revenue, compared to $30.8 million in 2009, or 59.3% of revenue. This decrease in same-facility SWB expense as a percent of revenue is primarily the result of improved operating efficiencies on higher volumes.

Professional fees. Professional fees were $3.6 million for the year ended December 31, 2010, or 5.6% of revenue, compared to $2.0 million for the year ended December 31, 2009, or 3.8% of revenue. Professional fees increased for the year ended December 31, 2010 compared to the year ended December 31, 2009 primarily as a result of approximately $0.8 million of acquisition-related expenses incurred in the year ended December 31, 2010 in connection with the YFCS acquisition. Same-facility professional fees, excluding acquisition-related expenses, were $2.7 million in 2010, or 4.5% of revenue, compared to $2.0 million in 2009, or 3.8% of revenue.

Supplies. Supplies expense was $3.7 million for the year ended December 31, 2010, or 5.8% of total revenue, compared to $2.8 million for the year ended December 31, 2009, or 5.5% of total revenue. Same-facility supplies expense was $3.2 million in 2010, or 5.4% of revenue, compared to $2.8 million in 2009, or 5.5% of revenue.

Rentals and leases. Rentals and leases were $1.3 million for the year ended December 31, 2010, or 2.0% of total revenue, compared to $0.9 million for the year ended December 31, 2009, or 1.7% of total revenue. Same-facility rentals and leases were $1.0 million in 2010, or 1.7% of revenue, compared to $0.9 million in 2009, or 1.7% of revenue.

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $8.3 million for the year ended December 31, 2010, or 12.9% of revenue, compared to $8.4 million for the year ended December 31, 2009, or 16.2% of revenue. Same-facility other operating expenses were $7.6 million in 2010, or 12.8% of revenue, compared to $8.4 million in 2009, or 16.2% of revenue. This decrease in same-facility other operating expenses as a percent of revenue is primarily attributable to reductions in insurance premiums as well as improved operating efficiencies.

Provision for doubtful accounts. The provision for doubtful accounts was $2.2 million for the year ended December 31, 2010, or 3.5% of revenue, compared to $2.4 million for the year ended December 31, 2009, or 4.7% of revenue. This decrease as a percent of revenue was a result of improved collection efforts at our facilities.

Depreciation and amortization. Depreciation and amortization expense was $1.0 million for the year ended December 31, 2010, or 1.5% of revenue, compared to $1.0 million for the year ended December 31, 2009, or 1.9% of revenue.

Interest expense. Interest expense was $0.7 million for the year ended December 31, 2010 compared to $0.8 million for the year ended December 31, 2009.

Year Ended December 31, 2009 as Compared to Year Ended December 31, 2008

Revenue. Revenue increased $18.5 million, or 55.4%, to $51.8 million for the year ended December 31, 2009 compared to $33.4 million for the year ended December 31, 2008. On a same-facility basis, revenue increased $5.3 million or 15.8% for the year ended December 31, 2009 compared to the year ended December 31, 2008. Same-facility revenue growth is attributable to an increase in same-facility inpatient days of 6.4% and an increase in same-facility outpatient visits of 21.9%. Revenue increased in 2009 compared to 2008 by $13.2 million related to the acquisitions of RiverWoods in September 2008, Acadiana in March 2009, and The Village in November 2009.

Salaries, wages and benefits. SWB expense was $30.8 million for the year ended December 31, 2009 compared to $22.3 million for the year ended December 31, 2008, an increase of $8.4 million, or 37.6%. SWB expense represented 59.3% of revenue for the year ended December 31, 2009 compared to 67.0% of revenue for the year ended December 31, 2008. Same-facility SWB expense was $24.5 million in 2009, or 63.5% of revenue, compared to $22.3 million in 2008, or 67.0% of revenue. This decrease in same-facility SWB expense as a percent of revenue is primarily the result of improved operating efficiencies on higher volumes.

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Professional fees. Professional fees were $2.0 million for the year ended December 31, 2009, or 3.8% of revenue, compared to $1.0 million for the year ended December 31, 2008, or 2.9% of revenue. This $1.0 million increase in professional fees is primarily related to acquisition costs associated with the Acadiana facility and The Village facility.

Supplies. Supplies expense was $2.8 million for the year ended December 31, 2009, or 5.5% of total revenue, compared to $2.1 million for the year ended December 31, 2008, or 6.2% of total revenue. Same-facility supplies expense was $2.1 million in 2009, or 5.6% of revenue, compared to $2.1 million in 2008, or 6.2% of revenue. This decrease in same-facility supplies expense as a percent of revenue is primarily the result of improved operating efficiencies on higher volumes.

Rentals and leases. Rentals and leases were $0.9 million for the year ended December 31, 2009, or 1.7% of total revenue, compared to $0.9 million for the year ended December 31, 2008, or 2.6% of total revenue. Same-facility rentals and leases were $0.7 million in 2009, or 1.9% of revenue, compared to $0.9 million in 2008, or 2.6% of revenue.

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $8.4 million for the year ended December 31, 2009, or 16.2% of revenue, compared to $5.4 million for the year ended December 31, 2008, or 16.2% of revenue.

Provision for doubtful accounts. The provision for doubtful accounts was $2.4 million for the year ended December 31, 2009, or 4.7% of revenue, compared to $1.8 million for the year ended December 31, 2008, or 5.4% of revenue. This decrease as a percent of revenue was a result of improved collection efforts at our facilities.

Depreciation and amortization. Depreciation and amortization expense was $1.0 million for the year ended December 31, 2009, or 1.9% of revenue, compared to $0.7 million for the year ended December 31, 2008, or 2.2% of revenue.

Interest expense. Interest expense was $0.8 million for the year ended December 31, 2009 compared to $0.7 million for the year ended December 31, 2008.

Liquidity and Capital Resources

Historical

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

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

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

Senior Secured Credit Facility

To finance our acquisition of YFCS and refinance our $10.0 million secured promissory note, we entered into the Senior Secured Credit Facility on April 1, 2011. The Senior Secured Credit Facility, administered by Bank of America, N.A., includes $135.0 million of term loans and a revolving credit facility of $30.0 million. As of September 30, 2011, we had $23.1 million of availability under our revolving line of credit, which reflects the total revolving credit facility of $30.0 million less borrowings of $6.5 million and an undrawn letter of credit of $0.4 million. The term loans require quarterly principal payments of $1.7 million for June 30, 2011 to March 31, 2013, $3.4 million for June 30, 2013 to March 31, 2014, $4.2 million for June 30, 2014 to March 31, 2015, and $5.1 million for June 30, 2015 to December 31, 2015, with the remaining principal balance due on the maturity date of April 1, 2016.

Borrowings under the Senior Secured Credit Facility are guaranteed by each of Acadia s domestic subsidiaries and are secured by a lien on substantially all of the assets of Acadia and its domestic subsidiaries. Borrowings under the Senior Secured Credit Facility bear interest at a rate tied to Acadia s consolidated leverage ratio (defined as consolidated funded indebtedness to consolidated EBITDA, in each case as defined in the credit agreement governing the Senior Secured Credit Facility). The Applicable Rate for borrowings under the Senior Secured Credit Facility was 4.0% and 3.0% for Eurodollar Rate Loans and Base Rate Loans, respectively, as of September 30, 2011. Eurodollar Rate Loans bear interest at the Applicable Rate plus the Eurodollar Rate (based upon the British Bankers Association LIBOR Rate prior to commencement of the interest rate period). Base Rate Loans bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 1/2 of 1.0%, (ii) the prime rate and (iii) the Eurodollar rate plus 1.0%. As of September 30, 2011, borrowings under the Senior Secured Credit Facility bore interest at 4.2%. In addition, Acadia is required to pay a commitment fee on undrawn amounts under the revolving line of credit. As of September 30, 2011, undrawn amounts bore interest at a rate of 0.50%.

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

PRICING

TIER	CONSOLIDATED LEVERAGE RATIO	EURODOLLAR RATE LOANS	BASE RATE LOANS	COMMITMENT FEE
1	<2.75:1.0	3.50%	2.50%	0.45%
2	2.75:1.0 but <3.25:1.0	3.75%	2.75%	0.50%
3	3.25:1.0 but <3.75:1.0	4.00%	3.00%	0.50%
4	3.75:1.0 but <5.00:1.0	4.25%	3.25%	0.55%
5	5.00:1.0	4.50%	3.50%	0.55%

The Second Amendment provides that the applicable rate for Eurodollar Rate Loans and Base Rate Loans will be 4.50% and 3.50%, respectively, from November 1, 2011 through the date of delivery of a compliance certificate for the first fiscal quarter ending after November 1, 2011.

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The Senior Secured Credit Facility, as amended by the Second Amendment, requires Acadia and its subsidiaries to comply with customary affirmative, negative and financial covenants. Set forth below is a brief description of such covenants, all of which are subject to customary exceptions, materiality thresholds and qualifications:

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

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

The financial covenants include maintenance of the following:

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

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

FISCAL QUARTER ENDING	MAXIMUM CONSOLIDATED LEVERAGE RATIO
September 30, 2011	6.25:1.0
December 31, 2011	6.00:1.0
March 31, 2012	6.00:1.0
June 30, 2012	6.00:1.0
September 30, 2012	6.00:1.0
December 31, 2012	5.50:1.0
March 31, 2013	5.50:1.0
June 30, 2013	5.50:1.0
September 30, 2013	5.50:1.0
December 31, 2013	4.75:1.0
March 31, 2014	4.75:1.0
June 30, 2014	4.75:1.0
September 30, 2014	4.75:1.0
December 31, 2014 and each fiscal quarter ending thereafter	4.00:1.0

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

FISCAL QUARTER ENDING	MAXIMUM CONSOLIDATED SENIOR SECURED LEVERAGE RATIO
September 30, 2011	3.50:1.0
December 31, 2011	3.00:1.0
March 31, 2012	3.00:1.0
June 30, 2012	3.00:1.0
September 30, 2012	3.00:1.0
December 31, 2012 and each fiscal quarter ending thereafter	2.50:1.0

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

Senior Notes

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

The indenture governing the Senior Notes contains covenants that, among other things, limit the Company s ability to: (i) incur or guarantee additional indebtedness or issue certain preferred stock; (ii) pay dividends on the Company s equity interests or redeem, repurchase or retire the Company s equity interests or subordinated indebtedness; (iii) transfer or sell assets; (iv) make certain investments; (v) incur certain liens; (vi) create restrictions on the ability of the Company s subsidiaries to pay dividends or make other payments to the Company; (vii) engage in certain transactions with the Company s affiliates; and (viii) merge or consolidate with other companies or transfer all or substantially all of the Company s assets.

Contractual Obligations

The following table presents a summary of contractual obligations as of September 30, 2011 and does not give effect to the Merger (dollars in thousands):

	PAYMENTS DUE BY PERIOD				
	WITHIN 1 YEAR	DURING YEARS 2-3	DURING YEARS 4-5	AFTER 5 YEARS	TOTAL
Long-term debt [a]	$ 12,237	$ 35,121	$ 112,924	$	$ 160,282
Operating leases	5,251	6,063	2,768	1,297	15,379
Purchase and other obligations [b]	2,316				2,316

Total obligations and commitments	$ 19,804	$ 41,184	$ 115,692	$ 1,297	$ 177,977

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

(b) Amounts relate to future purchase obligations, including commitments to purchase property and equipment or complete existing capital projects in future periods.

Off Balance Sheet Arrangements

Acadia has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations or liquidity.

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Quantitative and Qualitative Disclosures About Market Risk

Our interest expense is sensitive to changes in market interest rates. With respect to our interest-bearing liabilities, our long-term debt outstanding at September 30, 2011 was comprised of variable rate debt with interest based on LIBOR plus an applicable margin. A hypothetical 10% increase in interest rates would decrease our net income and cash flows by approximately $0.8 million on an annual basis based upon our borrowing level at September 30, 2011. With the issuance of $150.0 million of 12.875% Senior Notes due 2018 on November 1, 2011, our debt portfolio now consists of both variable rate and fixed rate debt.

YFCS Acquisition

Acadia completed the acquisition of YFCS on April 1, 2011. The following summary table and discussion describes the historical consolidated condensed results from continuing operations of YFCS for the respective periods shown (dollars in thousands):

	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,			
	2010		2009		2011		2010	
	$	%	$	%	$	%	$	%
Revenue	$ 184,386							