



PHC, Inc. Announces Financial Results for Third Quarter of Fiscal 2004

May 13, 2004

* 3rd quarter revenues increase 10% compared to third quarter of 2003

* Research activities reorganized under Pivotal Research Centers name

PEABODY, Mass., May 13 /PRNewswire-FirstCall/ -- PHC, Inc., d.b.a. Pioneer Behavioral Health (OTC Bulletin Board: PIHC -), a leading provider of inpatient and outpatient behavioral health services, today announced financial results for the third quarter and nine-month period ended March 31, 2004. The results for the quarter and nine-month period do not include the results from Pivotal Research Centers, the operations of which Pioneer acquired in April, 2004. The results include \$947,500 in one-time expenses related to the acquisition of Pivotal, and the disposition of a lawsuit the Company inherited from a previous acquisition. Without these one time expenses the Company would have reported an operating profit for both reporting periods.

Revenues for the third quarter increased 10 percent to \$6.5 million from the \$5.9 million reported in the fiscal third quarter of 2003. Revenue from the Company's Wellplace division increased 86 percent to \$733,411 from \$393,328 reported for the third quarter of last year. This increase in revenue is due to the start of the Michigan call center contract in March 2003 and the smoking cessation contract for the State of Kansas, which began in July 2003. Net loss applicable to common shareholders for the quarter, which includes a number of one time expenses, was \$845,265, or \$0.06 per diluted share, compared to net income of \$130,811, or \$0.01 per diluted share reported in the year ago period.

Revenues for the nine-month period ended March 31, 2004 increased nine percent to \$19.1 million from \$17.5 million for the comparable nine month period in fiscal 2003. Net loss applicable to common shareholders for the nine months was \$789,457, or \$0.06 per diluted share, compared to net income of \$797,956 or \$0.05 per diluted share in the comparable period last year.

The one-time expenses related to the settlement and interest expense totaled \$947,500. Exclusive of these one-time events, the Company would have reported net income for the quarter of \$102,235, or \$0.01 per share.

"The events which transpired this quarter were necessary to properly position us for both near and long-term success," commented Bruce A. Shear, Pioneer's chairman and chief executive. "We have successfully financed and completed the acquisition of Pivotal, which increases the size and profitability of the Company and significantly strengthens our pharmaceutical research division. We also successfully resolved the lawsuit brought against our North Point facility, which will allow us to appropriately focus all of our attention on operations and strategic initiatives to enhance long-term shareholder value. The settlement and associated legal fees, coupled with the costs related to the debt we initially planned to use for the Pivotal acquisition have certainly impacted our results for the period, but I have no doubt whatsoever that the Company is stronger today."

One-Time Expenses:

During the second quarter the company spent \$370,000 on legal fees, and \$463,000 in a settlement regarding the medical malpractice lawsuit brought against a clinician who worked for the company's North Point Mental Health subsidiary prior to Pioneer's acquisition of North Point. As a result of this situation, the Company incurred \$1,031,249 of one-time expenses during the nine months ended March 31, 2004.

The Company also experienced higher than normal interest expense during the quarter related to the Company's initial plan to finance the acquisition of Pivotal primarily through debt, which resulted in the up-front expensing of \$114,500 of financing costs, the amount that would have been amortized over the term of the loan. In order to fund the acquisition, it was determined that equity financing was more favorable for the company and its shareholders. As a result of this one-time expense, interest expense and financing costs for the quarter increased 72 percent to \$219,116. Exclusive of this one-time expense, interest expense for the quarter would have decreased 18 percent to \$104,616.

Mr. Shear continued, "We continued to see strong growth in our Wellplace division, which benefited from the rollout of our services contract with Wayne County, Michigan, along with implementation of a new smoking cessation program in Kansas. The Company was recently notified that its contract with the State of Nebraska will end in May, as it has not been funded by the State for a new term. Our next initiative will be the expansion of our facilities and service centers in Michigan. While revenue from our pharmaceutical research operations declined during the quarter, we believe this trend will be reversed under the proven leadership of Dr. Louis Kirby and Mr. Michael Colombo and the Pivotal team. We have elected to consolidate our research operations under the Pivotal brand name, and we have confidence that the team will significantly broaden our opportunities in the pharmaceutical research segment."

Capital Resources:

Subsequent to the end of the quarter, the company offered for sale an aggregate of up to 1,918,196 shares of its Class A Common Stock and warrants to purchase up to 479,549 shares of Class A Common Stock, providing proceeds of \$2,110,016 for the use in the acquisition of Pivotal Research Centers, LLC and for working capital when it was determined that debt financing terms would not be the most favorable for the Company.

As a result of the financing, the Company's balance sheet remained strong. Cash increased from \$494,991 to \$963,737. Shareholder's equity increased 11 percent, to \$2.1 million, up from \$1.9 million as of June 30, 2003. The Company continued to reduce its long-term debt obligation. Long-term debt at the end of March was \$2.3 million, down from \$2.9 million as of June 30, 2003.

About Pioneer Behavioral Health

Pioneer Behavioral Health's core business provides inpatient and outpatient behavioral healthcare services. The company contracts with national insurance companies, major transportation and gaming companies to provide behavioral health services. Pioneer also owns and operates Wellplace.com, a leading Internet-based provider of behavioral health services to consumers and professionals. For more information, please visit our web site at www.phc-inc.com or www.haydenir.com.

This press release may include forward-looking statements that are subject to risks and uncertainties. Forward-looking statements include information about possible or assumed future results of the operations or the performance of the company and its future plans and objectives. Various future events or factors may cause the actual results to vary materially from those expressed in any forward-looking statements made in this press release (or during the associated conference call). These factors and risks are discussed in the company's annual report on Form 10-KSB for the years ended June 30, 2003 and 2002, copies of which were filed with the Securities and Exchange Commission, and in our quarterly reports on Form 10-Q filed with the Securities and Exchange Commission since October 2003.

For further information, please contact Bruce A. Shear of PHC, Inc., +1-978-536-2777, or investor relations, Matthew Hayden of Hayden Communications, Inc., +1-843-272-4653, for PHC, Inc.

PHC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
Revenues:				
Patient care, net	\$5,583,625	\$5,341,816	\$16,323,589	\$15,863,921
Contract support services	733,411	393,328	2,240,550	943,513
Pharmaceutical study	155,152	136,690	500,044	711,957
Total revenues	6,472,188	5,871,834	19,064,183	17,519,391
Operating expenses:				
Patient care expenses	3,201,426	2,638,772	9,033,540	7,877,313
Cost of contract support services	546,667	354,632	1,667,041	855,862
Provision for doubtful accounts	227,196	196,195	1,113,033	818,652
Website expenses	73,191	54,770	219,537	168,345
Administrative expenses	3,096,804	2,369,205	7,446,760	6,631,883
Total operating expenses	7,145,284	5,613,574	19,479,911	16,352,055
Income (loss) from operations	(673,096)	258,260	(415,728)	1,167,336
Other expenses:				
Interest income	20,888	3,119	26,070	10,943
Other income	26,059	22,830	77,472	75,206
Interest expense and financing costs	(219,116)	(127,324)	(466,150)	(419,455)
Total other expenses	(172,169)	(101,375)	(362,608)	(333,306)
Income (loss) before provision for income taxes	(845,265)	156,885	(778,336)	834,030
Provision for income taxes	--	26,074	11,121	36,074
Income (loss) applicable to common shareholders *	\$(845,265)	\$130,811	\$(789,457)	\$797,956

Income (loss)
per share
information:

Basic income per common share	\$(0.06)	\$0.01	\$(0.06)	\$0.06
Basic weighted average number of shares outstanding	14,402,988	14,099,929	14,149,261	13,963,138
Diluted income per common share	\$(0.06)	\$0.01	\$(0.06)	\$0.05
Diluted weighted average number of shares outstanding	14,402,988	14,814,570	14,149,261	14,577,540

* Includes one-time expenses of \$947,500

BALANCE SHEET HIGHLIGHTS

	March 31st 2004	June 30th 2003
Cash	\$963,737	\$494,991
Total Current Assets	7,287,710	6,145,489
Net Property and Equipment	1,296,454	1,295,113
Total Assets	\$10,537,082	\$9,411,723
Total Current Liabilities	\$7,934,987	\$5,409,312
Total Long Term Debt	432,301	2,030,285
Total Liabilities	\$8,390,950	\$7,476,466
Shareholder's Equity	\$2,146,132	\$1,935,257
Total Liabilities and Equity	\$10,537,082	\$9,411,723