

ACADIA HEALTHCARE COMPANY, INC.
ACQUISITION (via merger) OF PHC, INC. ON NOVEMBER 1, 2011
TAX REPORTING STATEMENT UNDER
SECTION 6045B OF THE INTERNAL REVENUE CODE OF 1986

Information required under Internal Revenue Code Section 6045B

Effective January 1, 2011, a corporation that engages in certain organizational actions affecting the tax basis of its stock in the hands of a U.S. taxpayer must file an information return with the Internal Revenue Service ("IRS") describing, among other things, the organizational action and that action's quantitative effect on the basis of the corporation's stock in the hands of a U.S. taxpayer. A corporation may satisfy the filing requirement by posting the information return in a readily accessible format on its primary public Web site for a period of ten years. Because the IRS recently released the final version of Form 8937 to the public, pursuant to IRS Notice 2012-11, the IRS is not requiring the actual Form 8937 to be posted to a corporation's primary public Web site, as long as the information required on the Form 8937 is provided in a readily accessible format of its primary public Web site.

The information in this statement is being provided by Acadia Healthcare Company, Inc. ("Acadia"), as the reporting issuer and the acquirer, by merger, of PHC, Inc. ("PHC") into Acadia and is intended to satisfy the requirements of Internal Revenue Code section 6045B, Treasury Regulation 1.6045B-1, and IRS Form 8937.

This statement provides general information to former stockholders of PHC regarding the effect of the merger, for U.S. federal income tax purposes, on the adjusted tax basis of the Acadia common stock received pursuant to the merger. This document is being provided solely for the purposes of complying with Internal Revenue Code section 6045B and its use is limited solely to this purpose. Former stockholders of PHC are urged to consult their tax advisors regarding their individual tax consequences of the reorganization, including but not limited to, the specific computation of tax basis, holding periods, the determination of "fair market value", and applicable gain recognized with regard to any cash received in the merger.

Reporting Issuer: Acadia Healthcare Company, Inc.
Taxpayer Identification Number 45-2492228

Security Identifiers: Acadia Healthcare Company, Inc. common stock
CUSIP #00404A109
Ticker Symbol: ACHC (The NASDAQ Stock Market LLC)

PHC, Inc. Class A common stock
CUSIP #693315103
Ticker Symbol: PHC (New York Stock Exchange AMEX Stock Market)

PHC, Inc. Class B common stock
CUSIP #693315301
Ticker Symbol: PHC (New York Stock Exchange AMEX Stock Market)

**Contact at
Reporting Issuer:**

Non-registered ("street name") shareholders should contact their brokerage firm directly for inquiries pertaining to their account.

Registered shareholders should contact the Transfer Agent for Acadia Healthcare Company, Inc. for inquiries pertaining to their account.

Transfer Agent:
Broadridge Corporate Issuer Solutions
1717 Arch Street, Suite 1300
Philadelphia, PA 19103
Phone: (855) 627-5083

Email: shareholder@broadridge.com

Date of Action:

November 1, 2011

**Description of
Organizational
Action:**

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

Description of the quantitative effect of the organizational action on the basis of the security in the hands of the U.S. taxpayer as an adjustment per share or as a percentage of old stock basis:

For U.S. federal income tax purposes, the merger of PHC into Acadia is considered a reorganization under Internal Revenue Code section 368(a)(1)(A), as a statutory merger. Therefore, the tax effects on former PHC shareholders receiving Acadia common stock in exchange for PHC Class A common stock and/or PHC Class B common stock is determined under Internal Revenue Code sections 354 and 356. The tax basis for Acadia common stock received by the former PHC shareholders is determined under Internal Revenue Code section 358. These tax implications to the former PHC shareholders will differ depending on whether the former PHC shareholders (1) exchanged only PHC Class A common stock, (2) exchanged only PHC Class B common stock, or (3) exchanged both PHC Class A common stock and PHC Class B common stock, as follows:

1. PHC shareholders who owned only PHC Class A common stock immediately prior to the merger; who received $\frac{1}{4}$ share of Acadia common stock in exchange for each share of their PHC Class A common stock.

In accordance with Internal Revenue Code section 354(a)(1), no gain or loss is recognized by a former PHC shareholder who received $\frac{1}{4}$ share of Acadia common stock in exchange for each share of their PHC Class A common stock.

In accordance with Internal Revenue Code section 358(a)(1), the tax basis in each $\frac{1}{4}$ share of Acadia common stock received is the same as the tax basis in the share of PHC Class A common stock exchanged for such $\frac{1}{4}$ share of Acadia common stock.

A former PHC shareholder who purchased or acquired shares of PHC Class A common stock on different dates or at different prices should consult their tax advisor as to the application of Treasury Regulation 1.358-2(a)(2)(vii) to determine the proper identification and possible designation of the shares of Acadia common stock received.

In accordance with Internal Revenue Code section 1223(1), the holding period for each $\frac{1}{4}$ share of Acadia common stock received by the former PHC shareholders will include the holding period of the share of PHC Class A common stock exchanged for such $\frac{1}{4}$ share of Acadia common stock.

2. PHC shareholders who owned only PHC Class B common stock immediately prior to the merger; who received a $\frac{1}{4}$ share of Acadia common stock plus cash of \$6.46 in exchange for each share of their PHC Class B common stock.

In accordance with Internal Revenue Code section 356(a), a former PHC shareholder will “recognize” the amount of “gain realized”, if any, on each share of PHC Class B common stock, but not in excess of cash received of \$6.46 per share. The “gain realized” by a former PHC shareholder on each share of PHC Class B common stock exchanged is equal to the fair market value of the $\frac{1}{4}$ share of Acadia common stock received, plus the cash received of \$6.46, less the former PHC shareholder’s tax basis in such share of PHC Class B common stock exchanged. This “gain realized”, if any, on such share of Class B common stock will be “recognized” and reportable as a taxable gain occurring on November 1, 2011, but not in excess of the cash received of \$6.46. In accordance with Internal Revenue Code section 356(c), no loss, if any, can be recognized by the former PHC shareholders.

In accordance with Internal Revenue Code section 358(a)(1) and Treasury Regulation 1.358-2, the tax basis of each $\frac{1}{4}$ share of Acadia common stock received is the same as the former PHC shareholder's tax basis in the share of PHC Class B common stock exchanged for such $\frac{1}{4}$ share of Acadia common stock, decreased by the \$6.46 of cash received relating to the share of PHC Class B common stock exchanged for such $\frac{1}{4}$ share of Acadia common stock, increased by the gain recognized (if any) by the former PHC shareholder relating to the share of PHC Class B common stock exchanged for such $\frac{1}{4}$ share of Acadia common stock.

A former PHC shareholder who purchased or acquired shares of PHC Class B common stock on different dates or at different prices should consult their tax advisor as to the application of Treasury Regulation 1.358-2(a)(2)(vii) to determine the proper identification and possible designation of the shares of Acadia common stock received.

In accordance with Internal Revenue Code section 1223(1), the holding period for each $\frac{1}{4}$ share of Acadia common stock received by the former PHC shareholders will include the holding period of the share of PHC Class B common stock exchanged for such $\frac{1}{4}$ share of Acadia common stock.

3. PHC shareholders who owned both PHC Class A common stock and PHC Class B common stock immediately prior to the merger who (i) received $\frac{1}{4}$ share of Acadia common stock in exchange for each share of their PHC Class A common stock, and (ii) received $\frac{1}{4}$ share of Acadia common stock plus cash of \$6.46 in exchange for each share of their PHC Class B common stock.

In accordance with Treasury Regulation 1.358-2(a)(2)(ii) and (c) Example 5, since the terms of the plan of merger specify that the former PHC shareholders holding PHC Class A common stock receive $\frac{1}{4}$ shares of Acadia common stock in exchange for each share of their PHC Class A common stock and separately specify that the former PHC shareholders holding PHC Class B common stock receive $\frac{1}{4}$ share of Acadia common stock plus \$6.46 of cash for each share of their PHC Class B common stock, the tax implications to the former PHC shareholders of exchanging their PHC Class A common stock and their PHC Class B common stock should be separately determined and not combined. The exchange of PHC Class A common stock should be determined under item 1 above and the tax implications of the exchange of PHC Class B common stock should be determined under item 2 above.

Calculation of the change in basis and the data that supports the calculation:

Any Acadia common shares received in exchange for PHC Class A common shares will have a basis that is equal to the basis in the PHC Class A common shares surrendered (i.e. each ¼ Acadia share received has a basis equal to each PHC Class A common share surrendered). To the extent the taxpayer exchanged PHC Class B common stock in exchange for ¼ share of Acadia common stock and \$6.46 in cash, the change in the basis will be made by reference to the fair market value of the ¼ share of Acadia common stock received on the date of the exchange, the \$6.46 in cash received, and the taxpayer's basis in the PHC Class B common stock surrendered. As stated in item 2 above, when the taxpayer surrendered one share of PHC Class B common stock for \$6.46 in cash plus ¼ share of Acadia common stock, the taxpayer's basis in the ¼ share of Acadia common stock shall be equal to the taxpayer's basis in the PHC Class B common stock surrendered, less the \$6.46 in cash received, plus any gain recognized. Please refer to item 2 above for determining the "realized" and "recognized" gains. On November 1, 2011, with respect to Acadia common stock that was publicly traded, the highest price was \$10.00 per share, the lowest price was \$8.70 per share, and the closing price was \$9.00 per share. Please consult your tax advisor for the determination of "fair market value" of the Acadia common stock for the determination of your applicable "realized" and "recognized" gains if you received cash in the merger.

Applicable Internal Revenue Code section(s):

Generally 354, 356, 358, 368, 1001, 1221, 1223, and their applicable subsections.

Availability of loss recognition on the transaction:

Since cash was the only "boot" received, loss recognition should not be applicable to this transaction. Please refer to Internal Revenue Code section 356(a) and consult your tax advisor with any specific questions you may have.

YOU SHOULD CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER. THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR INVESTOR, AND IS NOT INTENDED TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (A) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE OR (B) PROMOTING, MARKETING OR RECOMMENDING ANY TRANSACTION OR MATTER ADDRESSED HEREIN.