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HAND DELIVERED

July 15, 2014

RECEIVED

JUL 15 2014

Health Facilities and Services Review Board
Attn: Michael Constantino
Supervisor, Project Review Section
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

HEALTH FACILITIES &
SERVICES REVIEW BOARD

RE: **E-016-14 additional information requested**

Dear Mr. Constantino:

In accordance with your request, enclosed herein is an original certification page of behalf of Sr. Catherine M. Ryan, Executive Director of Maryville Academy. Additionally, please find enclosed the KaufmanHall valuation report in its entirety.

Should you have any questions on either of these issues, do not hesitate to contact us.

Sincerely,

John P. Kniery



Enclosures

Office: 217/544-1551

Health Care Consulting
133 South Fourth Street, Suite 200 • Springfield, IL 62701
foley@foleyandassociates.com



Fax: 217/544-3615

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Sister Catherine M. Ryan, Executive Director of Maryville Behavioral Health Hospital
Address: 1150 N. River Road
City, State & Zip Code: Des Plaines, Illinois 60016
Telephone (847) 294-1999 Ext. _____

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: John P. Kniery, Foley and Associates, Inc.
Address: 133 South Fourth Street, Suite 200
City, State & Zip Code: Springfield, Illinois 62701
Telephone (217) 544-1551 Ext. _____

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Clare Connor Ranalli, Partner, McDermitt Will & Emery (for Maryville)
Address: 227 West Monroe Street
City, State & Zip Code: Chicago, Illinois 60606
Telephone (312) 984-3365 Ext. _____

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Maryville Academy d/b/a Maryville Behavioral Health Hospital

Signature of Authorized Officer Sister Catherine M. Ryan
Typed or Printed Name of Authorized Officer SISTER CATHERINE M. RYAN
Title of Authorized Officer: EXECUTIVE DIRECTOR, MARYVILLE ACADEMY
Address: 1150 NORTH RIVER ROAD
City, State & Zip Code: DES PLAINES, ILLINOIS 60016
Telephone (847) 294-1893 Date: July 10, 2014

NOTE: complete a separate signature page for each co-applicant and insert following this page.

Discussion Materials

S I N C E



MARYVILLE

1 8 8 3

Des Plaines, Illinois | April 8, 2014

CONFIDENTIAL

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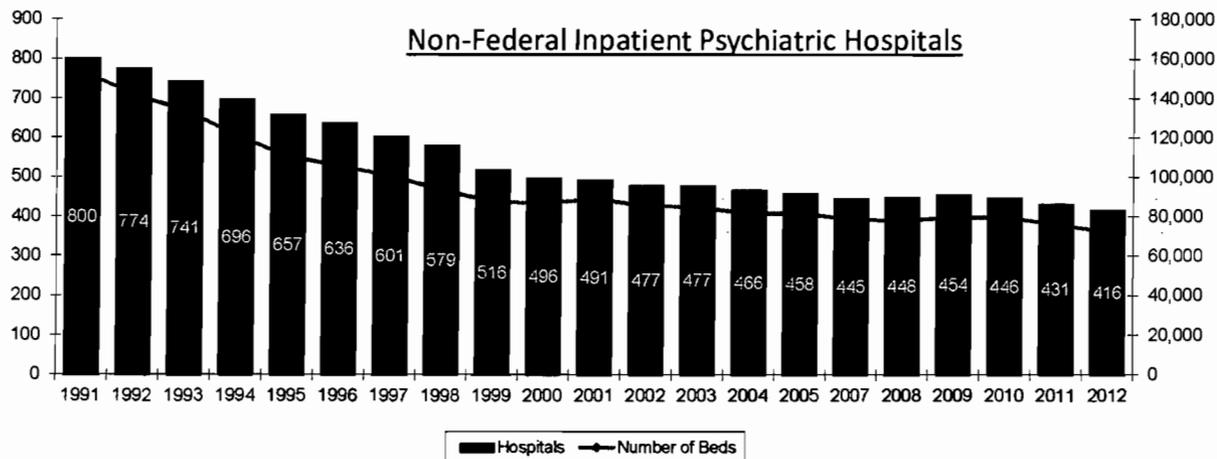
1. Behavioral Health Market Overview
2. Preliminary Valuation of Maryville Scott Nolan Hospital
 - Valuation Methodologies
 - Public Market Comparables Analysis
 - Comparable Transactions Analysis
 - Valuation Conclusion
3. Process Overview
4. Preliminary Potential Partners
5. Kaufman Hall Qualifications

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Behavioral Health Market Overview

Behavioral Health Overview

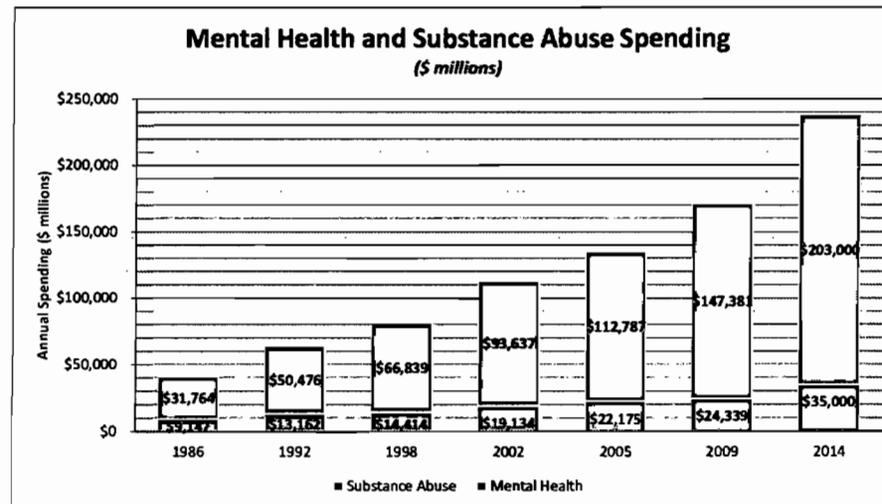
- Estimated Market size: \$21 billion
- According to the National Association of Psychiatric Health Systems' 2013 Annual Survey, one in five Americans ages 18 and older suffer from a diagnosable mental disorder in a given year, and about 5%, or about 1 in 17, suffer from a serious mental illness; this figure translates to roughly 45.6 million Americans
- Significant barriers to entry because of high degree of specialization and regulation
- Highly fragmented industry with typically smaller establishments
- Market participants: there are approximately 420 freestanding acute and residential treatment facilities in the U.S.
 - The top two providers operate approximately 35% of these facilities



Sources: AHA Hospital Statistics; National Association of Psychiatric Health Systems 2013 Annual Report; IBIZ Psychiatric Hospital Report; June 2013 Medicare Data Book: Health Care Spending and the Medicare Program

Behavioral Health: Industry Overview

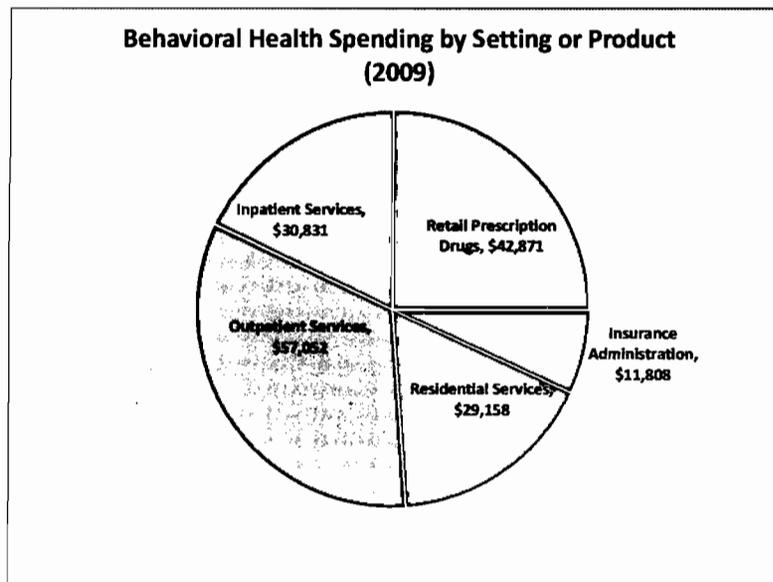
- Behavioral health spending has increased from \$40.9 billion in 1986 to \$171.7 billion in 2009, representing a 6.5 percent compound annual growth rate during that period, and is expected to increase to \$238 billion by 2014
 - **Mental health** spending amounted to \$147 billion in 2009, or 86 percent of total behavioral health spending, and is expected to increase to \$203 billion in 2014, or 85 percent of total expected behavioral health spending
 - **Substance abuse** spending accounted for the balance of \$24 billion, or 14 percent of total behavioral health spending, and is expected to increase to \$35 billion in 2014
- Over the entire time span covered by these estimates (1986–2009), growth in spending on MHSA has lagged behind the growth in all-health spending by about 1 percentage point



Sources: Substance Abuse and Mental Health Services Administration: *National Expenditures for Mental Health Services & Substance Abuse Treatment (1986 – 2009)* published in 2012 and The Kaiser Commission on Medicaid and the Uninsured: *Mental Health Financing in the United States, A Primer*, published April 2011

Behavioral Health: Treatment Settings and Products

- The industry is composed of the following treatment settings and products:
 - **Inpatient Services**: care provided in an acute medical care unit or setting of a general hospital or a specialty mental health or substance abuse hospital
 - **Outpatient Services**: care provided in settings such as hospital outpatient departments, emergency rooms, or offices and clinics of physicians and other medical professionals
 - **Residential Services**: therapeutic care provided by licensed health professionals in a 24-hour-care setting, including residential care in specialty mental health and substance abuse centers and all nursing home care

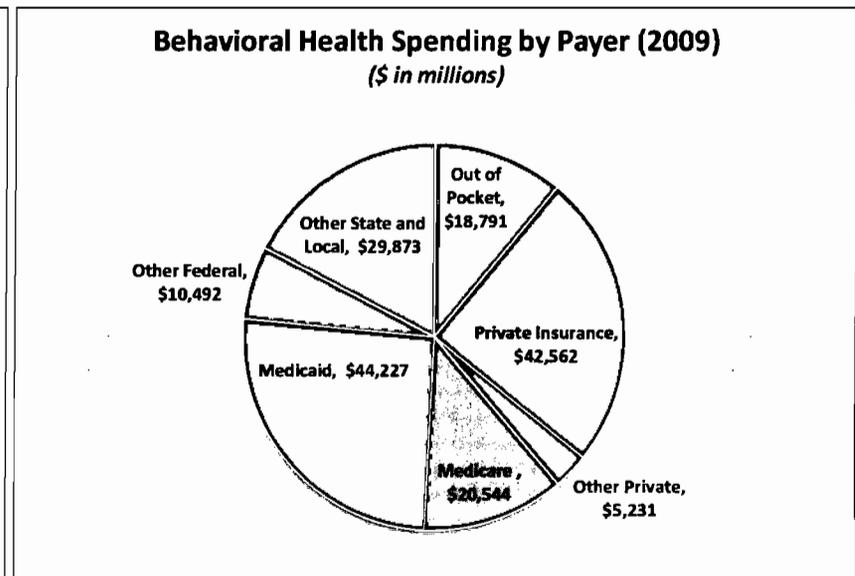
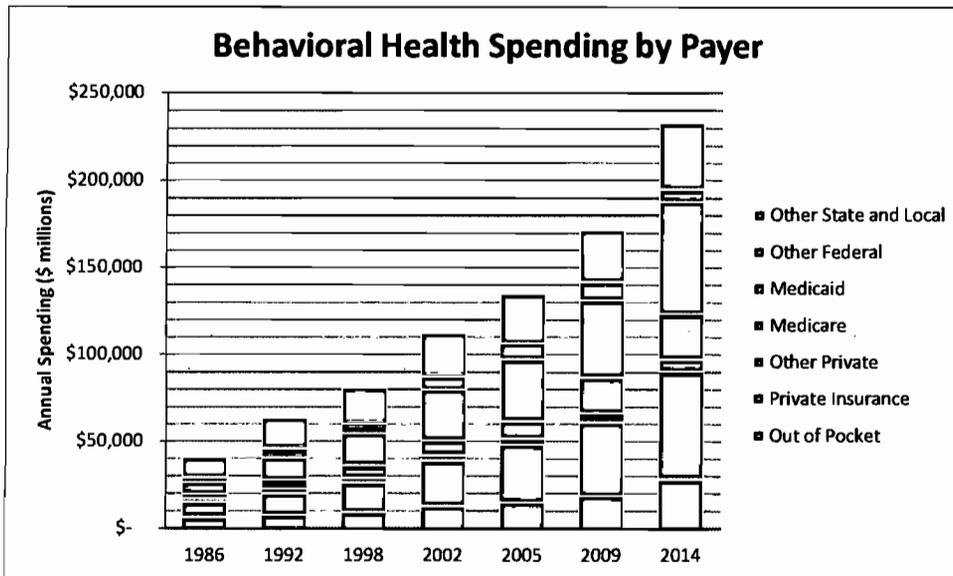


- **Retail Prescription Drugs**: psychotherapeutic medications sold through retail outlets and mail order pharmacies
- **Insurance Administration**: spending for the cost of running various government health care insurance programs, as well as the administrative costs and profit of private health insurance

Sources: Substance Abuse and Mental Health Services Administration: National Expenditures for Mental Health Services & Substance Abuse Treatment (1986 – 2009) published in 2012 and The Kaiser Commission on Medicaid and the Uninsured: *Mental Health Financing in the United States, A Primer*, published April 2011

Behavioral Health: Financing Environment

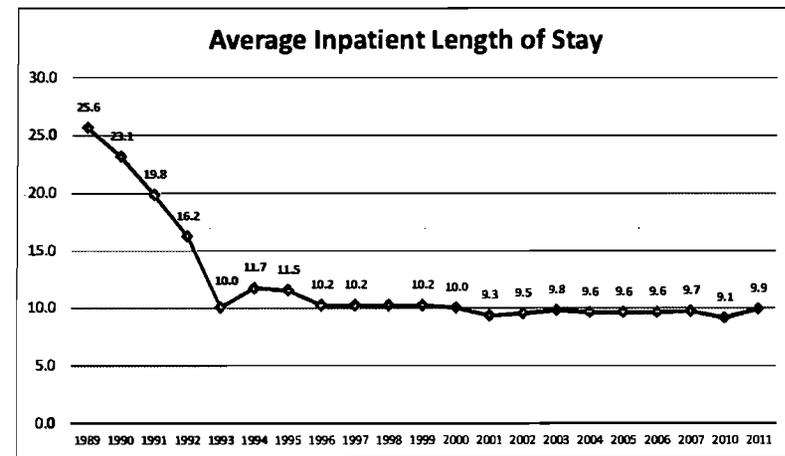
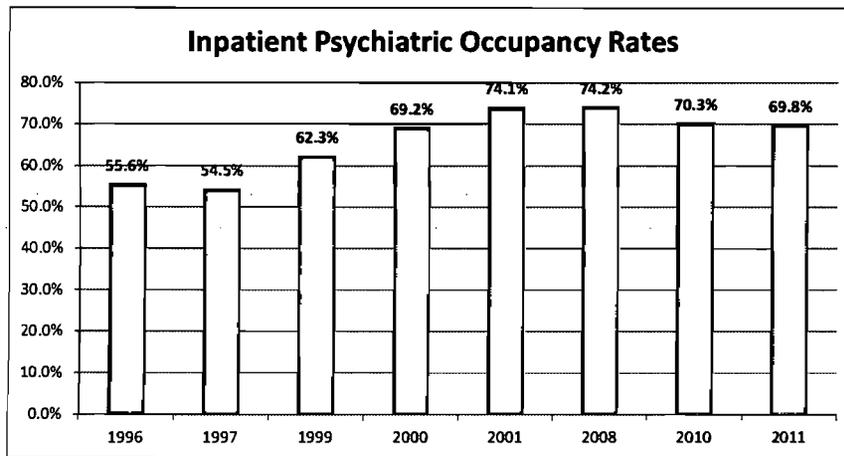
- The financing system of behavioral healthcare differs from that of general medical services
 - Public sources play a larger role in financing behavioral health care (representing 51 percent of total expenditures) than they do in general medical services (49 percent)
 - The Medicaid program is currently the largest source of financing for behavioral health services in the United States, largely due the fact that its eligibility rules reach many individuals with significant need and that it covers a wide range of benefits
 - Medicare, in contrast, is relatively low due to limitations in coverage that exist with respect to behavioral health services



Sources: Substance Abuse and Mental Health Services Administration: National Expenditures for Mental Health Services & Substance Abuse Treatment (1986 – 2009) published in 2012, The Kaiser Commission on Medicaid and the Uninsured: *Mental Health Financing in the United States, A Primer*, published April 2011, and U.S Dept. of Health and Human Services

Behavioral Health: Inpatient Psychiatric Hospitals

- During the 1990s, the Inpatient Psychiatric Hospital industry, a subset of the mental health industry, experienced a significant contraction followed by a long period of growth
- The reduction was largely driven by third party payors who decreased reimbursement, implemented more stringent admission criteria and decreased the authorized length of stay. This reduced capacity is believed to have resulted in an underserved patient population
- Favorable industry fundamentals over the last several years include:
 - Low bad debt exposure
 - Mental health parity legislation
 - Limited emergency room exposure
 - Medicare PPS positive impact to freestanding providers
 - Reduced capacity
 - Minimal maintenance and CapEx requirements
 - Increased demand for behavioral healthcare services
- According to the NAPHS, payments for the inpatient care of behavioral health and addictive disorders have increased nationwide
- Following a rapid decrease in the 1990s, inpatient average length of stay stabilized between 9 and 11 days

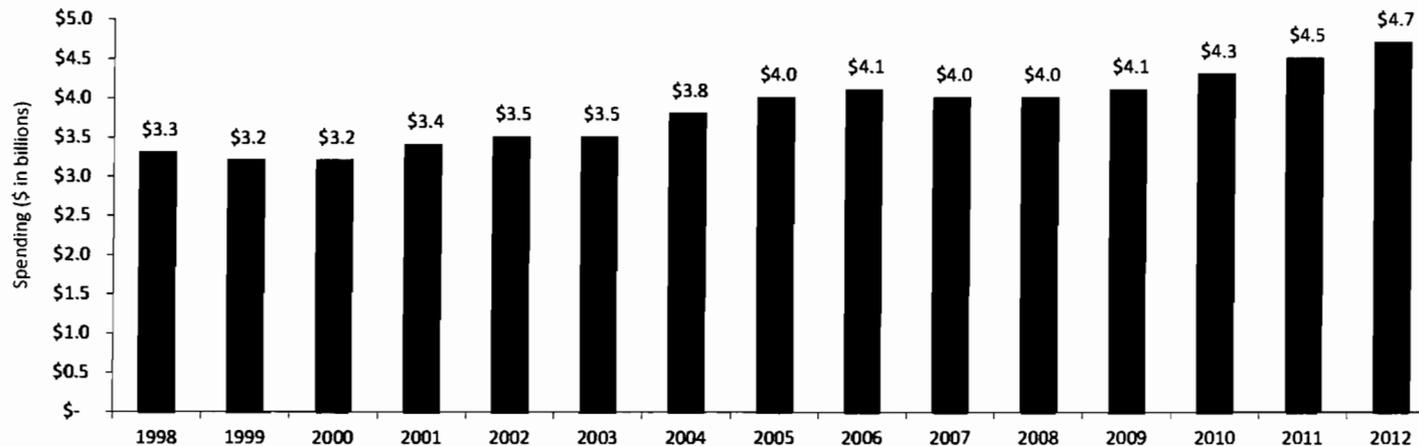


Source: National Association of Psychiatric Health Systems

Behavioral Health Overview (continued)

- According to the CMS, inpatient psychiatric spending was only \$4.1 billion in 2006, which translates to less than 1% of the total per annum Medicare budget; this number rose to almost \$4.7 billion in 2012

Medicare Payments to Inpatient Psychiatric Facilities



- Medicare program spending for beneficiaries' care in inpatient psychiatric facilities are an estimated 3% per year between 2002 and 2012

Source: Centers for Medicare and Medicaid Services

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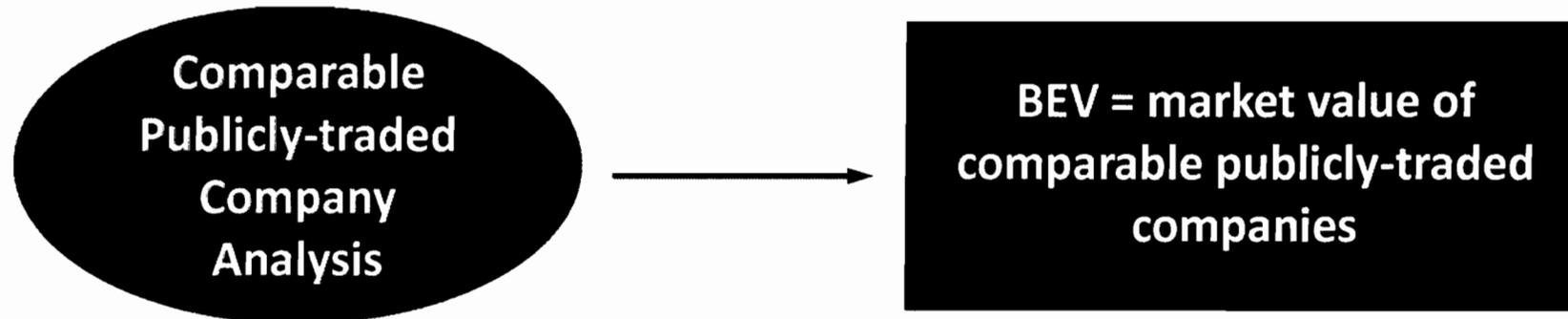
Valuation of Maryville Scott Nolan Hospital

Scott Nolan Hospital Overview

- Scott Nolan Psychiatric Hospital is a 125 licensed bed inpatient psychiatric hospital that provides services in Chicago and the surrounding area
 - Scott Nolan's top three markets by geography are located near Des Plaines/ Park Ridge/ Northbrook/Wheeling/Schaumburg/Arlington Heights making up 32% of patients
 - Scott Nolan has the 2nd largest number of authorized beds, but the lowest occupancy of the top 10 and the second lowest average daily census
- Scott Nolan is the tenth largest provider of children's psychiatric inpatient services. While Scott Nolan has the lowest cumulative volume compared to other competitors, it draws patients from the broadest geographic region compared to its top competitors
 - Scott Nolan does not provide services to the 21+ population
- Scott Nolan primarily admits Medicaid patients

Comparable Publicly – Traded Companies Analysis

Comparable Publicly-Traded Company Analysis



- Valuation multiples are developed based upon market valuation of comparable publicly traded companies
 - For hospitals, health systems and distressed healthcare providers multiples of revenue are most common
- Multiples are adjusted to reflect the differences between publicly traded companies and the target
 - The liquidity premiums net of a control discount inherent in publicly-traded companies typically result in a discount to the valuation multiples before they are applied to the financial performance of a private target

Public Market Comparables Analysis

- Market capitalization and market value multiples were analyzed for publicly-traded acute care hospital management companies, companies involved in behavioral health and assisted living companies
- The following nine publicly-traded companies were deemed sufficiently comparable to Maryville Scott Nolan and divided into three sub-segments:
 - Companies Primarily Involved in Behavioral Healthcare
 - Acadia Healthcare
 - Universal Healthcare Services
 - General Acute Care Hospital Management Companies
 - Community Health Systems
 - HCA
 - LifePoint Hospitals
 - Tenet Healthcare
 - Assisted Living Companies
 - Brookdale Senior Living
 - Capital Senior Living
 - Emeritus

Public Market Comparables Analysis

- Market capitalization and market value multiples were analyzed and mean and median multiples were developed
 - The public market companies are trading at approximately 1.5x revenue and 11.2x EBITDA based on current stock prices and latest twelve months performance as of April 1, 2014

Maryville Scott Nolan Psychiatric Hospital											
Public Market Comparables Analysis - Observed Pricing Data											
<i>\$ in millions, except per-share price</i>											
	Total Enterprise Value					Trailing 12 Months		Multiples		TTM EBITDA Margin	
	Market Cap.	Total Debt	Preferred Stock	Minority Interest	Cash	Total Enterprise Value ⁽¹⁾	Total Revenue	EBITDA	Total Revenue		EBITDA
Behavioral Health Companies											
Acadia Healthcare Company, Inc.	\$2,176	\$617	\$0	\$0	\$5	\$2,789	\$713	\$140	3.9x	19.9x	19.6%
Universal Health Services Inc.	\$7,687	\$3,314	\$0	\$268	\$17	\$11,252	\$7,284	\$1,353	1.5x	8.3x	18.6%
General Acute Care Hospital Management Companies											
Community Health Systems, Inc.	\$4,205	\$9,541	\$0	\$422	\$373	\$13,795	\$12,998	\$1,707	1.1x	8.1x	13.1%
HCA Holdings, Inc.	\$21,660	\$28,671	\$0	\$1,342	\$414	\$51,259	\$34,182	\$6,561	1.5x	7.8x	19.2%
Lifepoint Hospitals Inc.	\$2,506	\$2,377	\$0	\$82	\$638	\$4,327	\$3,678	\$490	1.2x	8.8x	13.3%
Tenet Healthcare Corp.	\$3,923	\$10,839	\$0	\$370	\$113	\$15,019	\$11,102	\$1,342	1.4x	11.2x	12.1%
Assisted Living											
Brookdale Senior Living Inc.	\$4,050	\$2,638	\$0	\$0	\$59	\$6,630	\$2,546	\$429	2.6x	15.5x	16.8%
Capital Senior Living Corp.	\$727	\$521	\$0	\$0	\$14	\$1,235	\$344	\$55	3.6x	22.6x	15.9%
Emeritus Corp.	\$1,485	\$4,014	\$0	\$2	\$77	\$5,424	\$1,930	\$345	2.8x	15.7x	17.9%
						Median	\$6,630	\$490	1.5x	11.2x	16.8%
						Mean	\$12,414	\$1,380	2.2x	13.1x	16.3%
						Low	\$1,235	\$55	1.1x	7.8x	12.1%
						High	\$51,259	\$6,561	3.9x	22.6x	19.6%
						Selected Multiple			1.5x	11.2x	

Data per S&P Capital IQ and SEC filings

(1) Total Enterprise Value = Market Capitalization + Total Debt + Preferred Stock + Minority Interest - Cash & Equivalents.

Comparable Publicly – Traded Companies Analysis (continued)

- The public company median multiples were discounted to reflect Maryville Scott Nolan’s relative lack of liquidity, geographic concentration, and smaller size as compared to the publicly-traded operators
- The discount is net of a control premium, which reflects the buyer’s ability to exercise control over operations
 - Net discounts of 40% and 60% were applied to the multiple to create a range of values
- A 100 percent weight of the Enterprise Range from the Revenue multiples was applied to arrive at the implied BEV range
 - EBITDA multiples were not used due to the negative cash flows
- Under the comparable companies analysis Maryville’s implied BEV ranges from approximately **\$7.7 million to \$11.5 million**

Maryville Scott Nolan Psychiatric Hospital

Public Market Comparables Analysis

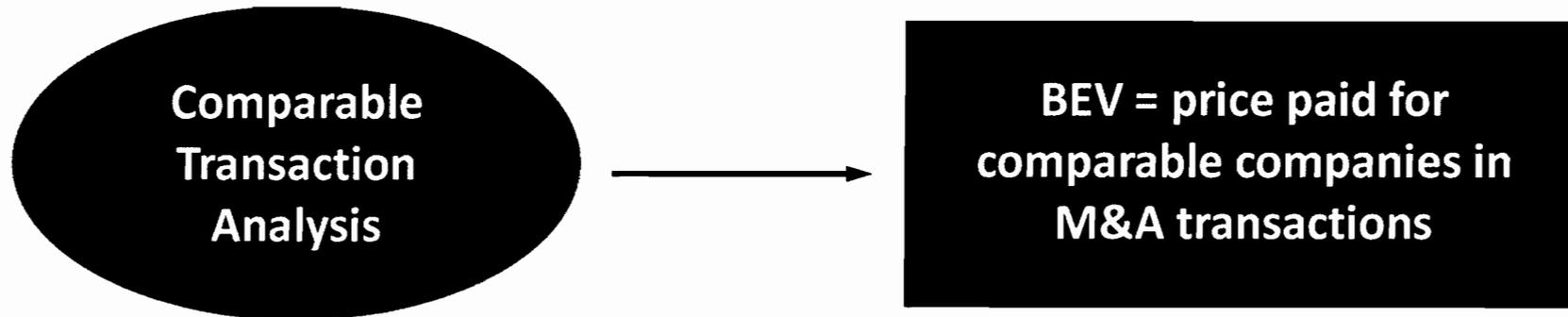
\$ in 000's

	Historical Performance	Selected Multiples	Adjusted Multiple Range		Enterprise Value Range		Weight
			Low	High	Low	High	
			-60%	-40%			
	Comparability Adjustment Range						
Total Revenue*	\$12,414	1.5x	0.6x	- 0.9x	\$7,671	- \$11,506	100%
Operating EBITDA	\$(4,103)	11.2x	4.5x	- 6.7x	(\$18,370)	- (\$27,555)	0%
			BEV Range		\$7,700	- \$11,500	

*Reflects annualized eight month ended February 2014 financial operating results

Comparable Transactions Analysis

Comparable Transactions Analysis



- Valuation multiples are developed based upon prices paid in comparable transactions for hospitals and health systems
- Multiples of sales price to revenue are typically employed
- These multiples are applied to the financial performance of the target post transaction
- As would be expected, comparability of the transactions analyzed is critical to the predictive value of this approach

Comparable Transactions Analysis

- Recent acquisitions of behavioral health facilities were analyzed for comparability and available financial information
- Data on purchase prices and financial information were obtained from the following sources:
 - CapitalIQ
 - Securities and Exchange Commission Filings
 - The Health Care M&A Report published by Irving Levin Associates Inc.
 - Transaction press releases
 - Other publicly available information
- The tables on the following pages display recent transactions of behavioral health facilities for which sufficient financial information was available to develop multiples of revenue and EBITDA

Historical Comparable Transactions

- The multiples displayed below and on the subsequent slide represent transactions involving behavioral health facilities announced since 2009 with available multiples for revenue or EBITDA

Date	Target	Target State	Acquirer	Target Statistics and Financials				EV as a multiple of:		
				Enterprise Value	Licensed Beds	Revenue	EBITDA	Licensed Beds (\$ 000s)	Revenue	EBITDA
1/6/2014	Riverside Center for Behavioral Medicine	CA	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$10.5	68	NA	NA	\$154.4	NA	NA
12/1/2013	Highline Medical Center - Inpatient Behavioral Unit	WA	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$19.6	63	NA	NA	\$311.1	NA	NA
11/5/2013	Midsouth Treatment Center	TN	Behavioral Health Group	NA	NA	NA	NA	NA	NA	NA
10/1/2013	Longleaf Hospital	LA	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$8.3	68	NA	NA	\$122.1	NA	NA
9/24/2013	Betty Ford Center	CA	Hazelden	NA	NA	NA	NA	NA	NA	NA
9/5/2013	US Community Behavioral, LLC	WA	Bregal Partners	NA	NA	NA	NA	NA	NA	NA
6/20/2013	The Refuge, A Healing Place, LLC	FL	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$14.1	87	\$10.0	NA	\$162.1	1.4 x	NA
6/10/2013	Peak Behavioral Service Provider	NM	Strategic Behavioral Health, LLC	NA	NA	NA	NA	NA	NA	NA
4/5/2013	Two UMC Facilities	FL, FR	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$99.4	183	NA	NA	\$543.2	NA	NA
2/1/2013	Delta Medical Center	TN	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$23.0	243	NA	NA	\$94.7	NA	NA
11/27/2012	Behavioral Centers of America	OH, MI, TX	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$143.0	278	\$60.8	\$11.1	\$514.4	2.4 x	12.9 x
11/27/2012	ArriCare Behavioral Centers	AR	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$112.6	330	\$59.5	\$6.8	\$341.2	1.9 x	16.6 x
11/13/2012	Park Royal Hospital	FL	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$36.2	76	NA	NA	\$476.3	NA	NA
9/4/2012	Timberline Knolls	IL	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$67.8	122	\$33.0	NA	\$555.3	2.1 x	NA
8/27/2012	Recovery Works	KY	Pinnacle Treatment Centers	NA	NA	NA	NA	NA	NA	NA
7/23/2012	South Oaks Hospital	NY	Northshore-Long Island Jewish Health System	NA	NA	NA	NA	NA	NA	NA
6/4/2012	Ascend Health Corporation	NY	Universal Health Services	\$517.0	NA	NA	NA	NA	NA	NA
5/31/2012	ONS Wellness, LLC	FL	Wellness Center USA, Inc.	NA	NA	NA	NA	NA	NA	NA
5/3/2012	Gateway Healthcare	RI	Lifespan	NA	NA	NA	NA	NA	NA	NA
4/24/2012	Greenleaf Center	GA	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$6.3	50	\$7.0	NA	\$126.0	0.9 x	NA
3/20/2012	Psych Support, Inc.	NC	Providence Service Corporation	NA	NA	NA	NA	NA	NA	NA
1/12/2012	Carlyle Care Center	WA	Pioneer Human Services	\$3.2	NA	NA	NA	NA	NA	NA
1/8/2012	Three Haven Behavioral Health Facilities	TN	Acadia Healthcare Company, Inc. (Nasdaq: ACHO)	\$90.5	166	\$42.0	\$12.4	\$545.2	2.2 x	7.3 x
1/3/2012	Montgomery Hospital and Red Rock Behavioral Health Hospital (UHS)	NV	Strategic Behavioral Health, LLC	NA	NA	NA	NA	NA	NA	NA

Historical Comparable Transactions (continued)

- The multiples displayed below represent transactions involving behavioral health facilities announced since 2009 with available multiples for revenue or EBITDA

Date	Target	Target State	Acquirer	Target Statistics and Financials				EV as a multiple of:			
				Enterprise Value	Licensed Beds	Revenue	EBITDA	Licensed Beds (\$ 000s)	Revenue	EBITDA	
1/4/2012	Vista House	CA	Bodha Recovery Residences	NA	NA	NA	NA	NA	NA	NA	
1/1/2012	Guidance Associates of Pennsylvania	PA	Franklin Family Services, Inc.	NA	NA	NA	NA	NA	NA	NA	
12/22/2011	Behavioral health programs	MN	People, Inc.	NA	NA	NA	NA	NA	NA	NA	
11/2/2011	The Recovery Place	FL	Berments Behavioral Health	NA	NA	NA	NA	NA	NA	NA	
11/1/2011	Mountain Health Solutions	NC	CRC Health Corporation	NA	NA	NA	NA	NA	NA	NA	
10/20/2011	Carden House	FL	Golden Standard of Care OF St. Petersburg, LLC	\$1.5	60	\$0.8	\$0.2	\$25.0	1.9 x	8.8 x	
8/17/2011	Schick Shadel Hospital	WA	Ascend Health Corporation	NA	NA	NA	NA	NA	NA	NA	
5/24/2011	RHC Inc.	MA	Acadia Healthcare Company, Inc. (Nasdaq: ACHC)	\$76.5	NA	\$62.0	NA	NA	1.2 x	NA	
5/12/2011	Hanley Center	FL	Caron Treatment Centers	NA	NA	NA	NA	NA	NA	NA	
4/4/2011	Youth & Family Centered Services, Inc.	TX	Acadia Healthcare Company, Inc. (Nasdaq: ACHC)	\$178.0	NA	\$184.4	\$8.2	NA	1.0 x	21.6 x	
3/15/2011	Meadow Wood Behavioral Health	DE	RHC Inc.	\$21.5	58	\$15.0	NA	\$370.7	1.4 x	NA	
3/4/2011	Camelot System of Care	TX	Sequel Youth and Family Services	NA	NA	NA	NA	NA	NA	NA	
3/1/2011	Madison Center	IN	Memorial Health System	NA	NA	NA	NA	NA	NA	NA	
2/16/2011	North Pavilion	CO	Mental Health Center of Denver	NA	NA	NA	NA	NA	NA	NA	
11/1/2010	St. Vincent's Hospital Westchester	NY	St. Joseph's Medical Center	\$7.5	NA	NA	NA	NA	NA	NA	
10/21/2010	Country Inn	FL	Morningdew, LLC	\$1.0	NA	\$2.1	NA	NA	0.5 x	NA	
8/16/2010	ResCare, Inc.	KY	Onex Corp	\$551.2	NA	\$1,569.0	\$98.2	NA	0.4 x	5.6 x	
7/1/2010	The Ranch	TN	Berments Behavioral Health	NA	NA	NA	NA	NA	NA	NA	
4/14/2010	Rebecca's House	CA	Sovereign Health of California	NA	NA	NA	NA	NA	NA	NA	
6/29/2010	North Baltimore Center	MD	Mosaic Community Services	NA	NA	NA	NA	NA	NA	NA	
5/17/2010	Psychiatric Solutions, Inc.	Multiple	Universal Health Services	\$3,133.0	NA	\$1,807.6	\$319.7	NA	1.7 x	9.8 x	
5/13/2010	Employee Assistance Services Enterprise	OR	Reliant Behavioral Health	NA	NA	NA	NA	NA	NA	NA	
11/2/2009	Peninsula Village	TN	Acadia Healthcare Company, Inc. (Nasdaq: ACHC)	NA	145	NA	NA	NA	NA	NA	
8/31/2009	Just Care, Inc.	SC	The GEO Group, Inc.	\$40.0	354	\$30.0	NA	\$113.0	1.3 x	NA	
8/3/2009	Inner Harbour	GA	Youth Villages	NA	NA	NA	NA	NA	NA	NA	
7/10/2009	The Arc of Westmoreland County	PA	ACHIEVA	NA	NA	NA	NA	NA	NA	NA	
3/3/2009	Friendship Developmental Services	CA	ResCare, Inc.	NA	NA	NA	NA	NA	NA	NA	
2/22/2009	BehaviorCorp, Inc	IN	The Center for Mental Health, Inc.	NA	NA	NA	NA	NA	NA	NA	
2/3/2009	FamiliesFirst, Inc.	CA	BMQ Children & Family Services	NA	NA	NA	NA	NA	NA	NA	
1/14/2009	Circle of Health Care Center	MI	Behavioral Centers of America	NA	NA	NA	NA	NA	NA	NA	
								Median	\$311	1.4 x	9.8 x
								Mean	\$297	1.4 x	11.8 x
								High	\$555	2.4 x	21.6 x
								Low	\$25	0.4 x	5.6 x
								Observations	15	14	7

Comparable Transactions Analysis (continued)

- The transaction median multiples were discounted to reflect Maryville Scott Nolan's relative scale and profitability compared to other targets
- A 100 percent weight of the Enterprise Range from the Revenue multiples was applied to arrive at the implied BEV range
 - EBITDA multiples were not used due to the negative cash flows
- Based on the comparable transactions analysis, Maryville's implied BEV ranges from approximately **\$7.1 million to \$10.6 million**

Maryville Scott Nolan Psychiatric Hospital

Comparable Transactions Approach

\$ in 000's

	Rep. Level	Selected Multiples	Adjusted Multiple Range		Enterprise Value Range		Weight
			Low	High	Low	High	
			Comparability Adjustment Range				
			-60%	-40%			
Total Revenue*	\$12,414	1.4x	0.6x	0.9x	\$7,059	\$10,589	100%
Operating EBITDA	\$(4,103)	9.8x	3.9x	5.9x	(\$16,085)	(\$24,128)	0%
			BEV Range		\$7,100	\$10,600	

*Reflects annualized eight month ended February 2014 financial operating results

Valuation Summary

Weighting of Valuation Approaches

- In applying the weighting to the various methodologies, Kaufman Hall determined:
 - With respect to the **Public Market Comparables Analysis**, significant differences exist between Maryville Scott Nolan and the publicly-traded comparable companies identified resulting from size, geographic diversification, growth expectations and profitability, among other differences. As a result of these differences, Kaufman Hall has applied a **10%** weighting to this methodology.
 - The **Comparable Transactions Analysis** provides a reasonable proxy for how the market values behavioral health facilities. While most comparable transactions in this analysis involved organizations operating profitably, reasonable inferences can be made from these transactions (particularly those involving less profitable organizations) to Maryville Scott Nolan. As a result, Kaufman Hall has applied a **90%** weighting to this methodology.

Valuation Summary

- Based on a combination of two valuation methodologies, Maryville Scott Nolan’s implied BEV ranges from **\$7.2 million to \$10.7 million**
- Due to Maryville Scott Nolan’s negative cash flows, Kaufman Hall applied a distressed discount* to the implied BEV range
 - The distressed discount is preliminary and would require further refinement
 - With the distressed discount, Maryville Scott Nolan’s adjusted BEV ranges from **\$4.2 million to \$6.7 million**

Maryville Scott Nolan Psychiatric Hospital			
Valuation Summary			
<i>\$ in 000's</i>			
	<u>Low</u>	<u>High</u>	<u>Weight</u>
Public Market Comparables Analysis	7,700	11,500	10%
Comparable Transactions Analysis	7,100	10,600	90%
Preliminary Value Range (Rounded)	7,200	10,700	
Distressed Discount (Rounded)*	3,000	4,000	
Adjusted Value Range	4,200	6,700	
<i>Implied BEV/Total Revenue Multiples**</i>	<i>0.3 x</i>	<i>0.5 x</i>	

*A distressed discount would be applied to account for additional issues typically found in distressed entities. These include lack of working capital, capital expenditure needs, systems upgrades, etc. KHA would work to further define and refine these items in additional diligence to arrive at a more refined analysis of this discount

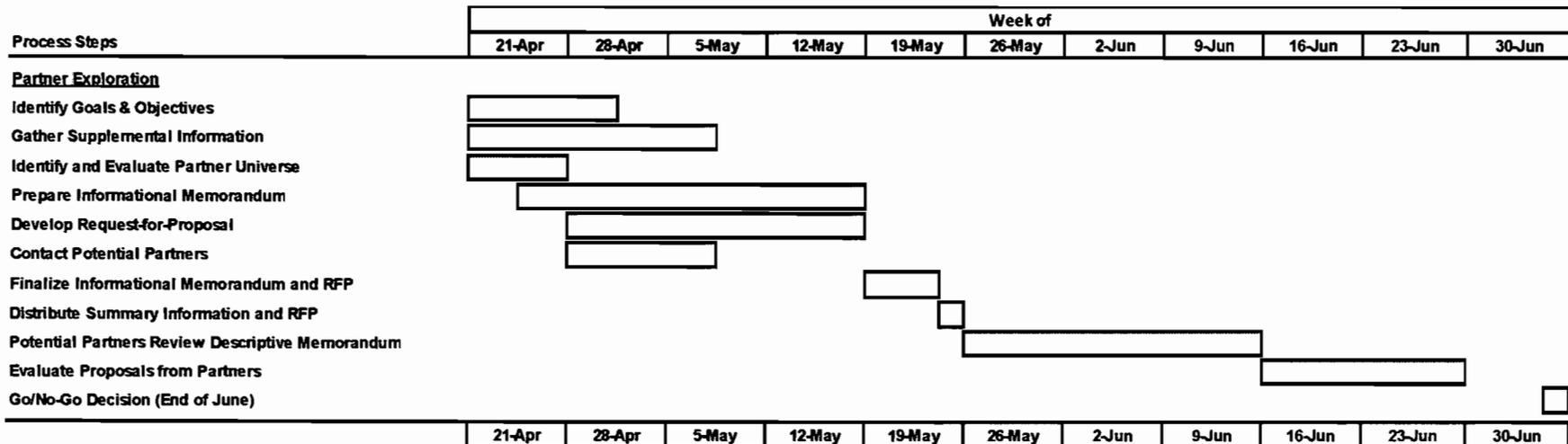
**Based on annualized eight month ended February 2014 financial operating results

3

Process Overview

Process Overview

- Based on our understanding of Maryville’s situation, Kaufman Hall would propose a quick, limited partnership process with a small list of targeted buyers to arrive at an understanding of market interest by the end of June
 - The timeline below is indicative of such a process



Note: Times are approximate and are subject to change based on market conditions

4

Preliminary Potential Partners

Preliminary Potential Partners

- Based on preliminary analysis of the market, Kaufman Hall believes the following entities would be potential partners for Maryville's Scott Nolan Hospital:
 - Acadia Healthcare Company
 - Universal Health Services
 - Alexian Brothers Health System
 - Edward - Elmhurst Health System (Linden Oaks)
 - Aurora Behavioral Health
- The following slides profile each of these organizations
- In addition to these entities, KHA would explore potential Private Equity backed organizations with an interest in Behavioral Health Services organizations
 - Based on our experience and recent discussions with Private Equity, we would anticipate that another 7-10 PE players should be contacted to determine interest in Maryville's Scott Nolan Hospital

Company: Acadia Healthcare Company
NFP/FP: For-Profit
Website: www.acadiahealthcare.com
Location: Franklin, TN
Revenues: \$713.4 million (LTM as of December 31, 2013)
Behavioral Hospitals: 52



Description:

Acadia Healthcare Company, Inc. (“Acadia”) develops and operates inpatient psychiatric facilities, residential treatment centers, group homes, and substance abuse facilities in the United States. Its acute inpatient psychiatric facilities provide evaluation and crisis stabilization of patients with severe psychiatric diagnoses; and residential treatment centers offer intensive, medically-driven interventions, and individualized treatment to patient with moderate to high level acuity. The company also operates therapeutic group homes that provide treatment services for seriously, emotionally disturbed adolescents; and manages therapeutic foster care programs for children and adolescents with emotional disorders. In addition, it offers community-based services comprising therapeutic treatment to children and adolescents suffering from severe congenital, neurobiological, speech/motor, and early onset psychiatric disorders. Further, the company provides management, administrative, and helpline services; inpatient contract management services; and inpatient and outpatient behavioral healthcare services, education, and long-term support services for abused and neglected children and adolescents.

Source: Organization website and Capital IQ

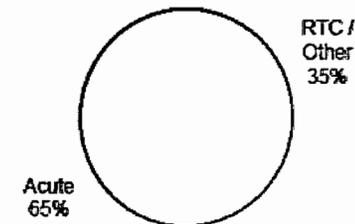
Acadia Healthcare Company (continued)



Fast Facts

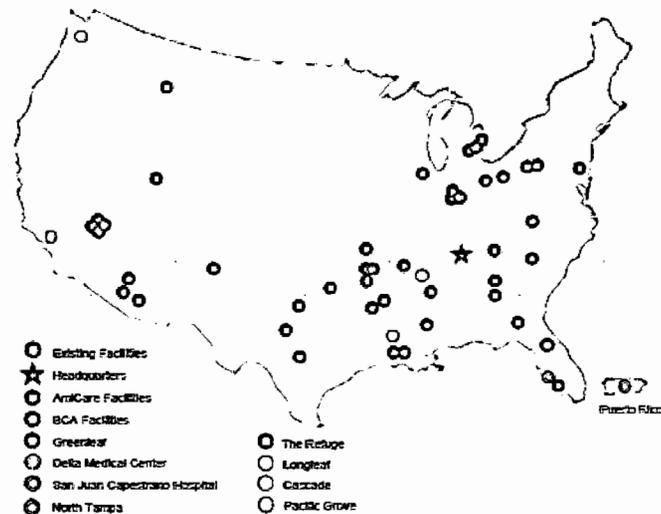
- Acadia is a facility-based behavioral healthcare company established in 2005 to acquire, develop and operate behavioral healthcare facilities
- In February 2011, five members of the former Psychiatric Solutions, Inc. (“PSI”) senior management team joined Acadia
- Geographic diversification with operations across 52 facilities in 24 states and Puerto Rico
- M&A strategy has created significant momentum (acquired ~\$600 million in revenue over the last 3 years)

Licensed Bed Mix



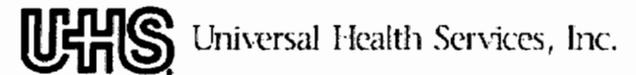
4,200 Total Beds at 52 Facilities

Facility Locations



Source: Acadia Investor Presentation

Company: Universal Health Services
FP/ NFP: For-Profit
Website: www.uhsinc.com
Headquarters: Nashville, TN
Revenues: \$7.3 billion (LTM as of December 31, 2013)
Market Cap: \$8.0 billion
Behavioral Hospitals: 193
Acute Hospitals: 24



Description:

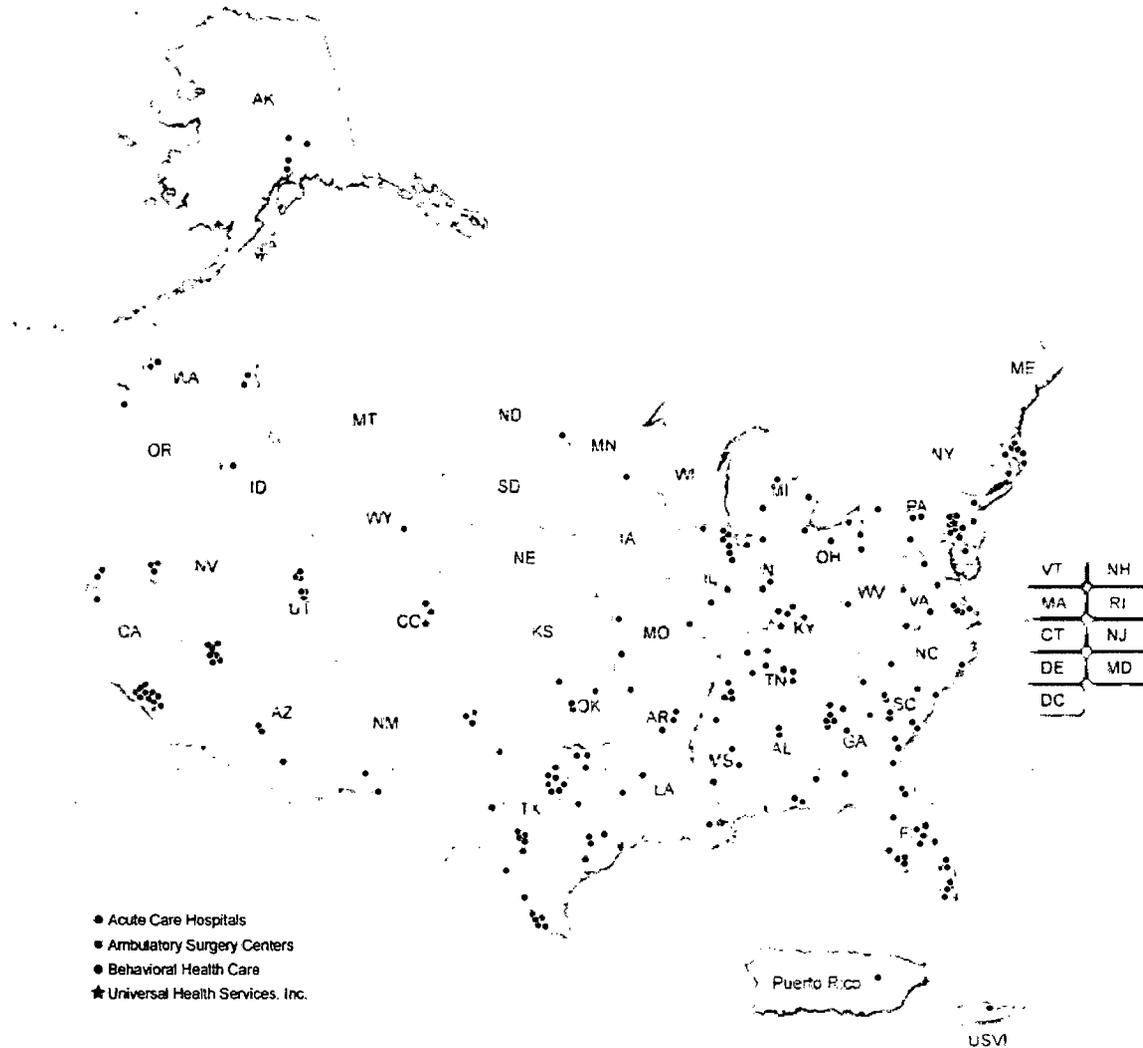
Universal Health Services (“UHS”) owns and operates acute care hospitals, behavioral health centers, surgical hospitals, ambulatory surgery centers and radiation oncology centers. As of February 27, 2014, UHS owned and/or operated 24 acute care hospitals and 193 behavioral health centers (including 9 facilities acquired from Ascend Health Corporation in October, 2012) located in 37 states, Washington, D.C., Puerto Rico and the U.S. Virgin Islands. As part of UHS’s ambulatory treatment centers division, they manage and/or own outright or in partnerships with physicians, 5 surgical hospitals and surgery and radiation oncology centers located in five states and Puerto Rico. Universal was founded in 1978 by Alan B. Miller, president and chairman, and today has more than 34,000 employees. Net revenues from UHS’s acute care hospitals, surgical hospitals, surgery centers and radiation oncology centers account for about half of their consolidated net revenues with the balance coming from behavioral healthcare facilities.

Strategy:

UHS believes community-based hospitals will remain the focal point of the healthcare delivery network and they are committed to a philosophy of self determination for both the company and its hospitals.

Source: Organization website and Capital IQ

UHS Sphere of Influence



Source: Organization website

Company: Alexian Brothers Health System
NFP/FP: Not-for-Profit
Website: www.acadiahealthcare.com
Location: Chicago, IL
Revenues: \$993.6 (FYE 2013)
Acute Care Hospitals: 2
Behavioral Hospital(s): 1



Description:

Alexian Brothers Health System (“ABHS”) is a large tertiary provider located in the northwest Chicago suburbs, recording more than 44,000 inpatient admissions annually. ABHS system includes: (a) two acute care hospitals (Alexian Brothers Medical Center in Elk Grove Village, IL and St. Alexius Medical Center in Hoffman Estates, IL); (b) Alexian Brothers Behavioral Health Hospital in Hoffman Estates; (c) Alexian Brothers Rehabilitation Hospital in Elk Grove Village; (d) immediate care centers and occupational health facilities located throughout the northwest Chicago suburbs; and (e) life care facilities in Milwaukee and Tennessee. As of January 2012, ABHS joined Ascension Health Alliance (“Ascension”), which is the largest not-for-profit health system in the U.S.

Alexian Brothers Behavioral Health Hospital:

Alexian Brothers Behavioral Health Hospital (“ABBHH”) is accredited by the Joint Commission and licensed by the Division of Alcohol and Substance Abuse. ABBHH has been awarded Disease-Specific Care (DSC) Certification in four separate psychiatric specialties: Depression, Chemical Dependency, Eating Disorders, and Self Injury.

Source: Organization website and Capital IQ

Company: Edward - Elmhurst Health System
NFP/FP: Not-for-Profit
Website: www.edward.org
Location: Naperville, IL
Revenues: \$989 million (FYE 2013)
Acute Care Hospitals: 2
Behavioral Hospital(s): 1



Description:

Effective July 2013, Edward Hospital and Health Services (“Edward”) and Elmhurst Memorial (“Elmhurst”) finalized a merger of the two entities. The merger creates a health systems in Illinois comprised of three hospitals – Edward, Elmhurst Memorial and Linden Oaks at Edward and more than 50 outpatient locations across a service area of 1.7 million residents. The new system employs nearly 7,700 and has more than 1,680 physicians on staff.

Linden Oaks Hospital:

Linden Oaks is an acute care psychiatric hospital with 101 licensed beds located in a separate facility but on the Edward’s main hospital campus in Naperville. Services provided include: eating disorders, alcoholism, depression, anxiety, self-injury, dementia, and other behavioral health issues. Linden Oaks provides services to both adolescents and adults. The hospital also has outpatient locations on Mill Street in Naperville and in Plainfield, IL.

Source: Organization website and Capital IQ

Company: Aurora Behavioral Health Care
NFP/FP: Not-for-Profit
Website: <http://www.aurorabehavioral.com>
Location: Aurora, CO
Revenues: NA
Behavioral Hospitals: 7



Description:

Aurora Behavioral Health Care was developed in September of 2000. The company is made up of seven acute psychiatric hospitals. The hospitals are accredited by the Joint Commission for Accreditation of Healthcare Organizations and Medicare certified. Each hospital has a comprehensive treatment team to ensure quality patient care. The hospitals are located throughout California along with one in the Chicago area of Illinois and one in the Phoenix area of Arizona. Each facility contracts with most managed care companies and accepts patients on a voluntary basis. A variety of inpatient and outpatient programs along with aftercare and 12 Step programs, are offered at each location.

Source: Organization website and Capital IQ

5

Kaufman Hall Qualifications

Mergers and Acquisitions Capabilities

Broad Expertise Across Healthcare Services

- Kaufman Hall has been involved in hundreds of M&A engagements in the healthcare services industry
- 19 professionals dedicated 100% to mergers and acquisitions
- Areas of expertise include:
 - Health systems
 - Religious sponsored
 - National
 - Regional/ multi-state
 - Single state
 - Metropolitan/ local
 - Hospitals
 - Community hospitals
 - Tertiary hospitals
 - Academic medical centers
 - Religious sponsored
 - Specialty
 - Managed care plans
 - Long-term care
 - Home health and hospice
 - Physician practices
 - Outpatient services
 - Ambulatory surgery centers
 - Imaging
 - Cancer centers
 - Real estate
 - Service lines
 - Behavioral Health
 - Rehabilitation
 - Dialysis

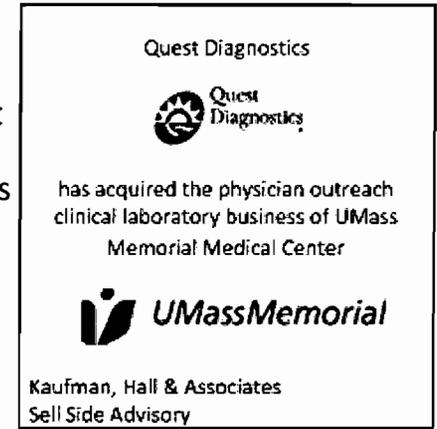
Mergers and Acquisitions Capabilities (continued)

Demonstrated Leader in Hospital and Health System M&A

- Kaufman Hall is the leading provider of M&A advisory services in the hospital and healthcare services industry
- Kaufman Hall has been involved in over 100 hospital, health system and healthcare services M&A-related engagements since the beginning of 2011
- We are currently active in over 35 non-profit hospital, health system and healthcare services M&A engagements
 - We represent both non-profit community hospitals seeking larger health system partners and non-profit health systems seeking growth through partnerships with non-profit community hospitals
 - In addition as systems and healthcare services providers have attempted to react to the changing healthcare landscape we have become more active in non-acute care transactions including: behavioral health, home health, hospice and laboratory services
 - This knowledge base provides us with a unique perspective that benefits our clients throughout the partnership process

UMass Memorial Medical Center Outreach Laboratory Business

Background: UMass Memorial Medical Center (“UMass Memorial” or the “Medical Center”) is an academic medical center serving Central and Western Massachusetts, and the clinical partner of a major public medical school. With approximately \$2.2 billion in net patient revenues, the Medical Center provides a full range of services, including all major specialties and subspecialties of inpatient and ambulatory care. The clinical pathology group at the Medical Center provides a full suite of testing on both an inpatient/outpatient basis as well as through physician outreach.



Opportunity: The Medical Center recently assessed business units to be reduced for potential monetization, and its clinical laboratory was identified as one of the high-priority units. Specifically, the management team focused on the outreach lab business for partnership. The lab operates patient service centers throughout Massachusetts and, to a lesser extent, the surrounding states.

Kaufman Hall Role:

Manage Partnership Process: After senior management and the Board decided to pursue strategic partnership options, Kaufman Hall was retained by the Board as the financial advisor to assist the Board in selecting the partner which would not only maximize net proceeds, but also be best suited for partnership.

Limited Partnership Process: Kaufman Hall recommended a limited partnership process based on market factors in its geography. Kaufman Hall worked with senior leadership in order to develop goals and objectives for the partnership process which would assist in helping the Medical Center to achieve its identified transaction objectives. Kaufman Hall contacted potential partners, received proposals from potential partners, reviewed and evaluated proposals with the management team, facilitated due diligence, and worked with counsel and management to finalize the definitive agreement.

Outcome: Quest Diagnostics acquired the physician outreach clinical laboratory business of UMass Memorial Medical Center in January 2013.

Outpatient Dialysis Operations

Background: Our client is a multi-hospital not-for-profit health system located in the southern United States. It employs approximately 14,000 staff members and 1,300 physicians and scientists, and is a primary clinical teaching facility for a major university.

Opportunity: Our client owns multiple ancillary and outpatient services within its broad service area and determined to evaluate its strategic options regarding multiple of these services as part of a portfolio optimization and potential monetization review. From the larger portfolio optimization analysis, one of the services our client determined to explore divesting and monetizing was its outpatient dialysis business operations.

Kaufman Hall Role

Manage Partnership Process: After our client's senior management and Board identified the outpatient dialysis business for potential divestiture, Kaufman Hall was retained as the exclusive financial advisor to assist the System in selecting the partner that would not only maximize net proceeds, but also be best suited to meet the healthcare needs of those in the community and preserve the existing clinical and operational relationships with the System.

Controlled Partnership Process: Kaufman Hall recommended a controlled auction process in which it would work with a select group of potential suitors, each of whom possessed a strong rationale for acquiring the outpatient dialysis services. Kaufman Hall approached suitors who had previously expressed interest, along with potential financial buyers and national agencies. Kaufman Hall conducted a full marketing and solicitation process that included contacting potential suitors, receiving proposals, analyzing and evaluating final proposals, drafting and negotiating a letter of intent and assisting in negotiating the final terms of the definitive agreement.

Current Status: After successfully negotiating highly favorable economic considerations, our client did not execute the asset purchase agreement due to internal operational matters.

Brenham Care Center

Background: Scott & White Healthcare (“Scott & White”) is a multi-hospital not-for-profit health system located in the southern United States. Scott & White employs approximately 13,000 employees and 900 physicians and scientists, and is a primary clinical teaching facility for a major university.

Opportunity Scott & White owns Brenham Care Center (“Brenham”), a skilled nursing facility, as a result of the recent acquisition of a hospital. Last year, the hospital ran a controlled RFP process to test if there was a local interest in Brenham. However, the results were not as expected and Scott & White decided not to pursue talks.

Kaufman Hall Role:

Manage Partnership Process: After Scott & White senior management and the Board decided to pursue strategic partnership options, Kaufman Hall was retained by the Board as the financial advisor to assist the Board in selecting the partner which would not only maximize net proceeds, but also be best suited to meet the healthcare services needs of seniors in the community – as well as preserve the existing relationship with one of the System’s hospitals.

Broad Partnership Process: Kaufman Hall recommended a more broad process than had initially been conducted by Scott & White the previous year. Kaufman hall worked with senior leadership as well as a specially designated Transaction Committee in order to develop goals and objectives for the partnership process, which would assist in helping Scott & White to achieve its identified transaction objectives. A group of potential partners that previously showed interest in Brenham were contacted as well as national operators and REITs. Kaufman Hall assisted in the transaction planning and timing, identification and screening of potential partners, preparing the confidential offering memorandum, facilitating due diligence, interviewing finalists and negotiating a Letter of Intent and definitive agreements with the selected party.

Current Status: Brenham Care Center was acquired by Regency Nursing and Rehabilitation Centers. The transaction fulfilled management’s and the Board’s objectives which included maximizing net proceeds and finding a partner who would continue to deliver compassionate healthcare to seniors in the community.



SCOTT & WHITE

has sold Brenham Care Center to

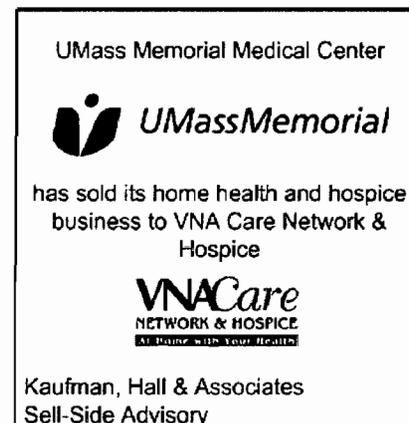


Kaufman Hall acted as the exclusive financial advisor and structured and negotiated the transaction on behalf of Scott & White

Kaufman, Hall & Associates
Sell-Side Advisory

UMass Memorial Medical Center Home Health and Hospice Business

Background: UMass Memorial Medical Center (“UMass Memorial” or the “Medical Center”) is an academic medical center serving Central and Western Massachusetts and the clinical partner of a major public medical school. UMass Memorial has approximately \$2.2 billion in net patient revenues. Serving the community since 1966, the home health and hospice unit (the “Agency”) of UMass Memorial became part of the Medical Center through a series of mergers and acquisitions. The Agency provides a full suite of home health and palliative care services to adults and children and their families in the comfort of their homes, and had approximately \$15 million in revenue in fiscal year 2011.



Opportunity: The Medical Center determined that its home health and hospice business would be able to better serve its constituent communities through a partnership. Through the partnership process, UMass determined that this business unit could best achieve its goals and objectives through an outright sale.

Kaufman Hall Role:

Manage Partnership Process: After senior management and the Board decided to pursue strategic partnership options, Kaufman Hall was retained by the Board as the financial advisor to assist the Board in selecting the partner which would not only maximize net proceeds, but also provide high-quality home health and hospice care to the community.

Broad Partnership Process: Kaufman Hall approached local players who had expressed interest, along with potential financial buyers and national agencies. Kaufman Hall worked with senior leadership in order to develop goals and objectives for the partnership process which would assist in helping the Medical Center to achieve its identified transaction objectives. Kaufman Hall contacted potential partners, received proposals from potential partners, reviewed and evaluated final proposals, and assisted in negotiating the final terms of the deal. Ultimately, UMass Memorial chose VNA Care Network & Hospice, a local player, as the best-suited partner.

Outcome: The transaction with VNA Care Network & Hospice closed in September 2012.

Qualifications, Assumptions and Limiting Conditions (v.12.08.06):

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