

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION

GARDEN CITY EMPLOYEES' RETIREMENT SYSTEM,	)	Civil Action No. 3:09-cv-00882-WJH
	)	
Plaintiff, and	)	Chief District Judge William J. Haynes, Jr.
	)	
CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION FUND, Individually and on Behalf of All Others Similarly Situated,	)	<u>CLASS ACTION</u>
	)	
Lead Plaintiff,	)	
	)	
vs.	)	
PSYCHIATRIC SOLUTIONS, INC., et al.,	)	
	)	
Defendants.	)	
	)	

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**NOTICE OF SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS' FEES AND SETTLEMENT FAIRNESS HEARING**

**TO: ALL PERSONS WHO PURCHASED OR ACQUIRED PSYCHIATRIC SOLUTIONS, INC. ("PSI" OR THE "COMPANY") SECURITIES DURING THE PERIOD FROM FEBRUARY 21, 2008, THROUGH FEBRUARY 25, 2009, INCLUSIVE**

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THE SETTLEMENT PROCEEDS, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE FORM ("PROOF OF CLAIM") **POSTMARKED OR SUBMITTED ONLINE ON OR BEFORE FEBRUARY 2, 2015.**

This Notice of Settlement, Motion for Attorneys' Fees and Settlement Fairness Hearing ("Notice") has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Middle District of Tennessee, Nashville Division (the "Court"). The purpose of this Notice is to inform you of the proposed settlement of the Litigation (the "Settlement") and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement as well as counsel's application for fees, costs, and expenses. This Notice describes the rights you may have in connection with your participation in the Settlement, what steps you may take in relation to the Settlement and this class action, and, alternatively, what steps you must take if you wish to be excluded from the Settlement and this Litigation.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT</b>	
<b>SUBMIT A CLAIM FORM</b>	The only way to get a payment. Proof of Claim forms must be postmarked or submitted online on or before February 2, 2015.
<b>EXCLUDE YOURSELF</b>	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against the Defendants or any other Released Persons about the legal claims in this case. Exclusions must be received on or before December 29, 2014. If you submitted a request for exclusion in response to the Notice of Pendency of Class Action you received in April or May 2012, you do not have to exclude yourself again.
<b>OBJECT</b>	Write to the Court about why you do not like the Settlement, the Plan of Allocation, and/or the request for attorneys' fees, costs, and expenses. You will still be a member of the Class. Objections must be received by the Court and counsel on or before December 29, 2014.
<b>GO TO A HEARING</b>	Ask to speak in Court about the fairness of the Settlement. Requests to speak must be received by the Court and counsel on or before December 29, 2014.
<b>DO NOTHING</b>	Get no payment. Give up your rights.

## **SUMMARY OF THIS NOTICE**

### **Statement of Class Recovery**

Pursuant to the Settlement described herein, a \$65 million Settlement Fund has been established. Lead Plaintiff's damages expert estimates that there were approximately 50.6 million shares of PSI common stock which may have been damaged during the Class Period. Lead Plaintiff's damages expert estimates that the average recovery under the Settlement is roughly \$1.28 per damaged share, before deduction of any taxes on the income thereof, notice and administration costs and the attorneys' fee, costs, and expense award as determined by the Court. A Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by that claimant's Recognized Loss as compared to the total Recognized Losses of all Class Members who submit acceptable Proofs of Claim. An individual Class Member may receive more or less than this estimated average amount depending on the number of claims submitted, when during the Class Period a Class Member purchased or acquired PSI securities, the purchase price paid, and whether those shares were held at the end of the Class Period or sold during the Class Period, and, if sold, when they were sold and the amount received. See Plan of Allocation as set forth at pages 8-11 below for more information on your Recognized Loss.

### **Statement of Potential Outcome of Case**

The parties disagree on both liability and damages and do not agree on the average amount of damages per PSI securities that would be recoverable if the Class prevailed on each claim alleged. The Defendants deny that they are liable to the Class and deny that the Class has suffered any damages.

### **Statement of Attorneys' Fees, Costs, and Expenses Sought**

Lead Counsel will apply to the Court for an award of attorneys' fees not to exceed twenty-nine percent (29%) of the Settlement Fund, plus costs and expenses not to exceed \$3,500,000, plus interest earned on both amounts at the same rate as earned by the Settlement Fund. Since the Litigation's inception, Lead Counsel have expended considerable time and effort in the prosecution of this Litigation on a contingent fee basis and advanced the expenses of the Litigation in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovery as their attorneys' fees. In addition, the Lead Plaintiff may seek payment for its time and expenses incurred in representing the Class. The requested fees, costs, and expenses amount to an average of approximately \$0.44 per damaged share. The average cost per damaged share will vary depending on the number of acceptable Proofs of Claim submitted.

### **Further Information**

For further information regarding the Litigation, this Notice or to review the Stipulation of Settlement, please contact the Claims Administrator toll-free at 1-888-283-6726, or [www.psychiatricsolutionssecuritiessettlement.com](http://www.psychiatricsolutionssecuritiessettlement.com).

You may also contact representatives of counsel for the Class: Rick Nelson, Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, 1-800-449-4900, [www.rgrdlaw.com](http://www.rgrdlaw.com).

Please Do Not Call the Court or Defendants with Questions About the Settlement.

### **Reasons for the Settlement**

The principal reason for the Settlement is the benefit to be provided to the Class now. This benefit must be compared to the risk that no recovery might be achieved after a contested trial and likely appeals, possibly years into the future.

## **BASIC INFORMATION**

### **1. Why did I get this notice package?**

You or someone in your family may have purchased or acquired PSI securities during the time period February 21, 2008, through February 25, 2009, inclusive ("Class Period").

The Court directed that this Notice be sent to Class Members because they have a right to know about the proposed Settlement of this class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after objections and appeals, if any, are resolved, the Claims Administrator appointed by the Court will make the payments provided for in the Settlement.

This Notice explains the class action lawsuit, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the Litigation is the United States District Court for the Middle District of Tennessee, Nashville Division, and the case is known as *Garden City Employees' Retirement System v. Psychiatric Solutions, Inc., et al.*, Civil Action No. 3:09-cv-00882-WJH. The case has been assigned to the Honorable William J. Haynes, Jr. The pension fund representing the Class is the "Lead Plaintiff," and the company and individuals it sued and who have now settled are called the Defendants.

## **2. What is this lawsuit about?**

This is a federal securities class action brought on behalf of all Persons who purchased or otherwise acquired the securities of PSI during the "Class Period." Lead Plaintiff alleges that Defendants violated §§10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") by engaging in a fraudulent course of conduct that misled investors about PSI's growth and operations of its facilities; made false and misleading statements about the quality of its facilities, the treatment of its patients and the impact of regulatory violations; and materially understated loss reserves for malpractice claims brought against the Company. Lead Plaintiff alleged that this course of conduct and these materially false and misleading statements caused PSI securities to trade at artificially inflated prices. Defendants deny that they violated the securities laws.

The initial complaint in the Litigation was filed in the Court on September 21, 2009. The operative complaint in the Litigation is the Consolidated Complaint for Violation of the Federal Securities Laws, filed on June 15, 2010 (the "Complaint").

On July 15, 2010, Defendants moved to dismiss the Complaint. Lead Plaintiff filed an opposition to Defendants' motion to dismiss on August 19, 2010, and Defendants filed their reply brief on September 24, 2010. By Order dated March 31, 2011, the Court denied Defendants' motion to dismiss the Complaint. Defendants filed a motion to reconsider that ruling (or, in the alternative, the certification to the Sixth Circuit Court of Appeals, pursuant to §1292(b)), which motion was opposed by Lead Plaintiff. The Court denied the motion on August 15, 2011, and set deadlines for fact and expert discovery, as well as other pre-trial events.

Lead Plaintiff filed its motion for class certification on September 15, 2011. Defendants took discovery from the proposed Class Representative, and filed their opposition to the motion for class certification on October 31, 2011. Lead Plaintiff filed its reply to the motion for class certification on November 16, 2011, and on March 29, 2012, the Court issued an order granting class certification and appointing Lead Plaintiff as Class Representative and its choice of counsel as Lead Counsel. On April 12, 2012, Defendants petitioned the Sixth Circuit Court of Appeals seeking leave to appeal the Court's class certification order. Lead Plaintiff filed its opposition to Defendants' petition on April 26, 2012, and on May 25, 2012, the Sixth Circuit denied Defendants' petition and upheld the class certification order. Notice of the pendency of this Litigation was provided to Class Members in April and May 2012.

The parties conducted extensive fact discovery from August 2011 through April 2014. On April 18, 2014, Defendants filed their motion for summary judgment, and Lead Plaintiff filed its opposition to the motion on May 16, 2014. Defendants filed their reply brief on May 30, 2014. The motion was pending at the time this Settlement was reached. Concurrently, the parties exchanged expert reports and responses from January to June 2014. Expert discovery was completed at the end of June 2014. Briefing on motions to exclude expert testimony was completed by July 2014. These motions were also pending at the time of this Settlement. Trial in the Litigation was scheduled to begin on September 16, 2014.

The parties attended formal mediation sessions before the Hon. Layn R. Phillips (Ret.) in February 2012 and February 2013, but were unable to resolve the Litigation during those sessions, and the parties proceeded towards trial. With the assistance of Judge Phillips, the parties continued their negotiations, and on the morning of September 5, 2014, Judge Phillips presented the parties with a Mediator's Proposal, which was ultimately accepted by both parties. Following additional negotiations, the parties reached an agreement to resolve the Litigation on the specific terms set forth in the Stipulation of Settlement, and summarized herein.

Defendants deny each and all of the claims and contentions of wrongdoing alleged by Lead Plaintiff in the Litigation. Defendants contend that they did not make any materially false or misleading statements, they disclosed all material information required to be disclosed by the federal securities laws and any alleged misstatements or omissions were not made with the requisite intent or knowledge of wrongdoing. Defendants also contend that any losses suffered by members of the Class were not caused by any false or misleading statements by Defendants and/or were caused by intervening events.

## **3. Why is this a class action?**

In a class action, one or more people called the plaintiff sues on behalf of people who have similar claims. All of the people with similar claims are referred to as a class or class members. One court resolves the issues for all class members, except for those who exclude themselves from the class.

**4. Why is there a settlement?**

The Court has not decided in favor of the Defendants or of the Class. Instead, both sides agreed to the Settlement to avoid the distraction, costs and risks of further litigation, including trial, and Lead Plaintiff agreed to the Settlement in order to ensure that Class Members will receive compensation. Lead Plaintiff and Lead Counsel believe the Settlement is in the best interest of all Class Members in light of the real possibility that continued litigation could result in no recovery at all.

**WHO IS IN THE SETTLEMENT**

To see if you will get money from this Settlement, you first have to decide if you are a Class Member.

**5. How do I know if I am part of the Settlement?**

The Court directed that everyone who fits this description is a Class Member: ***all Persons who purchased or otherwise acquired PSI securities between February 21, 2008 and February 25, 2009, inclusive***, except those Persons and entities that are excluded, as described below.

**6. Are there exceptions to being included?**

Excluded from the Class are (i) PSI, its parents, subsidiaries and any other entity owned or controlled by PSI; (ii) Joey A. Jacobs, Jack E. Polson, and Brent Turner; (iii) all other executive officers and directors of PSI or any of its parents, subsidiaries or other entities owned or controlled by PSI; (iv) all immediate family members of the foregoing, including grandparents, parents, spouses, siblings, children, grandchildren and step-relations of similar degree; and (v) all predecessors and successors-in-interest or assigns of any of the foregoing. Also excluded from the Class are those Persons who timely and validly excluded themselves therefrom by submitting a request for exclusion pursuant to the Notice of Pendency of Class Action sent to potential Class Members in April and May 2012, and those Persons who timely and validly exclude themselves in accordance with the requirements set forth in Question 13 below.

If one of your mutual funds own PSI securities, that alone does not make you a Class Member. You are a Class Member only if you directly purchased or acquired PSI securities during the Class Period. Contact your broker to see if you have purchased or acquired PSI securities.

If you sold PSI securities during the Class Period, that alone does not make you a Class Member. You are a Class Member only if you ***purchased or acquired*** PSI securities, as defined above.

**7. What if I am still not sure if I am included?**

If you are still not sure whether you are included, you can ask for free help. You can contact the Claims Administrator toll-free at 1-888-283-6726, or you can fill out and return the Proof of Claim form enclosed with this Notice package, to see if you qualify.

**THE SETTLEMENT BENEFITS – WHAT YOU GET**

**8. What does the Settlement provide?**

In exchange for the Settlement and the release of the Released Claims (defined below) as well as dismissal of the Litigation, Defendants have agreed that a payment of \$65 million will be made by Defendants (or on their behalf) to be divided, after taxes, fees, and expenses, among all Class Members who send in a valid Proof of Claim form.

**9. How much will my payment be?**

Your share of the fund will depend on several things, including, how many Class Members submit timely and valid Proof of Claim forms, the total Recognized Losses represented by the valid Proof of Claim forms that Class Members send in, the number and type of shares of PSI securities you purchased or acquired, how much you paid for the shares, when you purchased or acquired, and if you sold your shares and for how much.

By following the instructions in the Plan of Allocation, you can calculate what is called your Recognized Loss. It is unlikely that you will get a payment for all of your Recognized Loss. After all Class Members have sent in their Proof of Claim forms, the payment you get will be a part of the Net Settlement Fund equal to your Recognized Loss divided by the total of everyone's Recognized Losses. See the Plan of Allocation at pages 8-11 hereof for more information on your Recognized Loss.

## HOW YOU GET A PAYMENT – SUBMITTING A CLAIM FORM

### 10. How can I get a payment?

To qualify for a payment, you must submit a Proof of Claim form. A Proof of Claim form is enclosed with this Notice or it may be downloaded at [www.psychiatricolutionssecuritiessettlement.com](http://www.psychiatricolutionssecuritiessettlement.com). Read the instructions carefully, fill out the Proof of Claim form, include all the documents the form asks for, sign it, and mail or submit it online so that it is postmarked or received no later than February 2, 2015. The claim form may be submitted online at [www.psychiatricolutionssecuritiessettlement.com](http://www.psychiatricolutionssecuritiessettlement.com).

### 11. When would I get my payment?

The Court will hold a Settlement Hearing on January 16, 2015, to decide whether to approve the Settlement. If the Court approves the Settlement after that, there might be appeals. It is always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all the Proofs of Claim to be processed. Please be patient.

### 12. What am I giving up to get a payment or to stay in the Class?

Unless you exclude yourself, you will remain a Class Member, and that means that, if the Settlement is approved, you will give up all “Released Claims” (as defined below), including “Unknown Claims” (as defined below), against the “Released Persons” (as defined below):

- “Released Claims” means any and all rights, liabilities, suits, debts, obligations, demands, damages, losses, judgments, matters, issues, claims (including Unknown Claims as defined below), and causes of action of every nature and description whatsoever, in law or equity, whether accrued or un-accrued, fixed or contingent, liquidated or unliquidated, known or unknown, contingent or absolute, mature or un-matured, discoverable or undiscoverable, concealed or hidden, suspected or unsuspected, disclosed or undisclosed, whether arising under federal, state, local, statutory, common law, foreign law, or any other law, rule, or regulation, and whether class and/or individual in nature, that Lead Plaintiff or any Class Member asserted, could have asserted, or in the future could or might have asserted in this Litigation or any other action, court, tribunal, proceeding, or forum against any of the Released Persons arising out of, in connection with, or in any way relating to, directly or indirectly, the purchase or acquisition of PSI securities during the Class Period and the allegations, transactions, acts, facts, matters, occurrences, disclosures, statements, representations, omissions, or events that were or could have been alleged or asserted in the Litigation. Released Claims does not include claims to enforce the Settlement.
- “Released Persons” means each and all of the Defendants, and each and all of their Related Parties.
- “Related Parties” means, with respect to each Defendant, present and former parents, subsidiaries, affiliates, predecessors, successors, joint venturers, assigns, officers, directors, employees, partners, controlling shareholders, principals, trustees, attorneys, auditors, accountants, investment bankers, underwriters, consultants, agents, insurers, re-insurers, spouses, estates, related or affiliated entities, any entity in which a Defendant has a controlling interest, any members of any Defendants’ immediate family, any trust of which any Defendant is the settlor or which is for the benefit of any Defendant and/or member(s) of his family, and each of the heirs, executors, administrators, predecessors, successors, and assigns of the foregoing.
- “Unknown Claims” means any of the Released Claims which Lead Plaintiff or any Class Member does not know or suspect to exist in such party’s favor at the time of the release of the Released Persons, and any of the Settled Defendants’ Released Claims that the Released Persons do not know or suspect to exist in his, her or its favor at the time of the release of the Lead Plaintiff, each and all of the Class Members and Plaintiffs’ Counsel, which, if known by such party, might have affected such party’s settlement with and release of the Released Persons or Lead Plaintiff, each and all of the Class Members and Plaintiffs’ Counsel, or might have affected such party’s decision not to object to this Settlement. With respect to any and all Released Claims and the Settled Defendants’ Released Claims, upon the Effective Date, the Lead Plaintiff and Defendants shall expressly, and each of the Class Members and Released Persons shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived to the fullest extent permitted by law, the provisions, rights, and benefits of California Civil Code §1542, which provides:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of**

**executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Lead Plaintiff and Defendants shall expressly, and each of the Class Members and Released Persons shall be deemed to have, and by operation of the Order and Final Judgment, shall have expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiff, Class Members and the Released Persons may hereafter discover facts in addition to or different from those which such party now knows or believes to be true with respect to the subject matter of the Released Claims and the Settled Defendants' Released Claims, but the Lead Plaintiff and Defendants shall expressly, and each Class Member and Released Persons, upon the Effective Date, shall be deemed to have, and by operation of the Order and Final Judgment shall have fully, finally, and forever settled and released any and all Released Claims, or the Settled Defendants' Released Claims, as the case may be, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law, or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiff and Defendants acknowledge, and the Class Members and Released Persons shall be deemed by operation of the Order and Final Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

If you remain a member of the Class, all of the Court's orders will apply to you and legally bind you.

**EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want a payment from this Settlement, and you want to keep the right to sue the Defendants and the other Released Persons, on your own, about the legal issues in this case, then you must take steps to remove yourself from the Settlement. This is called excluding yourself – or is sometimes referred to as “opting out.”

**13. How do I get out of the proposed Settlement?**

To exclude yourself from the Class, you must send a letter by First-Class Mail stating that you “request exclusion from the Class in the *PSI Securities Litigation*.” Your letter must include the date(s), price(s), and number(s) of all purchases, acquisitions and sales of PSI securities during the Class Period. In addition, you must include your name, address, telephone number, and your signature. You must submit your exclusion request so that it is **received no later than December 29, 2014** to:

*PSI Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 8040  
San Rafael, CA 94912-8040

If you ask to be excluded, you will not get any payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue the Defendants and the other Released Persons in the future.

**NOTE: IF YOU EXCLUDED YOURSELF FROM THE CLASS IN RESPONSE TO THE NOTICE OF PENDENCY OF CLASS ACTION YOU RECEIVED IN APRIL OR MAY 2012, YOU DO NOT HAVE TO SUBMIT ANOTHER REQUEST FOR EXCLUSION.**

**14. If I do not exclude myself, can I sue the Defendants and the other Released Persons for the same thing later?**

No. Unless you exclude yourself, you give up any rights to sue the Defendants and the other Released Persons for any and all Released Claims. If you have a pending lawsuit against the Released Persons speak to your lawyer in that case immediately. You must exclude yourself from this Litigation to continue your own lawsuit. Remember, the exclusion deadline is December 29, 2014.

**15. If I exclude myself, can I get money from the proposed Settlement?**

No. If you exclude yourself, you may not send in a Proof of Claim to ask for any money. But, you may be able to sue or be part of a different lawsuit against the Defendants and the other Released Persons about the claims raised in this Litigation.

## THE LAWYERS REPRESENTING YOU

### 16. Do I have a lawyer in this case?

The Court ordered that the law firm of Robbins Geller Rudman & Dowd LLP represents the Class Members, including you. These lawyers are called Lead Counsel. You will not be charged for these lawyers. They will be paid from the Settlement Fund to the extent the Court approves their application for fees and expenses. If you want to be represented by your own lawyer, you may hire one at your own expense.

### 17. How will the lawyers be paid?

Lead Counsel will move the Court for an award of attorneys' fees in an amount not greater than twenty-nine percent (29%) of the Settlement Fund and for expenses and costs in an amount not to exceed \$3,500,000, which were incurred in connection with the Litigation, plus interest on such fees, costs, and expenses at the same rate earned by the Settlement Fund. In addition, the Lead Plaintiff may seek up to \$25,000 for its time and expenses incurred in representing the Class. Such sums as may be approved by the Court will be paid from the Settlement Fund.

The attorneys' fees and expenses requested will be the only payment to Plaintiffs' Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Lead Counsel have not been paid for their services for conducting this Litigation on behalf of Lead Plaintiff and the Class nor for their substantial litigation expenses. The fee requested will compensate Plaintiffs' Counsel for their work in achieving the Settlement Fund and is within the range of fees awarded to class counsel under similar circumstances in other cases of this type.

## OBJECTING TO THE SETTLEMENT

### 18. How do I tell the Court that I object to the proposed Settlement?

If you are a Class Member, you can object to the proposed Settlement, the proposed Plan of Allocation, and/or Lead Counsel's fee, cost, and expense application. You can write to the Court setting out your objection. The Court will consider your views. To object, you must send a signed letter saying that you object to the proposed Settlement in the *PSI Securities Litigation*. Be sure to include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of PSI securities you purchased, acquired and sold during the Class Period, and state the reasons why you object to the proposed Settlement. Your objection must be filed with the Court and mailed or delivered to each of the following addresses such that it is **received no later than December 29, 2014**:

<b>COURT</b>	<b>LEAD COUNSEL</b>	<b>DEFENDANTS' COUNSEL REPRESENTATIVE</b>
Clerk of the Court United States District Court Middle District of Tennessee Nashville Division Estes Kefauver Federal Building and United States Courthouse 801 Broadway Nashville, TN 37203	Ellen Gusikoff Stewart ROBBINS GELLER RUDMAN & DOWD LLP 655 West Broadway, Suite 1900 San Diego, CA 92101	Steven A. Riley RILEY WARNOCK & JACOBSON, PLC 1906 West End Avenue Nashville, TN 37203

### 19. What is the difference between objecting and excluding myself?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

## THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend and you may ask to speak, but you do not have to.

### 20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Hearing at 3:00 p.m., on Friday, January 16, 2015, at the United States District Court for the Middle District of Tennessee, Nashville Division, Estes Kefauver Federal Building and United States Courthouse, 801 Broadway, Nashville, TN 37203. At the hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who

have asked to speak at the hearing. The Court may also decide how much to pay to Lead Counsel. After the Settlement Hearing, the Court will decide whether to approve the Settlement. We do not know how long these decisions will take. You should be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent to Class Members. If you want to attend the hearing, you should check with Lead Counsel beforehand to be sure that the date and/or time has not changed.

**21. Do I have to come to the hearing?**

No. Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

**22. May I speak at the hearing?**

If you object to the Settlement, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (see Question 18 above) a statement saying that it is your "Notice of Intention to Appear in the *PSI Securities Litigation*." Persons who intend to object to the Settlement, the Plan of Allocation, and/or the application for an award of attorneys' fees, costs, and expenses and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing. You cannot speak at the hearing if you exclude yourself.

**IF YOU DO NOTHING**

**23. What happens if I do nothing at all?**

If you do nothing, you will get no money from this Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit or be part of any other lawsuit against the Released Persons about the legal issues in this case, ever again.

**GETTING MORE INFORMATION**

**24. Are there more details about the proposed Settlement?**

This Notice summarizes the proposed Settlement. More details are in a Stipulation of Settlement dated October 10, 2014 (the "Settlement Agreement"). You can get a copy of the Settlement Agreement and obtain answers to common questions regarding the proposed Settlement by contacting the Claims Administrator toll-free at 1-888-283-6726. A copy of the Settlement Agreement is also available on the Claims Administrator's website at [www.psychiatricolutionssecuritiessettlement.com](http://www.psychiatricolutionssecuritiessettlement.com).

**25. How do I get more information?**

For even more detailed information concerning the matters involved in this Litigation, reference is made to the pleadings, to the Settlement Agreement, to the Orders entered by the Court and to the other papers filed in the Litigation, which may be inspected at the Office of the Clerk of the United States District Court for the Middle District of Tennessee, Nashville Division, Estes Kefauver Federal Building and United States Courthouse, 801 Broadway, Nashville, TN 37203, during regular business hours. For a fee, all papers filed in this Litigation are available at [www.pacer.gov](http://www.pacer.gov).

**PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS**

The Settlement Amount of \$65 million and any interest earned thereon shall be the "Settlement Fund." The Settlement Fund, less all taxes, approved costs, fees, and expenses (the "Net Settlement Fund") shall be distributed to Class Members who submit timely and valid Proof of Claim forms to the Claims Administrator ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss" calculated using the Court-approved Plan of Allocation. The Recognized Loss formula (below) is not intended to estimate the amount a Class Member might have been able to recover after a trial; nor to estimate the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. The Court may approve the Plan of Allocation, or modify it, without additional notice to the Class. Any order modifying the Plan of Allocation will be posted on the settlement website at: [www.psychiatricolutionssecuritiessettlement.com](http://www.psychiatricolutionssecuritiessettlement.com).

The following proposed Plan of Allocation was created with the assistance of a consulting damages expert who analyzed the movement of PSI's securities during the Class Period. It takes into account the portion of the stock drops



attributable to the alleged fraud. Accordingly, a claimant's "Recognized Loss" will be calculated for purposes of the Settlement as follows:

**Common Stock**

For shares of PSI common stock purchased on or between February 21, 2008 through February 25, 2009, the claim per share shall be as follows (but no less than zero):

1. If sold on or between February 21, 2008 through February 25, 2009, at a percent inflation that was less than at the time of purchase (see Table A), then the claim per share shall be the lesser of:
  - (a) the purchase price per share times the percent inflation in Table A **less** the sales price per share times the percent inflation in Table A; and
  - (b) the difference between the purchase price per share and the sales price per share.
2. If sold on or between February 26, 2009 through May 26, 2009, at a percent inflation that was less than at the time of purchase (see Table A), then the claim per share shall be the lesser of:
  - (a) the purchase price per share times the percent inflation in Table A **less** the sales price per share times the percent inflation in Table A;
  - (b) the difference between the purchase price per share and the sales price per share; and
  - (c) the difference between the purchase price per share and the average closing price per share from February 26, 2009 up to the date of sale, as set forth in Table B below.
3. If retained at the close of trading on May 26, 2009, or sold thereafter, the claim per share shall be the lesser of:
  - (a) the purchase price per share times the percent inflation in Table A; and
  - (b) the difference between the purchase price per share and \$16.30 per share.
4. If sold at a percent inflation that was equal to or greater than at the time of purchase (see Table A), the claim per share is zero.

**TABLE A:**

<u>Time Period</u>		Inflation as Percent of Purchase or Sales Price
Begin	End	
2/21/2008	4/30/2008	42.28%
5/1/2008	7/16/2008	46.50%
7/17/2008	7/30/2008	45.33%
7/31/2008	8/11/2008	43.22%
8/12/2008	11/23/2008	41.54%
11/24/2008	2/25/2009	36.04%
2/26/2009	4/5/2009	7.29%
4/6/2009	5/26/2009	0.00%

**TABLE B:**

Date	Closing Price	Average Closing Price from February 26, 2009 through Sales Date
2/26/2009	\$17.50	\$17.50
2/27/2009	\$16.94	\$17.22
3/2/2009	\$13.15	\$15.86
3/3/2009	\$13.85	\$15.36
3/4/2009	\$14.90	\$15.27
3/5/2009	\$13.60	\$14.99
3/6/2009	\$12.86	\$14.69
3/9/2009	\$12.90	\$14.46
3/10/2009	\$13.74	\$14.38
3/11/2009	\$13.84	\$14.33
3/12/2009	\$14.70	\$14.36
3/13/2009	\$15.35	\$14.44
3/16/2009	\$15.26	\$14.51
3/17/2009	\$15.34	\$14.57
3/18/2009	\$15.43	\$14.62
3/19/2009	\$15.30	\$14.67
3/20/2009	\$14.88	\$14.68
3/23/2009	\$15.63	\$14.73
3/24/2009	\$15.83	\$14.79
3/25/2009	\$15.85	\$14.84
3/26/2009	\$16.48	\$14.92
3/27/2009	\$16.17	\$14.98
3/30/2009	\$15.64	\$15.01
3/31/2009	\$15.73	\$15.04
4/1/2009	\$15.31	\$15.05
4/2/2009	\$16.03	\$15.09
4/3/2009	\$15.82	\$15.11
4/6/2009	\$14.60	\$15.09
4/7/2009	\$13.65	\$15.04
4/8/2009	\$13.98	\$15.01
4/9/2009	\$14.69	\$15.00

Date	Closing Price	Average Closing Price from February 26, 2009 through Sales Date
4/13/2009	\$14.62	\$14.99
4/14/2009	\$14.63	\$14.98
4/15/2009	\$14.43	\$14.96
4/16/2009	\$14.01	\$14.93
4/17/2009	\$14.20	\$14.91
4/20/2009	\$14.01	\$14.89
4/21/2009	\$14.01	\$14.86
4/22/2009	\$14.12	\$14.85
4/23/2009	\$13.49	\$14.81
4/24/2009	\$13.27	\$14.77
4/27/2009	\$13.63	\$14.75
4/28/2009	\$14.35	\$14.74
4/29/2009	\$18.14	\$14.82
4/30/2009	\$19.39	\$14.92
5/1/2009	\$19.28	\$15.01
5/4/2009	\$19.39	\$15.10
5/5/2009	\$20.25	\$15.21
5/6/2009	\$20.48	\$15.32
5/7/2009	\$19.88	\$15.41
5/8/2009	\$20.71	\$15.51
5/11/2009	\$20.99	\$15.62
5/12/2009	\$20.06	\$15.70
5/13/2009	\$19.82	\$15.78
5/14/2009	\$20.39	\$15.86
5/15/2009	\$20.18	\$15.94
5/18/2009	\$20.37	\$16.02
5/19/2009	\$19.80	\$16.08
5/20/2009	\$20.69	\$16.16
5/21/2009	\$20.14	\$16.23
5/22/2009	\$17.99	\$16.26
5/26/2009	\$18.88	\$16.30

**Call Options**

1. For call options on PSI common stock purchased on or between February 21, 2008 through February 25, 2009, and

(a) held at the end of any of the following dates: April 30, 2008; July 16, 2008; July 30, 2008; August 11, 2008; November 23, 2008; February 25, 2009 or April 5, 2009, the claim per call option is the difference between the price paid for the call option and the proceeds received upon the settlement of the call option contract;

(b) not held at the end of any of the following dates: April 30, 2008; July 16, 2008; July 30, 2008; August 11, 2008; November 23, 2008; February 25, 2009 or April 5, 2009, the claim per call option is \$0.

2. For call options on PSI common stock written on or between February 21, 2008 through February 25, 2009, the claim per call option is \$0.

**Put Options**

1. For put options on PSI common stock written on or between February 21, 2008 through February 25, 2009, and

(a) held at the end of any of the following dates: April 30, 2008; July 16, 2008; July 30, 2008; August 11, 2008; November 23, 2008; February 25, 2009 or April 5, 2009, the claim per put option is the difference between the

price paid upon settlement of the put option contract and the initial proceeds received upon the sale of the put option contract;

(b) not held at the end of any of the following dates: April 30, 2008; July 16, 2008; July 30, 2008; August 11, 2008; November 23, 2008; February 25, 2009 or April 5, 2009, the claim per put option is \$0.

2. For put options on PSI common stock purchased on or between February 21, 2008 through February 25, 2009, the claim per put option is \$0.<sup>1</sup>

In the event a Class Member has more than one purchase, acquisition or sale of PSI securities during the Class Period, all purchases, acquisitions and sales within the Class Period shall be matched on a First-In, First-Out ("FIFO") basis. Class Period sales will be matched first against any holdings at the beginning of the Class Period, and then against purchases or acquisitions in chronological order, beginning with the earliest purchase or acquisition made during the Class Period.

A purchase, acquisition or sale of PSI securities shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. All purchase, acquisition and sale prices shall exclude any fees and commissions. The receipt or grant by gift, devise or operation of law of PSI securities during the Class Period shall not be deemed a purchase, acquisition or sale of PSI securities for the calculation of a claimant's Recognized Loss nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such shares unless specifically provided in the instrument of gift or assignment. The receipt of PSI securities during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase, acquisition or sale of PSI securities.

To the extent a claimant had a gain from his, her, or its overall transactions in PSI securities during the Class Period, the value of the claim will be zero. The date of covering a "short sale" is deemed to be the date of purchase of shares. The date of a "short sale" is deemed to be the date of sale of shares. In accordance with the Plan of Allocation, however, the Recognized Loss on "short sales" is zero. In the event that a claimant has an opening short position in PSI securities, the earliest Class Period purchases shall be matched against such opening short position and not be entitled to a recovery until that short position is fully covered.

Payment according to the Plan of Allocation will be deemed conclusive against all Authorized Claimants. A Recognized Loss will be calculated as defined herein and cannot be less than zero. The Claims Administrator shall allocate to each Authorized Claimant a *pro rata* share of the Net Settlement Fund based on his, her, or its Recognized Loss as compared to the total Recognized Losses of all Authorized Claimants. No distribution shall be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

Class Members who do not submit acceptable Proofs of Claim will not share in the Settlement proceeds. The Settlement and the Final Judgment and Order of Dismissal with Prejudice dismissing this Litigation will nevertheless bind Class Members who do not submit a request for exclusion and/or submit an acceptable Proof of Claim.

Please contact the Claims Administrator or Lead Counsel if you disagree with any determinations made by the Claims Administrator regarding your Proof of Claim. If you are unsatisfied with the determinations, you may ask the Court, which retains jurisdiction over all Class Members and the claims administration process, to decide the issue by submitting a written request.

Defendants, their respective counsel, and all other Released Persons will have no responsibility or liability whatsoever for the investment of the Settlement Fund, the distribution of the Net Settlement Fund, the Plan of Allocation or the payment of any claim. Lead Plaintiff and Plaintiffs' Counsel, likewise, will have no liability for their reasonable efforts to execute, administer, and distribute the Settlement.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. If any funds remain in the Net Settlement Fund by reason of un-cashed distribution checks or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund after at least six (6) months after the initial distribution of such funds shall be used: (a) first, to pay any amounts mistakenly omitted from the initial disbursement; (b) second, to pay any additional settlement administration fees, costs, and expenses, including those of Lead Counsel as may be approved by the Court; and (c) finally, to make a second distribution to claimants who cashed their checks from the initial distribution and who would receive at least \$10.00, after payment of the estimated costs, expenses, or fees to be incurred in administering the

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<sup>1</sup> In the case the option was exercised for PSI common stock, the amount paid, or proceeds received, upon settlement of the option contract equals the intrinsic value of the option using PSI common stock's closing price on the date the option was exercised. The combined recovery for the put/call options shall not exceed 3% of the Net Settlement Fund.

Net Settlement Fund and in making this second distribution, if such second distribution is economically feasible. These redistributions shall be repeated, if economically feasible, until the balance remaining in the Net Settlement Fund is *de minimis* and such remaining balance shall then be distributed to a non-sectarian, not-for-profit organization identified by Lead Counsel.

**SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased or acquired PSI securities during the Class Period for the beneficial interest of an individual or organization other than yourself, the Court has directed that, WITHIN TEN (10) DAYS OF YOUR RECEIPT OF THIS NOTICE, you either (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased or acquired such securities during such time period or (b) request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within ten (10) days mail the Notice and Proof of Claim form directly to the beneficial owners of the securities referred to herein. If you choose to follow alternative procedure (b), upon such mailing, you must send a statement to the Claims Administrator confirming that the mailing was made as directed and retain the names and addresses for any future mailings to Class Members. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Your reasonable expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

*PSI Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 8040  
San Rafael, CA 94912-8040  
1-888-283-6726  
[www.psychiatricolutionssecuritiessettlement.com](http://www.psychiatricolutionssecuritiessettlement.com)

DATED: October 21, 2014

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION