

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	)	District Judge William J. Haynes, Jr.
	)	
	)	<u>CLASS ACTION</u>
CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION FUND, Individually and on Behalf of All Others Similarly Situated,	)	
	)	
Lead Plaintiff,	)	
	)	
vs.	)	
	)	
PSYCHIATRIC SOLUTIONS, INC., et al.,	)	
	)	
Defendants.	)	

**NOTICE OF PENDENCY OF CLASS ACTION**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE SECURITIES OF PSYCHIATRIC SOLUTIONS, INC. ("PSI") BETWEEN FEBRUARY 21, 2008 AND FEBRUARY 25, 2009, INCLUSIVE.

**PLEASE READ THIS ENTIRE NOTICE CAREFULLY. YOU MAY BE A MEMBER OF THE CLASS DESCRIBED HEREIN. AS SUCH, YOUR RIGHTS MAY BE AFFECTED BY A LAWSUIT NOW PENDING IN THIS COURT.**

This is an important legal notice sent to you by order of the United States District Court for the Middle District of Tennessee, Nashville Division (referred to as "District Court"). This Notice is sent to inform you: (1) that this action is pending before Honorable Judge William J. Haynes, Jr. of the District Court; (2) that the District Court has determined that this action may proceed as a class action; (3) how this action may affect your legal rights; and (4) the steps you may take in relation to the action. This Notice is not an expression by the District Court of any opinion regarding the merits of any of the claims or defenses asserted by the parties.

**1. What Is This Notice And Why Is It Important?**

The District Court has certified this lawsuit as a class action. A class action is a lawsuit in which one or more individual(s) sue an individual(s), company and/or other entity on behalf of all other people who are allegedly in a similar position. Collectively, these people are referred to as a "Class" or "Class Members." In a class action, the court resolves certain issues, legal claims and/or defenses for all Class Members in one lawsuit, except for those who ask to be excluded from the Class (as discussed below). If you purchased or otherwise acquired PSI securities between February 21, 2008 through February 25, 2009, inclusive, you may be a Class Member, and if so, this lawsuit will affect your legal rights. ***Please read this entire Notice carefully.***

**2. What Is This Lawsuit About?**

On September 21, 2009, an action entitled *Garden City Employees' Retirement System v. Psychiatric Solutions, Inc., et al.*, Case No. 3:09-cv-00882 was filed in the District Court. The Lead Plaintiff and Class Representative, Central States, Southeast and Southwest Areas Pension Fund, alleges in its Consolidated Complaint for Violation of the Federal Securities Laws, filed on June 15, 2010, that PSI and the individual defendants made materially false and misleading statements about PSI's risk management and controls over the operations of its in-patient psychiatric facilities, including the quality of treatment provided to its patients. Lead Plaintiff further alleges that these materially false and misleading statements caused PSI securities to trade at artificially inflated prices.

Lead Plaintiff alleges that, on February 25, 2009, PSI announced a decline in 2008 earnings as a result of rising malpractice claims and regulatory expenses associated with an investigation into conditions at two of its hospitals in Illinois, as well as facilities in California, Texas, Florida, and other states. Lead Plaintiff further alleges that, on this news, PSI's stock fell \$9.79 per share, losing 35%. The defendants deny all of the allegations of wrongdoing asserted in the action and deny any liability whatsoever to any members of the Class.

Defendants moved to dismiss Lead Plaintiff's complaint, and that motion was denied on March 31, 2011. Defendants' motion to reconsider and/or appeal ruling was denied by the District Court. Fact discovery is now ongoing.

The District Court has not ruled on the merits of Lead Plaintiff's legal claims or defendants' defenses and the litigation remains ongoing. Please note that this Notice does not describe all claims and defenses asserted by the parties. The section entitled "How Do I Find Out More About This Lawsuit?" describes the process by which you can obtain additional information.

If you purchased or otherwise acquired PSI securities during the period beginning February 21, 2008 to February 25, 2009, inclusive, you may be a Class Member, and if so, this lawsuit will affect your legal rights to sue defendants now and in the future relating to allegations in this action. **Please read this entire Notice carefully to decide what to do.**

On March 29, 2012, the District Court certified claims in this lawsuit for class action treatment to be prosecuted by Lead Plaintiff and Class Representative on behalf of PSI shareholders who purchased PSI securities between February 21, 2008 and February 25, 2009, inclusive. The District Court's order certifying the Class does not guarantee that Class Members will receive money or benefits; that will be decided later in the lawsuit. In certifying this case as a class action, the District Court made no decision as to the merits of Lead Plaintiff's legal claims or defendants' defenses.

Please note that the District Court's order certifying the Class may later be changed after the parties exchange evidence and the District Court rules on various legal matters. In fact, the District Court may even decertify the Class at any time before the lawsuit is over. If the District Court's order certifying the Class is not revoked later or decertified by the District Court, all orders of this District Court, whether good or bad for Lead Plaintiff, will be binding on any Class Member who does not opt out or exclude themselves. See page 3 for further discussion. This includes any judgments entered by the District Court, whether or not favorable to the Class, which will be binding on all Class Members who do not exclude themselves.

### **3. How Do I Know If I Am A Class Member?**

According to the District Court's order, you are a Class Member if you fit this description:

All persons who purchased or otherwise acquired PSI securities between February 21, 2008 and February 25, 2009, inclusive. 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.

If you are a Class Member, you must decide to either stay in this lawsuit or exclude yourself, as described below. You may enter an appearance through your own attorney at your own expense if you so desire. If you are a legal representative for a deceased's estate or an individual who is no longer in charge of his or her own financial matters, and you believe they fall within this definition, read this Notice carefully to decide what steps to take on their behalf.

### **4. If I Am A Class Member, What Are My Options?**

If you are a Class Member, you have a right to stay in the case as a Class Member or be excluded from the lawsuit. You have to decide this very soon.

#### **Option 1. Do Nothing. Stay In The Lawsuit.**

You have the right to stay in the lawsuit as a Class Member and await the outcome of the case. You need to do nothing if you wish to remain in this lawsuit. It will cost you nothing. If you decide to stay in the lawsuit as a Class Member, you will be bound by all orders, judgments and decisions of the District Court whether favorable or unfavorable to you or the Class. At the end of the case, you may receive money or other benefits as may be awarded as a result of a trial or settlement reached between Lead Plaintiff and defendants, or you may receive nothing. You do not need to do anything to keep open the possibility of getting money or benefits from the lawsuit.

If you stay in the case, Lead Plaintiff will pursue the claims and remedies on your behalf. There is no guarantee that Lead Plaintiff will be successful with its claims and/or win the lawsuit at trial or before. If the Class is awarded money or benefits, you will be notified about how to make a claim for your share, if any.

The District Court has appointed Lead Plaintiff Central States, Southeast and Southwest Areas Pension Fund to be Class Representative and provide evidence on behalf of you and other Class Members. The District Court has also appointed the following lawyers and law firms as Class Counsel for those Class Members who stay in the lawsuit:

Dennis J. Herman  
Daniel J. Pfefferbaum  
ROBBINS GELLER RUDMAN  
& DOWD LLP  
Post Montgomery Center  
One Montgomery Street, Suite 1800  
San Francisco, CA 94104  
www.rgrdlaw.com

George E. Barrett  
Douglas S. Johnston, Jr.  
Timothy L. Miles  
BARRETT JOHNSTON, LLC  
217 Second Avenue, North  
Nashville, TN 37201-1601  
www.barrettjohnston.com

These lawyers are experienced in handling complex lawsuits on behalf of large classes of individuals. More information is available about Class Counsel on the websites listed above.

In the event that Lead Plaintiff is successful through trial or settlement, Class Counsel will seek attorneys' fees and expenses. You will not be personally responsible for any fees, costs or expenses of Class Counsel relating to the prosecution of this lawsuit.

Please keep in mind that if you do nothing now and stay in the lawsuit, you will give up your rights to sue defendants separately in another lawsuit regarding legal claims that are, or could have been, part of this lawsuit (described below), and your rights to recover in other lawsuits involving defendants may be impacted. You also may forego your right to pursue claims based on alternative legal theories in favor of the theories being pursued in this case. You waive your right to bring a separate lawsuit if you do not exclude yourself from this case. If you stay in the case, you will be legally bound by all of the orders that the District Court issues in this case, including final judgment.

**Option 2. Exclude Yourself From The Lawsuit.**

Alternatively, you have the right to not be part of this lawsuit by excluding yourself or “opting out” of the Class. If you wish to exclude yourself, you must do so on or before June 15, 2012, as described below. If you exclude yourself from the Class, you give up your right to receive any money or other benefits awarded in this case, and you will not be bound by any judgments or other orders of the District Court whether favorable or unfavorable to you and/or the Class. However, you will keep your rights, if any, to sue defendants separately in another lawsuit and bring the same legal claims that are part of this lawsuit. If you wish to pursue this right, you will need to exclude yourself and hire and pay your own lawyer. You will also need to bring evidence to prove your own claims. If you choose this option, you should talk to a lawyer soon because your claims may be subject to a statute of limitations which sets a deadline for filing the lawsuit within a certain period of time.

**5. How Do I Exclude Myself From The Class?**

To exclude yourself from this lawsuit and/or preserve your right to bring a separate case, you must make a request to be excluded in writing and mail it to:

*Psychiatric Solutions, Inc. Securities Litigation*  
Notice Administrator  
c/o Gilardi & Co.  
P.O. Box 8040  
San Rafael, CA 94912-8040  
1-866-290-5286

**All requests for exclusion must be postmarked on or before June 15, 2012.**

Your request for exclusion **must** contain:

1. The name of the lawsuit (*Garden City Employees’ Retirement System v. Psychiatric Solutions, Inc., et al.*);
2. Your full name;
3. Your current address;
4. A clear statement that you wish to be excluded such as: **“I request exclusion from the Class”**;
5. The number and type of PSI securities you purchased or otherwise acquired between February 21, 2008 and February 25, 2009, inclusive; and
6. Your signature.

Class Counsel will file your request for exclusion with the District Court. If you are signing on behalf of a Class Member (such as an estate or incompetent person), as a legal representative please include your full name and the basis for your authority.

**IF YOU DO NOT EXCLUDE YOURSELF BY THE DEADLINE ABOVE, YOU WILL REMAIN PART OF THE CLASS AND BE BOUND BY THE ORDERS OF THE DISTRICT COURT IN THIS LAWSUIT, INCLUDING FINAL JUDGMENT, WHETHER OR NOT IT IS FAVORABLE TO LEAD PLAINTIFF AND YOU.**

**6. How Do I Find Out More About This Lawsuit?**

If you have any questions about the lawsuit or any matter raised in this Notice, please contact Gilardi & Co. LLC at [www.gilardi.com](http://www.gilardi.com) or toll free at 1-866-290-5286. You may also contact Class Counsel at their websites, listed above.

Complete copies of the documents filed in these lawsuits may be examined and copied at any time during regular office hours at the Clerk of the Court, United States District Court for the Middle District of Tennessee, Nashville Division, located at 801 Broadway, Nashville, Tennessee.

**PLEASE DO NOT TELEPHONE OR CONTACT THE DISTRICT COURT OR THE CLERK OF THE COURT REGARDING THIS NOTICE.**

DATED: April 13, 2012

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

*Psychiatric Solutions, Inc. Securities Litigation*  
Notice Administrator  
c/o Gilardi & Co.  
P.O. Box 8040  
San Rafael, CA 94912-8040

**Important Legal Document.**

**PSYCHSOL**