

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

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

This Stipulation of Settlement, dated October 10, 2014 (the “Stipulation”), is made and entered into by and among the following Settling Parties to the above-entitled litigation (the “Litigation”): (i) the Court-appointed Lead Plaintiff and Class Representative Central States, Southeast and Southwest Areas Pension Fund (“Central States” or “Lead Plaintiff” or “Class Representative”) (on behalf of itself and each of the Class Members), by and through its counsel of record in the Litigation; and (ii) Psychiatric Solutions, Inc. (“PSI” or the “Company”), Joey A. Jacobs, Jack E. Polson and Brent Turner (referred to collectively as the “Defendants”), by and through their counsel of record in the Litigation. The Stipulation is intended by the Settling Parties to fully, finally, and forever resolve, discharge, and settle the Released Claims, upon and subject to the terms and conditions hereof and subject to the approval of the United States District Court for the Middle District of Tennessee (the “Court”).

I. THE LITIGATION

This is a federal securities class action brought on behalf of all Persons who purchased or otherwise acquired the securities of PSI from February 21, 2008 through February 25, 2009, inclusive (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. Dkt. No. 1. On April 30, 2010, Central States was appointed Lead Plaintiff and its choice of counsel was approved by the Court in the present action. Dkt. No. 100.

The operative complaint in the Litigation is the Consolidated Complaint for Violation of the Federal Securities Laws, filed on June 15, 2010 (the “Complaint”). Dkt. No. 109. The Complaint alleges claims against Defendants for violations of §§10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder.

On July 15, 2010, Defendants moved to dismiss the Complaint. Dkt. Nos. 110-111. Lead Plaintiff filed an opposition to Defendants’ motion to dismiss on August 19, 2010 (Dkt. No. 114), and Defendants filed their reply brief on September 24, 2010. Dkt. No. 123. By Order dated March 31, 2011, the Court denied Defendants’ motion to dismiss the Complaint. Dkt. No. 125. 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)) (Dkt. No. 126), which motion was opposed by Lead Plaintiff. Dkt. No. 129. The Court denied the motion on August 15, 2011, and set deadlines for fact and expert discovery, as well as other pre-trial events. Dkt. No. 139.

Lead Plaintiff filed its motion for class certification on September 15, 2011. Dkt. No. 147. Defendants took discovery from the proposed Class Representative, and filed their opposition to the motion for class certification on October 31, 2011. Dkt. No. 152. Lead Plaintiff filed its reply to the motion for class certification on November 16, 2011 (Dkt. No. 160), 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. Dkt. No. 180. 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 (Dkt. No. 259), and Lead Plaintiff filed its opposition to the motion on May 16, 2014. Dkt. No. 285. Defendants filed their reply brief on May 30, 2014. Dkt. No. 297. 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 these 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 herein.

II. THE DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

Defendants have denied and continue to deny each and all of the claims and contentions alleged by Lead Plaintiff in the Litigation. Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Litigation. Defendants also have denied, *inter alia*, the allegations that they made a materially false statement or had any intent to make one, the allegations that Class Representative or the Class has suffered damage, the allegation

that the price of PSI stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Class Representative or the Class was harmed by the conduct that was or could have been alleged in the Litigation.

This Stipulation shall in no event be construed or deemed to be evidence of an admission or concession on the part of any Defendant with respect to any claim or of any fault, liability, wrongdoing, or damage whatsoever, or any infirmity in the defenses that Defendants have asserted. Defendants' decision to settle the Litigation was based on the conclusion that further conduct of the Litigation would be protracted and expensive, that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation, and that it would be beneficial to avoid the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation.

III. CLAIMS OF THE LEAD PLAINTIFF AND BENEFITS OF SETTLEMENT

Lead Plaintiff believes that the claims asserted in the Litigation have merit and that the evidence developed to date supports those claims. Lead Counsel, however, recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial, potential post-trial proceedings sought by Defendants and appeals. Lead Plaintiff also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Litigation, as well as the difficulties and delays inherent in such litigation. Lead Plaintiff also is mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Litigation. Lead Counsel believes that the Settlement set forth in this Stipulation confers substantial benefits upon the Class. Based on its evaluation, Lead Plaintiff and Lead Counsel have determined that the Settlement set forth in this Stipulation is in the best interests of the Class, and that the Settlement provided for herein is fair, reasonable and adequate.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among Lead Plaintiff (for itself and on behalf of the Class Members) and the Defendants, by and through their respective counsel of record, that, subject to the approval of the Court, the Litigation and the Released Claims shall be finally and fully compromised, settled, and released, and the Litigation shall be dismissed with prejudice, upon and subject to the terms and conditions of the Stipulation, as follows:

1. Definitions

As used in the Stipulation the following terms have the meanings specified below:

1.1 “Authorized Claimant” means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

1.2 “Claims Administrator” means the firm of Gilardi & Co. LLC.

1.3 “Class” means 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. Also excluded from the Class are those Persons who timely and validly requested exclusion from the Class pursuant to the Notice of Pendency of Class Action sent to potential Class Members in April 2012, and those Persons who timely and validly request exclusion from the Class pursuant to the Notice of Settlement of Class Action to be sent to Class Members pursuant to the Notice Order.

1.4 “Class Member” or “Class Members” means any Person who falls within the definition of the Class as set forth in ¶1.3 of the Stipulation.

1.5 “Class Period” means the period commencing on February 21, 2008 and ending on February 25, 2009, inclusive.

1.6 “Defendants” means PSI, Joey A. Jacobs, Jack E. Polson, and Brent Turner.

1.7 “Effective Date” means the first date by which all of the events and conditions specified in ¶7.1 of the Stipulation have been met and have occurred.

1.8 “Escrow Agent” means Robbins Geller Rudman & Dowd LLP or its successor(s).

1.9 “Final” means when the last of the following with respect to the Order and Final Judgment, substantially in the form of Exhibit B attached hereto, shall occur: (i) the expiration of three (3) business days after the time for the filing of any motion to alter or amend the Order and Final Judgment under Federal Rule of Civil Procedure 59(e) without any such motion having been filed; (ii) the expiration of the time for the filing or noticing of any appeal from the Order and Final Judgment without any appeal having been filed; and (iii) if such motion to alter or amend is filed or if an appeal is filed or noticed, then immediately after the determination of that motion or appeal so that the Order and Final Judgment is no longer subject to any further judicial review or appeal whatsoever, whether by reason of affirmance by court of last resort, lapse of time, voluntary dismissal of the appeal or otherwise, and in such a manner as to permit the consummation of the Settlement in accordance with the terms and conditions of this Stipulation. For purposes of this paragraph, an appeal shall include any petition for a writ of certiorari or other writ that may be filed in connection with the approval or disapproval of this Settlement, but shall not include any appeal that concerns only the issue of attorneys’ fees and expenses, payment of Lead Plaintiff’s time and expenses or the Plan of Allocation of the Settlement Fund. Any proceeding or order, or any appeal or petition for a writ of certiorari pertaining solely to any plan of distribution and/or application for

attorneys' fees, costs, or expenses and/or Lead Plaintiff's request for payment of time and expenses, shall not in any way delay or preclude the Order and Final Judgment from becoming Final.

1.10 "Final Approval Hearing" means the hearing to determine whether the proposed Settlement embodied by this Stipulation is fair, reasonable, and adequate to the Class, and whether the Court should (1) enter an Order and Final Judgment approving the proposed Settlement, (2) approve the Plan of Allocation of Settlement proceeds, and (3) determine an award of attorneys' fees and expenses to Lead Plaintiff's counsel and Lead Plaintiff's request for payment of time and expenses.

1.11 "Lead Counsel" means Robbins Geller Rudman & Dowd LLP or its successor(s).

1.12 "Lead Plaintiff" means Central States, Southeast and Southwest Areas Pension Fund.

1.13 "Liaison Counsel" means Barrett Johnston Martin & Garrison, LLC or its successor(s).

1.14 "Notice Order" means the order described in ¶3.1 hereof.

1.15 "Order and Final Judgment" means the judgment to be rendered by the Court, substantially in the form attached hereto as Exhibit B.

1.16 "Person" means a natural person, individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, limited liability company, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and all of their respective spouses, heirs, beneficiaries, executors, administrators, predecessors, successors, representatives, or assignees.

1.17 "Plaintiffs" means all of the plaintiffs that have appeared in the Litigation.

1.18 "Plaintiffs' Counsel" means any counsel who have appeared for any of the Plaintiffs in the Litigation.

1.19 “Plan of Allocation” means a plan or formula of allocation of the Settlement Fund whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys’ fees, costs, expenses (including expenses awarded to Lead Plaintiff), and interest as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation, and Defendants and their Related Parties shall have no responsibility or liability with respect thereto.

1.20 “PSI” or the “Company” mean Psychiatric Solutions, Inc.

1.21 “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.

1.22 “Released Claims” means any and all rights, liabilities, suits, debts, obligations, demands, damages, losses, judgments, matters, issues, claims (including Unknown Claims as defined in ¶1.33 hereof), 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.

1.23 “Released Persons” means each and all of the Defendants and each and all of their Related Parties.

1.24 “Settled Defendants’ Released Claims” means all claims, demands, losses, rights, and causes of action of any nature whatsoever, known or unknown, contingent or absolute, mature or immature, discoverable or undiscoverable, whether concealed or hidden, suspected or unsuspected, whether arising under federal, state, common or foreign law, which now exist or heretofore have existed, that have been or could have been asserted in the Litigation or any forum by the Released Persons or any of them against the Lead Plaintiff, Plaintiffs, Class Members, or Plaintiffs’ Counsel, that arise out of or relate in any way to the institution, prosecution, or settlement, of the claims against the Released Persons, except for claims related to the enforcement of the Settlement.

1.25 “Settlement” means the settlement of the Litigation as set forth in this Stipulation.

1.26 “Settlement Amount” means the principal amount of Sixty-Five Million Dollars (\$65,000,000.00), to be paid pursuant to ¶2.1 of this Stipulation, plus any interest that may accrue thereon after Defendants have paid the principal amount pursuant to ¶2.1 of this Stipulation. Neither Defendants nor their Related Parties shall have any obligation whatsoever to pay any amount over and above the principal amount of Sixty-Five Million Dollars (\$65,000,000).

1.27 “Settlement Fund” means the interest-bearing escrow account controlled by the Escrow Agent into which Defendants shall deposit or cause their insurance carriers to pay or deposit the Settlement Amount on behalf of Defendants.

1.28 “Settling Parties” means, collectively, each of the Defendants and the Lead Plaintiff on behalf of itself and each of the Class Members.

1.29 “Stipulation” means this Stipulation of Settlement, including the recitals and Exhibits thereto.

1.30 “Supplemental Agreement” means the agreement described in ¶7.4.

1.31 “Taxes” means all taxes (including any estimated taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund as described in ¶2.8.

1.32 “Tax Expenses” means expenses and costs incurred in connection with the calculation and payment of taxes or the preparation of tax returns and related documents including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs relating to filing (or failing to file) the returns described in ¶2.8.

1.33 “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.

2. The Settlement

a. The Settlement Fund

2.1 In consideration of the terms of this Stipulation, Defendants shall cause the Settlement Amount to be paid or deposited into the Settlement Fund (by wire or check) on the earlier of seven (7) business days following entry of an order granting preliminary approval of the Settlement or October 16, 2014.

2.2 The deposit of the Settlement Amount is the only payment to be made by or on behalf of Defendants and their Related Parties in connection with this Settlement. As set forth below, all fees, costs, and expenses incurred by or on behalf of Lead Plaintiff and the Class associated with the Settlement, including, but not limited to, Taxes, Tax Expenses, administrative costs and costs of providing notice of the Settlement to Class Members, any award of attorneys' fees and expenses of Lead Counsel, Liaison Counsel, Plaintiffs' Counsel, Plaintiffs, or Lead Plaintiff shall be paid from the Settlement Fund, and in no event shall Defendants or their Related Parties bear any additional responsibility for any such fees, costs or expenses.

b. The Escrow Agent

2.3 The Escrow Agent will invest the Settlement Fund created pursuant to ¶2.1 hereof only in instruments backed by the full faith and credit of the United States Government or fully insured by the United States Government or an agency thereof, and will reinvest the proceeds of these instruments as they mature in similar instruments at their then-current market rates. All risks related to the investment of the Settlement Fund in accordance with the guidelines set forth in this paragraph shall be borne by the Settlement Fund and neither Defendants nor their Related Parties shall have any responsibility for, interest in, or liability whatsoever with respect to investment decisions or the actions of the Escrow Agent, or any transactions executed by the Escrow Agent.

2.4 The Escrow Agent shall not disburse the Settlement Fund except as provided by: (i) the Stipulation; (ii) an order of the Court; or (iii) prior written agreement of counsel for Defendants, all insurers that funded Defendants' contribution to the Settlement Fund and/or made direct payments into the Settlement Fund, and Lead Counsel.

2.5 The Escrow Agent is authorized to execute such transactions on behalf of the Class Members as are consistent with the terms of the Stipulation.

2.6 All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis*, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed or returned pursuant to the Stipulation and/or further order(s) of the Court.

2.7 Notwithstanding the fact that the Effective Date has not yet occurred, the Escrow Agent may pay from the Settlement Fund the costs and expenses reasonably and actually incurred in connection with providing notice to members of the Class, mailing the Notice and Proof of Claim and Release form and publishing notice (such amount shall include, without limitation, the actual costs of publication, printing and mailing the Notice, and reimbursement to nominee owners for forwarding notice to their beneficial owners), soliciting Class claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, and paying escrow fees and costs, if any, and the administrative expenses incurred and fees charged by the Claims Administrator in connection with providing notice and processing the submitted claims ("Notice and Administration Costs"). In the event that the Settlement does not become final, any money paid or incurred for the above purposes, including any related fees, shall not be returned or repaid to Defendants or their insurers.

c. Taxes

2.8 (a) The Settling Parties and their counsel agree that the Settlement Fund is intended to be and should be treated as being at all times a "qualified settlement fund" within the

meaning of Treas. Reg. §1.468B-1. In addition, the Escrow Agent shall timely make such elections as necessary or advisable to carry out the provisions of this ¶2.8, including the “relation-back election” (as defined in Treas. Reg. §1.468B-1(j)(2)) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such Treasury regulations promulgated under §1.468B of the Internal Revenue Code of 1986, as amended (the “Code”). It shall be the responsibility of the Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

(b) For the purpose of §1.468B of the Code and the Treasury regulations promulgated thereunder, the Escrow Agent shall be designated as the “administrator” of the Settlement Fund. The Escrow Agent shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. §1.468B-2(k)). Such returns (as well as the election described in ¶2.8(a) hereof) shall be consistent with this ¶2.8 and in all events shall reflect that all Taxes as defined in ¶1.31 hereof (including any estimated Taxes, interest, or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in ¶2.8(c) hereof.

(c) All: (a) Taxes (including any estimated Taxes, interest, or penalties) arising with respect to the income earned by the Settlement Fund, including any Taxes or tax detriments that may be imposed upon Defendants or their Related Parties with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a “qualified settlement fund” for federal or state income tax purposes; and (b) Tax Expenses, and costs incurred in connection with the operation and implementation of this ¶2.8 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this ¶2.8), shall be paid out of the Settlement

Fund. In no event shall Defendants or their Related Parties have any responsibility for or liability with respect to the Taxes or the Tax Expenses. The Escrow Agent shall indemnify and hold each of the Defendants and their Related Parties harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement Fund and shall be timely paid by the Escrow Agent out of the Settlement Fund without prior order from the Court, and the Escrow Agent shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amount, including the establishment of adequate reserves for any Taxes and Tax Expenses (as well as any amounts that may be required to be withheld under Treas. Reg. §1.468B-2(1)(2)); neither Defendants nor their Related Parties are responsible therefor nor shall they have any liability with respect thereto. The Settling Parties hereto agree to cooperate with the Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this ¶2.8.

(d) Neither Defendants nor their Related Parties are responsible for Taxes, Tax Expenses, costs and expenses reasonably and actually incurred in connection with providing notice to the Class, locating Class Members, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, or paying escrow fees and costs, nor shall they be liable for any claims with respect thereto.

d. Termination of Settlement

2.9 In the event that the Stipulation is not approved, or is terminated, canceled, or fails to become effective for any reason, including, without limitation, in the event the Order and Final Judgment is reversed or vacated following any appeal taken therefrom, or is successfully collaterally attacked, the Settlement Amount, including any interest accrued thereon, less expenses actually

incurred or due and owing from the Settlement Fund for the Notice and Administration Costs of the Settlement pursuant to ¶2.7 above, shall be refunded by wire transfer in accordance with the instructions to be provided by counsel for Defendants and the insurers that funded Defendants' contribution to the Settlement Fund and/or made direct payments into the Settlement Fund no later than five (5) business days of the availability of the monies from the investments authorized herein or as otherwise agreed upon in writing by counsel for Defendants.

3. Notice Order and Settlement Hearing

3.1 Promptly after execution of the Stipulation, the Lead Plaintiff shall submit the Stipulation together with its Exhibits to the Court and Lead Counsel shall apply for entry of an order (the "Notice Order"), substantially in the form and content of Exhibit A attached hereto, requesting, *inter alia*, the preliminary approval of the Settlement set forth in the Stipulation, approval for the mailing of the Notice of Proposed Settlement of Class Action (the "Notice") and the Proof of Claim and Release form, substantially in the forms of Exhibit A-1 and A-2 attached hereto, and approval of the publication of a Summary Notice, substantially in the form of Exhibit A-3 attached hereto, or such other substantially similar form agreed to by the Settling Parties. The Notice shall include the general terms of the Settlement as set forth in the Stipulation, the proposed Plan of Allocation, the general terms of the Fee and Expense Application as defined in ¶6.1 below, and the date of the Settlement Hearing.

3.2 Lead Plaintiff will request that the Court hold a hearing (the "Settlement Hearing") and finally approve the Settlement of the Litigation as set forth herein. At or after the Settlement Hearing, Lead Counsel also will request that the Court approve the proposed Plan of Allocation and the Fee and Expense Application.

3.3 Except for their obligation to pay or cause payment of the principal amount of the Settlement Amount into the Settlement Fund as set forth herein, Defendants and their Related Parties

shall have no liability, obligation or responsibility for the administration of the Settlement or disbursement of the Net Settlement Fund, as defined below in ¶5.2 below.

4. Releases

4.1 Upon the Effective Date, as defined in ¶1.7 hereof, the Lead Plaintiff, and each and all of the Class Members and anyone claiming through or on behalf of any of them, shall be deemed to have, and by operation of the Order and Final Judgment shall have, fully, finally, and forever remised, released, relinquished, and discharged all Released Claims (including, without limitation, Unknown Claims) against the Released Persons, regardless of whether such Class Member executes and delivers the Proof of Claim and Release forms.

4.2 Upon the Effective Date, as defined in ¶1.7 hereof, the Lead Plaintiff, each and all of the Class Members and anyone claiming through or on behalf of any of them, are forever barred and enjoined from commencing, instituting, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration, tribunal, administrative forum, or other forum of any kind, asserting any of the Released Claims against any or all of the Released Persons.

4.3 The Proof of Claim and Release to be executed by Class Members shall release all Released Claims against the Released Persons and shall be substantially in the form contained in Exhibit A-2 attached hereto.

4.4 Upon the Effective Date, as defined in ¶1.7 hereof, each of the Released Persons shall be deemed to have, and by operation of the Order and Final Judgment shall have, fully, finally, and forever released, relinquished, and discharged Lead Plaintiff, each and all of the Class Members, and Plaintiffs' Counsel from all Settled Defendants' Released Claims, and shall forever be enjoined from prosecuting such claims, except for claims relating to the enforcement of the Settlement.

5. Administration and Calculation of Claims, Final Awards, and Supervision and Distribution of Settlement Fund

5.1 The Claims Administrator, subject to such supervision and direction of the Court and/or Lead Counsel as may be necessary or as circumstances may require, shall administer and calculate the claims submitted by Class Members and shall oversee distribution of the Net Settlement Fund (defined below) to Authorized Claimants.

5.2 The Settlement Fund shall be applied as follows:

(a) to pay all the costs and expenses reasonably and actually incurred in connection with providing notice, locating Class Members, soliciting Class claims, assisting with the filing of claims, administering and distributing the Net Settlement Fund to Authorized Claimants, processing Proof of Claim and Release forms, and paying escrow fees and costs, if any;

(b) to pay the Taxes and Tax Expenses described in ¶2.8 above;

(c) to pay Plaintiffs' Counsel's attorneys' fees, expenses, and costs with interest thereon (the "Fee and Expense Award") and Lead Plaintiff's time and expenses pursuant to 15 U.S.C. §78u-4(a)(4), if and to the extent allowed by the Court; and

(d) to distribute the balance of the Settlement Fund (the "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation, or the Court.

5.3 Upon the Effective Date and thereafter, and in accordance with the terms of the Stipulation, the Plan of Allocation, or such further approval and further order(s) of the Court as may be necessary or as circumstances may require, the Net Settlement Fund shall be distributed to Authorized Claimants, subject to and in accordance with the following:

(a) Each Class Member shall be required to submit a Proof of Claim and Release form, substantially in a form approved by the Court, supported by such documents as are designated therein, including proof of the transactions claimed, or such other documents or proof as the Claim Administrator, in its discretion, may deem acceptable;

(b) All Proof of Claim and Release forms must be submitted by the date specified in the Notice unless such period is extended by order of the Court. Any Class Member who fails to submit a Proof of Claim and Release form by such date shall be forever barred from receiving any payment pursuant to this Stipulation (unless, by order of the Court, a later-submitted Proof of Claim and Release form by such Class Member is approved, or a later-submitted Proof of Claim and Release form is otherwise allowed), but shall in all other respects be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Order and Final Judgment to be entered in the Litigation and the releases provided for herein, and will be barred from bringing any action against the Released Persons concerning the Released Claims. A Proof of Claim and Release form shall be deemed to have been submitted when posted, if received with a postmark indicated on the envelope and if mailed by first-class mail and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim and Release form shall be deemed to have been submitted when actually received by the Claims Administrator. Notwithstanding the foregoing, Lead Counsel may, in its discretion, accept for processing late submitted claims so long as the distribution of the Net Settlement Fund to Authorized Claimants is not materially delayed;

(c) Each Proof of Claim and Release form shall be submitted to and reviewed by the Claims Administrator, who shall determine in accordance with this Stipulation and the approved Plan of Allocation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph (e) below;

(d) Proof of Claim and Release forms that do not meet the submission requirements may be rejected. Prior to rejection of a Proof of Claim and Release form, the Claims Administrator shall communicate with the claimant in order to remedy the curable deficiencies in the Proof of Claim and Release form submitted. The Claims Administrator shall notify, in a timely fashion and in writing, all claimants whose Proof of Claim and Release forms it proposes to reject in

whole or in part, setting forth the reasons therefor, and shall indicate in such notice that the claimant whose claim is to be rejected has the right to a review by the Court if the claimant so desires and complies with the requirements of subparagraph (e) below;

(e) If any claimant whose claim has been rejected in whole or in part desires to contest such rejection, the claimant must, within twenty (20) days after the date of mailing of the notice required in subparagraph (d) above, serve upon the Claims Administrator a notice and statement of reasons indicating the claimant's grounds for contesting the rejection, along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Lead Counsel shall thereafter present the request for review to the Court; and

(f) The Claims Administrator shall calculate the claims of Authorized Claimants in accordance with the Plan of Allocation. Following the Effective Date, the Claims Administrator shall send to each Authorized Claimant his, her or its *pro rata* share of the Net Settlement Fund. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

5.4 Except for their obligation to pay or cause payment of the Settlement Fund into the escrow account as set forth herein, Defendants and their Related Parties shall have no responsibility for, interest in, or liability whatsoever with respect to the investment or distribution of the Settlement Fund, the Plan of Allocation, the determination, administration, or calculation of claims, the payment or withholding of Taxes or Tax Expenses, or any losses incurred in connection therewith.

5.5 No Person shall have any claim against Lead Plaintiff, the Escrow Agent, Plaintiffs' Counsel or any claims administrator, or Defendants and their Related Parties or counsel for Defendants based on distributions made substantially in accordance with the Stipulation and the Settlement contained herein, the Plan of Allocation, or further order(s) of the Court.

5.6 Defendants shall not have a reversionary interest in the Net Settlement Fund. If there is any balance remaining in the Net Settlement Fund after six (6) months from the date of distribution of the Net Settlement Fund (whether by reason of tax refunds, uncashed 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 shall be re-distributed on a *pro rata* basis among Authorized Claimants who negotiated the checks sent to them in the initial distribution and who would receive a minimum of \$10.00. These redistributions shall be repeated until the balance remaining in the Net Settlement Fund is *de minimis* and any remainder shall thereafter be donated to an appropriate non-profit organization selected by Lead Counsel.

5.7 It is understood and agreed by the Settling Parties that any proposed Plan of Allocation of the Net Settlement Fund including, but not limited to, any adjustments to an Authorized Claimant's claim set forth therein, is not a part of this Stipulation and is to be considered by the Court separately from the Court's consideration of the fairness, reasonableness, and adequacy of the Settlement set forth in the Stipulation, and any order or proceeding relating to the Plan of Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's Order and Final Judgment approving the Stipulation and the Settlement set forth therein, or any other orders entered pursuant to the Stipulation.

6. Plaintiffs' Counsel's Attorneys' Fees and Expenses

6.1 Lead Counsel may submit an application or applications (the "Fee and Expense Application") for distributions to it from the Settlement Fund for: (a) an award of attorneys' fees from the Settlement Fund; (b) payment of expenses and costs incurred in connection with prosecuting the Litigation; and (c) any interest on such attorneys' fees, costs, and expenses at the same rate and for the same periods as earned by the Settlement Fund. In addition, Lead Plaintiff

may seek payment from the Settlement Fund pursuant to 15 U.S.C. §78u-4(a)(4) for its time and expenses incurred in representing the Class. Defendants shall take no position with respect to any fee or expense request. Lead Counsel reserves the right to make additional applications for access to the Settlement Fund for fees and expenses incurred.

6.2 The attorneys' fees, expenses, and costs, including the fees of experts and consultants, as awarded by the Court, shall be paid to Lead Counsel from the Settlement Fund, as ordered, immediately after the Court executes an order awarding such fees and expenses, notwithstanding the existence of any objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement or any part thereof. Lead Counsel shall thereafter allocate, subject to the conditions below, the attorneys' fees amongst Plaintiffs' Counsel in a manner in which it in good faith believes reflects the contributions of such counsel to the prosecution and settlement of the Litigation. In the event that the Effective Date does not occur, or the Order and Final Judgment or the order making the Fee and Expense Award is reversed or modified, or the Stipulation is canceled or terminated for any other reason, and in the event that the Fee and Expense Award has been paid to any extent, then Plaintiffs' counsel shall be severally obligated to repay the reversed portion of the fees and expenses, with interest, less any Notice and Administration Costs referred to in ¶2.7 actually paid or incurred. Each such Plaintiffs' Counsel's law firm, as a condition of receiving such fees and expenses, on behalf of itself and each partner, shareholder or member of it, agrees that the law firm and its partners, shareholders, and/or members are subject to the jurisdiction of the Court for the purposes of enforcing the provisions of this paragraph.

6.3 Any appeal from any order relating to the Fee and Expense Application or reversal or modification thereof, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Order and Final Judgment approving the Stipulation and the Settlement of the Litigation set forth herein.

6.4 Defendants and their Related Parties shall have no responsibility for, and no liability whatsoever with respect to, any payment to Lead Plaintiff, Lead Counsel, Liaison Counsel, Plaintiffs, Plaintiffs' Counsel or any other counsel or Person who receives payment from the Settlement Fund.

6.5 Defendants and their Related Parties shall have no responsibility for, and no liability whatsoever with respect to, the allocation among Plaintiffs' Counsel, and/or any other Person who may assert some claim thereto, of any Fee and Expense Award that the Court may make in the Litigation.

7. Conditions of Settlement, Effect of Disapproval, Cancellation or Termination

7.1 The Effective Date of the Stipulation shall be conditioned on the occurrence of all of the following events:

(a) Defendants have made or caused the contributions to be made to the Settlement Fund, as required by ¶2.1 above;

(b) the Court has entered the Notice Order, as required by ¶3.1 hereof;

(c) the Defendants have not exercised their option to terminate the Stipulation pursuant to ¶7.4 hereof;

(d) the Court has approved this Stipulation, following notice to the Class Members and the Settlement Hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure;

(e) the Court has entered the Order and Final Judgment, or a judgment substantially in the form of Exhibit B attached hereto; and

(f) the Order and Final Judgment has become Final, as defined in ¶1.9 hereof.

7.2 This is not a claims-made settlement. As of the Effective Date, Defendants, their insurance carriers, and/or any such Persons or entities funding the Settlement on the Defendants'

behalf, shall not have any right to the return of the Settlement Fund or any portion thereof for any reason. Upon the occurrence of all of the events referenced in ¶7.1 hereof, any and all remaining interest or right of Defendants in or to the Settlement Fund, if any, shall be absolutely and forever extinguished. If all of the conditions specified in ¶7.1 hereof are not met, then this Stipulation shall be cancelled and terminated subject to ¶7.5 hereof unless Lead Counsel and counsel for Defendants mutually agree in writing to proceed with the Settlement.

7.3 The Settling Parties shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so (“Termination Notice”) to all other parties hereto within thirty (30) days of: (a) the Court’s declining to enter the Notice Order in any material respect; (b) the Court’s refusal to approve this Stipulation or any material part of it; (c) the Court’s declining to enter the Order and Final Judgment in any material respect; (d) the date upon which the Order and Final Judgment is modified or reversed in any material respect by the Court of Appeals or the Supreme Court; (e) as otherwise set forth in the Settling Parties’ Supplemental Agreement, as provided below; or (f) Effective Date not otherwise occurring. No order of the Court or modification or reversal on appeal of any order of the Court concerning the Plan of Allocation or the amount of any attorneys’ fees, costs, expenses, and interest awarded by the Court to Lead Counsel, Liaison Counsel, Lead Plaintiff, Plaintiffs, or Plaintiffs’ Counsel shall constitute grounds for cancellation or termination of the Settlement.

7.4 If prior to the Settlement Hearing, the aggregate number of shares of PSI common stock purchased or acquired during the Class Period by Persons who would otherwise be members of the Class, but who request exclusion from the Class, exceeds the sum specified in a separate supplemental agreement (“Supplemental Agreement”) between the Settling Parties, the Defendants shall have the option (which option must be exercised unanimously) to terminate the Stipulation in accordance with the procedures set forth in the Supplemental Agreement. The Supplemental

Agreement and all of its terms are hereby incorporated into this Stipulation (and vice versa); however, the Supplemental Agreement will not be filed with the Court unless and until a dispute among the parties concerning its interpretation or application arises. If required by the Court, the Supplemental Agreement and/or any of its terms may be disclosed *in camera* to the Court for purposes of approval of the Settlement, but such disclosure shall be carried out to the fullest extent possible in accordance with the practices of the Court so as to preserve the confidentiality of the Supplemental Agreement, particularly the threshold aggregate number of shares. Copies of all Requests for Exclusion received and copies of all written revocations of Requests for Exclusion received shall be sent to counsel for Defendants and to Lead Counsel within a reasonable time of receipt by the Claims Administrator.

7.5 In the event that the Stipulation is not approved by the Court or the Settlement set forth in the Stipulation is terminated or fails to become effective in accordance with its terms, the Settling Parties shall be restored to their respective positions in the Litigation as of September 5, 2014. In such event, the terms and provisions of the Stipulation, with the exception of §§ 2.9 and 7.4-7.8 hereof, shall have no further force and effect with respect to the Settling Parties and shall not be used in the Litigation or in any other proceeding for any purpose, and any judgment or order entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, *nunc pro tunc*. No order of the Court or modification or reversal on appeal of any order of the Court concerning the Plan of Allocation or the amount of any attorneys' fees, costs, expenses, and interest awarded by the Court to Lead Plaintiff, Lead Counsel, Liaison Counsel, Plaintiffs, or Plaintiffs' Counsel shall constitute grounds for cancellation or termination of the Stipulation.

7.6 If the Effective Date does not occur, or if the Stipulation is terminated pursuant to its terms, neither Lead Plaintiff nor Plaintiffs' Counsel shall have any obligation to repay any amounts actually and properly disbursed from the Settlement Fund for the Notice and Administration Costs of

the Settlement pursuant to §§2.7 and 2.9 hereof. In addition, any expenses already incurred and properly chargeable to the Settlement Fund for the Notice and Administration Costs of the Settlement pursuant to §2.7 hereof at the time of such termination or cancellation, but which have not been paid, shall be paid by the Escrow Agent in accordance with the terms of the Stipulation prior to the balance being refunded in accordance with §7.6 hereof.

8. No Admission of Wrongdoing

8.1 Defendants' execution of this Stipulation does not constitute an admission by any Defendant or their Related Parties: (i) of any wrongdoing, violation of law, or liability whatsoever; or (ii) that recovery could be had in any amount should the action not be settled. Defendants vigorously deny any wrongdoing and liability and maintain that their conduct at all times was legal and proper. Neither this Stipulation, nor any term hereof, may be offered or received into evidence in any proceeding or used in any manner as an admission or implication of liability or fault on the part of Defendants or any other Person.

8.2 Lead Plaintiff's execution of this Stipulation does not constitute an admission by Lead Plaintiff: (i) of the lack of any wrongdoing, violation of law, or liability on behalf of any Defendant whatsoever; or (ii) that recovery could not be had should the action not be settled. Neither this Stipulation, nor any term hereof, may be offered or received into evidence in any proceeding or used in any manner as an admission or concession by Lead Plaintiff that Defendants have not engaged in any wrongdoing or that their conduct was at all times legal and proper.

9. Miscellaneous Provisions

9.1 The Settling Parties (a) acknowledge that it is their intent to consummate this agreement; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

9.2 This Stipulation, the Exhibits attached hereto, and the Supplemental Agreement constitute the entire agreement between the Settling Parties as to the subject matter hereof and supersede any prior or contemporaneous written or oral agreements or understandings between the Settling Parties. No representations, warranties, or inducements have been made to any party concerning the Stipulation, its Exhibits, or the Supplemental Agreement other than the representations, warranties, and covenants contained and memorialized in such documents.

9.3 Except as otherwise provided for herein, each party shall bear his, her or its own costs.

9.4 The Settling Parties intend this Settlement to be a final and complete resolution of all disputes between them with respect to the Litigation. The Settlement compromises all claims that were contested and shall not be deemed an admission by any Settling Party as to the merits of any claim or defense. Pursuant to 15 U.S.C. §78u-4(c)(1), the Settling Parties agree and the Order and Final Judgment will contain a statement that, during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11. The Settling Parties agree that the amount paid to the Settlement Fund and the other terms of the Settlement were negotiated in good faith by the Settling Parties, and reflect a settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their right to rebut, in a manner that such party determines to be appropriate, any contention made in any public forum that the Litigation was brought or defended in bad faith or without a reasonable basis.

9.5 This Stipulation, whether or not consummated, and any negotiations, discussions, or proceedings in connection herewith shall not be:

(a) offered or received against any Defendant or their Related Parties as evidence of or construed as or deemed to be evidence of any presumption, concession, or admission by any

Defendant or their Related Parties of the truth of any fact alleged by the Class Members, the validity of any claim that has been or could have been asserted in the Litigation, the deficiency of any defense that has been or could have been asserted in the Litigation, or of any liability, negligence, fault, or wrongdoing of Defendants or their Related Parties;

(b) offered or received against any Defendant or their Related Parties as evidence of a presumption, concession, admission of any fault, misrepresentation, or omission with respect to any statement or written document approved or made by any Defendant or their Related Parties;

(c) offered or received against any Defendant or their Related Parties as evidence of a presumption, concession, or admissibility of any liability, negligent, fault, or wrongdoing, or in any way referred to for any other reason as against any of the parties to the Stipulation, in any other civil, criminal, or administrative action or proceeding other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that Defendants or their Related Parties may file the Stipulation and/or the Order and Final Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim. In addition, nothing contained in this paragraph shall prevent this Stipulation (or any agreement or order relating thereto) from being used, offered, or received in evidence in any proceeding to approve, enforce, or otherwise effectuate the Stipulation (or any agreement or order relating thereto) or the Order and Final Judgment, or to enforce or effectuate provisions of this Settlement, the Final Judgment, or the Proofs of Claim and Release as to Defendants and their Related Parties; or

(d) construed against Defendants or their Related Parties as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial.

9.6 Except as otherwise provided for herein, all agreements made and orders entered during the course of the Litigation relating to the confidentiality of information shall survive this Stipulation.

9.7 All of the Exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

9.8 The Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

9.9 Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf of any party hereto hereby warrants that such Person has the full authority to do so.

9.10 The Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of executed counterparts shall be filed with the Court.

9.11 The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties.

9.12 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and the Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

9.13 The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver by any other party or a waiver of any other prior or subsequent breach of this Stipulation.

9.14 The Stipulation and the Exhibits attached hereto and the Supplemental Agreement shall be considered to have been negotiated, executed, and delivered, and to be wholly performed, in the State of Tennessee, and the rights and obligations of the parties to the Stipulation shall be

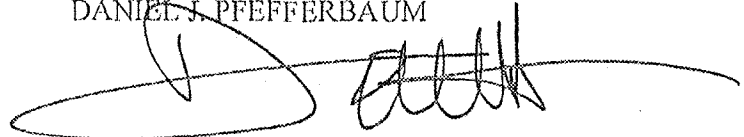
construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of Tennessee without giving effect to that State's choice-of-law principles.

9.15 The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

9.16 This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations between the Settling Parties and the Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys dated October 10, 2014.

ROBBINS GELLER RUDMAN
& DOWD LLP
DENNIS J. HERMAN
DANIEL J. PFEFFERBAUM

A handwritten signature in black ink, appearing to read 'Dennis J. Herman', is written over a horizontal line. The signature is stylized and somewhat cursive.

DENNIS J. HERMAN

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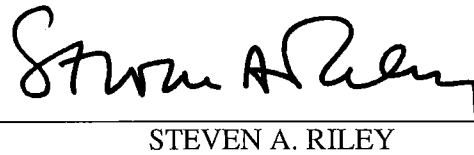
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Counsel for Defendants

CERTIFICATE OF SERVICE

I hereby certify that on this the 15th day of October, 2014, the foregoing STIPULATION OF SETTLEMENT was filed electronically with the Clerk of the Court and has been served by operation of the Court's electronic filing system upon the following:

Todd R. David	todd.david@alston.com
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Alison Barnes	abarnes@robbinsrussell.com
Ariel Lavinbuk	alavinbuk@robbinsrussell.com

I certify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on October 15, 2014, at San Francisco, California.

ROBBINS GELLER RUDMAN & DOWD LLP
DENNIS J. HERMAN
DANIEL J. PFEFFERBAUM

s/ Dennis J. Herman

DENNIS J. HERMAN

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EXHIBIT A

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

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

WHEREAS, an action is pending before this Court styled *Central States, Southeast and Southwest Areas Pension Fund v. Psychiatric Solutions, Inc., et al.*, Civil Action No. 3:09-cv-00882-WJH (the “Litigation”);

WHEREAS, the Settling Parties having made a motion, pursuant to Federal Rule of Civil Procedure 23(e), for an order preliminarily approving the settlement of this Litigation, in accordance with a Stipulation of Settlement dated October 10, 2014 (the “Settlement Agreement” or “Stipulation”), which, together with the Exhibits annexed thereto, sets forth the terms and conditions for a proposed settlement of the Litigation between the Settling Parties and for dismissal of the Litigation against the Defendants and the Released Persons with prejudice upon the terms and conditions set forth therein; and the Court having read and considered the Settlement Agreement and the Exhibits annexed thereto; and

WHEREAS, unless otherwise defined, all terms used herein have the same meanings as set forth in the Settlement Agreement.

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Court has reviewed the Stipulation and does hereby preliminarily approve the Settlement set forth therein, subject to further consideration at the Settlement Hearing described below.

2. A hearing (the “Settlement Hearing”) shall be held before this Court on _____, 2014, at _____.m., 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, Tennessee 37203, to determine whether the proposed Settlement of the Litigation on the terms and conditions provided for in the Settlement Agreement is fair, reasonable, and adequate to the Class and should be approved by the Court; to determine whether an Order and Final Judgment as provided in ¶1.15 of the Settlement Agreement should be entered; to determine whether the

proposed Plan of Allocation should be approved; to determine any amount of fees, costs, and expenses that should be awarded to Lead Counsel; to determine any award to Lead Plaintiff pursuant to 15 U.S.C. §78u-4(a)(4); to hear any objections by Class Members to the Settlement Agreement or Plan of Allocation or any award of fees, costs, and expenses to Lead Counsel and Lead Plaintiff; and to consider such other matters as the Court may deem appropriate.

3. The Court approves the form, substance, and requirements of the Notice of Settlement of Class Action, Motion for Attorneys' Fees and Settlement Fairness Hearing ("Notice") and Proof of Claim and Release form, substantially in the forms annexed hereto as Exhibits A-1 and A-2, respectively.

4. The Court approves the form of the Summary Notice, substantially in the form annexed hereto as Exhibit A-3.

5. The firm of Gilardi & Co. LLC ("Claims Administrator") is hereby appointed to supervise and administer the notice procedure as well as the processing of claims as more fully set forth below.

6. Not later than ten (10) business days after the Court signs and enters this Order _____, 2014 (the "Notice Date"), the Claims Administrator shall cause a copy of the Notice and Proof of Claim and Release form, substantially in the forms annexed hereto, to be mailed by First-Class Mail to all Class Members who can be identified with reasonable effort, including those Class Members who received the Notice of Pendency of Class Action in April and May 2012, and to be posted on its website at www.psychiatricolutionssecuritiessettlement.com;

7. Not later than fourteen (14) calendar days after the Notice Date, the Claims Administrator shall cause the Summary Notice to be published once in the national edition of *Investor's Business Daily* and once over a national newswire service; and

8. Not later than twenty-eight (28) calendar days prior to the Settlement Hearing, Lead Counsel shall serve on Defendants' counsel and file with the Court proof, by affidavit or declaration, of such mailing and publishing.

9. Nominees who purchased or acquired PSI securities for the benefit of another Person during the Class Period shall be requested to send the Notice and Proof of Claim and Release form to such beneficial owners of PSI securities within ten (10) calendar days after receipt thereof, or send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) calendar days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice and Proof of Claim and Release form to such beneficial owners.

10. The form and content of the notice program described herein, and the methods set forth herein for notifying the Class of the Settlement and its terms and conditions, the Fee and Expense Application, and the Plan of Allocation meet the requirements of Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. §78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995, and due process, constitute the best notice practicable under the circumstances, and shall constitute due and sufficient notice to all Persons entitled thereto.

11. All fees, costs, and expenses incurred in identifying and notifying members of the Class shall be paid from the Settlement Fund and in no event shall any of the Released Persons bear any responsibility for such fees, costs, or expenses.

12. All members of the Class (except Persons who request exclusion pursuant to ¶16 below) shall be bound by all determinations and judgments in the Litigation concerning the Settlement, including, but not limited to, the releases provided for therein, whether favorable or unfavorable to the Class, regardless of whether such Persons seek or obtain by any means, including,

without limitation, by submitting a Proof of Claim and Release form or any similar document, any distribution from the Settlement Fund or the Net Settlement Fund.

13. Class Members who wish to participate in the Settlement shall complete and submit the Proof of Claim and Release form in accordance with the instructions contained therein. Unless the Court orders otherwise, all Proofs of Claim and Release must be postmarked or submitted electronically no later than ninety (90) calendar days from the Notice Date. Any Class Member who does not submit a Proof of Claim and Release within the time provided shall be barred from sharing in the distribution of the proceeds of the Net Settlement Fund, unless otherwise ordered by the Court, but shall nevertheless be bound by any final judgment entered by the Court. Notwithstanding the foregoing, Lead Counsel shall have the discretion to accept late-submitted claims for processing by the Claims Administrator so long as distribution of the Net Settlement Fund is not materially delayed thereby.

14. The Proof of Claim and Release submitted by each Class Member must satisfy the following conditions, unless otherwise ordered by the Court: (i) it must be properly completed, signed and submitted in a timely manner in accordance with the provisions of the preceding subparagraph; (ii) it must be accompanied by adequate supporting documentation for the transactions reported therein, in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by Lead Counsel or the Claims Administrator; (iii) if the person executing the Proof of Claim and Release is acting in a representative capacity, a certification of her current authority to act on behalf of the Class Member must be included in the Proof of Claim and Release; and (iv) the Proof of Claim and Release must be complete and contain no material deletions or modifications of any of the printed matter contained therein and must be signed under penalty of perjury.

15. Any member of the Class may enter an appearance in the Litigation, at his, her, or its own expense, individually or through counsel of their own choice. If they do not enter an appearance, they will be represented by Lead Counsel.

16. Any Person falling within the definition of the Class may, upon request, be excluded or “opt out” from the Class. Any such Person must submit to the Claims Administrator a request for exclusion (“Request for Exclusion”), by First-Class Mail, or hand-delivered such that it is received no later than twenty-one (21) calendar days before the Settlement Hearing. Class Members who validly excluded themselves from the Class in response to the Notice of Pendency of Class Action need not exclude themselves again. A Request for Exclusion must be signed and state (a) the name, address, and telephone number of the Person requesting exclusion; (b) the Person’s purchases, acquisitions and sales of PSI common stock between February 21, 2008 and February 25, 2009, inclusive, including the dates, the number of shares of PSI common stock purchased, acquired or sold, and price paid or received for each such purchase, acquisition or sale; and (c) that the Person wishes to be excluded from the Class. All Persons who submit valid and timely Requests for Exclusion in the manner set forth in this paragraph shall have no rights under the Settlement Agreement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Settlement Agreement or any final judgment.

17. Lead Counsel shall cause to be provided to Defendants’ counsel copies of all Requests for Exclusion, and any written revocation of Requests for Exclusion, as expeditiously as possible and in any event not less than fourteen (14) calendar days prior to the Settlement Hearing.

18. Any member of the Class may appear and object if he, she, or it has any reason why the proposed Settlement of the Litigation should not be approved as fair, reasonable and adequate, or why a judgment should not be entered thereon, why the Plan of Allocation should not be approved, why fees, costs, and expenses should not be awarded to Lead Counsel or Lead Plaintiff; provided,

however, that no Class Member or any other Person shall be heard or entitled to contest the approval of the terms and conditions of the proposed Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the order approving the Plan of Allocation, or any fees, costs, and expenses to be awarded to Lead Counsel or Lead Plaintiff, unless written objections and copies of any papers and briefs are received by Robbins Geller Rudman & Dowd LLP, Ellen Gusikoff Stewart, 655 West Broadway, Suite 1900, San Diego, CA 92101, and Riley Warnock & Jacobson, PLC, Steven A. Riley, 1906 West End Avenue, Nashville, TN 37203, no later than twenty-one (21) calendar days before the Settlement Hearing and said objections, papers, and briefs are filed with the Clerk of the United States District Court for the Middle District of Tennessee, Nashville Division, no later than twenty-one (21) calendar days before the Settlement Hearing. Any member of the Class who does not make his, her, or its objection in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the proposed Settlement as incorporated in the Settlement Agreement, to the Plan of Allocation, and to the award of fees, costs, and expenses to Lead Counsel or Lead Plaintiff, unless otherwise ordered by the Court. Attendance at the Settlement Hearing is not necessary. However, Persons wishing to be heard orally in opposition to the approval of the Settlement, the Plan of Allocation, and/or the application for an award of fees, costs, and expenses are required to indicate in their written objection their intention to appear at the hearing. Class Members do not need to appear at the Settlement Hearing or take any other action to indicate their approval.

19. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis*, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Settlement Agreement and/or further order(s) of the Court.

20. All papers in support of the Settlement, Plan of Allocation, and any application by Lead Counsel for attorneys' fees, costs, and expenses and payment of time and expenses to Lead Plaintiff shall be filed and served no later than twenty-eight (28) calendar days prior to the Settlement Hearing and any reply papers shall be filed and served no later than seven (7) calendar days prior to the Settlement Hearing.

21. The Released Persons shall have no responsibility for the Plan of Allocation or any application for attorneys' fees, costs, or expenses submitted by Lead Counsel or Lead Plaintiff, and such matters will be considered separately from the fairness, reasonableness, and adequacy of the Settlement.

22. At or after the Settlement Hearing, the Court shall determine whether the Plan of Allocation proposed by Lead Counsel, and any application for attorneys' fees, costs, and expenses, should be approved.

23. All reasonable expenses incurred in identifying and notifying Class Members as well as administering the Settlement Fund shall be paid as set forth in the Settlement Agreement. In the event the Court does not approve the Settlement, or it otherwise fails to become effective, neither Lead Plaintiff nor any of its counsel shall have any obligation to repay any amounts actually and properly incurred or disbursed pursuant to ¶2.7 of the Settlement Agreement.

24. Neither the Settlement Agreement, nor any of its terms or provisions, nor any of the negotiations, discussions, proceedings connected with it, nor any act performed or document executed pursuant to or in furtherance of the Settlement Agreement or the Settlement may be construed as an admission or concession by the Defendants or any other Released Persons of the truth of any of the allegations in the Litigation, or of any liability, fault, or wrongdoing of any kind, or offered or received in evidence, or otherwise used by any person in the Litigation, or in any other action or proceeding, whether civil, criminal, or administrative, in any court, administrative agency,

or other tribunal, except in connection with any proceeding to enforce the terms of the Settlement Agreement. The Released Persons, Lead Plaintiff, Class Members, and each of their counsel may file the Settlement Agreement and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

25. All proceedings in the Litigation are stayed until further order of this Court, except as may be necessary to implement the Settlement or comply with the terms of the Settlement Agreement. Pending final determination of whether the Settlement should be approved, neither the Lead Plaintiff nor any Class Member, either directly, representatively, or in any other capacity shall commence or prosecute against any of the Released Persons any action or proceeding in any court or tribunal asserting any of the Released Claims.

26. The Court reserves the right to alter the time or the date of the Settlement Hearing without further notice to the members of the Class, provided that the time or the date of the Settlement Hearing shall not be set at a time or date earlier than the time and date set forth in ¶2 above, and retains jurisdiction to consider all further applications arising out of or connected with the proposed Settlement. The Court may approve the Settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the Class.

27. If the Settlement fails to become effective as defined in the Settlement Agreement or is terminated, then, in any such event, the Settlement Agreement, including any amendment(s) thereof, except as expressly provided in the Settlement Agreement, and this Order shall be null and void, of no further force or effect, and without prejudice to any Settling Party, and may not be

introduced as evidence or used in any actions or proceedings by any person or entity against the Settling Parties and they shall be deemed to have reverted to their respective litigation positions in the Litigation as of September 5, 2014.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE WILLIAM J. HAYNES, JR.
UNITED STATES CHIEF DISTRICT JUDGE

EXHIBIT A-1

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

GARDEN CITY EMPLOYEES’ RETIREMENT SYSTEM,	)	Civil Action No. 3:09-cv-00882-WJH
)	
	)	Chief District Judge William J. Haynes, Jr.
Plaintiff, and)	
	)	<u>CLASS ACTION</u>
CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION FUND, Individually and on Behalf of All Others Similarly Situated,	)	NOTICE OF SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS’ FEES AND SETTLEMENT FAIRNESS HEARING
)	
Lead Plaintiff,	)	EXHIBIT A-1
)	
vs.)	
)	
PSYCHIATRIC SOLUTIONS, INC., et al.,)	
)	
Defendants.)	
)	

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 [INSERT DATE]**.

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.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM	The only way to get a payment. Proof of Claim forms must be postmarked or submitted online on or before [Insert Date].
EXCLUDE YOURSELF	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 [Insert Date]. 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.
OBJECT	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 [Insert Date].
GO TO A HEARING	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 [Insert Date].
DO NOTHING	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 ___ 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 \$3,500,000.00, 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 1-877-880-0181, or www.psychiatricolutionssecuritiessettlement.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.

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 common stock 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 ___ 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. 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 [insert date]. The claim form may be submitted online at www.psychiatricolutionssecuritiessettlement.com.

11. When would I get my payment?

The Court will hold a Settlement Hearing on _____, 2014, 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 [insert date]** to:

PSI Securities Litigation
c/o Gilardi & Co. LLC
Claims Administrator
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 [insert date].

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 [insert date]**:

COURT	LEAD COUNSEL	DEFENDANTS' COUNSEL REPRESENTATIVE
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 ____: _____.m., on _____ day, _____, 2014, 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.

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.

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.

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:

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
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 \$0.¹

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, acquisitions 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

¹ 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.

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 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
c/o Gilardi & Co. LLC
Claims Administrator
P.O. Box 8040
San Rafael, CA 94912-8040
1-888-283-6726
www.psychiatricssolutionssecuritiessettlement.com.

Dated: _____

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

EXHIBIT A-2

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

GARDEN CITY EMPLOYEES’ RETIREMENT SYSTEM,	)	Civil Action No. 3:09-cv-00882-WJH
)	
	)	Chief District Judge William J. Haynes, Jr.
Plaintiff, and)	
	)	<u>CLASS ACTION</u>
CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS PENSION FUND, Individually and on Behalf of All Others Similarly Situated,	)	PROOF OF CLAIM AND RELEASE
)	
	)	EXHIBIT A-2
)	
Lead Plaintiff,)	
)	
vs.)	
)	
PSYCHIATRIC SOLUTIONS, INC., et al.,)	
)	
Defendants.)	
)	

I. GENERAL INSTRUCTIONS

1. To recover as a member of the Class based on your claims in the action entitled *Central States, Southeast and Southwest Areas Pension Fund v. Psychiatric Solutions, Inc., et al.*, Civil Action 3:09-cv-00882-WJH (the “Litigation”), you must complete and, on page __ hereof, sign this Proof of Claim and Release. If you fail to file a properly addressed (as set forth in paragraph 3 below) Proof of Claim and Release, postmarked or received by the date shown below, your claim may be rejected and you may be precluded from any recovery from the Net Settlement Fund created in connection with the proposed Settlement of the Litigation.

2. Submission of this Proof of Claim and Release, however, does not assure that you will share in the proceeds of the Settlement of the Litigation.

3. YOU MUST MAIL OR SUBMIT ONLINE YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE, ACCOMPANIED BY COPIES OF THE DOCUMENTS REQUESTED HEREIN, NO LATER THAN _____, 2015, TO THE COURT-APPOINTED CLAIMS ADMINISTRATOR IN THIS CASE, AT THE FOLLOWING ADDRESS:

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

If you are NOT a member of the Class (as defined in the Notice of Settlement of Class Action, Motion for Attorneys’ Fees and Settlement Fairness Hearing (the “Notice”)), DO NOT submit a Proof of Claim and Release form.

4. If you are a member of the Class and you do not timely request exclusion in connection with the proposed Settlement, or you did not request exclusion in connection with the Notice of Pendency of Class Action which you received in April or May 2012, you will be bound by

the terms of any judgment entered in the Litigation, including the releases provided therein, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE FORM.

II. CLAIMANT IDENTIFICATION

If you purchased or acquired Psychiatric Solutions, Inc. (“PSI” or the “Company”) securities between February 21, 2008 and February 25, 2009, inclusive, and held the shares in your name, you are the beneficial purchaser or acquirer as well as the record purchaser or acquirer. If, however, you purchased or acquired PSI securities during the Class Period and the shares were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial purchaser or acquirer and the third party is the record purchaser or acquirer.

Use Part I of this form entitled “Claimant Identification” to identify each purchaser or acquirer of record (“nominee”), if different from the beneficial purchaser or acquirer of the securities which form the basis of this claim. **THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL PURCHASER(S) OR ACQUIRER(S) OR THE LEGAL REPRESENTATIVE OF SUCH PURCHASER(S) OR ACQUIRER(S) OF THE PSI SECURITIES UPON WHICH THIS CLAIM IS BASED.**

All joint purchasers or acquirers must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.

If you are acting in a representative capacity on behalf of a Class Member (for example, as an executor, administrator, trustee, or other representative), you must submit evidence of your current

authority to act on behalf of that Class Member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.

NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may request to, or may be requested to, submit information regarding their transactions in electronic files. All claimants **MUST** submit a manually signed paper Proof of Claim and Release form listing all their transactions whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Claims Administrator at 1-888-283-6726 to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the claimant a written acknowledgement of receipt and acceptance of electronically submitted data.

III. CLAIM FORM

Use Part II of this form entitled “Schedule of Transactions in PSI Securities” to supply all required details of your transaction(s) in PSI securities. If you need more space or additional schedules, attach separate sheets giving all of the required information in substantially the same form. Sign and print or type your name on each additional sheet.

On the schedules, provide all of the requested information with respect to ***all*** of your purchases and acquisitions and ***all*** of your sales of PSI securities between February 21, 2008, and February 25, 2009, inclusive, whether such transactions resulted in a profit or a loss. You must also provide all of the requested information with respect to ***all*** of the PSI securities you held at the close of trading on February 20, 2008, February 25, 2009, and May 26, 2009. Failure to report all such transactions may result in the rejection of your claim.

List these transactions separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each transaction you list.

For short-sale transactions, the date of covering a “short sale” is deemed to be the date of purchase of PSI securities, and the date of a “short sale” is deemed to be the date of sale of PSI securities.

For each transaction, you must provide, together with this claim form, copies of stockbroker confirmation slips, stockbroker statements, or other documents evidencing your transactions in PSI securities. If any such documents are not in your possession, please obtain a copy or equivalent documents from your broker because these documents are necessary to prove and process your claim. Failure to provide this documentation could delay verification of your claim or result in rejection of your claim.

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

*Central States, Southeast and Southwest Areas Pension Fund v. Psychiatric Solutions, Inc.,
et al.*

Civil Action No. 3:09-cv-00882-WJH

PROOF OF CLAIM AND RELEASE

Must Be Postmarked or Received No Later Than:

_____, 2015

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

Street Address

City

State or Province

Zip Code or Postal Code

Country

Social Security Number or
Taxpayer Identification Number

Individual
Corporation/Other

Area Code

Telephone Number (work)

Area Code

Telephone Number (home)

Record Owner's Name (if different from beneficial owner listed above)

PART II: SCHEDULE OF TRANSACTIONS IN PSI SECURITIES

- A. Number of shares of PSI securities held at the close of trading on February 20, 2008:
_____.
- B. Purchases or acquisitions of PSI securities between February 21, 2008 and May 26, 2009, inclusive:

Trade Date Mo. Day Year	Number of Shares Purchased	Total Purchase Price
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____

IMPORTANT: Identify by number listed above all purchases in which you covered a “short sale”: _____

- C. Sales of PSI securities between February 21, 2008 and May 26, 2009, inclusive:

Trade Date Mo. Day Year	Number of Shares Sold	Total Sales Price
1. _____	1. _____	1. _____
2. _____	2. _____	2. _____
3. _____	3. _____	3. _____

- D. Number of shares of PSI common stock held at the close of trading on February 25, 2009: _____.
- E. Number of shares of PSI common stock held at the close of trading on May 26, 2009:
_____.

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page.

YOUR SIGNATURE ON PAGE __ WILL CONSTITUTE YOUR ACKNOWLEDGMENT OF THE RELEASE DESCRIBED IN PART V BELOW.

IV. SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGMENTS

I (We) submit this Proof of Claim and Release under the terms of the Settlement Agreement described in the Notice. I (We) also submit to the jurisdiction of the United States District Court for the Middle District of Tennessee, Nashville Division, with respect to my (our) claim as a Class Member and for purposes of enforcing the release set forth herein. I (We) further acknowledge that I am (we are) bound by and subject to the terms of any judgment that may be entered in the Litigation. I (We) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so. I (We) have not submitted any other claim in connection with the purchase or acquisition of PSI securities during the Class Period and know of no other person having done so on my (our) behalf.

V. RELEASE

1. I (We) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, remise, release and discharge each and all of the Released Persons from the Released Claims as provided in the Settlement Agreement.

2. “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.

3. “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.

4. “Released Persons” means each and all of the Defendants and each and all of their Related Parties.

5. “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.

6. 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.

7. This release shall be of no force or effect unless and until the Court approves the Settlement Agreement and the Settlement becomes effective on the Effective Date.

8. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any claim or matter released pursuant to this release or any other part or portion thereof.

9. I (We) hereby warrant and represent that I (we) have included information about all of my (our) purchases, acquisitions and sales of PSI securities between February 21, 2008 and May 26, 2009, inclusive, and the number of shares of PSI securities held by me (us) at the close of trading on February 20, 2008, February 25, 2009, and May 26, 2009.

10. I (We) certify that I am (we are) not subject to backup withholding under the provisions of Section 3406(a)(1)(C) of the Internal Revenue Code.

Note: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

I declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

Executed this _____ day of _____
(Month/Year)
in _____
(City) (State/Country)

(Sign your name here)

(Type or print your name here)

(Capacity of person(s) signing,
e.g., Beneficial Purchaser,
Executor or Administrator)

**ACCURATE CLAIMS PROCESSING TAKES A
SIGNIFICANT AMOUNT OF TIME.
THANK YOU FOR YOUR PATIENCE.**

Reminder Checklist:

1. Please sign the above release and declaration.
2. Remember to attach supporting documentation, if available.
3. Do not send original stock certificates.
4. Keep a copy of your claim form for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.
6. If you move, please send us your new address.

EXHIBIT A-3

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

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

TO: ALL PERSONS WHO PURCHASED OR ACQUIRED PSYCHIATRIC SOLUTIONS, INC. (“PSI”) SECURITIES DURING THE PERIOD BETWEEN FEBRUARY 21, 2008 AND FEBRUARY 25, 2009, INCLUSIVE

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Middle District of Tennessee, Nashville Division, that a hearing will be held on _____, 2014, at ____:____.m., before the Honorable William J. Haynes, Jr., United States Chief District Judge, 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, Tennessee 37203, for the purpose of determining: (1) whether the proposed Settlement of the claims in the Litigation for the amount of \$65,000,000.00 should be approved by the Court as fair, reasonable, and adequate; (2) whether a Final Judgment and Order of Dismissal with Prejudice (“Judgment”) should be entered by the Court dismissing the Litigation with prejudice and releasing the Released Claims; (3) whether the Plan of Allocation for the Net Settlement Fund is fair, reasonable, and adequate and should be approved; and (4) whether the application of Lead Counsel for the payment of attorneys’ fees, costs, and expenses and an award of time and expenses to the Lead Plaintiff should be approved.

IF YOU PURCHASED OR ACQUIRED PSI SECURITIES DURING THE TIME PERIOD FROM FEBRUARY 21, 2008, THROUGH AND INCLUDING FEBRUARY 25, 2009 (THE “CLASS PERIOD”), YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF THIS LITIGATION, INCLUDING THE RELEASE AND EXTINGUISHMENT OF CLAIMS YOU MAY POSSESS RELATING TO YOUR PURCHASE OR ACQUISITION OF PSI SECURITIES DURING THE CLASS PERIOD. If you have not received a detailed Notice of Settlement of Class Action, Motion for Attorneys’ Fees and Settlement Fairness Hearing (“Notice”) and a copy of the Proof of Claim and Release form, you may obtain copies by writing to *PSI Securities Litigation*, Claims Administrator, P.O. Box 8040, San Rafael, CA 94912, or on the Internet at

www.psychiatricolutionssecuritiessettlement.com. If you are a Class Member, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release by mail or online *no later than* _____, establishing that you are entitled to recovery.

If you purchased or acquired PSI securities during the Class Period and you desire to be excluded from the Class, you must submit a request for exclusion so that it is received no later than _____, in the manner and form explained in the detailed Notice referred to above. If you submitted a request for exclusion in response to the Notice of Pendency of Class Action that you received in this Litigation in April or May 2012, you need not do so again. All members of the Class who do not timely and validly request exclusion from the Class will be bound by any judgment entered in the Litigation pursuant to the Stipulation of Settlement.

Any objection to the Settlement, the Plan of Allocation, Lead Counsel's request for attorneys' fees, costs, and expenses, and Lead Plaintiff's request for its time and expenses must be received by each of the following recipients *no later than* _____:

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, Tennessee 37203

Lead Counsel:

ROBBINS GELLER RUDMAN & DOWD LLP
ELLEN GUSIKOFF STEWART
655 West Broadway, Suite 1900
San Diego, CA 92101

Counsel for Defendants:

RILEY WARNOCK &
JACOBSON, PLC
STEVEN A. RILEY
1906 West End Avenue
Nashville, TN 37203

**PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE
REGARDING THIS NOTICE.** If you have any questions about the Settlement, you may contact

Lead Counsel at the address listed above.

DATED: _____

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

EXHIBIT B

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

GARDEN CITY EMPLOYEES'
RETIREMENT SYSTEM,

Plaintiff, and

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.

) Civil Action No. 3:09-cv-00882-WJH

)
) Chief District Judge William J. Haynes, Jr.

) CLASS ACTION

) [PROPOSED] FINAL JUDGMENT AND
) ORDER OF DISMISSAL WITH PREJUDICE

) EXHIBIT B

This matter came before the Court for hearing pursuant to the Order Preliminarily Approving Settlement and Providing for Notice (“Notice Order”) dated _____, 2014, on the application of the Settling Parties for approval of the Settlement set forth in the Stipulation of Settlement dated October 10, 2014 (the “Settlement Agreement”). Due and adequate notice having been given to the Class as required in said Order, and the Court having considered all papers filed and proceedings had herein and otherwise being fully informed in the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. This Final Judgment and Order of Dismissal with Prejudice (“Judgment”) incorporates by reference the definitions in the Settlement Agreement, and all terms used herein shall have the same meanings as set forth in the Settlement Agreement, unless otherwise set forth herein.

2. This Court has jurisdiction over the subject matter of the Litigation and over all Settling Parties to the Litigation, including all members of the Class.

3. Pursuant to Federal Rule of Civil Procedure 23, this Court hereby approves the Settlement set forth in the Settlement Agreement and finds that said Settlement is, in all respects, fair, reasonable, and adequate to the Class.

4. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court finds that the Settlement Agreement and Settlement are fair, reasonable, and adequate as to each of the Settling Parties, and that the Settlement Agreement and Settlement are hereby finally approved in all respects, and the Settling Parties are hereby directed to perform its terms.

5. Accordingly, the Court authorizes and directs implementation of all the terms and provisions of the Settlement Agreement, as well as the terms and provisions hereof. The Court hereby dismisses with prejudice the Litigation and all claims contained therein and all of the Released Claims as against the Released Persons, except as and to the extent provided in the Settlement Agreement and herein.

6. Upon the Effective Date hereof, and as provided in the Settlement Agreement, Lead Plaintiff and each of the Class Members, other than those listed on Exhibit A hereto, and any one claiming through or on behalf of any of them, including, but not limited to, their predecessors, successors, agents, representatives, attorneys, and affiliates, and the heirs, executors, administrators, successors, and assigns of each of them, in their capacity as such, shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever remised, released, relinquished, and discharged any and all Released Claims (including, without limitation, Unknown Claims) against the Released Persons (regardless of whether such Class Member executes and delivers the Proof of Claim and Release), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of the Litigation or the Released Claims against the Released Persons, Lead Plaintiff and/or Plaintiffs' Counsel, except for claims relating to the enforcement of the Settlement.

7. Upon the Effective Date hereof, and as provided in the Settlement Agreement, each of the Released Persons shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished, and discharged Lead Plaintiff, each and all of the Class Members, other than those listed on Exhibit A hereto, and Plaintiffs' Counsel from the Settled Defendants' Released Claims (including, without limitation, Unknown Claims) except for claims relating to the enforcement of the Settlement.

8. Upon the Effective Date hereof, Lead Plaintiff and each of the Class Members, other than those listed on Exhibit A hereto, and any one claiming through or on behalf of any of them, including, but not limited to, their predecessors, successors, agents, representatives, attorneys, and affiliates, and the heirs, executors, administrators, successors, and assigns of each of them, in their capacity as such, shall be deemed to be, and by operation of this Judgment shall be, permanently barred and enjoined from asserting, instituting, maintaining, prosecuting, or enforcing, in any court

of law or equity, arbitration, tribunal, administrative forum, or other forum of any kind (whether within the United States or not), any and all Released Claims (including, without limitation, Unknown Claims against any of the Released Persons (regardless of whether such Class Member executes and delivers the Proof of Claim and Release forms), as well as any claims arising out of, relating to, or in connection with, the defense, settlement, or resolution of the Litigation or the Released Claims against the Released Persons, Lead Plaintiff and/or Plaintiffs' Counsel, except for claims relating to the enforcement of the Settlement.

9. The Notice of Settlement of Class Action, Motion for Attorneys' Fees and Settlement Fairness Hearing given to the Class in accordance with the Notice Order entered on _____, 2014 was the best notice practicable under the circumstances, including the individual notice to all members of the Class who could be identified through reasonable effort. Said notice provided the best notice practicable under the circumstances of those proceedings and of the matters set forth therein, including the proposed Settlement set forth in the Settlement Agreement, to all Persons entitled to such notice, and said notice fully satisfied the requirements of Federal Rule of Civil Procedure 23, the requirements of due process, and the requirement of Section 21D(a)(7) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), and all other applicable law and rules.

10. Separate orders shall be entered regarding the proposed Plan of Allocation and Lead Counsel's motion for attorneys' fees and payment of costs and expenses as allowed by the Court. Any plan of allocation submitted by Lead Counsel or any order entered regarding any attorneys' fee and expense application shall in no way disturb or affect this Judgment and shall be considered separate from this Judgment.

11. Neither the Settlement Agreement nor any of its terms or provisions, nor any of the negotiations, discussions, proceedings connected with it, nor any act performed or document

executed pursuant to or in furtherance of the Settlement Agreement or the Settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any of the allegations in the Litigation or of the validity of any Released Claim, or of any wrongdoing or liability of the Released Persons; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Released Persons in any civil, criminal, or administrative proceeding in any court, arbitration proceeding, administrative agency, or forum or tribunal in which the Released Persons are or become parties; or (c) is or may be deemed to be or may be used as an admission or evidence that any claims asserted by Lead Plaintiff were not valid or that the amount recoverable was not greater than the Settlement Amount, in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. The Released Persons, Lead Plaintiff, Class Members, and their respective counsel may file the Settlement Agreement and/or this Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim. The Settling Parties may file the Settlement Agreement and/or this Judgment in any proceedings that may be necessary to consummate or enforce the Settlement Agreement, the Settlement, or the Judgment.

12. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing exclusive jurisdiction over: (a) implementation of this Settlement and any award or distribution of the Settlement Fund, including interest earned thereon; (b) disposition of the Settlement Fund; (c) hearing and determining applications for attorneys' fees, interest, costs and expenses in the Litigation; and (d) all Settling Parties hereto for the purpose of construing, enforcing, and administering the Settlement Agreement.

13. The Court finds that during the course of the Litigation, the Settling Parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11.

14. In the event that the Settlement does not become effective in accordance with the terms of the Settlement Agreement, or the Effective Date does not occur, or in the event that the Settlement Fund, or any portion thereof, is returned to the Defendants, then this Judgment shall be rendered null and void to the extent provided by and in accordance with the Settlement Agreement and shall be vacated and, in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Settlement Agreement.

15. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of the Settlement Agreement.

16. The Court directs immediate entry of this Judgment by the Clerk of the Court.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE WILLIAM J. HAYNES, JR.
UNITED STATES CHIEF DISTRICT JUDGE