



NEWS RELEASE

FOR IMMEDIATE RELEASE: August 15, 2006

Contact: Bob Weiner/Rebecca VanderLinde 301-283-0821 or 202-329-1700

CRC Health Reports Operating Results for the Quarter ended June 30, 2006

CUPERTINO, CA, August 15, 2006 – CRC Health Corporation (formerly known as CRC Health Group, Inc.) (“CRC” or the “Company”), the nation’s largest chemical dependency treatment provider, announced its results for the quarter ended June 30, 2006, reflecting contributions from its acquisition of Center for Hope of the Sierras, LLC, (“Center for Hope”) in April 2006, Sierra Tucson in May 2005 and other acquisitions in 2005, collectively (the “2005-06 acquisitions”), and continued organic growth.

Bain Capital Partners’ acquisition of CRC

On February 6, 2006, investment funds managed by Bain Capital Partners, LLC (“Bain”) completed the acquisition of CRC for approximately \$723 million. As part of the transaction certain members of the CRC management team partnered with Bain by retaining an equity stake in CRC. The acquisition resulted in several large expenses for merger-related costs in the six months ended June 30, 2006. CRC’s pro forma results excluding these unusual items can be derived from the Reconciliation of non-GAAP “EBITDA” from continuing operations to non-GAAP “Adjusted Pro Forma EBITDA”, presented below. CRC refers to the February 6, 2006 Bain acquisition, the related mergers and related financings as the “Transactions.”

The date of the Bain acquisition was February 6, 2006, but for accounting purposes and to coincide with its normal financial closing, CRC has utilized January 31, 2006 as the effective date of the Bain acquisition. As a result, CRC has reported operating results and financial position for all periods presented prior to January 31, 2006 as those of the Predecessor Company and for all periods from and after February 1, 2006 as those of the Successor Company due to the resulting change in the basis of accounting. CRC’s operating results for the six months ended June 30, 2006 are presented as the mathematical addition of CRC’s operating results for the one month ended January 31, 2006 to the operating results of the five months ended June 30, 2006. This approach is not consistent with accounting principles generally accepted in the United States of America (“GAAP”) and may yield results that are not strictly comparable on a period-to-period basis primarily due to the impact of purchase accounting entries recorded as a result of the Transactions. However, CRC’s management believes that it is a meaningful way to present CRC’s results of operations for the six months ended June 30, 2006. In addition, due to differences in the basis of accounting, results for the six months ended June 30, 2006 are not comparable to results of the six months ended June 30, 2005.

In accordance with SFAS No. 141, Business Combinations, consolidated unearned revenue of \$3.5 million was recorded at fair value on the effective date of the Transactions. Accordingly, \$1.5 million of profit (\$1.4 million and \$0.1 million, relating to its residential treatment division and its opiate treatment division, respectively) associated with the unearned revenue was not carried forward and was not recognized as revenue by CRC during the five months ended June 30, 2006. In addition, \$0.5 million of profit associated with the unearned revenue from the Sierra Tucson acquisition was not carried forward and was not recognized by CRC during the second quarter of fiscal 2005. CRC refers to these adjustments as the “unearned revenue adjustment”. All amounts presented herein include the unearned revenue adjustment, except as otherwise noted.

Historical Financial Results

Second Quarter Financial Results

Consolidated net revenue increased \$11.4 million, or 22.5%, to \$62.1 million in the quarter ended June 30, 2006 from \$50.7 million in the quarter ended June 30, 2005. Excluding the one time effect of the unearned revenue adjustment, our consolidated net revenue increased \$10.9 million, or 21.4%, in the quarter ended June 30, 2006. The increase in consolidated net revenue of \$11.4 million was primarily attributable to an increase of \$9.6 million, or 31.9%, in residential treatment net revenue, and, to a lesser extent, an increase of \$1.7 million, or 8.1%, in opiate treatment net revenue. The growth in residential treatment net revenue was in part attributable to a \$2.6 million, or 9.5%, increase in same-facility net revenue, and in part to the \$4.7 million and \$1.2 million of net revenue generated by Sierra Tucson and Wellness Resource Center, which we acquired in May 2005 and September 2005, respectively. Our same-facility residential growth was driven in part by a 6.4% increase in patient census and a 2.9% increase in revenue per patient day. Opiate treatment same-facility net revenue increased 6.9%. This increase was primarily attributable to an increase in the number of patients receiving treatment at our opiate treatment clinics. On a same-facility basis, opiate treatment clinic census increased 5.1% from an average daily census of 20,305 in the second quarter of 2005 to an average daily census of 21,330 in the second quarter of 2006.

Consolidated operating expenses increased \$10.0 million, or 25.9%, to \$48.5 million in the quarter ended June 30, 2006 from \$38.5 million in the quarter ended June 30, 2005. Of the \$10.0 million increase, \$1.7 million was attributable to an increase in depreciation and amortization of intangibles expense in the second quarter of 2006 resulting from an increase in the fair value of our assets in connection with the Transactions. In addition, the increase was attributable to an increase of \$5.2 million, or 23.5%, in residential treatment operating expenses and an increase of \$1.3 million, or 10.9%, in opiate treatment operating expenses before divisional administration expenses. Divisional administration expenses increased \$1.0 million, or 219.7%, in our residential treatment division and increased \$0.4 million, or 26.0%, in our opiate treatment division. The increase in residential treatment operating expenses was in part attributable to a \$1.3 million, or 6.3%, same-facility increase in operating expenses. Sierra Tucson and

Wellness Resource Center, acquired in May 2005 and September 2005, respectively, contributed \$2.5 million and \$0.7 million to residential treatment division operating expenses. The increase in opiate treatment operating expenses was attributable to same-facility growth (\$1.1 million, or 10.0% increase) and to operating expenses of start-up facilities (\$0.3 million, or 44.1% increase). Corporate/other expenses increased \$2.2 million, or 72.5%. Expressed as a percentage of consolidated net revenue, corporate/other expenses increased to 8.3% in the second quarter of 2006 compared to 5.9% in the second quarter of 2005. The increase in corporate/other expenses was primarily attributable to a non-cash charge of \$0.9 million relating to option-based employee compensation expense (not recognized in the second quarter of 2005). Excluding this charge, corporate/other expenses would have been 6.7% of consolidated net revenue in the second quarter of 2006.

Our consolidated operating margins declined to 21.9% in the quarter ended June 30, 2006 from 24.0% in the quarter ended June 30, 2005, due primarily to an increase of \$1.7 million in depreciation and amortization of intangibles expense in the second quarter of 2006 resulting from an increase in the fair value of our assets in connection with the Transactions and a non-cash charge of \$0.9 million relating to option-based employee compensation expense. In addition, the operating margin decline of 2.8% in our opiate treatment division contributed to the overall decline. The opiate treatment margin decline can be partially attributable to an increase in depreciation and amortization of intangibles expense in the second quarter of 2006 resulting from an increase in the fair value of our assets in connection with the Transactions. The increase in residential treatment same-facility income from operations before divisional administrative expenses was \$1.3 million, or 18.7%, in the second quarter of 2006 compared to the second quarter of 2005. Our opiate treatment same-facility income from operations before divisional administrative expenses increased \$0.3 million, or 3.3%, in the second quarter of 2006 compared to the second quarter of 2005.

Consolidated income from operations increased \$1.4 million, or 11.7%, in the second quarter of 2006 compared to the second quarter of 2005, primarily due to the above factors. Other income increased \$0.6 million in the second quarter of 2006 due primarily to a non-cash gain recognized on the fair value of our interest rate swap. Interest expense and other financing costs increased \$3.8 million, or 56.0%, to \$10.6 million in the second quarter of 2006 from \$6.8 million in the second quarter of 2005. This increase is attributable to the issuance of new senior and subordinated debt related to the Transactions. Income tax expense remained flat in the second quarter of 2006 compared to the second quarter of 2005. The effective tax rate increased from 40.1% in the second quarter of 2005 to 56.4% in the second quarter of 2006. We determine income tax expense for interim periods by applying the use of the full year's estimated effective tax rate in financial statements for interim periods. This increase relates primarily to the tax benefit in January 2006 attributable to deduction of one-time costs. Such one-time deductions include: payments for stock options and management bonuses; sellers' fees paid at the closing of the Transactions; and write-offs of debt discount and capitalized financing costs. Excluding such one-time deductions, the effective tax rate for the second quarter of 2006 would have been 41.2%.

Pro Forma Financial Results

Adjusted pro forma EBITDA was \$17.7 million for the quarter ended June 30, 2006, compared to \$16.2 million for the quarter ended June 30, 2005, an increase of \$1.5 million, or 9.1%. Adjusted pro forma EBITDA was \$35.0 million for the six months ended June 30, 2006, compared to \$32.8 million for the six months ended June 30, 2005, an increase of \$2.2 million, or 6.6%.

In order to supplement its condensed consolidated financial statements presented in accordance with GAAP, CRC is providing a summary to show the computation of earnings before interest, taxes, depreciation and amortization (“EBITDA”), as well as adjusted pro forma EBITDA. Adjusted pro forma EBITDA takes into account certain adjustments which are excluded from EBITDA for purposes of various covenants in the indenture governing CRC’s 10¾% senior subordinated notes due 2016 and its credit agreement dated February 6, 2006. CRC believes that the adjusted pro forma EBITDA information presented provides useful information to both management and investors concerning its ability to meet its future debt service and to comply with certain covenants in its borrowing arrangements that are tied to these measures. CRC also believes that including the effect of these items allows management and investors to better compare CRC’s financial performance from period-to-period, and to better compare CRC’s financial performance with that of its competitors. The presentation of this additional information is not meant to be considered in isolation of, or as a substitute for, results prepared in accordance with GAAP.

The unaudited adjusted pro forma EBITDA for the periods presented gives effect to the 2005-06 acquisitions as if they had occurred on January 1, 2005. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable. The pro forma adjusted EBITDA is for informational purposes only and does not purport to represent what CRC’s results of operations or financial position would actually be if the 2005-06 acquisitions occurred at any date, nor does such information purport to project the results of operations for any future period.

CRC HEALTH CORPORATION

**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
JUNE 30, 2006 (SUCCESSOR) AND DECEMBER 31, 2005 (PREDECESSOR)
(In thousands, except share amounts)**

	June 30, 2006 (Successor)	December 31, 2005 (Predecessor)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 5,842	\$ 5,077
Accounts receivable, net of allowance for doubtful accounts of \$5,792 in 2006 and \$4,459 in 2005	26,936	23,418
Prepaid expenses	4,665	4,510
Other current assets	2,589	2,832
Income taxes receivable	5,878	-
Deferred income taxes	<u>4,271</u>	<u>4,264</u>
Total current assets	50,181	40,101
PROPERTY AND EQUIPMENT—Net	67,380	49,074
GOODWILL	458,720	265,977
OTHER INTANGIBLE ASSETS—Net	284,645	60,008
OTHER ASSETS	<u>22,356</u>	<u>8,994</u>
TOTAL ASSETS	<u>\$883,282</u>	<u>\$ 424,154</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,724	\$ 5,348
Accrued liabilities	22,937	14,400
Income taxes payable	-	3,384
Current portion of long-term debt	2,450	11,550
Other current liabilities	<u>4,480</u>	<u>3,135</u>
Total current liabilities	32,591	37,817
LONG-TERM DEBT—Less current portion	439,084	248,381
OTHER LONG-TERM LIABILITIES	373	469
DEFERRED INCOME TAXES	<u>112,417</u>	<u>9,877</u>
Total liabilities	<u>584,465</u>	<u>296,544</u>
<i>Predecessor Company</i> —Mandatorily redeemable stock—324,731,796 shares authorized; 262,399,056 shares issued and outstanding at December 31, 2005	<u>-</u>	<u>115,625</u>
STOCKHOLDER'S EQUITY:		
<i>Predecessor Company</i> —Series A common stock, \$0.000001 par value—378,090,843 shares authorized; 8,652,429 shares issued and outstanding at December 31, 2005		
<i>Successor Company</i> —Common stock, \$0.001 par value—1,000 shares authorized; 1,000 shares issued and outstanding at June 30, 2006		
Additional paid-in capital	296,065	215
Retained earnings	<u>2,752</u>	<u>11,770</u>
Total stockholder's equity	<u>298,817</u>	<u>11,985</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$883,282</u>	<u>\$ 424,154</u>

CRC HEALTH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands) (Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Five Months Ended June 30, 2006	One Month Ended January 31, 2006	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Successor)	(Predecessor)	(Successor)	(Predecessor)	Combined	(Predecessor)
NET REVENUE:						
Net client service revenue	\$ 60,971	\$ 50,150	\$ 98,781	\$ 19,360	\$ 118,141	\$ 94,244
Other revenue	1,161	571	1,953	490	2,443	955
Net revenue	62,132	50,721	100,734	19,850	120,584	95,199
OPERATING EXPENSES:						
Salaries and benefits	27,409	23,593	45,275	9,265	54,540	45,199
Supplies and facilities costs	16,685	12,925	27,207	4,361	31,568	23,730
Insurance	673	643	1,101	201	1,302	1,269
Provision for bad debts	1,282	641	2,119	285	2,404	1,364
Depreciation and amortization	2,467	727	3,926	361	4,287	1,563
Acquisition related costs	-	-	-	43,710	43,710	-
Total operating expenses	48,516	38,529	79,628	58,183	137,811	73,125
INCOME (LOSS) FROM OPERATIONS	13,616	12,192	21,106	(38,333)	(17,227)	22,074
INTEREST EXPENSE	(10,623)	(4,626)	(16,947)	(2,509)	(19,456)	(8,115)
OTHER FINANCING COSTS	-	(2,185)	-	(10,655)	(10,655)	(2,185)
OTHER INCOME	968	381	1,545	60	1,605	389
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	3,961	5,762	5,704	(51,437)	(45,733)	12,163
INCOME TAX EXPENSE (BENEFIT)	2,234	2,311	2,952	(12,444)	(9,492)	5,025
NET INCOME (LOSS)	\$ 1,727	\$ 3,451	\$ 2,752	\$ (38,993)	\$ (36,241)	\$ 7,138

Reconciliation of GAAP "Cash Flows (Used In) Provided By Operating Activities" to non-GAAP "EBITDA" from continuing operations and Reconciliation of non-GAAP "EBITDA" from continuing operations to GAAP "Net Income" (In thousands) (unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Five Months Ended June 30, 2006	One Month Ended January 31, 2006	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Successor)	(Predecessor)	(Successor)	(Predecessor)	Combined	(Predecessor)
Cash flows (used in) provided by operating activities	\$ 12,727	\$ 6,424	\$ (6,523)	\$ 1,202	\$ (5,321)	\$ 11,200
Write-off of debt discount and capitalized financing costs	-	(2,185)	-	(10,655)	(10,655)	(2,185)
Acquisition and financing related costs	-	-	-	(24,445)	(24,445)	-
Amortization of debt discount and capitalized financing costs	(615)	(263)	(1,150)	(162)	(1,312)	(640)
Stock-based compensation	(962)	-	(1,590)	(17,666)	(19,256)	-
Deferred income taxes	133	-	391	-	391	-
Net effect of changes in non-current net assets	(129)	266	(210)	(1,331)	(1,541)	229
Net effect of working capital changes	(6,960)	(64)	15,760	14,425	30,185	97
Interest expense and other financing costs	10,623	6,811	16,947	13,164	30,111	10,300
Income tax expense (benefit)	<u>2,234</u>	<u>2,311</u>	<u>2,952</u>	<u>(12,444)</u>	<u>(9,492)</u>	<u>5,025</u>
EBITDA from continuing operations	17,051	13,300	26,577	(37,912)	(11,335)	24,026
Interest expense and other financing costs	(10,623)	(6,811)	(16,947)	(13,164)	(30,111)	(10,300)
Income tax (expense) benefit	(2,234)	(2,311)	(2,952)	12,444	9,492	(5,025)
Depreciation and amortization	<u>(2,467)</u>	<u>(727)</u>	<u>(3,926)</u>	<u>(361)</u>	<u>(4,287)</u>	<u>(1,563)</u>
Net income (loss)	<u>\$ 1,727</u>	<u>\$ 3,451</u>	<u>\$ 2,752</u>	<u>\$ (38,993)</u>	<u>\$ (36,241)</u>	<u>\$ 7,138</u>

Reconciliation of non-GAAP "EBITDA" from continuing operations to non-GAAP "Adjusted Pro Forma EBITDA"
(In thousands) (unaudited)

	Three Months Ended June 30, 2006 (Successor)	Three Months Ended June 30, 2005 (Predecessor)	Six Months Ended June 30, 2006 Combined	Six Months Ended June 30, 2005 (Predecessor)
EBITDA from continuing operations	\$ 17,051	\$ 13,300	\$ (11,335)	\$ 24,026
Pre-acquisition EBITDA from Sierra Tucson acquisition	-	1,445	-	5,684
Pre-acquisition EBITDA from other 2005 acquisitions	-	674	-	1,523
Pre-acquisition EBITDA from Center for Hope acquisition	71	129	179	236
Expenses of prior owners of acquired businesses	15	142	58	345
Expenses incurred related to the Transactions	-	-	43,710	-
Unrecognized profit on deferred revenue	-	466	1,474	466
Management fees to former Sponsor	-	37	-	147
Corporate office relocation expenses	-	80	-	80
Stock-based compensation expense	962	-	1,590	-
Gain on interest rate swap	(951)	(371)	(1,574)	(371)
(Gain) loss on fixed asset disposal	-	-	(2)	2
Management fees to Sponsor	520	330	818	660
Company sale transaction costs	45	-	45	-
Adjusted Pro forma EBITDA	<u>\$ 17,713</u>	<u>\$ 16,232</u>	<u>\$ 34,963</u>	<u>\$ 32,798</u>

CRC Health Corporation
Selected Statistics

	Six Months Ended June 30, 2006 (Successor)	Six Months Ended June 30, 2005 (Predecessor)
Residential treatment facilities data		
Number of inpatient facilities - end of period	22	19
Number of outpatient facilities - end of period	18	16
Available beds - end of period	1,414	1,240
Average daily census	1,222	1,026
Occupancy rate	88.2%	87.0%
Net revenue per patient day	\$ 345.90	\$ 292.37
Opiate treatment clinics data		
Number of opiate treatment clinics - end of period	50	51
Average daily census	21,958	20,776
Net revenue per patient day	\$ 11.02	\$ 10.87

Reports and Conference Call

Per the requirements of the indenture governing CRC's 10¾% senior subordinated notes due 2016, CRC has filed its second quarter 2006 financial statements and associated management's discussion and analysis of financial condition and results of operations with the indenture trustee.

CRC will host a conference call, open to all interested parties, on Thursday, August 17, 2006 beginning at 10:00 AM Pacific Time. The number to call within the United States is (800) 841-5343. Participants outside the United States should call (706) 643-0468. The conference ID is 4637975. A replay of the conference call will be available starting two hours after completion of the call until midnight August 24, 2006 and can be accessed by dialing (800)-642-1687 from within the United States or (706)-645-9291 from outside the United States and entering conference ID 4637975.

Forward-Looking Statements

This press release includes or may include "forward-looking statements." All statements included herein, other than statements of historical fact, may constitute forward-looking statements. Although CRC believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among others, the following factors: changes in government reimbursement for CRC's services; changes in applicable regulations or a government investigation or assertion that CRC has violated applicable regulations; the potentially difficult, unsuccessful or costly integration

of recently acquired operations and future acquisitions; the potentially difficult, unsuccessful or costly opening and operating of new treatment facilities; the possibility that commercial payors for CRC's services may undertake future cost containment initiatives; the limited number of national suppliers of methadone used in CRC's opiate treatment clinics; the failure to maintain established relationships or cultivate new relationships with patient referral sources; shortages in qualified healthcare workers; natural disasters such as hurricanes, earthquakes and floods; competition that limits CRC's ability to grow; the potentially costly implementation of new information systems to comply with federal and state initiatives relating to patient privacy, security of medical information and electronic transactions; the potentially costly implementation of accounting and other management systems and resources in response to financial reporting and other requirements; the loss of key members of CRC's management; claims asserted against CRC or lack of adequate available insurance; CRC's substantial indebtedness; and certain restrictive covenants in CRC's debt documents.