



NEWS RELEASE

FOR IMMEDIATE RELEASE: August 13, 2007

**CRC Health Reports Operating Results
for the Quarter & Six Months Ended June 30, 2007**

CUPERTINO, CA, August 13, 2007 – CRC Health Corporation (“CRC” or the “Company”), the nation’s largest substance abuse treatment and youth treatment provider, announced its results for the second quarter and six months ended June 30, 2007, reflecting contributions from the acquisition of Aspen Education Group, Inc. (“Aspen”) in the fourth quarter of 2006 and other acquisitions in 2006 and 2007, and continued organic growth. In the six months ended June 30, 2007, CRC completed one acquisition of a residential youth treatment facility and paid total cash consideration of \$1.1 million, including acquisition related expenses.

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 \$723.0 million. As part of the acquisition, certain members of the CRC management team partnered with Bain by retaining an equity stake in CRC. The acquisition resulted in several large merger-related expenses during the year ended December 31, 2006. CRC’s pro forma results excluding these non-recurring 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 February 1, 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 February 1, 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 the Predecessor Company’s operating results for the one

monthended January 31, 2006 to the Successor Company's operating results for 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.

Historical Financial Results

Second Quarter and Six Months Ended June 30, 2007 Financial Results:

- Net revenue for the second quarter of 2007 increased by \$53.7 million, or 86.4%, to \$115.8 million as compared to \$62.1 million for the second quarter of 2006. Of the \$53.7 million increase, the youth treatment division contributed \$41.2 million and the remaining net revenue growth was driven by net revenue increases of \$9.1 million, or 22.9%, and \$3.4 million, or 15.1%, in CRC's residential and outpatient treatment divisions, respectively. The net revenue growth in the residential and outpatient treatment divisions was mainly driven by increases of \$5.5 million and \$1.4 million, respectively, resulting from the 2006 acquisitions that were not included in the results of operations for the second quarter of 2006. In addition, same-facility revenue growth in residential and outpatient treatment divisions of \$2.9 million, or 7.3%, and \$1.0 million, or 4.6%, respectively, resulted from increases in average daily census and net revenue per patient day and contributed to the net revenue growth. The remaining net revenue growth in the residential and outpatient treatment divisions was driven by start-up facilities.
- Net revenue for the six months ended June 30, 2007 increased by \$103.1 million, or 85.5%, to \$223.7 million as compared to \$120.6 million for the same period in 2006. Of the \$103.1 million increase, the youth treatment division contributed \$76.9 million and the remaining net revenue growth was driven by net revenue increases of \$19.6 million, or 25.6%, and \$6.6 million, or 15.2%, in CRC's residential and outpatient treatment divisions, respectively. The net revenue growth in the residential and outpatient treatment divisions was mainly driven by increases of \$13.2 million and \$2.8 million, respectively, resulting from the 2006 acquisitions and the Transactions that were not included in the results of operations during the six months ended June 30, 2006. In addition, same-facility revenue growth in residential and outpatient treatment divisions of \$5.2 million, or 6.7%, and \$2.1 million, or 5.1%, respectively, resulted from increases in average daily census and net revenue per patient day and contributed to the net revenue growth. The remaining net revenue growth in the residential and outpatient treatment divisions was driven by start-up facilities.
- CRC's operating margin was 16.3% for the second quarter of 2007, as compared to 21.9% for the second quarter of 2006. The decline in operating margin in 2007 was primarily attributable to lower operating margins associated with the Aspen

acquisition. On a same-facility basis, CRC's operating margin increased to 36.9% for the second quarter of 2007, as compared to 36.4% for the second quarter of 2006.

- CRC's operating margin was 15.2% for the six months ended June 30, 2007, as compared to (14.3)% for the same period in 2006. The operating margin for 2006 was primarily impacted by non-recurring expenses of \$43.7 million related to the Transactions. CRC did not incur such non-recurring expenses during the six months ended June 30, 2007 but was partially impacted by lower operating margins associated with the Aspen acquisition. On a same-facility basis, CRC's operating margin increased to 36.7% for the six months ended June 30, 2007, as compared to 36.3% for the same period in 2006.
- Net income as a percentage of consolidated net revenue for the second quarter of 2007 was 2.5% compared to 2.8% in the second quarter of 2006. The slight decline in net income percentage in the second quarter of 2007 was primarily due to an increase in interest expenses of \$4.2 million resulting mainly from the additional borrowings related to the Aspen acquisition.
- Net income as a percentage of consolidated net revenue for the six months ended June 30, 2007 was 1.3% compared to (30.1)% in the six months ended June 30, 2006. The negative net income percentage for the six months ended June 30, 2006 was mainly due to the operating margin decline as described above. The net income percentage for the six months ended June 30, 2007 was not impacted by the non-recurring expenses related to the Transactions but was primarily impacted by an increase in interest expenses of \$10.4 million resulting mainly from the additional borrowings related to the Aspen acquisition.

Pro Forma Financial Results

Adjusted pro forma EBITDA was \$26.6 million for the quarter ended June 30, 2007, compared to \$25.7 million for the quarter ended June 30, 2006, an increase of \$0.9 million, or 3.5%. Adjusted pro forma EBITDA was \$50.8 million for the six months ended June 30, 2007, compared to \$48.0 million for the six months ended June 30, 2006, an increase of \$2.8 million, or 5.7%.

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 10³/₄% senior subordinated notes due 2016 and its senior secured credit facility, as amended to date. 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 obligations 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 2006 acquisitions as if they had occurred on January 1, 2006. The pro forma adjustments are based upon available information and certain assumptions that CRC 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 have been if the 2006 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, 2007 AND DECEMBER 31, 2006 (SUCCESSOR)
(In thousands, except share amounts)**

| | June 30, 2007 | December 31, 2006 |
|--|---------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,192 | \$ 4,206 |
| Accounts receivable, net of allowance for doubtful accounts of \$8,510 in 2007 and \$8,235 in 2006 | 33,140 | 33,805 |
| Prepaid expenses | 7,592 | 7,675 |
| Other current assets | 3,836 | 2,261 |
| Income taxes receivable | 6,821 | 6,496 |
| Deferred income taxes | <u>7,226</u> | <u>7,052</u> |
| Total current assets | 61,807 | 61,495 |
| PROPERTY AND EQUIPMENT—Net | 104,453 | 94,976 |
| GOODWILL | 705,383 | 702,425 |
| INTANGIBLE ASSETS—Net | 395,363 | 400,714 |
| OTHER ASSETS | <u>27,236</u> | <u>29,178</u> |
| TOTAL ASSETS | <u>\$ 1,294,242</u> | <u>\$ 1,288,788</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 6,781 | \$ 6,714 |
| Accrued liabilities | 33,604 | 34,827 |
| Current portion of long-term debt | 8,140 | 10,743 |
| Other current liabilities | <u>34,830</u> | <u>27,941</u> |
| Total current liabilities | 83,355 | 80,225 |
| LONG-TERM DEBT—Less current portion | 616,619 | 615,785 |
| OTHER LONG-TERM LIABILITIES | 2,942 | 5,526 |
| DEFERRED INCOME TAXES | <u>146,887</u> | <u>149,827</u> |
| Total liabilities | <u>849,803</u> | <u>851,363</u> |
| MINORITY INTEREST | 111 | 251 |
| STOCKHOLDER'S EQUITY: | | |
| Common stock, \$0.001 par value—1,000 shares authorized; 1,000 shares issued and outstanding at June 30, 2007 and December 31, 2006 | | |
| Additional paid-in capital | 435,783 | 433,652 |
| Retained earnings | <u>8,545</u> | <u>3,522</u> |
| Total stockholder's equity | <u>444,328</u> | <u>437,174</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | <u>\$ 1,294,242</u> | <u>\$ 1,288,788</u> |

| CRC HEALTH CORPORATION | | | | | | |
|---|---|---|---|---|--|---|
| CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS | | | | | | |
| (In thousands) (Unaudited) | | | | | | |
| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Five Months Ended June 30, 2006 | One Month Ended January 31, 2006 |
| | (Successor) | (Successor) | (Successor) | Combined | (Successor) | (Predecessor) |
| NET REVENUE: | | | | | | |
| Net client service revenue | \$ 114,384 | \$60,971 | \$220,866 | \$118,141 | \$98,781 | \$ 19,360 |
| Other revenue | <u>1,409</u> | <u>1,161</u> | <u>2,857</u> | <u>2,443</u> | <u>1,953</u> | <u>490</u> |
| Net revenue | <u>115,793</u> | <u>62,132</u> | <u>223,723</u> | <u>120,584</u> | <u>100,734</u> | <u>19,850</u> |
| OPERATING EXPENSES: | | | | | | |
| Salaries and benefits | 56,380 | 28,371 | 111,688 | 56,130 | 46,865 | 9,265 |
| Supplies, facilities and other operating costs | 33,384 | 16,396 | 64,120 | 31,276 | 26,715 | 4,561 |
| Provision for doubtful accounts | 1,525 | 1,282 | 3,028 | 2,404 | 2,119 | 285 |
| Depreciation and amortization | 5,621 | 2,467 | 10,913 | 4,287 | 3,926 | 361 |
| Acquisition related costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>43,710</u> | <u>-</u> | <u>43,710</u> |
| Total operating expenses | <u>96,910</u> | <u>48,516</u> | <u>189,749</u> | <u>137,807</u> | <u>79,625</u> | <u>58,182</u> |
| INCOME (LOSS) FROM OPERATIONS | 18,883 | 13,616 | 33,974 | (17,223) | 21,109 | (38,332) |
| INTEREST EXPENSE, NET | (14,813) | (10,598) | (29,802) | (19,420) | (16,915) | (2,505) |
| OTHER FINANCING COSTS | - | - | - | (10,655) | - | (10,655) |
| OTHER INCOME | <u>766</u> | <u>943</u> | <u>417</u> | <u>1,565</u> | <u>1,510</u> | <u>55</u> |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 4,836 | 3,961 | 4,589 | (45,733) | 5,704 | (51,437) |
| INCOME TAX EXPENSE (BENEFIT) | 1,974 | 2,234 | 1,873 | (9,492) | 2,952 | (12,444) |
| MINORITY INTEREST IN LOSS OF A SUBSIDIARY | <u>(52)</u> | <u>-</u> | <u>(152)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET INCOME (LOSS) | <u>\$ 2,914</u> | <u>\$ 1,727</u> | <u>\$ 2,868</u> | <u>\$(36,241)</u> | <u>\$ 2,752</u> | <u>\$(38,993)</u> |

Reconciliation of GAAP "Cash flows provided by (used in) 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, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 | Five Months Ended June 30, 2006 | One Month Ended January 31, 2006 |
|---|--|---|--------------------------------------|--------------------------------------|---------------------------------------|--|
| | (Successor) | (Successor) | (Successor) | Combined | (Successor) | (Predecessor) |
| Cash flows provided by (used in) operating activities | \$ 20,732 | \$ 12,727 | \$ 20,976 | \$ (5,325) | \$ (6,526) | \$ 1,201 |
| Write-off of debt discount and capitalized financing costs | - | - | - | (10,655) | - | (10,655) |
| Amortization of debt discount and capitalized financing costs | (1,153) | (615) | (2,248) | (1,312) | (1,150) | (162) |
| Stock-based compensation | (1,055) | (962) | (2,143) | (19,256) | (1,590) | (17,666) |
| Deferred income taxes | 428 | 133 | 870 | 391 | 391 | - |
| Net effect of changes in non-current net assets | (212) | (129) | (410) | (1,541) | (210) | (1,331) |
| Net effect of working capital changes | (10,205) | (6,960) | (3,264) | 5,744 | 15,763 | (10,019) |
| Interest expense and other financing costs | 14,813 | 10,598 | 29,802 | 30,075 | 16,915 | 13,160 |
| Income tax expense (benefit) | 1,974 | 2,234 | 1,873 | (9,492) | 2,952 | (12,444) |
| EBITDA from continuing operations | 25,322 | 17,026 | 45,456 | (11,371) | 26,545 | (37,916) |
| Interest expense and other financing costs | (14,813) | (10,598) | (29,802) | (30,075) | (16,915) | (13,160) |
| Income tax (expense) benefit | (1,974) | (2,234) | (1,873) | 9,492 | (2,952) | 12,444 |
| Depreciation and amortization | (5,621) | (2,467) | (10,913) | (4,287) | (3,926) | (361) |
| Net income (loss) | \$ 2,914 | \$ 1,727 | \$ 2,868 | \$ (36,241) | \$ 2,752 | \$ (38,993) |

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

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|---|---|---|---|
| EBITDA from continuing operations | \$ 25,322 | \$ 17,026 | \$ 45,456 | \$ (11,371) |
| Pre-acquisition Adjusted EBITDA from Aspen acquisition | - | 6,587 | - | 10,612 |
| Pre-acquisition Adjusted EBITDA from other acquisitions in 2006 | - | 1,453 | - | 2,693 |
| Expenses incurred related to the Transactions | - | 39 | - | 43,749 |
| Unrecognized profit on deferred revenue | 489 | - | 2,588 | 1,474 |
| Stock-based compensation expense | 1,055 | 962 | 2,143 | 1,590 |
| Gain on interest rate swap | (768) | (951) | (462) | (1,573) |
| Gain on fixed asset disposal | - | - | (10) | (4) |
| Management fees to Sponsor | 532 | 520 | 1,032 | 818 |
| Minority interest in loss of a subsidiary | (52) | - | (152) | - |
| Franchise taxes | - | 23 | 145 | 31 |
| Other miscellaneous non-cash charges | (4) | 7 | 43 | 7 |
| Adjusted Pro forma EBITDA | \$ 26,574 | \$ 25,666 | \$ 50,783 | \$ 48,026 |

CRC Health Corporation
Selected Statistics

| | Three Months Ended June 30, 2007 | Three Months Ended June 30, 2006 | Six Months Ended June 30, 2007 | Six Months Ended June 30, 2006 |
|---|--|--|--------------------------------------|--------------------------------------|
| Residential treatment facilities data | | | | |
| Number of inpatient facilities - end of period | 28 | 22 | 28 | 22 |
| Number of outpatient facilities - end of period | 15 | 18 | 15 | 18 |
| Available beds - end of period | 1,750 | 1,421 | 1,750 | 1,421 |
| Average daily census | 1,462 | 1,234 | 1,462 | 1,222 |
| Occupancy rate | 83.7% | 87.5% | 83.8% | 88.4% |
| Net revenue per patient day | \$ 366.70 | \$ 353.71 | \$ 363.24 | \$ 345.90 |
| Youth treatment facilities data | | | | |
| Number of facilities - end of period | 37 | - | 37 | - |
| Average daily census | 1,695 | - | 1,638 | - |
| Net revenue per student day | \$ 267.35 | \$ - | \$ 259.44 | \$ - |
| Outpatient treatment facilities data | | | | |
| Number of outpatient treatment facilities - end of period | 60 | 50 | 60 | 50 |
| Average daily census | 25,155 | 22,175 | 24,905 | 21,958 |
| Net revenue per patient day | \$ 11.20 | \$ 11.04 | \$ 11.19 | \$ 11.02 |

Conference Call

CRC will host a conference call, open to all interested parties, on Thursday, August 16, 2007 beginning at 10:00 AM Pacific Daylight Time (1:00 PM Eastern Daylight Time). The number to call within the United States is (888) 202-2422. Participants outside the United States should call (913)-981-5592. The conference ID is 5806248. A replay of the conference call will be available starting three hours after the completion of the call until Thursday, August 23, 2007. The replay number for callers within the United States is (888)-203-1112 or (719)-457-0820 from outside the United States and the conference ID for all callers is 5806248.

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; our substantial indebtedness; changes in applicable regulations or a government investigation or assertion that CRC has violated applicable regulations; attempts by local residents to force our closure or relocation; 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 outpatient 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; and certain restrictive covenants in CRC's debt documents.