# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2018**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from__________ to __________**

**Commission File Number: 001-35331**

# ACADIA HEALTHCARE COMPANY, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **45-2492228** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**6100 Tower Circle, Suite 1000**
**Franklin, Tennessee 37067**
**(Address, including zip code, of registrant's principal executive offices)**

**(615) 861-6000**
**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |
| Emerging growth company ☐ | | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At May 3, 2018, there were 88,235,019 shares of the registrant's common stock outstanding.

**ACADIA HEALTHCARE COMPANY, INC.**
**QUARTERLY REPORT ON FORM 10-Q**
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# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

**Acadia Healthcare Company, Inc.**
**Condensed Consolidated Balance Sheets**
**(Unaudited)**

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| | (In thousands, except share and per share amounts) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 57,808 | $ 67,290 |
| Accounts receivable, net | 325,148 | 296,925 |
| Other current assets | 120,937 | 107,335 |
| Total current assets | 503,893 | 471,550 |
| Property and equipment, net | 3,151,529 | 3,048,130 |
| Goodwill | 2,779,401 | 2,751,174 |
| Intangible assets, net | 91,036 | 87,348 |
| Deferred tax assets | 3,698 | 3,731 |
| Derivative instrument assets | — | 12,997 |
| Other assets | 55,172 | 49,572 |
| Total assets | $ 6,584,729 | $ 6,424,502 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 33,830 | $ 34,830 |
| Accounts payable | 122,430 | 102,299 |
| Accrued salaries and benefits | 104,908 | 99,047 |
| Other accrued liabilities | 128,473 | 141,213 |
| Total current liabilities | 389,641 | 377,389 |
| Long-term debt | 3,208,088 | 3,205,058 |
| Deferred tax liabilities | 76,930 | 80,333 |
| Derivative instrument liabilities | 15,160 | — |
| Other liabilities | 168,633 | 166,434 |
| Total liabilities | 3,858,452 | 3,829,214 |
| Redeemable noncontrolling interests | 24,658 | 22,417 |
| Equity: | | |
| Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares issued | — | — |
| Common stock, $0.01 par value; 180,000,000 shares authorized; 87,287,865 and 87,060,114 issued and outstanding at March 31, 2018 and December 31, 2017, respectively | 873 | 871 |
| Additional paid-in capital | 2,522,745 | 2,517,545 |
| Accumulated other comprehensive loss | (301,391) | (374,118) |
| Retained earnings | 479,392 | 428,573 |
| Total equity | 2,701,619 | 2,572,871 |
| Total liabilities and equity | $ 6,584,729 | $ 6,424,502 |

See accompanying notes.

**Acadia Healthcare Company, Inc.**
**Condensed Consolidated Statements of Income**
**(Unaudited)**

| | Three Months Ended March 31, 2018 | Three Months Ended March 31, 2017 |
|---|---|---|
| | (In thousands, except per share amounts) | |
| Revenue before provision for doubtful accounts | $ 742,241 | $ 689,341 |
| Provision for doubtful accounts | — | (10,147) |
| Revenue | 742,241 | 679,194 |
| Salaries, wages and benefits (including equity-based compensation expense of $6,919 and $7,396, respectively) | 411,528 | 376,421 |
| Professional fees | 54,018 | 43,409 |
| Supplies | 29,364 | 27,709 |
| Rents and leases | 20,288 | 18,971 |
| Other operating expenses | 88,231 | 83,711 |
| Depreciation and amortization | 39,773 | 33,613 |
| Interest expense, net | 45,243 | 42,757 |
| Debt extinguishment costs | 940 | — |
| Transaction-related expenses | 4,768 | 4,119 |
| Total expenses | 694,153 | 630,710 |
| Income before income taxes | 48,088 | 48,484 |
| (Benefit from) provision for income taxes | (2,786) | 13,711 |
| Net income | 50,874 | 34,773 |
| Net (income) loss attributable to noncontrolling interests | (55) | 185 |
| Net income attributable to Acadia Healthcare Company, Inc. | $ 50,819 | $ 34,958 |
| Earnings per share attributable to Acadia Healthcare Company, Inc. stockholders: | | |
| Basic | $ 0.58 | $ 0.40 |
| Diluted | $ 0.58 | $ 0.40 |
| Weighted-average shares outstanding: | | |
| Basic | 87,121 | 86,762 |
| Diluted | 87,294 | 86,908 |

See accompanying notes.

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**Acadia Healthcare Company, Inc.**
**Condensed Consolidated Statements of Comprehensive Income**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| Net income | $ 50,874 | $34,773 |
| Other comprehensive income: | | |
| Foreign currency translation gain | 92,780 | 27,046 |
| Loss on derivative instruments, net of tax of $(7.3) million and $(5.6) million, respectively | (20,053) | (5,868) |
| Other comprehensive income | 72,727 | 21,178 |
| Comprehensive income | 123,601 | 55,951 |
| Comprehensive (gain) loss attributable to noncontrolling interests | (55) | 185 |
| Comprehensive income attributable to Acadia Healthcare Company, Inc. | $123,546 | $56,136 |

See accompanying notes.

**Acadia Healthcare Company, Inc.**
**Condensed Consolidated Statement of Equity**
**(Unaudited)**
**(In thousands)**

| | Common Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balance at December 31, 2017 | 87,060 | $ 871 | $2,517,545 | $ (374,118) | $428,573 | $2,572,871 |
| Common stock issued under stock incentive plans | 228 | 2 | 94 | — | — | 96 |
| Common stock withheld for minimum statutory taxes | — | — | (2,126) | — | — | (2,126) |
| Equity-based compensation expense | — | — | 6,919 | — | — | 6,919 |
| Other comprehensive income | — | — | — | 72,727 | — | 72,727 |
| Other | — | — | 313 | — | — | 313 |
| Net income attributable to Acadia Healthcare Company, Inc. | — | — | — | — | 50,819 | 50,819 |
| Balance at March 31, 2018 | 87,288 | $ 873 | $2,522,745 | $ (301,391) | $479,392 | $2,701,619 |

See accompanying notes.

**Acadia Healthcare Company, Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| | (In thousands) | |
| **Operating activities:** | | |
| Net income | $ 50,874 | $ 34,773 |
| **Adjustments to reconcile net income to net cash provided by continuing operating activities:** | | |
| Depreciation and amortization | 39,773 | 33,613 |
| Amortization of debt issuance costs | 2,525 | 2,396 |
| Equity-based compensation expense | 6,919 | 7,396 |
| Deferred income tax expense | 1,897 | 2,007 |
| Debt extinguishment costs | 940 | — |
| Other | 1,043 | 3,825 |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | (18,793) | (12,459) |
| Other current assets | (13,216) | 5,886 |
| Other assets | (1,268) | (1,710) |
| Accounts payable and other accrued liabilities | (3,368) | (16,993) |
| Accrued salaries and benefits | 4,802 | (3,437) |
| Other liabilities | 509 | 2,142 |
| Net cash provided by continuing operating activities | 72,637 | 57,439 |
| Net cash used in discontinued operating activities | (287) | (425) |
| Net cash provided by operating activities | 72,350 | 57,014 |
| **Investing activities:** | | |
| Cash paid for capital expenditures | (70,327) | (50,549) |
| Cash paid for real estate acquisitions | (4,293) | (2,495) |
| Other | (4,066) | (5,051) |
| Net cash used in investing activities | (78,686) | (58,095) |
| **Financing activities:** | | |
| Principal payments on long-term debt | — | (8,638) |
| Common stock withheld for minimum statutory taxes, net | (2,030) | (4,234) |
| Other | (2,704) | (865) |
| Net cash used in financing activities | (4,734) | (13,737) |
| Effect of exchange rate changes on cash | 1,588 | 842 |
| Net decrease in cash and cash equivalents | (9,482) | (13,976) |
| Cash and cash equivalents at beginning of the period | 67,290 | 57,063 |
| Cash and cash equivalents at end of the period | $ 57,808 | $ 43,087 |

See accompanying notes.

**Acadia Healthcare Company, Inc.**
**Notes to Condensed Consolidated Financial Statements**
**March 31, 2018**
**(Unaudited)**

## 1. Description of Business and Basis of Presentation

### *Description of Business*

Acadia Healthcare Company, Inc. (the "Company") develops and operates inpatient psychiatric facilities, residential treatment centers, group homes, substance abuse facilities and facilities providing outpatient behavioral healthcare services to serve the behavioral health and recovery needs of communities throughout the United States ("U.S."), the United Kingdom ("U.K.") and Puerto Rico. At March 31, 2018, the Company operated 584 behavioral healthcare facilities with approximately 17,800 beds in 40 states, the U.K. and Puerto Rico.

### *Basis of Presentation*

The business of the Company is conducted through limited liability companies, partnerships and C-corporations. The Company's consolidated financial statements include the accounts of the Company and all subsidiaries controlled by the Company through its' direct or indirect ownership of majority interests and exclusive rights granted to the Company as the controlling member of an entity. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation of our financial position and results of operations have been included. The Company's fiscal year ends on December 31 and interim results are not necessarily indicative of results for a full year or any other interim period. The condensed consolidated balance sheet at December 31, 2017 has been derived from the audited financial statements as of that date. The information contained in these condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 27, 2018. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to prior years to conform to the current year presentation.

## 2. Recently Issued Accounting Standards

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-12, *"Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"* ("ASU 2017-12"). ASU 2017-12 amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements and simplifies the application of hedge accounting in certain situations. ASU 2017-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of ASU 2017-12 on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *"Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"* ("ASU 2017-04"). ASU 2017-04 simplifies the measurement of goodwill by eliminating the requirement to calculate the implied fair value of goodwill (step 2 of the current impairment test) to measure the goodwill impairment charge. Instead, entities will record impairment charges based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company has elected to early adopt ASU 2017-04 on January 1, 2018, and management does not anticipate a significant impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *"Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments"* ("ASU 2016-15"). ASU 2016-15 addresses treatment of how certain cash receipts and cash payments are presented and classified in the statement of cash flows to reduce the diversity in practice. ASU 2016-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company adopted ASU 2016-15 on January 1, 2018. There is no significant impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-02, *"Leases"* ("ASU 2016-02"). ASU 2016-02's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Additionally, ASU 2016-02 would permit both public and nonpublic organizations to adopt the new standard early. Management believes the primary effect of adopting the new standard will be to record right-of-use assets and obligations for current operating leases. In March 2018, the FASB approved an alternative transition method to the modified retrospective approach. The alternative transition method eliminates the requirement to restate prior financial statements and requires the cumulative effect of the retrospective application to be recorded as an adjustment to the opening balance of retained earnings at the date of adoption. Management is currently evaluating which transition method the Company will adopt on January 1, 2019 and the impact ASU 2016-02 will have on the Company's consolidated financial statements, internal controls, policies and procedures.

In January 2016, the FASB issued ASU 2016-01, *"Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities"* ("ASU 2016-01"). ASU 2016-01 amends how entities recognize, measure, present and disclose certain financial assets and financial liabilities. It requires entities to measure equity investments (except for those accounted for under equity method) at fair value and recognize any changes in fair value in net income. ASU 2016-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company adopted ASU 2016-01 on January 1, 2018. There is no significant impact on the Company's consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board issued ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* ("ASU 2014-09"). ASU 2014-09's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company adopted ASU 2014-09 on January 1, 2018 as described in Note 3 – Revenue.

## 3. Revenue

ASU 2014-09 requires companies to exercise more judgment and recognize revenue using a five-step process. The Company adopted ASU 2014-09 using the modified retrospective method for all contracts effective January 1, 2018 and is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings at the date of initial application. Prior periods have not been adjusted. No cumulative-effect adjustment in retained earnings was recorded as the adoption of ASU 2014-09 did not significantly impact the Company's reported historical revenue.

As a result of certain changes required by ASU 2014-09, the majority of the Company's provision for doubtful accounts are recorded as a direct reduction to revenue instead of being presented as a separate line item on the condensed consolidated statements of income. The adoption of ASU 2014-09 has no impact on the Company's accounts receivable as it was historically recorded net of allowance for doubtful accounts and contractual adjustments, and the Company has eliminated the presentation of allowance for doubtful accounts on the condensed consolidated balance sheets. The adoption of ASU 2014-09 did not have a significant impact on the Company's condensed consolidated statements of income. The impact of adopting ASU 2014-09 on our condensed consolidated statements of income for the three months ended March 31, 2018 was as follows:

| | As Reported | Prior to Adopting ASU 2014-09 |
|---|---|---|
| Revenue before provision for doubtful accounts | $ 742,241 | $ 750,501 |
| Provision for doubtful accounts | — | (8,260) |
| Revenue | $ 742,241 | $ 742,241 |

The Company evaluated the nature, amount, timing and uncertainty of revenue and cash flows using the five-step process provided within ASU 2014-09.

Revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and adolescent residential treatment. The services provided by the Company have no fixed duration and can be terminated by the patient or the facility at any time, and therefore, each treatment is its own stand-alone contract.

Services ordered by a healthcare provider in an episode of care are not separately identifiable and therefore have been combined into a single performance obligation for each contract. The Company recognizes revenue as its performance obligations are completed. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of the healthcare services provided. For inpatient services, the Company recognizes revenue equally over the patient stay on a daily basis. For outpatient services, the Company recognizes revenue equally over the number of treatments provided in a single episode of care. Typically, patients and third-party payors are billed within several days of the service being performed or the patient being discharged, and payments are due based on contract terms.

As our performance obligations relate to contracts with a duration of one year or less, the Company elected the optional exemption in ASC 606-10-50-14(a). Therefore, the Company is not required to disclose the transaction price for the remaining performance obligations at the end of the reporting period or when the Company expects to recognize the revenue. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients typically are under no obligation to remain admitted in our facilities.

The Company disaggregates revenue from contracts with customers by service type and by payor within each of the Company's segments.

***U.S. Facilities***

The Company's facilities in the United States (the "U.S. Facilities") and services can generally be classified into the following categories: acute inpatient psychiatric facilities; specialty treatment facilities; residential treatment centers; and outpatient community-based services.

*Acute inpatient psychiatric facilities.* Acute inpatient psychiatric facilities provide a high level of care in order to stabilize patients that are either a threat to themselves or to others. The acute setting provides 24-hour observation, daily intervention and monitoring by psychiatrists.

*Specialty treatment facilities*. Specialty treatment facilities include residential recovery facilities, eating disorder facilities and comprehensive treatment centers. The Company provides a comprehensive continuum of care for adults with addictive disorders and co-occurring mental disorders. Inpatient, including detoxification and rehabilitation, partial hospitalization and outpatient treatment programs give patients access to the least restrictive level of care.

*Residential treatment centers*. Residential treatment centers treat patients with behavioral disorders in a non-hospital setting, including outdoor programs. The facilities balance therapy activities with social, academic and other activities.

*Outpatient community-based services*. Outpatient community-based programs are designed to provide therapeutic treatment to children and adolescents who have a clinically-defined emotional, psychiatric or chemical dependency disorder while enabling the youth to remain at home and within their community.

The table below presents total U.S. revenue attributed to each category (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Acute inpatient psychiatric facilities | $ 195,891 | $ 184,687 |
| Specialty treatment facilities | 184,535 | 175,197 |
| Residential treatment centers | 71,557 | 69,287 |
| Outpatient community-based services | 10,422 | 11,052 |
| Revenue | $ 462,405 | $ 440,223 |

The Company receives payments from the following sources for services rendered in our U.S. Facilities: (i) state governments under their respective Medicaid and other programs; (ii) commercial insurers; (iii) the federal government under the Medicare program administered by the Centers for Medicare and Medicaid Services ("CMS"); and (iv) individual patients and clients. As the period between the time of service and time of payment is typically one year or less, the Company elected the practical expedient under ASC 606-10-32-18 and did not adjust for the effects of a significant financing component.

The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience. Most of our U.S. Facilities have contracts containing variable consideration. However, it is unlikely a significant reversal of revenue will occur when the uncertainty is resolved, and therefore, the Company has included the variable consideration in the estimated transaction price. Subsequent changes resulting from a patient's ability to pay are recorded as bad debt expense, which is included as a component of other operating expenses in the condensed consolidating statements of income. Bad debt expense for the three months ended March 31, 2018 was not significant.

The Company derives a significant portion of its revenue from Medicare, Medicaid and other payors that receive discounts from established billing rates. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex, subject to interpretation and adjustment, and may include multiple reimbursement mechanisms for different types of services provided in the Company's inpatient facilities and cost settlement provisions. Management estimates the transaction price on a payor-specific basis given its interpretation of the applicable regulations or contract terms. The services authorized and provided and related reimbursement are often subject to interpretation that could result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management.

Settlements under cost reimbursement agreements with third-party payors are estimated and recorded in the period in which the related services are rendered and are adjusted in future periods as final settlements are determined. Final determination of amounts earned under the Medicare and Medicaid programs often occurs in subsequent years because of audits by such programs, rights of appeal and the application of numerous technical provisions. In the opinion of management, adequate provision has been made for any adjustments and final settlements. However, there can be no assurance that any such adjustments and final settlements will not have a material effect on the Company's financial condition or results of operations. The Company's cost report receivables were $11.8 million and $9.0 million at March 31, 2018 and December 31, 2017, respectively, and were included in other current assets in the condensed consolidated balance sheets. Management believes that these receivables are properly stated and are not likely to be settled for a significantly different amount. The net adjustments to estimated cost report settlements were not significant for the three months ended March 31, 2018 and 2017.

Management believes that we comply in all material respects with applicable laws and regulations and is not aware of any material pending or threatened investigations involving allegations of wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

The Company provides care without charge to patients who are financially unable to pay for the healthcare services they receive based on Company policies and federal and state poverty thresholds. Such amounts determined to qualify as charity care are not reported as revenue. The cost of providing charity care services were $2.0 million and $1.9 million for the three months ended March 31, 2018 and 2017, respectively. The estimated cost of charity care services was determined using a ratio of cost to gross charges determined from our most recently filed Medicare cost reports and applying that ratio to the gross charges associated with providing charity care for the period.

The following table presents revenue generated by each payor type (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Commercial | $ 137,619 | $ 139,455 |
| Medicare | 67,271 | 67,840 |
| Medicaid | 213,279 | 190,834 |
| Self-Pay | 36,907 | 43,682 |
| Other | 7,329 | 8,553 |
| Revenue before provision for doubtful accounts | 462,405 | 450,364 |
| Provision for doubtful accounts | — | (10,141) |
| Revenue | $ 462,405 | $ 440,223 |

***U.K. Facilities***

The Company's facilities located in the United Kingdom (the "U.K. Facilities") and services can generally be classified into the following categories: healthcare facilities, education and children's services, adult care facilities and elderly care facilities.

*Healthcare facilities*. Healthcare facilities provide psychiatric treatment and nursing for sufferers of mental disorders, including for patients whose risk of harm to others and risk of escape from hospitals cannot be managed safely within other mental health settings. In order to manage the risks involved with treating patients, the facility is managed through the application of a range of security measures depending on the level of dependency and risk exhibited by the patient.

*Education and children's services.* Education and children's services provide specialist education for children and young people with special educational needs, including autism, Asperger's Syndrome, social, emotional and mental health, and specific learning difficulties, such as dyslexia. The division also offers standalone children's homes for children that require 52-week residential care to support complex and challenging behavior and fostering services.

*Adult care facilities*. Adult care focuses on care of individuals with a variety of learning difficulties, mental health illnesses and adult autism spectrum disorders. It also includes long-term, short-term and respite nursing care to high-dependency elderly individuals who are physically frail or suffering from dementia. Care is provided in a number of settings, including in residential care homes and through supported living.

The table below presents total U.K. revenue attributed to each category (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Healthcare facilities | $ 154,800 | $ 132,098 |
| Education and Children's Services | 49,333 | 39,697 |
| Adult Care facilities | 75,703 | 67,176 |
| Revenue | $ 279,836 | $ 238,971 |

The Company receives payments from approximately 500 public funded sources in the U.K. (including the National Health Service ("NHS"), Clinical Commissioning Groups ("CCGs") and local authorities in England, Scotland and Wales) and individual patients and clients. The Company determines the transaction price based on established billing rates by payor and is reduced by implicit price concessions. Implicit price concessions are insignificant in our U.K. Facilities. There is no significant variable consideration in our U.K. Facilities' contracts. As the period between the time of service and time of payment is typically one year or less, the Company elected the practical expedient under ASC 606-10-32-18 and did not adjust for the effects of a significant financing component.

The following table presents revenue generated by each payor type (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| U.K. public funded sources | $ 253,294 | $ 215,465 |
| Self-Pay | 25,068 | 22,201 |
| Other | 1,474 | 1,311 |
| Revenue before provision for doubtful accounts | 279,836 | 238,977 |
| Provision for doubtful accounts | — | (6) |
| Revenue | $ 279,836 | $ 238,971 |

The Company's contract liabilities primarily consist of unearned revenue in our U.K. Facilities. A summary of the activity in unearned revenue in the U.K. Facilities is as follows (in thousands):

| | |
|---|---|
| Balance at December 31, 2017 | $ 30,812 |
| Payments received | 45,349 |
| Revenue recognized | (38,908) |
| Foreign currency translation gain | 1,155 |
| Balance at March 31, 2018 | $ 38,408 |

## 4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2018 and 2017 (in thousands, except per share amounts):

| | Three Months Ended March 31, 2018 | Three Months Ended March 31, 2017 |
|---|---|---|
| Numerator: | | |
| Net income attributable to Acadia Healthcare Company, Inc. | $50,819 | $34,958 |
| Denominator: | | |
| Weighted average shares outstanding for basic earnings per share | 87,121 | 86,762 |
| Effect of dilutive instruments | 173 | 146 |
| Shares used in computing diluted earnings per common share | 87,294 | 86,908 |
| Earnings per share attributable to Acadia Healthcare Company, Inc. stockholders: | | |
| Basic | $ 0.58 | $ 0.40 |
| Diluted | $ 0.58 | $ 0.40 |

Approximately 2.0 million and 1.2 million shares of common stock issuable upon exercise of outstanding stock option awards were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2018 and 2017, respectively, because their effect would have been anti-dilutive.

## 5. Other Intangible Assets

Other identifiable intangible assets and related accumulated amortization consisted of the following at March 31, 2018 and December 31, 2017 (in thousands):

| | Gross Carrying Amount | | Accumulated Amortization | |
|---|---|---|---|---|
| | March 31, 2018 | December 31, 2017 | March 31, 2018 | December 31, 2017 |
| Intangible assets subject to amortization: | | | | |
| Contract intangible assets | $ 2,100 | $ 2,100 | $ (2,100) | $ (2,100) |
| Non-compete agreements | 1,147 | 1,147 | (1,147) | (1,147) |
| | 3,247 | 3,247 | (3,247) | (3,247) |
| Intangible assets not subject to amortization: | | | | |
| Licenses and accreditations | 12,798 | 12,266 | — | — |
| Trade names | 61,413 | 60,586 | — | — |
| Certificates of need | 16,825 | 14,496 | — | — |
| | 91,036 | 87,348 | — | — |
| Total | $ 94,283 | $ 90,595 | $ (3,247) | $ (3,247) |

All the Company's defined-lived intangible assets are fully amortized. The Company's licenses and accreditations, trade names and certificate of need intangible assets have indefinite lives and are, therefore, not subject to amortization.

## 6. Property and Equipment

Property and equipment consists of the following at March 31, 2018 and December 31, 2017 (in thousands):

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Land | $ 466,913 | $ 450,342 |
| Building and improvements | 2,475,543 | 2,370,918 |
| Equipment | 440,189 | 400,596 |
| Construction in progress | 165,720 | 173,693 |
| | 3,548,365 | 3,395,549 |
| Less accumulated depreciation | (396,836) | (347,419) |
| Property and equipment, net | $ 3,151,529 | $ 3,048,130 |

## 7. Long-Term Debt

Long-term debt consisted of the following (in thousands):

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Amended and Restated Senior Credit Facility: | | |
| Senior Secured Term A Loans | $ 380,000 | $ 380,000 |
| Senior Secured Term B Loans | 1,398,400 | 1,398,400 |
| Senior Secured Revolving Line of Credit | — | — |
| 6.125% Senior Notes due 2021 | 150,000 | 150,000 |
| 5.125% Senior Notes due 2022 | 300,000 | 300,000 |
| 5.625% Senior Notes due 2023 | 650,000 | 650,000 |
| 6.500% Senior Notes due 2024 | 390,000 | 390,000 |
| 9.0% and 9.5% Revenue Bonds | 21,920 | 21,920 |
| Less: unamortized debt issuance costs, discount and premium | (48,402) | (50,432) |
| | 3,241,918 | 3,239,888 |
| Less: current portion | (33,830) | (34,830) |
| Long-term debt | $ 3,208,088 | $ 3,205,058 |

***Amended and Restated Senior Credit Facility***

The Company entered into a senior secured credit facility (the “Senior Secured Credit Facility”) on April 1, 2011. On December 31, 2012, the Company entered into an Amended and Restated Credit Agreement (the “Amended and Restated Credit Agreement”) which amended and restated the Senior Secured Credit Facility (the “Amended and Restated Senior Credit Facility”). The Company has amended the Amended and Restated Credit Agreement from time to time as described in the Company’s prior filings with the SEC.

On May 10, 2017, the Company entered into a Third Repricing Amendment (the “Third Repricing Amendment”) to the Amended and Restated Credit Agreement. The Third Repricing Amendment reduced the Applicable Rate with respect to the Term Loan B facility Tranche B-1 (the “Tranche B-1 Facility”) and the Term Loan B facility Tranche B-2 (the “Tranche B-2 Facility”) from 3.00% to 2.75% in the case of Eurodollar Rate loans and from 2.00% to 1.75% in the case of Base Rate Loans. In connection with the Third Repricing Amendment, the Company recorded a debt extinguishment charge of $0.8 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

On March 22, 2018, the Company entered into a Second Repricing Facilities Amendment (the “Second Repricing Facilities Amendment”) to the Amended and Restated Credit Agreement. The Second Repricing Facilities Amendment (i) replaced the Tranche B-1 Facility and the Tranche B-2 Facility with a new Term Loan B facility Tranche B-3 (the “Tranche B-3 Facility”) and a new Term Loan B facility Tranche B-4 (the “Tranche B-4 Facility”), respectively, and (ii) reduced the Applicable Rate from 2.75% to 2.50% in the case of Eurodollar Rate loans and reduced the Applicable Rate from 1.75% to 1.50% in the case of Base Rate Loans.

On March 29, 2018, the Company entered into a Third Repricing Facilities Amendment to the Amended and Restated Credit Agreement (the “Third Repricing Facilities Amendment”, and together with the Second Repricing Facilities Amendment, the “Repricing Facilities Amendments”). The Third Repricing Facilities Amendment replaced the existing revolving credit facility and Term Loan A facility (“TLA Facility”) with a new revolving credit facility and TLA Facility, respectively. The Company’s line of credit on its revolving credit facility remains at $500.0 million and the Third Repricing Facility Amendment reduced the size of the TLA Facility from $400.0 million to $380.0 million to reflect the then current outstanding principal. The Third Repricing Facilities Amendment reduced the Applicable Rate by 25 basis points for the revolving credit facility and the TLA Facility by amending the definition of "Applicable Rate."

In connection with the Repricing Facilities Amendments, the Company recorded a debt extinguishment charge of $0.9 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

The Company had $495.8 million of availability under the revolving line of credit and had standby letters of credit outstanding of $4.2 million related to security for the payment of claims required by its workers' compensation insurance program at March 31, 2018. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our TLA Facility of $4.8 million for June 30, 2018 to December 31, 2019, $7.1 million for March 31, 2020 to December 31, 2020, and $9.5 million for March 31, 2021 to September 30, 2021, with the remaining principal balance of the TLA Facility due on the maturity date of November 30, 2021. The Company is required to repay the Tranche B-3 Facility in equal quarterly installments of $1.2 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-3 Facility due on February 11, 2022. The Company is required to repay the Tranche B-4 Facility in equal quarterly installments of approximately $2.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-4 Facility due on February 16, 2023. On December 29, 2017, the Company made an additional payment of $22.5 million, including $7.7 million on the Tranche B-1 Facility and $14.8 million on the Tranche B-2 Facility. On April 17, 2018, the Company made an additional payment of $15.0 million, including $5.1 million on the Tranche B-3 Facility and $9.9 million on the Tranche B-4 Facility.

Borrowings under the Amended and Restated Senior Credit Facility are guaranteed by each of the Company's wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of the assets of the Company and such subsidiaries. Borrowings with respect to the TLA Facility and the Company's revolving credit facility (collectively, "Pro Rata Facilities") under the Amended and Restated Credit Agreement bear interest at a rate tied to Acadia's Consolidated Leverage Ratio (defined as consolidated funded debt net of up to $40.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 2.50% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 1.50% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at March 31, 2018. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.00%. At March 31, 2018, the Pro Rata Facilities bore interest at a rate of LIBOR plus 2.50%. In addition, the Company is required to pay a commitment fee on undrawn amounts under the revolving line of credit.

The Amended and Restated Credit Agreement requires the Company and its subsidiaries to comply with customary affirmative, negative and financial covenants, including a fixed charge coverage ratio, consolidated leverage ratio and senior secured leverage ratio. The Company may be required to pay all of its indebtedness immediately if it defaults on any of the numerous financial or other restrictive covenants contained in any of its material debt agreements. At March 31, 2018, the Company was in compliance with such covenants.

***Senior Notes***

***6.125% Senior Notes due 2021***

On March 12, 2013, the Company issued $150.0 million of 6.125% Senior Notes due 2021 (the "6.125% Senior Notes"). The 6.125% Senior Notes mature on March 15, 2021 and bear interest at a rate of 6.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year.

***5.125% Senior Notes due 2022***

On July 1, 2014, the Company issued $300.0 million of 5.125% Senior Notes due 2022 (the "5.125% Senior Notes"). The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year.

### *5.625% Senior Notes due 2023*

On February 11, 2015, the Company issued $375.0 million of 5.625% Senior Notes due 2023 (the "5.625% Senior Notes"). On September 21, 2015, the Company issued $275.0 million of additional 5.625% Senior Notes. The additional notes formed a single class of debt securities with the 5.625% Senior Notes issued in February 2015. Giving effect to this issuance, the Company has outstanding an aggregate of $650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

### *6.500% Senior Notes due 2024*

On February 16, 2016, the Company issued $390.0 million of 6.500% Senior Notes due 2024 (the "6.500% Senior Notes"). The 6.500% Senior Notes mature on March 1, 2024 and bear interest at a rate of 6.500% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2016.

The indentures governing the 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 6.500% Senior Notes (together, the "Senior Notes") contain covenants that, among other things, limit the Company's ability and the ability of its restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of the Company's assets; and (vii) create liens on assets.

The Senior Notes issued by the Company are guaranteed by each of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

The Company may redeem the Senior Notes at its option, in whole or part, at the dates and amounts set forth in the indentures.

### *9.0% and 9.5% Revenue Bonds*

On November 11, 2012, in connection with the acquisition of The Pavilion at HealthPark, LLC ("Park Royal"), the Company assumed debt of $23.0 million. The fair market value of the debt assumed was $25.6 million and resulted in a debt premium balance being recorded as of the acquisition date. The debt consisted of $7.5 million and $15.5 million of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5% ("9.0% and 9.5% Revenue Bonds"), respectively. The 9.0% bonds in the amount of $7.5 million have a maturity date of December 1, 2030 and require yearly principal payments beginning in 2013. The 9.5% bonds in the amount of $15.5 million have a maturity date of December 1, 2040 and require yearly principal payments beginning in 2031. The principal payments establish a bond sinking fund to be held with the trustee and shall be sufficient to redeem the principal amounts of the 9.0% and 9.5% Revenue Bonds on their respective maturity dates. At March 31, 2018 and December 31, 2017, $2.3 million was recorded within other assets on the condensed consolidated balance sheets related to the debt service reserve fund requirements. The yearly principal payments, which establish a bond sinking fund, will increase the debt service reserve fund requirements. The bond premium amount of $2.6 million is amortized as a reduction of interest expense over the life of the revenue bonds using the effective interest method.

## 8. Equity-Based Compensation

### *Equity Incentive Plans*

The Company issues stock-based awards, including stock options, restricted stock and restricted stock units, to certain officers, employees and non-employee directors under the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the "Equity Incentive Plan"). At March 31, 2018, a maximum of 8,200,000 shares of the Company's common stock were authorized for issuance as stock options, restricted stock and restricted stock units or other share-based compensation under the Equity Incentive Plan, of which 3,236,556 were available for future grant. Stock options may be granted for terms of up to ten years. The Company recognizes expense on all share-based awards on a straight-line basis over the requisite service period of the entire award. Grants to employees generally vest in annual increments of 25% each year, commencing one year after the date of grant. The exercise prices of stock options are equal to the most recent closing price of the Company's common stock on the date of grant.

The Company recognized $6.9 million and $7.4 million in equity-based compensation expense for the three months ended March 31, 2018 and 2017, respectively. At March 31, 2018, there was $62.5 million of unrecognized compensation expense related to unvested options, restricted stock and restricted stock units, which is expected to be recognized over the remaining weighted average vesting period of 1.4 years.

At March 31, 2018, there were no warrants outstanding. The Company recognized a deferred income tax benefit of $1.9 million and $2.9 million for the three months ended March 31, 2018 and 2017, respectively, related to equity-based compensation expense.

***Stock Options***

Stock option activity during 2017 and 2018 was as follows (aggregate intrinsic value in thousands):

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding at January 1, 2017 | 1,000,946 | $ 49.42 | 7.80 | $ 8,166 |
| Options granted | 259,300 | 42.25 | 9.30 | 205 |
| Options exercised | (87,367) | 25.92 | N/A | 1,636 |
| Options cancelled | (198,313) | 54.71 | N/A | N/A |
| Options outstanding at December 31, 2017 | 974,566 | 47.89 | 7.46 | 3,802 |
| Options granted | 323,500 | 37.46 | 7.86 | 112 |
| Options exercised | (4,689) | 20.60 | N/A | 97 |
| Options cancelled | (36,475) | 51.41 | N/A | N/A |
| Options outstanding at March 31, 2018 | 1,256,902 | $ 45.17 | 7.60 | $ 2,730 |
| Options exercisable at December 31, 2017 | 405,634 | $ 41.20 | 6.05 | $ 3,549 |
| Options exercisable at March 31, 2018 | 538,884 | $ 44.41 | 6.27 | $ 2,485 |

Fair values are estimated using the Black-Scholes option pricing model. The following table summarizes the grant-date fair value of options and the assumptions used to develop the fair value estimates for options granted during the three months ended March 31, 2018 and year ended December 31, 2017:

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Weighted average grant-date fair value of options | $ 13.66 | $ 14.39 |
| Risk-free interest rate | 2.2% | 2.0% |
| Expected volatility | 37% | 33% |
| Expected life (in years) | 5.1 | 5.5 |

The Company’s estimate of expected volatility for stock options is based upon the volatility of our stock price over the expected life of the award. The risk-free interest rate is the approximate yield on U. S. Treasury Strips having a life equal to the expected option life on the date of grant. The expected life is an estimate of the number of years an option will be held before it is exercised.

***Other Stock-Based Awards***

Restricted stock activity during 2017 and 2018 was as follows:

| | Number of Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Unvested at January 1, 2017 | 844,419 | $ 55.76 |
| Granted | 404,224 | 42.38 |
| Cancelled | (145,981) | 55.03 |
| Vested | (292,794) | 53.07 |
| Unvested at December 31, 2017 | 809,868 | $ 50.19 |
| Granted | 370,162 | 36.67 |
| Cancelled | (30,177) | 50.52 |
| Vested | (197,992) | 53.66 |
| Unvested at March 31, 2018 | 951,861 | $ 44.20 |

Restricted stock unit activity during 2017 and 2018 was as follows:

| | Number of Units | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Unvested at January 1, 2017 | 273,599 | $ 59.68 |
| Granted | 219,840 | 43.23 |
| Cancelled | — | — |
| Vested | (132,530) | 58.67 |
| Unvested at December 31, 2017 | 360,909 | $ 50.04 |
| Granted | 285,358 | 42.26 |
| Cancelled | (89,713) | 55.44 |
| Vested | (72,983) | 49.64 |
| Unvested at March 31, 2018 | 484,111 | $ 44.52 |

Restricted stock awards are time-based vesting awards that vest over a period of three or four years and are subject to continuing service of the employee or non-employee director over the ratable vesting periods. The fair values of the restricted stock awards were determined based on the closing price of the Company's common stock on the trading date immediately prior to the grant date.

Restricted stock units are granted to employees and are subject to Company performance compared to pre-established targets and, in the case of the 2018 awards, Company performance compared to peers. In addition to Company performance, these performance-based restricted stock units are subject to the continuing service of the employee during the two- or three-year period covered by the awards. The performance condition for the restricted stock units is based on the Company's achievement of annually established targets for diluted earnings per share. Additionally, the number of shares issuable pursuant to restricted stock units granted during 2018 is subject to adjustment based on the Company's three-year annualized total stockholder return relative to a peer group consisting of S&P 1500 companies within the Healthcare Providers & Services 6 digit GICS industry group and selected other companies deemed to be peers. The number of shares issuable at the end of the applicable vesting period of restricted stock units ranges from 0% to 200% of the targeted units based on the Company's actual performance compared to the targets and, for 2018 awards, performance compared to peers.

The fair values of restricted stock units were determined based on the closing price of the Company's common stock on the trading date immediately prior to the grant date for units subject to performance conditions, or at its Monte-Carlo simulation value for units subject to market conditions.

## 9. Income Taxes

The (benefit from) provision for income taxes for the three months ended March 31, 2018 and 2017 reflects effective tax rates of (5.8)% and 28.3%, respectively. The decrease in the effective tax rate for the three months ended March 31, 2018 was primarily attributable to the application of Public Law 115-97, informally referred to as the Tax Cuts and Jobs Act (the "Tax Act") and a discrete benefit of $10.5 million recorded in the three months ended March 31, 2018 related to a change in the Company's provisional amount recorded at December 31, 2017.

The Company adopted ASU 2016-09, *"Improvements to Employee Share-Based Payment Accounting"* on January 1, 2017, which changed how the Company accounts for share-based awards for tax purposes. Income tax effects of share-based awards are recognized in the income statement, instead of through equity, when the awards vest. These changes resulted in an increase in our income tax provision of $1.5 million and $1.7 million, or an increase in the effective tax rate of 3.1% and 3.6%, for the three months ended March 31, 2018 and 2017, respectively.

### *U.S. Tax Reform*

On December 22, 2017, the Tax Act was enacted into law. The Tax Act provides for significant changes to the U.S. tax code that impact businesses. Effective January 1, 2018, the Tax Act reduces the U.S. federal tax rate for corporations from 35% to 21%, for U.S. taxable income. The Tax Act requires a one-time remeasurement of deferred taxes to reflect their value at a lower tax rate of 21%. The Tax Act includes other changes, including, but not limited to, requiring a one-time transition tax on certain repatriated earnings of foreign subsidiaries that is payable over eight years, a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries, a new provision designed to tax global intangible low-taxed income, a limitation of the deduction for net operating losses, elimination of net operating loss carrybacks, immediate deductions for depreciation expense for certain qualified property, additional limitations on the deductibility of executive compensation and limitations on the deductibility of interest.

Accounting Standards Codification ("ASC") 740 *"Income Taxes"* ("ASC 740") requires the Company to recognize the effect of tax law changes in the period of enactment. However, the SEC staff issued Staff Accounting Bulletin 118 ("SAB 118") which will allow the Company to record provisional amounts during a measurement period similarly to the measurement period used when accounting for business combinations. The Company will continue to assess the impact of the Tax Act on its business and consolidated financial statements.

At March 31, 2018, the Company had not completed its accounting for the tax effects of enactment of the Tax Act; however, in certain cases, as described below, the Company has made a reasonable estimate of the effects on our existing deferred tax balances. In other cases, the Company has not been able to make a reasonable estimate and continues to account for those items based on its existing accounting under ASC 740 and the provisions of the tax laws that were in effect immediately prior to enactment of the Tax Act. The Company has recognized a cumulative provisional amount of $19.3 million at March 31, 2018 related to the remeasurement of our deferred tax balance. In addition, the Company has recorded a one-time transition tax lability in relation to its foreign subsidiaries of $0.0 million at March 31, 2018. The amount may change when the calculation of post-1986 foreign earnings and profits previously deferred from U.S. federal taxation is finalized.

#### ***Provisional Amounts***

*Deferred Tax Assets and Liabilities*

The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. As a result of the reduction in the corporate income tax rate, the Company is required to revalue its net deferred tax assets and liabilities to account for the future impact of lower corporate tax rates on this deferred amount and record any change in the value of such asset or liability as a one-time non-cash charge or benefit on its income statement. However, the Company is still analyzing certain aspects of the Tax Act, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The Company has recognized a cumulative provisional amount of $19.3 million at March 31, 2018 related to the remeasurement of our deferred tax balance.

*U.S. Tax on Foreign Earnings*

The one-time transition tax is based on total post-1986 earnings and profits that the Company previously deferred from U.S. income taxes. The Company has made sufficient progress on the earnings and profits analysis for its foreign subsidiaries to reasonably estimate the effects of the one-time transition tax and has recorded a provisional amount of $0.0 million at March 31, 2018. This amount may change when the Company finalizes the calculation of post -1986 foreign earnings and profit. As part of our analysis of the Tax Act, the Company made an adjustment regarding the treatment of foreign dividends of $10.9 million during the three months ended March 31, 2018. The change in the provisional estimate recorded at December 31, 2017 was recognized under the law that existed prior to December 22, 2017.

The Company has estimated the impacts for Global Intangible Low-Taxed Income, Foreign-Derived Intangible Income, the Base Erosion and Anti-Abuse Tax and any remaining impacts of the foreign income provisions of the Tax Act. The Company has made sufficient progress to reasonably estimate the effects of the aforementioned items and has recorded a provisional amount of $0.0 million at March 31, 2018.

## 10. Derivatives

The Company entered into foreign currency forward contracts during the three months ended March 31, 2018 and 2017 in connection with certain transfers of cash between the U.S. and U.K. under the Company's cash management and foreign currency risk management programs. Foreign currency forward contracts limit the economic risk of changes in the exchange rate between U.S. Dollars ("USD") and British Pounds ("GBP") associated with cash transfers.

In May 2016, the Company entered into multiple cross currency swap agreements with an aggregate notional amount of $650.0 million to manage foreign currency risk by effectively converting a portion of its fixed-rate USD-denominated senior notes, including the semi-annual interest payments thereunder, to fixed-rate GBP-denominated debt of £449.3 million. During the term of the swap agreements, the Company will receive semi-annual interest payments in USD from the counterparties at fixed interest rates, and the Company will make semi-annual interest payments in GBP to the counterparties at fixed interest rates. The interest payments under the cross-currency swap agreements result in £24.7 million of annual cash flows, from the Company's U.K. business being converted to $35.8 million (at a 1.45 exchange rate).

The Company has designated the cross currency swap agreements and forward contracts entered into during 2017 and the three months ended March 31, 2018 as qualifying hedging instruments and is accounting for these as net investment hedges. The fair value of these derivatives of $15.2 million is recorded as derivative instruments liabilities on the condensed consolidated balance sheets. The gains and losses resulting from fair value adjustments to the cross currency swap agreements are recorded in accumulated other comprehensive loss as the swaps are effective in hedging the designated risk. Cash flows related to the cross currency swap derivatives are included in operating activities in the condensed consolidated statements of cash flows.

## 11. Fair Value Measurements

The carrying amounts reported for cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities approximate fair value because of the short-term maturity of these instruments.

The carrying amounts and fair values of the Company's Amended and Restated Senior Credit Facility, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 6.500% Senior Notes, 9.0% and 9.5% Revenue Bonds and derivative instruments at March 31, 2018 and December 31, 2017 were as follows (in thousands):

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | March 31, 2018 | December 31, 2017 | March 31, 2018 | December 31, 2017 |
| Amended and Restated Senior Credit Facility | $1,750,391 | $1,749,185 | $1,750,391 | $1,749,185 |
| 6.125% Senior Notes due 2021 | $ 148,234 | $ 148,098 | $ 149,716 | $ 150,134 |
| 5.125% Senior Notes due 2022 | $ 296,364 | $ 296,174 | $ 296,364 | $ 296,914 |
| 5.625% Senior Notes due 2023 | $ 642,233 | $ 641,891 | $ 650,261 | $ 651,519 |
| 6.500% Senior Notes due 2024 | $ 382,507 | $ 382,251 | $ 397,807 | $ 397,541 |
| 9.0% and 9.5% Revenue Bonds | $ 22,188 | $ 22,289 | $ 22,188 | $ 22,289 |
| Derivative instrument (liabilities) assets | $ (15,160) | $ 12,997 | $ (15,160) | $ 12,997 |

The Company's Amended and Restated Senior Credit Facility, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 6.500% Senior Notes and 9.0% and 9.5% Revenue Bonds were categorized as Level 2 in the GAAP fair value hierarchy. Fair values were based on trading activity among the Company's lenders and the average bid and ask price as determined using published rates.

The fair values of the derivative instruments were categorized as Level 2 in the GAAP fair value hierarchy and were based on observable market inputs including applicable exchange rates and interest rates.

## 12. Commitments and Contingencies

***Professional and General Liability***

A portion of the Company's professional liability risks is insured through a wholly-owned insurance subsidiary. The Company's wholly-owned insurance subsidiary insures the Company for professional liability losses up to $78.0 million in the aggregate. The insurance subsidiary has obtained reinsurance with unrelated commercial insurers for professional liability risks of $75.0 million in excess of a retention level of $3.0 million.

***Legal Proceedings***

The Company is, from time to time, subject to various claims, governmental investigations and regulatory actions, including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In addition, healthcare companies are subject to numerous investigations by various governmental agencies. Under the federal False Claims Act, private parties have the right to bring *qui tam*, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions. Certain of our individual facilities have received, and from time to time, other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. In the opinion of management, the Company is not currently a party to any proceeding that would individually or in the aggregate have a material adverse effect on the Company's business, financial condition or results of operations.

## 13. Noncontrolling Interests

Noncontrolling interests in the consolidated financial statements represents the portion of equity held by noncontrolling partners in non-wholly owned subsidiaries the Company controls. At March 31, 2018, certain of these non-wholly owned subsidiaries operated three facilities. The Company owns between 60% and 75% of the equity interests in the entity that owns each facility, and noncontrolling partners own the remaining equity interests. The initial value of the noncontrolling interests is based on the fair value of contributions, and the Company consolidates the operations of each facility based on its equity ownership and its control of the entity. The noncontrolling interests are reflected as redeemable noncontrolling interests on the accompanying condensed consolidated balance sheets based on put rights that could require the Company to purchase the noncontrolling interests upon the occurrence of a change in control.

The components of redeemable noncontrolling interests are as follows (in thousands):

| | |
|---|---|
| Balance at December 31, 2017 | $22,417 |
| Acquisition of redeemable noncontrolling interests | 2,186 |
| Net income attributable to noncontrolling interests | 55 |
| Balance at March 31, 2018 | $24,658 |

## 14. Other Current Assets

Other current assets consisted of the following (in thousands):

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Other receivables | $ 32,867 | $ 30,455 |
| Prepaid expenses | 28,930 | 27,320 |
| Insurance receivable-current portion | 17,588 | 17,588 |
| Income taxes receivable | 24,405 | 15,056 |
| Workers' compensation deposits – current portion | 10,000 | 10,000 |
| Inventory | 4,772 | 4,787 |
| Other | 2,375 | 2,129 |
| Other current assets | $120,937 | $ 107,335 |

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## 15. Other Accrued Liabilities

Other accrued liabilities consisted of the following (in thousands):

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Unearned income | $ 38,956 | $ 31,342 |
| Accrued expenses | 35,955 | 37,268 |
| Insurance liability – current portion | 22,788 | 22,788 |
| Accrued interest | 12,257 | 36,370 |
| Income taxes payable | 4,439 | 1,012 |
| Accrued property taxes | 3,666 | 3,945 |
| Other | 10,412 | 8,488 |
| Other accrued liabilities | $128,473 | $ 141,213 |

## 16. Segment Information

The Company operates in one line of business, which is operating acute inpatient psychiatric facilities, specialty treatment facilities, residential treatment centers and facilities providing outpatient behavioral healthcare services. As management reviews the operating results of its facilities in the U.S. and its facilities in the U.K. separately to assess performance and make decisions, the Company's operating segments include our U.S. Facilities and U.K. Facilities. At March 31, 2018, the U.S. Facilities included 212 behavioral healthcare facilities with approximately 9,000 beds in 40 states and Puerto Rico, and the U.K. Facilities included 372 behavioral healthcare facilities with approximately 8,800 beds in the U.K.

The following tables set forth the financial information by operating segment, including a reconciliation of Segment EBITDA to income before income taxes (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Revenue: | | |
| U.S. Facilities | $ 462,405 | $ 440,223 |
| U.K. Facilities | 279,836 | 238,971 |
| Corporate and Other | — | — |
| | $ 742,241 | $ 679,194 |
| Segment EBITDA (1): | | |
| U.S. Facilities | $ 117,124 | $ 112,145 |
| U.K. Facilities | 51,152 | 44,186 |
| Corporate and Other | (22,545) | (19,962) |
| | $ 145,731 | $ 136,369 |

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Segment EBITDA (1) | $ 145,731 | $ 136,369 |
| Plus (less): | | |
| Equity-based compensation expense | (6,919) | (7,396) |
| Transaction-related expenses | (4,768) | (4,119) |
| Debt extinguishment costs | (940) | — |
| Interest expense, net | (45,243) | (42,757) |
| Depreciation and amortization | (39,773) | (33,613) |
| Income before income taxes | $ 48,088 | $ 48,484 |

| | U.S. Facilities | U.K. Facilities | Corporate and Other | Consolidated |
|---|---|---|---|---|
| Goodwill: | | | | |
| Balance at January 1, 2018 | $ 2,042,592 | $ 708,582 | $ — | $2,751,174 |
| Foreign currency translation gain | — | 27,465 | — | 27,465 |
| Prior year purchase price adjustments | — | 762 | — | 762 |
| Balance at March 31, 2018 | $ 2,042,592 | $ 736,809 | $ — | $2,779,401 |

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Assets (2): | | |
| U.S. Facilities | $ 3,635,834 | $ 3,567,126 |
| U.K. Facilities | 2,765,246 | 2,647,150 |
| Corporate and Other | 183,649 | 210,226 |
| | $ 6,584,729 | $ 6,424,502 |

(1) Segment EBITDA is defined as income before provision for income taxes, equity-based compensation expense, transaction-related expenses, debt extinguishment costs, interest expense and depreciation and amortization. The Company uses Segment EBITDA as an analytical indicator to measure the performance of the Company's segments and to develop strategic objectives and operating plans for those segments. Segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Segment EBITDA should not be considered as a measure of financial performance under GAAP, and the items excluded from Segment EBITDA are significant components in understanding and assessing financial performance. Because Segment EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

(2) Assets include property and equipment for the U.S. Facilities of $1.2 billion, U.K. Facilities of $1.9 billion and corporate and other of $49.1 million at March 31, 2018. Assets include property and equipment for the U.S. Facilities of $1.2 billion, U.K. Facilities of $1.8 billion and corporate and other of $49.2 million at December 31, 2017.

## 17. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows (in thousands):

| | Foreign Currency Translation Adjustments | Change in Fair Value of Derivative Instruments | Pension Plan | Total |
|---|---|---|---|---|
| Balance at December 31, 2017 | $ (376,740) | $ 7,167 | $ (4,545) | $(374,118) |
| Foreign currency translation gain | 92,954 | — | (174) | 92,780 |
| Loss on derivative instruments, net of tax of $(7.3) million | — | (20,053) | — | (20,053) |
| Balance at March 31, 2018 | $ (283,786) | $ (12,886) | $ (4,719) | $(301,391) |

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## 18. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. The 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 6.500% Senior Notes are jointly and severally guaranteed on an unsecured senior basis by all of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. Presented below is condensed consolidating financial information for the Company and its subsidiaries at March 31, 2018 and December 31, 2017, and for the three months ended March 31, 2018 and 2017. The information segregates the parent company (Acadia Healthcare Company, Inc.), the combined wholly-owned subsidiary guarantors, the combined non-guarantor subsidiaries and eliminations.

**Acadia Healthcare Company, Inc.**
**Condensed Consolidating Balance Sheets**
**March 31, 2018**
**(In thousands)**

| | Parent | Combined Subsidiary Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated Amounts |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents | $ — | $ 25,212 | $ 32,596 | $ — | $ 57,808 |
| Accounts receivable, net | — | 251,938 | 73,210 | — | 325,148 |
| Other current assets | — | 93,378 | 27,559 | — | 120,937 |
| Total current assets | — | 370,528 | 133,365 | — | 503,893 |
| Property and equipment, net | — | 1,113,401 | 2,038,128 | — | 3,151,529 |
| Goodwill | — | 1,936,057 | 843,344 | — | 2,779,401 |
| Intangible assets, net | — | 58,285 | 32,751 | — | 91,036 |
| Deferred tax assets | 1,427 | — | 3,698 | (1,427) | 3,698 |
| Investment in subsidiaries | 5,590,670 | — | — | (5,590,670) | — |
| Other assets | 355,984 | 44,507 | 7,453 | (352,772) | 55,172 |
| Total assets | $5,948,081 | $3,522,778 | $3,058,739 | $(5,944,869) | $6,584,729 |
| Current liabilities: | | | | | |
| Current portion of long-term debt | $ 33,550 | $ — | $ 280 | $ — | $ 33,830 |
| Accounts payable | — | 78,622 | 43,808 | — | 122,430 |
| Accrued salaries and benefits | — | 74,265 | 30,643 | — | 104,908 |
| Other accrued liabilities | 11,572 | 29,302 | 87,599 | — | 128,473 |
| Total current liabilities | 45,122 | 182,189 | 162,330 | — | 389,641 |
| Long-term debt | 3,186,180 | — | 374,680 | (352,772) | 3,208,088 |
| Deferred tax liabilities | — | 21,772 | 56,585 | (1,427) | 76,930 |
| Derivative instrument liabilities | 15,160 | — | — | — | 15,160 |
| Other liabilities | — | 103,280 | 65,353 | — | 168,633 |
| Total liabilities | 3,246,462 | 307,241 | 658,948 | (354,199) | 3,858,452 |
| Redeemable noncontrolling interests | — | — | 24,658 | — | 24,658 |
| Total equity | 2,701,619 | 3,215,537 | 2,375,133 | (5,590,670) | 2,701,619 |
| Total liabilities and equity | $5,948,081 | $3,522,778 | $3,058,739 | $(5,944,869) | $6,584,729 |

**Acadia Healthcare Company, Inc.**
**Condensed Consolidating Balance Sheets**
**December 31, 2017**
**(In thousands)**

| | Parent | Combined Subsidiary Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated Amounts |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents | $ — | $ 46,860 | $ 20,430 | $ — | $ 67,290 |
| Accounts receivable, net | — | 230,890 | 66,035 | — | 296,925 |
| Other current assets | — | 85,746 | 21,589 | — | 107,335 |
| Total current assets | — | 363,496 | 108,054 | — | 471,550 |
| Property and equipment, net | — | 1,086,802 | 1,961,328 | — | 3,048,130 |
| Goodwill | — | 1,936,057 | 815,117 | — | 2,751,174 |
| Intangible assets, net | — | 57,628 | 29,720 | — | 87,348 |
| Deferred tax assets | 2,370 | — | 3,731 | (2,370) | 3,731 |
| Derivative instruments assets | 12,997 | — | — | — | 12,997 |
| Investment in subsidiaries | 5,429,386 | — | — | (5,429,386) | — |
| Other assets | 381,913 | 38,860 | 7,807 | (379,008) | 49,572 |
| Total assets | $5,826,666 | $3,482,843 | $2,925,757 | $(5,810,764) | $6,424,502 |
| Current liabilities: | | | | | |
| Current portion of long-term debt | $ 34,550 | $ — | $ 280 | $ — | $ 34,830 |
| Accounts payable | — | 70,767 | 31,532 | — | 102,299 |
| Accrued salaries and benefits | — | 69,057 | 29,990 | — | 99,047 |
| Other accrued liabilities | 36,196 | 27,676 | 77,341 | — | 141,213 |
| Total current liabilities | 70,746 | 167,500 | 139,143 | — | 377,389 |
| Long-term debt | 3,183,049 | — | 401,017 | (379,008) | 3,205,058 |
| Deferred tax liabilities | — | 27,975 | 54,728 | (2,370) | 80,333 |
| Other liabilities | — | 103,112 | 63,322 | — | 166,434 |
| Total liabilities | 3,253,795 | 298,587 | 658,210 | (381,378) | 3,829,214 |
| Redeemable noncontrolling interests | — | — | 22,417 | — | 22,417 |
| Total equity | 2,572,871 | 3,184,256 | 2,245,130 | (5,429,386) | 2,572,871 |
| Total liabilities and equity | $5,826,666 | $3,482,843 | $2,925,757 | $(5,810,764) | $6,424,502 |

**Acadia Healthcare Company, Inc.**
**Condensed Consolidating Statement of Comprehensive Income (Loss)**
**Three Months Ended March 31, 2018**
**(In thousands)**

| | Parent | Combined Subsidiary Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated Amounts |
|---|---|---|---|---|---|
| Revenue | $ — | $ 435,625 | $ 306,616 | $ — | $ 742,241 |
| Salaries, wages and benefits | 6,919 | 239,052 | 165,557 | — | 411,528 |
| Professional fees | — | 24,271 | 29,747 | — | 54,018 |
| Supplies | — | 18,712 | 10,652 | — | 29,364 |
| Rents and leases | — | 8,239 | 12,049 | — | 20,288 |
| Other operating expenses | — | 56,170 | 32,061 | — | 88,231 |
| Depreciation and amortization | — | 18,172 | 21,601 | — | 39,773 |
| Interest expense, net | 14,617 | 23,584 | 7,042 | — | 45,243 |
| Debt extinguishment costs | 940 | — | — | — | 940 |
| Transaction-related expenses | — | 4,009 | 759 | — | 4,768 |
| Total expenses | 22,476 | 392,209 | 279,468 | — | 694,153 |
| (Loss) income before income taxes | (22,476) | 43,416 | 27,148 | — | 48,088 |
| Equity in earnings of subsidiaries | 67,598 | — | — | (67,598) | — |
| (Benefit from) provision for income taxes | (5,752) | (123) | 3,089 | — | (2,786) |
| Net income (loss) | 50,874 | 43,539 | 24,059 | (67,598) | 50,874 |
| Net gain attributable to noncontrolling interests | — | — | (55) | — | (55) |
| Net income (loss) attributable to Acadia Healthcare Company, Inc. | $ 50,874 | $ 43,539 | $ 24,004 | $ (67,598) | $ 50,819 |
| Other comprehensive (loss) income: | | | | | |
| Foreign currency translation gain | — | — | 92,780 | — | 92,780 |
| Loss on derivative instruments | (20,053) | — | — | — | (20,053) |
| Other comprehensive (loss) income | (20,053) | — | 92,780 | — | 72,727 |
| Comprehensive income (loss) | $ 30,821 | $ 43,539 | $ 116,784 | $ (67,598) | $ 123,546 |

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**Acadia Healthcare Company, Inc.**
**Condensed Consolidating Statement of Comprehensive Income (Loss)**
**Three Months Ended March 31, 2017**
**(In thousands)**

| | Parent | Combined Subsidiary Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated Amounts |
|---|---|---|---|---|---|
| Revenue before provision for doubtful accounts | $ — | $ 426,796 | $ 262,545 | $ — | $ 689,341 |
| Provision for doubtful accounts | — | (9,214) | (933) | — | (10,147) |
| Revenue | — | 417,582 | 261,612 | — | 679,194 |
| Salaries, wages and benefits | 7,396 | 224,430 | 144,595 | — | 376,421 |
| Professional fees | — | 22,074 | 21,335 | — | 43,409 |
| Supplies | — | 18,609 | 9,100 | — | 27,709 |
| Rents and leases | — | 8,511 | 10,460 | — | 18,971 |
| Other operating expenses | — | 55,031 | 28,680 | — | 83,711 |
| Depreciation and amortization | — | 15,551 | 18,062 | — | 33,613 |
| Interest expense, net | 15,368 | 18,485 | 8,904 | — | 42,757 |
| Transaction-related expenses | — | 1,438 | 2,681 | — | 4,119 |
| Total expenses | 22,764 | 364,129 | 243,817 | — | 630,710 |
| (Loss) income before income taxes | (22,764) | 53,453 | 17,795 | — | 48,484 |
| Equity in earnings of subsidiaries | 46,553 | — | — | (46,553) | — |
| (Benefit from) provision for income taxes | (10,984) | 21,070 | 3,625 | — | 13,711 |
| Net income (loss) | 34,773 | 32,383 | 14,170 | (46,553) | 34,773 |
| Net loss attributable to noncontrolling interests | — | — | 185 | — | 185 |
| Net income (loss) attributable to Acadia Healthcare Company, Inc. | $ 34,773 | $ 32,383 | $ 14,355 | $ (46,553) | $ 34,958 |
| Other comprehensive (loss) income: | | | | | |
| Foreign currency translation gain | — | — | 27,046 | — | 27,046 |
| Loss on derivative instruments | (5,868) | — | — | — | (5,868) |
| Other comprehensive (loss) income | (5,868) | — | 27,046 | — | 21,178 |
| Comprehensive income (loss) | $ 28,905 | $ 32,383 | $ 41,401 | $ (46,553) | $ 56,136 |

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**Acadia Healthcare Company, Inc.**
**Condensed Consolidating Statement of Cash Flows**
**Three Months Ended March 31, 2018**
**(In thousands)**

| | Parent | Combined Subsidiary Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated Amounts |
|---|---|---|---|---|---|
| **Operating activities:** | | | | | |
| Net income (loss) | $ 50,874 | $ 43,539 | $ 24,059 | $ (67,598) | $ 50,874 |
| **Adjustments to reconcile net income (loss) to net cash (used in) provided by continuing operating activities:** | | | | | |
| Equity in earnings of subsidiaries | (67,598) | — | — | 67,598 | — |
| Depreciation and amortization | — | 18,172 | 21,601 | — | 39,773 |
| Amortization of debt issuance costs | 2,626 | — | (101) | — | 2,525 |
| Equity-based compensation expense | 6,919 | — | — | — | 6,919 |
| Deferred income tax (benefit) expense | 942 | 1,104 | (149) | — | 1,897 |
| Debt extinguishment costs | 940 | — | — | — | 940 |
| Other | 794 | 315 | (66) | — | 1,043 |
| Change in operating assets and liabilities: | | | | | |
| Accounts receivable, net | — | (21,049) | 2,256 | — | (18,793) |
| Other current assets | — | (7,980) | (5,236) | — | (13,216) |
| Other assets | 4,432 | (1,305) | 37 | (4,432) | (1,268) |
| Accounts payable and other accrued liabilities | — | (11,417) | 8,049 | — | (3,368) |
| Accrued salaries and benefits | — | 5,208 | (406) | — | 4,802 |
| Other liabilities | — | 1,204 | (695) | — | 509 |
| Net cash (used in) provided by continuing operating activities | (71) | 27,791 | 49,349 | (4,432) | 72,637 |
| Net cash used in discontinued operating activities | — | (287) | — | — | (287) |
| Net cash (used in) provided by operating activities | (71) | 27,504 | 49,349 | (4,432) | 72,350 |
| **Investing activities:** | | | | | |
| Cash paid for capital expenditures | — | (40,879) | (29,448) | — | (70,327) |
| Cash paid for real estate acquisitions | — | (4,293) | — | — | (4,293) |
| Other | — | (4,799) | 733 | — | (4,066) |
| Net cash used in investing activities | — | (49,971) | (28,715) | — | (78,686) |
| **Financing activities:** | | | | | |
| Principal payments on long-term debt | — | (169) | (4,263) | 4,432 | — |
| Common stock withheld for minimum statutory taxes, net | (2,030) | — | — | — | (2,030) |
| Other | (1,742) | (962) | — | — | (2,704) |
| Cash provided by (used in) intercompany activity | 3,843 | 1,950 | (5,793) | — | — |
| Net provided by (used in) in financing activities | 71 | 819 | (10,056) | 4,432 | (4,734) |
| Effect of exchange rate changes on cash | — | — | 1,588 | — | 1,588 |
| Net (decrease) increase in cash and cash equivalents | — | (21,648) | 12,166 | — | (9,482) |
| Cash and cash equivalents at beginning of the period | — | 46,860 | 20,430 | — | 67,290 |
| Cash and cash equivalents at end of the period | $ — | $ 25,212 | $ 32,596 | $ — | $ 57,808 |

**Acadia Healthcare Company, Inc.**
**Condensed Consolidating Statement of Cash Flows**
**Three Months Ended March 31, 2017**
**(In thousands)**

| | Parent | Combined Subsidiary Guarantors | Combined Non-Guarantors | Consolidating Adjustments | Total Consolidated Amounts |
|---|---|---|---|---|---|
| **Operating activities:** | | | | | |
| Net income (loss) | $ 34,773 | $ 32,383 | $ 14,170 | $ (46,553) | $ 34,773 |
| **Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operating activities:** | | | | | |
| Equity in earnings of subsidiaries | (46,553) | — | — | 46,553 | — |
| Depreciation and amortization | — | 15,551 | 18,062 | — | 33,613 |
| Amortization of debt issuance costs | 2,500 | — | (104) | — | 2,396 |
| Equity-based compensation expense | 7,396 | — | — | — | 7,396 |
| Deferred income tax (benefit) expense | (171) | 2,754 | (576) | — | 2,007 |
| Other | 2,732 | 506 | 587 | — | 3,825 |
| Change in operating assets and liabilities: | | | | | |
| Accounts receivable, net | — | (10,412) | (2,047) | — | (12,459) |
| Other current assets | — | 5,097 | 789 | — | 5,886 |
| Other assets | 2,927 | (1,778) | 68 | (2,927) | (1,710) |
| Accounts payable and other accrued liabilities | — | (9,224) | (7,769) | — | (16,993) |
| Accrued salaries and benefits | — | (1,961) | (1,476) | — | (3,437) |
| Other liabilities | — | (304) | 2,446 | — | 2,142 |
| Net cash provided by (used in) continuing operating activities | 3,604 | 32,612 | 24,150 | (2,927) | 57,439 |
| Net cash used in discontinued operating activities | — | (425) | — | — | (425) |
| Net cash provided by (used in) operating activities | 3,604 | 32,187 | 24,150 | (2,927) | 57,014 |
| **Investing activities:** | | | | | |
| Cash paid for capital expenditures | — | (30,018) | (20,531) | — | (50,549) |
| Cash paid for real estate acquisitions | — | (2,495) | — | — | (2,495) |
| Other | — | (6,531) | 1,480 | — | (5,051) |
| Net cash used in investing activities | — | (39,044) | (19,051) | — | (58,095) |
| **Financing activities:** | | | | | |
| Principal payments on long-term debt | (8,638) | — | (2,927) | 2,927 | (8,638) |
| Common stock withheld for minimum statutory taxes, net | (4,234) | — | — | — | (4,234) |
| Other | — | (865) | — | — | (865) |
| Cash provided by (used in) intercompany activity | 9,268 | (5,030) | (4,238) | — | — |
| Net (used in) provided by in financing activities | (3,604) | (5,895) | (7,165) | 2,927 | (13,737) |
| Effect of exchange rate changes on cash | — | — | 842 | — | 842 |
| Net decrease in cash and cash equivalents | — | (12,752) | (1,224) | — | (13,976) |
| Cash and cash equivalents at beginning of the period | — | 15,681 | 41,382 | — | 57,063 |
| Cash and cash equivalents at end of the period | $ — | $ 2,929 | $ 40,158 | $ — | $ 43,087 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statements that address future results or occurrences. In some cases you can identify forward-looking statements by terminology such as "may," "might," "will," "would," "should," "could" or the negative thereof. Generally, the words "anticipate," "believe," "continue," "expect," "intend," "estimate," "project," "plan" and similar expressions identify forward-looking statements. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, many of which are outside of our control, which could cause our actual results, performance or achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- our significant indebtedness, our ability to meet our debt obligations, and our ability to incur substantially more debt;
- difficulties in successfully integrating the operations of acquired facilities or realizing the potential benefits and synergies of our acquisitions and joint ventures;
- our ability to implement our business strategies in the U.S. and the U.K. and adapt to the regulatory and business environment in the U.K.;
- potential difficulties operating our business in light of political and economic instability in the U.K. and globally following the referendum in the U.K. on June 23, 2016, in which voters approved an exit from the European Union, or Brexit;
- the impact of fluctuations in foreign exchange rates, including the devaluations of the GBP relative to the USD following the Brexit vote;
- the impact of payments received from the government and third-party payors on our revenue and results of operations including the significant dependence of our U.K. facilities on payments received from the NHS;
- our ability to recruit and retain quality psychiatrists and other physicians;
- the impact of competition for staffing on our labor costs and profitability;
- the impact of increases to our labor costs in the U.S. and the U.K.;
- the occurrence of patient incidents, which could result in negative media coverage, adversely affect the price of our securities and result in incremental regulatory burdens and governmental investigations;
- our future cash flow and earnings;
- our restrictive covenants, which may restrict our business and financing activities;
- our ability to make payments on our financing arrangements;
- the impact of the economic and employment conditions in the U.S. and the U.K. on our business and future results of operations;
- compliance with laws and government regulations;
- the impact of claims brought against us or our facilities including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employee related claims;
- the impact of governmental investigations, regulatory actions and whistleblower lawsuits;
- the impact of healthcare reform in the U.S. and abroad, including the potential repeal, replacement or modification of the Patient Protection and Affordable Care Act;
- the impact of our highly competitive industry on patient volumes;
- our dependence on key management personnel, key executives and local facility management personnel;
- our acquisition, joint venture and de novo strategies, which expose us to a variety of operational and financial risks, as well as legal and regulatory risks;
- the impact of state efforts to regulate the construction or expansion of healthcare facilities on our ability to operate and expand our operations;

- our potential inability to extend leases at expiration;
- the impact of controls designed to reduce inpatient services on our revenue;
- the impact of different interpretations of accounting principles on our results of operations or financial condition;
- the impact of environmental, health and safety laws and regulations, especially in locations where we have concentrated operations;
- the impact of an increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients on our results of operations;
- the risk of a cyber-security incident and any resulting violation of laws and regulations regarding information privacy or other negative impact;
- the impact of laws and regulations relating to privacy and security of patient health information and standards for electronic transactions;
- our ability to cultivate and maintain relationships with referral sources;
- the impact of a change in the mix of our U.S. and U.K. earnings, adverse changes in our effective tax rate and adverse developments in tax laws generally;
- changes in interpretations, assumptions and expectations regarding the Tax Act, including additional guidance that may be issued by federal and state taxing authorities;
- failure to maintain effective internal control over financial reporting;
- the impact of fluctuations in our operating results, quarter to quarter earnings and other factors on the price of our securities;
- the impact of the trend for insurance companies and managed care organizations to enter into sole source contracts on our ability to obtain patients;
- the impact of value-based purchasing programs on our revenue; and
- those risks and uncertainties described from time to time in our filings with the SEC.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These risks and uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. These forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments.

**Overview**

Our business strategy is to acquire and develop behavioral healthcare facilities and improve our operating results within our facilities and our other behavioral healthcare operations. We strive to improve the operating results of our facilities by providing high-quality services, expanding referral networks and marketing initiatives while meeting the increased demand for behavioral healthcare services through expansion of our current locations as well as developing new services within existing locations. At March 31, 2018, we operated 584 behavioral healthcare facilities with approximately 17,800 beds in 40 states, the U.K. and Puerto Rico. During the three months ended March 31, 2018, we added 121 beds, including 57 added to existing facilities and 64 added through the opening of one de novo facility. For the year ended December 31, 2018, we expect to add more than 800 total beds exclusive of acquisitions.

We are the leading publicly traded pure-play provider of behavioral healthcare services, with operations in the U.S. and the U.K. Management believes that we are positioned as a leading platform in a highly fragmented industry under the direction of an experienced management team that has significant industry expertise. Management expects to take advantage of several strategies that are more accessible as a result of our increased size and geographic scale, including continuing a national marketing strategy to attract new patients and referral sources, increasing our volume of out-of-state referrals, providing a broader range of services to new and existing patients and clients and selectively pursuing opportunities to expand our facility and bed count in the U.S and U.K. though acquisitions, joint ventures and bed additions in existing facilities.

### Acquisitions

On November 13, 2017, we completed the acquisition of Aspire, an education facility with 36 beds located in Scotland, for cash consideration of approximately $21.3 million.

### Revenue

In May 2014, the FASB and the International Accounting Standards Board issued ASU 2014-09. ASU 2014-09's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We adopted ASU 2014-09 using the modified retrospective method effective January 1, 2018. As a result of certain changes required by ASU 2014-09, the majority of our provision for doubtful accounts are recorded as a direct reduction to revenue instead of being presented as a separate line item on the condensed consolidated statements of income. The adoption of ASU 2014-09 did not have a significant impact on our consolidated financial statements.

Our revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and adolescent residential treatment. We receive payments from the following sources for services rendered in our facilities: (i) state governments under their respective Medicaid and other programs; (ii) commercial insurers; (iii) the federal government under the Medicare program administered by CMS; (iv) publicly funded sources in the U.K. (including the NHS, CCGs and local authorities in England, Scotland and Wales) and (v) individual patients and clients. We determine the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience.

The following table presents revenue by payor type and as a percentage of revenue in our U.S. Facilities for the three months ended March 31, 2018 and 2017 (dollars in thousands):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Amount | % | Amount | % |
| Commercial | $137,619 | 29.8% | $139,455 | 31.0% |
| Medicare | 67,271 | 14.5% | 67,840 | 15.0% |
| Medicaid | 213,279 | 46.1% | 190,834 | 42.4% |
| Self-Pay | 36,907 | 8.0% | 43,682 | 9.7% |
| Other | 7,329 | 1.6% | 8,553 | 1.9% |
| Revenue before provision for doubtful accounts | 462,405 | 100.0% | 450,364 | 100.0% |
| Provision for doubtful accounts | — | | (10,141) | |
| Revenue | $462,405 | | $440,223 | |

The following table presents revenue by payor type and as a percentage of revenue in our U.K. Facilities for the three months ended March 31, 2018 and 2017 (dollars in thousands):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Amount | % | Amount | % |
| U.K. public funded sources | $253,294 | 90.5% | $215,465 | 90.2% |
| Self-Pay | 25,068 | 9.0% | 22,201 | 9.3% |
| Other | 1,474 | 0.5% | 1,311 | 0.5% |
| Revenue before provision for doubtful accounts | 279,836 | 100.0% | 238,977 | 100.0% |
| Provision for doubtful accounts | — | | (6) | |
| Revenue | $279,836 | | $238,971 | |

The following tables present a summary of our aging of accounts receivable at March 31, 2018 and December 31, 2017:

**March 31, 2018**

| | Current | 30-90 | 90-150 | >150 | Total |
|---|---|---|---|---|---|
| Commercial | 17.4% | 7.1% | 2.7% | 6.0% | 33.2% |
| Medicare | 9.8% | 1.4% | 0.4% | 1.0% | 12.6% |
| Medicaid | 21.6% | 6.0% | 3.1% | 5.8% | 36.5% |
| U.K. public funded sources | 3.1% | 6.1% | 0.2% | 0.0% | 9.4% |
| Self-Pay | 1.6% | 1.8% | 1.2% | 2.9% | 7.5% |
| Other | 0.3% | 0.3% | 0.1% | 0.1% | 0.8% |
| Total | 53.8% | 22.7% | 7.7% | 15.8% | 100.0% |

**December 31, 2017**

| | Current | 30-90 | 90-150 | >150 | Total |
|---|---|---|---|---|---|
| Commercial | 15.3% | 8.7% | 3.2% | 6.9% | 34.1% |
| Medicare | 9.4% | 1.6% | 0.5% | 1.1% | 12.6% |
| Medicaid | 19.8% | 6.4% | 2.5% | 5.2% | 33.9% |
| U.K. public funded sources | 7.0% | 3.4% | 0.2% | 0.0% | 10.6% |
| Self-Pay | 1.8% | 1.4% | 1.4% | 3.2% | 7.8% |
| Other | 0.3% | 0.3% | 0.2% | 0.2% | 1.0% |
| Total | 53.6% | 21.8% | 8.0% | 16.6% | 100.0% |

**Results of Operations**

The following table illustrates our consolidated results of operations for the respective periods shown (dollars in thousands):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Amount | % | Amount | % |
| Revenue before provision for doubtful accounts | $742,241 | | $689,341 | |
| Provision for doubtful accounts | — | | (10,147) | |
| Revenue | 742,241 | 100.0% | 679,194 | 100.0% |
| Salaries, wages and benefits | 411,528 | 55.4% | 376,421 | 55.4% |
| Professional fees | 54,018 | 7.3% | 43,409 | 6.4% |
| Supplies | 29,364 | 4.0% | 27,709 | 4.1% |
| Rents and leases | 20,288 | 2.7% | 18,971 | 2.8% |
| Other operating expenses | 88,231 | 11.9% | 83,711 | 12.3% |
| Depreciation and amortization | 39,773 | 5.4% | 33,613 | 4.9% |
| Interest expense | 45,243 | 6.1% | 42,757 | 6.3% |
| Debt extinguishment costs | 940 | 0.1% | — | — % |
| Transaction-related expenses | 4,768 | 0.6% | 4,119 | 0.6% |
| Total expenses | 694,153 | 93.5% | 630,710 | 92.8% |
| Income before income taxes | 48,088 | 6.5% | 48,484 | 7.2% |
| (Benefit from) provision for income taxes | (2,786) | (0.4)% | 13,711 | 2.0% |
| Net income | $ 50,874 | 6.9% | $ 34,773 | 5.2% |

**Three months ended March 31, 2018 compared to the three months ended March 31, 2017**

*Revenue.* Revenue increased $63.0 million, or 9.3%, to $742.2 million for the three months ended March 31, 2018 from $679.2 million for the three months ended March 31, 2017 resulting from total facility revenue growth of 4.8% and the increase in the exchange rate between USD and GBP of $29.5 million**.** Same-facility revenue increased by $37.5 million, or 5.6%, for the three months ended March 31, 2018 compared to the three months ended March 31, 2017, resulting from same-facility growth in patient days of 2.0% and an increase in same-facility revenue per day of 3.5%. Consistent with the same-facility patient day growth in 2017, the growth in same-facility patient days for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 resulted from the addition of beds to our existing facilities and ongoing demand for our services.

*Salaries, wages and benefits.* Salaries, wages and benefits ("SWB") expense was $411.5 million for the three months ended March 31, 2018 compared to $376.4 million for the three months ended March 31, 2017, an increase of $35.1 million. SWB expense included $6.9 million and $7.4 million of equity-based compensation expense for the three months ended March 31, 2018 and 2017, respectively. Excluding equity-based compensation expense, SWB expense was $404.6 million, or 54.5% of revenue, for the three months ended March 31, 2018, compared to $369.0 million, or 54.3% of revenue, for the three months ended March 31, 2017. Same-facility SWB expense was $366.1 million for the three months ended March 31, 2018, or 51.6% of revenue, compared to $348.4 million for the three months ended March 31, 2017, or 51.8% of revenue.

*Professional fees.* Professional fees were $54.0 million for the three months ended March 31, 2018, or 7.3% of revenue, compared to $43.4 million for the three months ended March 31, 2017, or 6.4% of revenue. The $10.6 million increase was primarily attributable to higher contract labor costs in our U.K. Facilities. Same-facility professional fees were $46.0 million for the three months ended March 31, 2018, or 6.4% of revenue, compared to $38.9 million, for the three months ended March 31, 2017, or 5.8% of revenue.

*Supplies.* Supplies expense was $29.4 million for the three months ended March 31, 2018, or 4.0% of revenue, compared to $27.7 million for the three months ended March 31, 2017, or 4.1% of revenue. Same-facility supplies expense was $27.3 million for the three months ended March 31, 2018, or 3.9% of revenue, compared to $26.7 million for the three months ended March 31, 2017, or 4.0% of revenue.

*Rents and leases.* Rents and leases were $20.3 million for the three months ended March 31, 2018, or 2.7% of revenue, compared to $19.0 million for the three months ended March 31, 2017, or 2.8% of revenue. Same-facility rents and leases were $16.2 million for the three months ended March 31, 2018, or 2.3% of revenue, compared to $16.2 million for the three months ended March 31, 2017, or 2.4% of revenue.

*Other operating expenses.* Other operating expenses consisted primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $88.2 million for the three months ended March 31, 2018, or 11.9% of revenue, compared to $83.7 million for the three months ended March 31, 2017, or 12.3% of revenue. Same-facility other operating expenses were $82.2 million for the three months ended March 31, 2018, or 11.6% of revenue, compared to $81.5 million for the three months ended March 31, 2017, or 12.1% of revenue.

*Depreciation and amortization.* Depreciation and amortization expense was $39.8 million for the three months ended March 31, 2018, or 5.4% of revenue, compared to $33.6 million for the three months ended March 31, 2017, or 4.9% of revenue. The increase in depreciation and amortization was attributable to depreciation associated with capital expenditures and real estate acquisitions during 2017 and 2018.

*Interest expense.* Interest expense was $45.2 million for the three months ended March 31, 2018 compared to $42.8 million for the three months ended March 31, 2017. The increase in interest expense was primarily a result of higher interest rates applicable to our variable rate debt slightly offset by the lower interest rates in connection with amendments to the Amended and Restated Credit Agreement.

*Debt extinguishment costs.* Debt extinguishment costs for the three months ended March 31, 2018 represent $0.6 million of cash charges and $0.3 million of non-cash charges recorded in connection with the Repricing Facilities Amendments to the Amended and Restated Credit Agreement.

*Transaction-related expenses.* Transaction-related expenses were $4.8 million for the three months ended March 31, 2018 compared to $4.1 million for the three months ended March 31, 2017. Transaction-related expenses represent costs incurred in the respective periods primarily related to our acquisitions and related integrated efforts, as summarized below (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Legal, accounting and other costs | $ 1,414 | $ 1,486 |
| Severance and contract termination costs | 3,354 | 2,633 |
| | $ 4,768 | $ 4,119 |

*(Benefit from) provision for income taxes.* For the three months ended March 31, 2018, the (benefit from) provision for income taxes was $(2.8) million, reflecting an effective tax rate of (5.8)%, compared to $13.7 million, reflecting an effective tax rate of 28.3%, for the three months ended March 31, 2017. The decrease in the effective tax rate for the three months ended March 31, 2018 was primarily attributable to the application of the Tax Act and a discrete benefit of $10.5 million recorded in the three months ended March 31, 2018 related to a change in the provisional amount recorded at December 31, 2017.

**Liquidity and Capital Resources**

Cash provided by continuing operating activities for the three months ended March 31, 2018 was $72.6 million compared to $57.4 million for the three months ended March 31, 2017. The increase in cash provided by continuing operating activities was primarily attributable to the growth in same-facility operations. Days sales outstanding were 40 days at March 31, 2018 compared to 38 days at December 31, 2017. At March 31, 2018 and December 31, 2017, we had working capital of $114.3 million and $94.2 million, respectively.

Cash used in investing activities for the three months ended March 31, 2018 was $78.7 million compared to $58.1 million for the three months ended March 31, 2017. Cash used in investing activities for the three months ended March 31, 2018 primarily consisted of $70.3 million of cash paid for capital expenditures and $4.3 million of cash paid for real estate. Cash paid for capital expenditures for the three months ended March 31, 2018 consisted of $18.1 million of routine capital expenditures and $52.2 million of expansion capital expenditures. We define expansion capital expenditures as those that increase the capacity of our facilities or otherwise enhance revenue. Routine or maintenance capital expenditures were 2.4% of revenue for the three months ended March 31, 2018. Cash used in investing activities for the three months ended March 31, 2017 primarily consisted of $50.5 million of cash paid for capital expenditures and $2.5 million of cash paid for real estate acquisitions.

Cash used in financing activities for the three months ended March 31, 2018 was $4.7 million compared to cash used in financing activities of $13.7 million for the three months ended March 31, 2017. Cash used in financing activities for the three months ended March 31, 2018 consisted of common stock withheld for minimum statutory taxes of $2.0 million and other of $2.7 million. Cash used in financing activities for the three months ended March 31, 2017 primarily consisted of principal payments on long-term debt of $8.6 million and common stock withheld for minimum statutory taxes of $4.2 million.

We had total available cash and cash equivalents of $57.8 million and $67.3 million at March 31, 2018 and December 31, 2017, respectively, of which approximately $32.6 million and $20.4 million was held by our foreign subsidiaries, respectively. Our strategic plan does not require the repatriation of foreign cash in order to fund our operations in the U.S., and it is our current intention to permanently reinvest our foreign cash and cash equivalents outside of the U.S. While we are still evaluating the full impact of the Tax Act on the Company, we expect the substantial reduction of the federal corporate tax rate to benefit our financial results and cash flow in future periods. We believe the change will not result in a U.S. tax liability on those foreign earnings which have not previously been repatriated to the U.S., with future foreign earnings potentially not subject to U.S. income taxes when repatriated.

***Amended and Restated Senior Credit Facility***

We entered into the Senior Secured Credit Facility on April 1, 2011. On December 31, 2012, we entered into the Amended and Restated Credit Agreement which amended and restated the Senior Secured Credit Facility. We have amended the Amended and Restated Credit Agreement from time to time as described in our prior filings with the SEC.

On May 10, 2017, we entered into a Third Repricing Amendment to the Amended and Restated Credit Agreement. The Third Repricing Amendment reduced the Applicable Rate with respect to the Tranche B-1 Facility and the Tranche B-2 Facility from 3.0% to 2.75% in the case of Eurodollar Rate loans and from 2.0% to 1.75% in the case of Base Rate Loans. In connection with the Third Repricing Amendment, we recorded a debt extinguishment charge of $0.8 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

On March 22, 2018, we entered into a Second Repricing Facilities Amendment to the Amended and Restated Credit Agreement. The Second Repricing Facilities Amendment (i) replaced the Tranche B-1 Facility and the Tranche B-2 Facility with a new Tranche B-3 Facility and a new Tranche B-4 Facility, respectively, and (ii) reduced the Applicable Rate from 2.75% to 2.50% in the case of Eurodollar Rate loans and reduced the Applicable Rate from 1.75% to 1.50% in the case of Base Rate Loans.

On March 29, 2018, we entered into a Third Repricing Facilities Amendment to the Amended and Restated Credit Agreement. The Third Repricing Facilities Amendment replaced the existing revolving credit facility and TLA Facility with a new revolving credit facility and TLA Facility, respectively. Our line of credit on the revolving credit facility remains at $500.0 million and the Third Repricing Facility Amendment reduced the size of the TLA Facility from $400.0 million to $380.0 million to reflect the then current outstanding principal. The Third Repricing Facilities Amendment reduced the Applicable Rate for the revolving credit facility and the TLA Facility by amending the definition of “Applicable Rate” and replacing the rate table therein with the table set forth below.

In connection with the Repricing Facilities Amendments, we recorded a debt extinguishment charge of $0.9 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

We had $495.8 million of availability under the revolving line of credit and had standby letters of credit outstanding of $4.2 million related to security for the payment of claims required by our workers’ compensation insurance program at March 31, 2018. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our TLA Facility of $4.8 million for June 30, 2018 to December 31, 2019, $7.1 million for March 31, 2020 to December 31, 2020, and $9.5 million for March 31, 2021 to September 30, 2021, with the remaining principal balance of the TLA Facility due on the maturity date of November 30, 2021. We are required to repay the Tranche B-3 Facility in equal quarterly installments of $1.2 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-3 Facility due on February 11, 2022. We are required to repay the Tranche B-4 Facility in equal quarterly installments of approximately $2.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-4 Facility due on February 16, 2023. On December 29, 2017, we made an additional payment of $22.5 million, including $7.7 million on the Tranche B-1 Facility and $14.8 million on the Tranche B-2 Facility. On April 17, 2018, we made an additional payment of $15.0 million, including $5.1 million on the Tranche B-3 Facility and $9.9 million on the Tranche B-4 Facility.

Borrowings under the Amended and Restated Credit Agreement are guaranteed by each of our wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of the Company and such subsidiaries’ assets. Borrowings with respect to the TLA Facility and our revolving credit facility (collectively, “Pro Rata Facilities”) under the Amended and Restated Credit Agreement bear interest at a rate tied to our Consolidated Leverage Ratio (defined as consolidated funded debt net of up to $40.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 2.50% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 1.50% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at March 31, 2018. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. At March 31, 2018, the Pro Rata Facilities bore interest at a rate of LIBOR plus 2.50%. In addition, we are required to pay a commitment fee on undrawn amounts under our revolving credit facility.

The interest rates and the unused line fee on unused commitments related to the Pro Rata Facilities are based upon the following pricing tiers:

| Pricing Tier | Consolidated Leverage Ratio | Eurodollar Rate Loans | Base Rate Loans | Commitment Fee |
|---|---|---|---|---|
| 1 | < 3.50:1.0 | 1.50% | 0.50% | 0.20% |
| 2 | >3.50:1.0 but < 4.00:1.0 | 1.75% | 0.75% | 0.25% |
| 3 | >4.00:1.0 but < 4.50:1.0 | 2.00% | 1.00% | 0.30% |
| 4 | >4.50:1.0 but < 5.25:1.0 | 2.25% | 1.25% | 0.35% |
| 5 | >5.25:1.0 | 2.50% | 1.50% | 0.40% |

Eurodollar Rate Loans with respect to the Tranche B-3 Facility bear interest at the Tranche B-3 Facility Applicable Rate (as defined below) plus the Eurodollar Rate (subject to a floor of 0.75% and based upon the LIBOR Rate prior to commencement of the interest rate period). Base Rate Loans bear interest at the Tranche B-3 Facility Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As used herein, the term "Tranche B-3 Facility Applicable Rate" means, with respect to Eurodollar Rate Loans, 2.50%, and with respect to Base Rate Loans, 1.50%. The Tranche B-4 Facility bears interest as follows: Eurodollar Rate Loans bear interest at the Applicable Rate (as defined in the Amended and Restated Credit Agreement) plus the Eurodollar Rate (subject to a floor of 0.75% and based upon the LIBOR Rate prior to commencement of the interest rate period) and Base Rate Loans bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As used herein, the term "Applicable Rate" means, with respect to Eurodollar Rate Loans, 2.50%, and with respect to Base Rate Loans, 1.50%.

The lenders who provided the Tranche B-3 Facility and Tranche B-4 Facility are not entitled to benefit from our maintenance of its financial covenants under the Amended and Restated Credit Agreement. Accordingly, if we fail to maintain its financial covenants, such failure shall not constitute an event of default under the Amended and Restated Credit Agreement with respect to the Tranche B-3 Facility or Tranche B-4 Facility until and unless the Amended and Restated Senior Credit Facility is accelerated or the commitment of the lenders to make further loans is terminated.

The Amended and Restated Credit Agreement requires us and our subsidiaries to comply with customary affirmative, negative and financial covenants, including a fixed charge coverage ratio, consolidated leverage ratio and consolidated senior secured leverage ratio. We may be required to pay all of our indebtedness immediately if we default on any of the numerous financial or other restrictive covenants contained in any of our material debt agreements. Set forth below is a brief description of such covenants, all of which are subject to customary exceptions, materiality thresholds and qualifications:

a) the affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of taxes; (v) lender inspection rights; (vi) compliance with laws; (vii) use of proceeds; (viii) further assurances; and (ix) additional collateral and guarantor requirements.

b) the negative covenants include limitations on the following: (i) liens; (ii) debt (including guaranties); (iii) investments; (iv) fundamental changes (including mergers, consolidations and liquidations); (v) dispositions; (vi) sale leasebacks; (vii) affiliate transactions; (viii) burdensome agreements; (ix) restricted payments; (x) use of proceeds; (xi) ownership of subsidiaries; (xii) changes to line of business; (xiii) changes to organizational documents, legal name, state of formation, form of entity and fiscal year; (xiv) prepayment or redemption of certain senior unsecured debt; and (xv) amendments to certain material agreements. We are generally not permitted to issue dividends or distributions other than with respect to the following: (w) certain tax distributions; (x) the repurchase of equity held by employees, officers or directors upon the occurrence of death, disability or termination subject to cap of $500,000 in any fiscal year and compliance with certain other conditions; (y) in the form of capital stock; and (z) scheduled payments of deferred purchase price, working capital adjustments and similar payments pursuant to the merger agreement or any permitted acquisition.

c) The financial covenants include maintenance of the following:

- the fixed charge coverage ratio may not be less than 1.25:1.00 as of the end of any fiscal quarter;
- the total leverage ratio may not be greater than the following levels as of the end of each fiscal quarter listed below:

| | March 31 | June 30 | September 30 | December 31 |
|---|---|---|---|---|
| 2018 | 6.50x | 6.25x | 6.00x | 6.00x |
| 2019 | 5.75x | 5.75x | 5.50x | 5.50x |
| 2020 | 5.25x | 5.25x | 5.25x | 5.00x |

- the secured leverage ratio may not be greater than the following levels as of the end of each fiscal quarter listed below:

| | |
|---|---|
| June 30, 2018 | 3.75x |
| September 30, 2018 and each fiscal quarter thereafter | 3.50x |

At March 31, 2018, we were in compliance with all of the above covenants.

***Senior Notes***

***6.125% Senior Notes Due 2021***

On March 12, 2013, we issued $150.0 million of 6.125% Senior Notes due 2021. The 6.125% Senior Notes mature on March 15, 2021 and bear interest at a rate of 6.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year.

***5.125% Senior Notes due 2022***

On July 1, 2014, we issued $300.0 million of 5.125% Senior Notes due 2022. The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year.

***5.625% Senior Notes due 2023***

On February 11, 2015, we issued $375.0 million of 5.625% Senior Notes due 2023. On September 21, 2015, we issued $275.0 million of additional 5.625% Senior Notes. The additional notes formed a single class of debt securities with the 5.625% Senior Notes issued in February 2015. Giving effect to this issuance, we have outstanding an aggregate of $650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

***6.500% Senior Notes due 2024***

On February 16, 2016, we issued $390.0 million of 6.500% Senior Notes due 2024. The 6.500% Senior Notes mature on March 1, 2024 and bear interest at a rate of 6.500% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2016.

The indentures governing the Senior Notes contain covenants that, among other things, limit our ability and the ability of its restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of our assets; and (vii) create liens on assets.

The Senior Notes issued by us are guaranteed by each of our subsidiaries that guarantee our obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

We may redeem the Senior Notes at its option, in whole or part, at the dates and amounts set forth in the indentures.

***9.0% and 9.5% Revenue Bonds***

On November 11, 2012, in connection with the acquisition of Park Royal, we assumed debt of $23.0 million. The fair market value of the debt assumed was $25.6 million and resulted in a debt premium balance being recorded as of the acquisition date. The debt consisted of $7.5 million and $15.5 million of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5%, respectively. The 9.0% bonds in the amount of $7.5 million have a maturity date of December 1, 2030 and require yearly principal payments beginning in 2013. The 9.5% bonds in the amount of $15.5 million have a maturity date of December 1, 2040 and require yearly principal payments beginning in 2031. The principal payments establish a bond-sinking fund to be held with the trustee and shall be sufficient to redeem the principal amounts of the 9.0% and 9.5% Revenue Bonds on their respective maturity dates. At March 31, 2018 and December 31, 2017, $2.3 million was recorded within other assets on the condensed consolidated balance sheets related to the debt service reserve fund requirements. The yearly principal payments, which establish a bond sinking fund, will increase the debt service reserve fund requirements. The bond premium amount of $2.6 million is amortized as a reduction of interest expense over the life of the 9.0% and 9.5% Revenue Bonds using the effective interest method.

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**Contractual Obligations**

The following table presents a summary of contractual obligations at March 31, 2018 (dollars in thousands):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years | Total |
| Long-term debt (a) | $201,631 | $562,840 | $2,870,032 | $ 458,597 | $4,093,100 |
| Operating leases | 71,750 | 128,627 | 109,042 | 846,095 | 1,155,514 |
| Purchase and other obligations (b) | 4,177 | 7,453 | 33,195 | 26,837 | 71,662 |
| Total obligations and commitments | $277,558 | $698,920 | $3,012,269 | $1,331,529 | $5,320,276 |

(a) Amounts include required principal and interest payments. The projected interest payments reflect the interest rates in place on our variable-rate debt at March 31, 2018.

(b) Amounts relate to purchase obligations, including capital lease payments.

**Off-Balance Sheet Arrangements**

At March 31, 2018, we had standby letters of credit outstanding of $4.2 million related to security for the payment of claims as required by our workers' compensation insurance program.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

**Interest Rate Risk**

Our interest expense is sensitive to changes in market interest rates. Our long-term debt outstanding at March 31, 2018 was composed of $1.5 billion of fixed-rate debt and $1.7 billion of variable-rate debt with interest based on LIBOR plus an applicable margin. A hypothetical 10% increase in interest rates (which would equate to a 0.44% higher rate on our variable rate debt) would decrease our net income and cash flows by $6.1 million on an annual basis based upon our borrowing level at March 31, 2018.

**Foreign Currency Risk**

The functional currency for our U.K. facilities is the British pound or GBP. Our revenue and earnings are sensitive to changes in the GBP to USD exchange rate from the translation of our earnings into USD at exchange rates that may fluctuate. Based upon the level of our U.K. operations relative to the Company as a whole, a hypothetical 10% change in the exchange rate (which would equate to an increase or decrease in the exchange rate of 0.13) would cause a change in our net income of $10.4 million on an annual basis.

In May 2016, we entered into multiple cross currency swap agreements with an aggregate notional amount of $650.0 million to manage foreign currency exchange risk by effectively converting a portion of our fixed-rate USD denominated senior notes, including the semi-annual interest payments thereunder, to fixed-rate, GBP-denominated debt of £449.3 million. The cross currency swap agreements limit the impact of changes in the exchange rate on our cash flows and leverage. Following the Brexit vote, the GBP dropped to its lowest level against the USD in more than 30 years. If the exchange rate remains low, our results of operations will be negatively impacted in future periods.

## Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, our management conducted an evaluation, with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2018 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

We are, from time to time, subject to various claims, governmental investigations and regulatory actions, including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In addition, healthcare companies are subject to numerous investigations by various governmental agencies. Under the federal False Claims Act, private parties have the right to bring *qui tam*, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions. Certain of our individual facilities have received, and from time to time, other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. In the opinion of management, we are not currently a party to any proceeding that would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, an investor should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The risks, as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems immaterial also may materially, adversely affect the Company's business, financial condition, operating results or cash flows.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2018, the Company withheld shares of Company common stock to satisfy employee minimum statutory tax withholding obligations payable upon the vesting of restricted stock, as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1 – January 31 | — | $ — | — | — |
| February 1 – February 28 | 32,598 | 37.58 | — | — |
| March 1 – March 31 | 15,315 | 41.61 | — | — |
| Total | 47,913 | | | |

## Item 6. Exhibits

| Exhibit No. | Exhibit Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation, as amended. (1) |
| 3.2 | Amended and Restated Bylaws of the Company, as amended. (1) |
| 10.1 | Second Refinancing Facilities Amendment, dated March 22, 2018, to the Amended and Restated Credit Agreement, dated December 31, 2012 (as amended, restated or otherwise modified to date), by and among Bank of America, NA (Administrative Agent, Swing Line Lender and L/C Issuer) and the Company, the guarantors listed on the signature pages thereto, and the lenders listed on the signature pages thereto. (2) |
| 10.2 | Third Refinancing Facilities Amendment, dated March 29, 2018, to the Amended and Restated Credit Agreement, dated December 31, 2012 (as amended, restated or otherwise modified to date), by and among Bank of America, NA (Administrative Agent, Swing Line Lender and L/C Issuer) and the Company, the guarantors listed on the signature pages thereto, and the lenders listed on the signature pages thereto. (3) |
| 10.3* | Form of Restricted Stock Agreement pursuant to the Incentive Compensation Plan. |
| 10.4* | Form of Restricted Stock Unit Agreement pursuant to the Incentive Compensation Plan. |
| 31.1* | Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32* | Certification of Chief Executive Officer and Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS** | XBRL Instance Document. |
| 101.SCH** | XBRL Taxonomy Extension Schema Document. |
| 101.CAL** | XBRL Taxonomy Calculation Linkbase Document. |
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB** | XBRL Taxonomy Labels Linkbase Document. |
| 101.PRE** | XBRL Taxonomy Presentation Linkbase Document. |

(1) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed May 25, 2017 (File No. 001-35331).
(2) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed March 27, 2018 (File No. 001-35331).
(3) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed April 2, 2018 (File No. 001-35331).
* Filed herewith.
** The XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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## SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Acadia Healthcare Company, Inc.

By: /s/ David M. Duckworth
David M. Duckworth
Chief Financial Officer

Dated: May 3, 2018

**FORM OF RESTRICTED STOCK AGREEMENT**
**PURSUANT TO THE**
**ACADIA HEALTHCARE COMPANY, INC.**
**INCENTIVE COMPENSATION PLAN**

*** * * * ***

**Participant: ____________________________**

**Grant Date: ____________________________**

**Number of Shares of Restricted Stock Granted: ____________**

*** * * * ***

**THIS RESTRICTED STOCK AWARD AGREEMENT** (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between Acadia Healthcare Company, Inc., a corporation organized in the State of Delaware (the "Company"), and the Participant specified above, pursuant to the Acadia Healthcare Company, Inc. Incentive Compensation Plan, as in effect and as amended from time to time (the "Plan"), which is administered by the Committee; and

**WHEREAS,** it has been determined under the Plan that it would be in the best interests of the Company to grant the shares of Restricted Stock provided herein to the Participant.

**NOW, THEREFORE,** in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt**. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content.

2. **Grant of Restricted Stock Award**. The Company hereby grants to the Participant, as of the Grant Date specified above, the number of shares of Restricted Stock specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan or this Agreement. Subject to Section 5 hereof, the Participant shall not have the rights of a stockholder in respect of the shares underlying this Award until such shares are delivered to the Participant in accordance with Section 4 hereof.

3. **Vesting**.

(a) Subject to the provisions of Sections 3(b) and 3(c) hereof, the Restricted Stock subject to this grant shall become unrestricted and vested as follows, provided that the Participant has not incurred a Termination prior to each such vesting date:

| **Vesting Date** | **Number of Shares** |
|---|---|

There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date, subject to the Participant's continued service with the Company or any of its Subsidiaries on each applicable vesting date.

(b) Accelerated Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the Restricted Stock at any time and for any reason. In addition, accelerated vesting of the Restricted Stock may be provided for in an employment agreement or other agreement between the Company and the Participant.

(c) Forfeiture. Subject to the Committee's discretion to accelerate vesting hereunder, all unvested shares of Restricted Stock shall be immediately forfeited upon the Participant's Termination for any reason.

4. **Period of Restriction; Delivery of Unrestricted Shares**. During the period from the date hereof until such time as the shares of Restricted Stock awarded by this Agreement become vested, the Restricted Stock shall bear a legend as described in Section 8.2(c) of the Plan. When shares of Restricted Stock awarded by this Agreement become vested, the Participant shall be entitled to receive unrestricted shares and if the Participant's stock certificates contain legends restricting the transfer of such shares, the Participant shall be entitled to receive new stock certificates free of such legends (except any legends requiring compliance with securities laws).

5. **Dividends and Other Distributions; Voting**. The Participant shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock, provided that any such dividends or other distributions will be subject to the same vesting requirements as the underlying Restricted Stock and shall be paid at the time the Restricted Stock becomes vested pursuant to Section 3 hereof. If any dividends or distributions are paid in shares, the shares shall be deposited with the Company and shall be subject to the same restrictions on transferability and forfeitability as the Restricted Stock with respect to which they were paid. The Participant may exercise full voting rights with respect to the Restricted Stock granted hereunder.

6. **Non-Transferability**. The shares of Restricted Stock, and any rights and interests with respect thereto, issued under this Agreement and the Plan shall not, prior to vesting, be sold, exchanged, transferred, assigned or otherwise disposed of in any way by the Participant (or any beneficiary of the Participant), other than by testamentary disposition by the Participant or the laws of descent and distribution. Any attempt to sell, exchange, transfer, assign, pledge, encumber or otherwise dispose of or hypothecate in any way any of the Restricted Stock, or the levy of any execution, attachment or similar legal process upon the Restricted Stock, contrary to the terms and provisions of this Agreement and/or the Plan shall be null and void and without legal force or effect.

7. **Governing Law**. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

8. **Withholding of Tax**. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the Restricted Stock and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement. Any statutorily required withholding obligation with regard to the Participant may be satisfied by reducing the amount of cash or shares of Common Stock otherwise deliverable to the Participant hereunder or by the Participant's delivery of shares of Common Stock already owned.

9. **Section 83(b)**. If the Participant properly elects (as required by Section 83(b) of the Code) within 30 days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the Fair Market Value of such shares of Restricted Stock, the Participant shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to the Restricted Stock. If the Participant shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock, as well as the rights set forth in Section 8 hereof. The Participant acknowledges that it is the Participant's sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if the Participant elects to make such election, and the Participant agrees to timely provide the Company with a copy of any such election.

10. **Legend**. All certificates representing the Restricted Stock shall have endorsed thereon the legend set forth in Section 8.2(c) of the Plan. Notwithstanding the foregoing, in no event shall the Company be obligated to deliver to the Participant a certificate representing the Restricted Stock prior to the vesting dates set forth above.

11. **Securities Representations**. The shares of Restricted Stock are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant. The Participant acknowledges, represents and warrants that:

(a) The Participant has been advised that the Participant may be an "affiliate" within the meaning of Rule 144 under the Securities Act and in this connection the Company is relying in part on the Participant's representations set forth in this Section 11.

(b) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the shares of Restricted Stock must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a "re-offer prospectus") with regard to the shares of Restricted Stock and the Company is under no obligation to register the shares of Restricted Stock (or to file a "re-offer prospectus").

(c) If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the Participant understands that (i) the exemption from registration under Rule 144 will not be available unless (A) a public trading market then exists for the Common Stock of the Company, (B) adequate information concerning the Company is then available to the public, and (C) other terms and conditions of Rule 144 or any exemption therefrom are complied with, and (ii) any sale of the shares of vested Restricted Stock hereunder may be made only in limited amounts in accordance with the terms and conditions of Rule 144 or any exemption therefrom.

12. **Entire Agreement; Amendment**. This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

13. **Notices**. Any notice hereunder by the Participant shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company shall be given to the Participant in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Participant may have on file with the Company.

14. **Acceptance**. As required by Section 8.2 of the Plan, the Participant shall forfeit the Restricted Stock if the Participant does not execute this Agreement within a period of sixty (60) days from the date that the Participant receives this Agreement (or such other period as the Committee shall provide).

15. **No Right to Employment**. Any questions as to whether and when there has been a Termination and the cause of such Termination shall be determined in the sole discretion of the Committee. Nothing in this Agreement shall interfere with or limit in any way the right of the Company, its Subsidiaries or Affiliates to terminate the Participant's employment or service at any time, for any reason and with or without Cause.

16. **<u>Transfer of Personal Data</u>**. The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to the Restricted Stock awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

17. **<u>Compliance with Laws</u>**. The issuance of the Restricted Stock or unrestricted shares pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. The Company shall not be obligated to issue the Restricted Stock or any of the shares pursuant to this Agreement if any such issuance would violate any such requirements.

18. **<u>Section 409A</u>**. Notwithstanding anything herein or in the Plan to the contrary, the shares of Restricted Stock are intended to be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent.

19. **<u>Binding Agreement; Assignment</u>**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except in accordance with Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

20. **<u>Headings</u>**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

21. **<u>Counterparts</u>**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

22. **<u>Further Assurances</u>**. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

23. **<u>Severability</u>**. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

24. **Acquired Rights**. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the award of Restricted Stock made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the Restricted Stock awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

* * * * *

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of ____________________.

**ACADIA HEALTHCARE COMPANY, INC.**

By: ______________________________
Name: ______________________________
Title: ______________________________

**PARTICIPANT**

______________________________
Name: ______________________________

**FORM OF RESTRICTED STOCK UNIT AGREEMENT**
**PURSUANT TO THE**
**ACADIA HEALTHCARE COMPANY, INC.**
**INCENTIVE COMPENSATION PLAN**

* * * * *

Participant: ________________

Grant Date: ________________

Number of Restricted Stock Units Granted:____________

* * * * *

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”) is entered into by and between Acadia Healthcare Company, Inc., a corporation organized in the State of Delaware (the “Company”), and the Participant specified above, pursuant to the Acadia Healthcare Company, Inc. Incentive Compensation Plan, as in effect and as amended from time to time (the “Plan”), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the Restricted Stock Units (“RSUs”) provided herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation by Reference; Plan Document Receipt**. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content.

2. **Grant of Restricted Stock Units**. The Company hereby grants to the Participant, as of the Grant Date specified above, the number of RSUs specified above (the “Award”), on the terms and conditions set forth in this Agreement and in the Plan. The RSUs will be settled in accordance with Section 4.

3. **Vesting**.

(a) General. Except as otherwise provided herein, the Award shall vest on the date the Committee determines whether the performance targets were achieved for the ____ calendar year (the date of such determination being the “Normal Vesting Date”), provided the

Participant has remained in continuous service with the Company or any of its Subsidiaries until the Normal Vesting Date, and the number of shares of Common Stock payable pursuant to this Award upon such vesting shall be determined based on the Company's achievement of the performance targets set forth in the attached Schedule I during the period beginning ________ and ending ________ (the "Performance Period").

(b) Termination without Cause or with Good Reason, or Due to Death, Disability, or Retirement. Notwithstanding the foregoing or any other provision in the Plan or, if applicable, an employment or other agreement between the Company and the Participant, if, prior to the Normal Vesting Date, (i) the Participant's employment is terminated without Cause (as defined in an employment agreement or other agreement between the Company and the Participant or, if no such agreement is in effect at the time of Termination, as defined below) or with Good Reason (as defined in an employment agreement or other agreement between the Company and the Participant or, if no such agreement is in effect at the time of Termination, as defined below); (ii) the Participant's employment is terminated due to the Participant's death or Disability (as defined in an employment agreement or other agreement between the Company and the Participant or, if no such agreement is in effect at the time of Termination, as defined below); or (iii) the Participant retires from employment ("Retirement" is defined below), the Award shall be treated as vesting on the Normal Vesting Date as if the Participant had remained employed by the Company until the Normal Vesting Date; provided, however, that in the event of Retirement, the Participant is eligible to vest only in those RSUs allocated to the calendar year(s) within the Performance Period that ended prior to the Participant's Retirement. The number of shares of Common Stock payable upon any such vesting shall be determined according to the performance criteria set forth in the attached Schedule I, based on the Company's actual performance during the Performance Period or applicable portion thereof.

(c) Accelerated Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the RSUs at any time and for any reason.

(d) Forfeiture. Subject to the provisions of Section 3(c), all unvested RSUs shall be immediately forfeited upon the Participant's Termination for any reason other than as provided in Section 3(b).

(e) Definitions. For purposes of this Agreement:

(i) "Cause" shall mean with respect to Participant one or more of the following: (i) the conviction of or plea of nolo contendere to a felony or other crime involving moral turpitude or the conviction of any crime involving misappropriation, embezzlement or fraud with respect to the Company or any of its Subsidiaries or any of their customers, suppliers or other business relations, (ii) conduct outside the scope of Participant's duties and responsibilities under this Agreement that causes the Company or any of its Subsidiaries substantial public disgrace or disrepute or economic harm, (iii) repeated failure to perform duties consistent with this Agreement as reasonably directed by the Company's board of directors, (iv) any act or knowing omission aiding or abetting a competitor, supplier or customer of the Company or any of its Subsidiaries to the disadvantage or detriment of the Company and its Subsidiaries, (v) breach of fiduciary duty, gross negligence or willful misconduct with respect to the Company or any of its Subsidiaries, (vi) an administrative or other proceeding results in the suspension or debarment of Participant from participation in any contracts with, or programs of, the United States or any of the fifty states or any agency or department thereof, or (vii) any other material breach by Participant of this Agreement or any other agreement between Participant and the Company or any of its Subsidiaries, which is not cured to the reasonable satisfaction of the Company's board of directors within thirty (30) days after written notice thereof to Participant.

(ii) "Disabled" shall mean with respect to Participant that, as a result of his incapacity due to physical or mental illness, Participant is considered disabled under the Company's long-term disability insurance plans or, in the absence of such plans, Participant is unable to perform the essential duties, responsibilities and functions of his position with the Company as a result of any mental or physical disability or incapacity even with reasonable accommodations of such disability or incapacity provided by the Company and its Subsidiaries or if providing such accommodations would be unreasonable, all as determined by the Company's board of directors in its good faith judgment. Participant shall cooperate in all respects with the Company if a question arises as to whether he has become Disabled (including, without limitation, submitting to an examination by a medical doctor or other health care specialists selected by the Company and authorizing such medical doctor or such other health care specialist to discuss Participant's condition with the Company).

(iii) "Good Reason" means the Participant's resignation of employment with the Company as a result of one or more of the following actions (in each case taken without the Participant's written consent): (A) a reduction in the Participant's base salary (other than as part of an across-the-board reduction that (I) results in a 10% or less reduction of the Participant's base salary as in effect on the date of any such reduction or (II) is approved by the chief executive officer of the Company); (B) a material diminution of the Participant's job duties or responsibilities inconsistent with the Participant's current position; or (C) a relocation of the Company's principal executive offices and corporate headquarters outside of a thirty (30) mile radius of Nashville, Tennessee; provided that, none of the events described in clauses (A) through (C) above shall constitute Good Reason unless the Participant shall have notified the Company in writing describing the event which constitutes Good Reason within ninety (90) days after the occurrence of such event and then only if the Company shall have failed to cure such event within thirty (30) days after the Company's receipt of such written notice and the Participant elects to terminate his employment as a result at the end of such thirty (30) day period.

(iv) "Retirement" means, at the time of the Participant's Termination, such Participant is at least 55 years old and has been employed by the Company for a minimum of five (5) years.

4. **Delivery of Shares**.

(a) Within thirty (30) days following the Normal Vesting Date and subject to Section 3, the Participant shall receive the number of shares of Common Stock determined in accordance with Schedule I based on the Company's achievement of the performance criteria set forth therein.

(b) Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of the shares of Common Stock underlying the RSUs, except as otherwise specifically provided for in the Plan or this Agreement.

(c) If permitted by the Company, the Participant may elect, subject to the terms and conditions of the Plan and any other applicable written plan or procedure adopted by the Company from time to time for purposes of such election, to defer the distribution of all or any portion of the shares of Common Stock that would otherwise be distributed to the Participant hereunder (the "Deferred Shares"), consistent with the requirements of Section 409A of the Code. Upon the vesting of RSUs that have been so deferred, the applicable number of Deferred Shares shall be credited to a bookkeeping account established on the Participant's behalf (the "Account"). Subject to Section 5 hereof, the number of shares of Common Stock equal to the number of Deferred Shares credited to the Participant's Account shall be distributed to the Participant in accordance with the terms and conditions of the Plan and the other applicable written plans or procedures of the Company, consistent with the requirements of Section 409A of the Code.

5. **Dividends; Rights as Stockholder**. During the term of this Agreement, the Participant shall receive dividend equivalent rights at the time of any payment of dividends to stockholders of the Company equal to any cash or stock dividend that would have been distributed to the Participant if each RSU was instead an issued and outstanding share of Common Stock owned by the Participant. Such dividend equivalent rights shall be credited to a dividend book entry account on behalf of the Participant and accumulated, without interest, and paid on the date the RSUs to which such dividend equivalent rights relate are settled in accordance with Section 4. If the RSUs with respect to which such cash or stock dividends relate are forfeited, the dividend equivalent rights shall also be forfeited and terminate, without further obligation on the part of the Company. Except as otherwise provided herein, the Participant shall have no rights as a stockholder with respect to any shares of Common Stock issuable hereunder unless and until the Participant has become the holder of record of such shares.

6. **Non-Transferability**. No portion of the RSUs may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than by will or the laws of descent and distribution, unless and until payment is made in respect of vested RSUs in accordance with the provisions hereof and the Participant has become the holder of record of the vested shares of Common Stock issuable hereunder.

7. **Governing Law**. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

8. **Withholding of Tax**. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the RSUs and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this

Agreement. Any statutorily required withholding obligation with regard to the Participant may be satisfied by reducing the amount of cash or shares of Common Stock otherwise deliverable to the Participant hereunder or by the Participant's delivery of shares of Common Stock already owned.

9. **Entire Agreement; Amendment**. This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

10. **Notices**. Any notice hereunder by the Participant shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company shall be given to the Participant in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Participant may have on file with the Company.

11. **No Right to Employment**. Any questions as to whether and when there has been a Termination and the cause of such Termination shall be determined in the sole discretion of the Committee. Nothing in this Agreement shall interfere with or limit in any way the right of the Company, its Subsidiaries or its Affiliates to terminate the Participant's employment or service at any time, for any reason and with or without Cause.

12. **Compliance with Laws**. The grant of RSUs or the issuance of shares of Common Stock pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law, rule regulation or exchange requirement applicable thereto. The Company shall not be obligated to issue the RSUs or any shares of Common Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the settlement of the RSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

13. **Section 409A of the Internal Revenue Code.** This Award is intended to comply with Section 409A of the Internal Revenue Code and the Treasury Regulations and other guidance promulgated or issued thereunder ("Section 409A"), to the extent that the requirements of Section 409A are applicable thereto, and the provisions of this Agreement shall be construed in a manner consistent with that intention. Notwithstanding the foregoing, the Company does not make any representation to the Participant that the RSUs awarded pursuant to this Agreement are exempt from, or satisfy, the requirements of Section 409A, and the Company shall have no liability or other obligation to indemnify or hold harmless the Participant for any tax, additional tax, interest or penalties that the Participant may incur in the event that any provision of this Agreement, or any amendment or modification thereof or any other action taken with respect thereto is deemed

to violate any of the requirements of Section 409A. Notwithstanding any provision in the Plan or this Agreement to the contrary, to the extent it is determined that any payments under this Agreement constitute “deferred compensation” under Section 409A that is payable on the Participant’s “separation from service” (as defined in Section 409A), and that the Participant is a “specified employee,” as such term is defined in section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under section 409A of the Code, the timing of such payments shall be delayed until the earlier of six months and one day after the Participant’s separation from service or the date of the Participant’s death, at which time the Company shall issue to the Participant all shares that the Participant would have otherwise received through the delayed payment date. For purposes of applying the provisions of Section 409A to this Agreement, each separately identified amount to which the Participant is entitled under this Agreement shall be treated as a separate payment. In addition, to the extent permissible under Section 409A, any series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

14. **Binding Agreement; Assignment**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except in accordance with Section 6 hereof) any part of this Agreement without the prior express written consent of the Company.

15. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

16. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

17. **Further Assurances**. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

18. **Severability**. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

19. **Acquired Rights**. The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the Award of RSUs made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the RSUs awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant’s ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

* * * * *

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of ________________.

**ACADIA HEALTHCARE COMPANY, INC.**

By: ______________________________

Name: ______________________________

Title: ______________________________

**PARTICIPANT**

______________________________

Name: ______________________________

**SCHEDULE I**

## Performance Criteria

[To be inserted upon grant.]

**Exhibit 31.1**

**CERTIFICATION OF CEO PURSUANT TO
RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joey A. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2018

/s/ Joey A. Jacobs
Joey A. Jacobs
Chairman of the Board and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CFO PURSUANT TO
RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David M. Duckworth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2018

/s/ David M. Duckworth
David M. Duckworth
Chief Financial Officer

**Exhibit 32**

**CERTIFICATIONS OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc. (the “Company”) for the quarterly period ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joey A. Jacobs, Chief Executive Officer of the Company, and I, David M. Duckworth, Chief Financial Officer of the Company, each certify, for the purpose of complying with 18 U.S.C. Section 1350 and Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 3, 2018

/s/ Joey A. Jacobs
Joey A. Jacobs
Chairman of the Board and Chief Executive Officer

/s/ David M. Duckworth
David M. Duckworth
Chief Financial Officer