
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, 2022

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
(State or other jurisdiction of
incorporation or organization)

45-2492228
(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$.01 par value	ACHC	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 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
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 4, 2022, there were 90,526,686 shares of the registrant's common stock outstanding.

ACADIA HEALTHCARE COMPANY, INC.
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements	1
	Condensed Consolidated Balance Sheets (Unaudited)	1
	Condensed Consolidated Statements of Income (Unaudited)	2
	Condensed Consolidated Statements of Comprehensive Income (Unaudited)	3
	Condensed Consolidated Statements of Equity (Unaudited)	4
	Condensed Consolidated Statements of Cash Flows (Unaudited)	5
	Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	32
Item 4.	Controls and Procedures	32

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	33
Item 1A.	Risk Factors	33
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 6.	Exhibits	34

<u>SIGNATURES</u>		35
--------------------------	--	----

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2022	December 31, 2021
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 140,367	\$ 133,813
Accounts receivable, net	299,022	281,332
Other current assets	90,710	79,886
Total current assets	530,099	495,031
Property and equipment, net	1,795,791	1,771,159
Goodwill	2,200,659	2,199,937
Intangible assets, net	70,319	70,145
Deferred tax assets	3,047	3,080
Operating lease right-of-use assets	139,264	133,761
Other assets	95,460	94,965
Total assets	<u>\$ 4,834,639</u>	<u>\$ 4,768,078</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 21,250	\$ 18,594
Accounts payable	104,209	98,575
Accrued salaries and benefits	138,092	137,845
Current portion of operating lease liabilities	25,170	23,348
Other accrued liabilities	122,030	126,499
Total current liabilities	410,751	404,861
Long-term debt	1,463,848	1,478,626
Deferred tax liabilities	77,604	74,368
Operating lease liabilities	120,560	116,841
Other liabilities	117,062	110,505
Total liabilities	2,189,825	2,185,201
Redeemable noncontrolling interests	70,304	65,388
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; 89,661,341 and 89,028,158 issued and outstanding at March 31, 2022 and December 31, 2021, respectively	897	890
Additional paid-in capital	2,632,527	2,636,350
Accumulated deficit	(58,914)	(119,751)
Total equity	2,574,510	2,517,489
Total liabilities and equity	<u>\$ 4,834,639</u>	<u>\$ 4,768,078</u>

See accompanying notes.

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

	Three Months Ended March 31,	
	2022	2021
(In thousands, except per share amounts)		
Revenue	\$ 616,653	\$ 551,199
Salaries, wages and benefits (including equity-based compensation expense of \$7,925 and \$7,034, respectively)	335,762	304,333
Professional fees	36,911	31,617
Supplies	23,699	21,322
Rents and leases	11,249	9,412
Other operating expenses	81,425	72,010
Depreciation and amortization	28,926	24,894
Interest expense, net	15,787	29,027
Debt extinguishment costs	—	24,650
Transaction-related expenses	3,582	4,610
Total expenses	<u>537,341</u>	<u>521,875</u>
Income from continuing operations before income taxes	79,312	29,324
Provision for income taxes	17,402	6,204
Income from continuing operations	61,910	23,120
Loss from discontinued operations, net of taxes	—	(12,641)
Net income	61,910	10,479
Net income attributable to noncontrolling interests	(1,073)	(762)
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 60,837</u>	<u>\$ 9,717</u>
Basic earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:		
Income from continuing operations attributable to Acadia Healthcare Company, Inc.	\$ 0.68	\$ 0.25
Loss from discontinued operations	—	(0.14)
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 0.68</u>	<u>\$ 0.11</u>
Diluted earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:		
Income from continuing operations attributable to Acadia Healthcare Company, Inc.	\$ 0.67	\$ 0.25
Loss from discontinued operations	—	(0.14)
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 0.67</u>	<u>\$ 0.11</u>
Weighted-average shares outstanding:		
Basic	89,258	88,242
Diluted	91,012	89,941

See accompanying notes.

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

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Net income	\$ 61,910	\$ 10,479
Other comprehensive income:		
Foreign currency translation loss	—	(4,260)
Gain on derivative instruments, net of tax of \$0.1 million	—	19
U.K. Sale	—	375,606
Other comprehensive income	—	371,365
Comprehensive income	61,910	381,844
Comprehensive income attributable to noncontrolling interests	(1,073)	(762)
Comprehensive income attributable to Acadia Healthcare Company, Inc.	\$ 60,837	\$ 381,082

See accompanying notes.

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2020	88,024	\$ 880	\$ 2,580,327	\$ (371,365)	\$ (310,386)	\$ 1,899,456
Common stock issued under stock incentive plans	705	7	12,733	—	—	12,740
Repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises	—	—	(4,521)	—	—	(4,521)
Equity-based compensation expense	—	—	7,034	—	—	7,034
Other	—	—	2,208	—	—	2,208
Other comprehensive income	—	—	—	371,365	—	371,365
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	9,717	9,717
Balance at March 31, 2021	88,729	887	2,597,781	—	(300,669)	2,297,999
Common stock issued under stock incentive plans	188	2	5,620	—	—	5,622
Repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises	—	—	(580)	—	—	(580)
Equity-based compensation expense	—	—	9,031	—	—	9,031
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	44,514	44,514
Balance at June 30, 2021	88,917	889	2,611,852	—	(256,155)	2,356,586
Common stock issued under stock incentive plans	89	1	3,254	—	—	3,255
Repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises	—	—	(444)	—	—	(444)
Equity-based compensation expense	—	—	8,923	—	—	8,923
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	66,126	66,126
Balance at September 30, 2021	89,006	890	2,623,585	—	(190,029)	2,434,446
Common stock issued under stock incentive plans	22	—	412	—	—	412
Repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises	—	—	(189)	—	—	(189)
Equity-based compensation expense	—	—	12,542	—	—	12,542
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	70,278	70,278
Balance at December 31, 2021	89,028	890	2,636,350	—	(119,751)	2,517,489
Common stock issued under stock incentive plans	633	7	3,742	—	—	3,749
Repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises	—	—	(15,490)	—	—	(15,490)
Equity-based compensation expense	—	—	7,925	—	—	7,925
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	60,837	60,837
Balance at March 31, 2022	<u>89,661</u>	<u>\$ 897</u>	<u>\$ 2,632,527</u>	<u>\$ —</u>	<u>\$ (58,914)</u>	<u>\$ 2,574,510</u>

See accompanying notes.

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

	Three Months Ended	
	March 31,	
	2022	2021
	(In thousands)	
Operating activities:		
Net income	\$ 61,910	\$ 10,479
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation and amortization	28,926	24,894
Amortization of debt issuance costs	808	1,646
Equity-based compensation expense	7,925	7,034
Deferred income taxes	3,269	3,962
Loss from discontinued operations, net of taxes	—	12,641
Debt extinguishment costs	—	24,650
Other	(478)	1,737
Change in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(18,222)	(2,490)
Other current assets	(16,638)	75
Other assets	(202)	(3,570)
Accounts payable and other accrued liabilities	10,501	(3,979)
Accrued salaries and benefits	246	2,915
Other liabilities	6,298	(4,210)
Government relief funds	(7,556)	—
Net cash provided by continuing operating activities	76,787	75,784
Net cash provided by discontinued operating activities	—	253
Net cash provided by operating activities	76,787	76,037
Investing activities:		
Cash paid for capital expenditures	(50,527)	(58,682)
Proceeds from U.K. Sale	—	1,511,020
Settlement of foreign currency derivatives	—	(84,795)
Proceeds from sale of property and equipment	1,294	134
Other	(460)	(74)
Net cash (used in) provided by investing activities	(49,693)	1,367,603
Financing activities:		
Borrowings on long-term debt	—	425,000
Borrowings on revolving credit facility	—	430,000
Principal payments on revolving credit facility	(10,000)	(270,000)
Principal payments on long-term debt	(2,656)	—
Repayment of long-term debt	—	(2,224,603)
Payment of debt issuance costs	—	(9,935)
Repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises	(11,741)	8,219
Contributions from noncontrolling partners in joint ventures	4,290	1,000
Distributions to noncontrolling partners in joint ventures	(447)	(377)
Other	14	(6,793)
Net cash used in financing activities	(20,540)	(1,647,489)
Effect of exchange rate changes on cash	—	4,067
Net increase (decrease) in cash and cash equivalents	6,554	(199,782)
Cash and cash equivalents at beginning of the period	133,813	378,697
Cash and cash equivalents at end of the period	\$ 140,367	\$ 178,915

See accompanying notes.

Acadia Healthcare Company, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2022
(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.”) and Puerto Rico. At March 31, 2022, the Company operated 238 behavioral healthcare facilities with approximately 10,600 beds in 40 states and Puerto Rico.

On January 19, 2021, the Company completed the sale of its operations in the United Kingdom (“U.K.”) to RemedcoUK Limited, a company organized under the laws of England and Wales and owned by funds managed or advised by Waterland Private Equity Fund VII (the “U.K. Sale”). The U.K. Sale allowed the Company to reduce its indebtedness and focus on the Company’s U.S. operations. As a result of the U.K. Sale, the Company reported, for all periods presented, results of operations and cash flows of the U.K. operations as discontinued operations in the accompanying financial statements. See Note 9 – U.K. Sale.

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 the Company’s 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, 2021 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, 2021 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2022. 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.

During March 2020, the global pandemic of the novel coronavirus known as COVID-19 (“COVID-19”) began to affect the Company’s facilities, employees, patients, communities, business operations and financial performance, as well as the broader U.S. and U.K. economies and financial markets. At many of the Company’s facilities, employees and/or patients have tested positive for COVID-19. The Company is committed to protecting the health of its communities and continues to respond to the evolving COVID-19 situation while taking steps to provide quality care and protect the health and safety of patients and employees. Nevertheless, the Company could continue to be impacted by COVID-19 if new strains of the virus cause additional disruptions. The COVID-19 pandemic could have a material adverse effect on its results of operations, financial condition, cash flows and ability to service its indebtedness and may affect the amounts reported in the consolidated financial statements including those related to collectability of accounts receivable as well as professional and general liability reserves, tax assets and liabilities and may result in a potential impairment of goodwill and long-lived assets.

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

2. Recently Issued Accounting Standards

In November 2021, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2021-10, “Government Assistance (Topic 832)” (“ASU 2021-10”). ASU 2021-10 provides guidance to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity’s accounting for the assistance, and (3) the effect of the assistance on an entity’s financial statements. ASU 2021-10 applies to all business entities except for not-for-profit entities within the scope of Topic 958, Not-for-Profit Entities, and employee benefit plans within the scope of Topic 960, Plan Accounting—Defined Benefit Pension Plans, Topic 962, Plan Accounting—Defined Contribution Pension Plans, and Topic 965, Plan

Accounting—Health and Welfare Benefit Plans that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance (for example, a grant model within IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, or Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition). ASU 2021-10 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is evaluating the impact of ASU 2021-10 on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (*Topic 848*): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting and applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 is effective as of March 12, 2020 through December 31, 2022. Entities may adopt ASU 2020-04 as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The Company continues to evaluate the impact of ASU 2021-10 and does not expect a significant impact on the Company’s consolidated financial statements.

3. Revenue

Revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and 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.

As the Company’s performance obligations relate to contracts with a duration of one year or less, the Company elected the optional exemption in Accounting Standards Codification (“ASC”) 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 its patients typically are under no obligation to remain admitted in the Company’s facilities.

The Company disaggregates revenue from contracts with customers by service type and by payor.

The Company’s facilities and services provided by the facilities can generally be classified into the following categories: acute inpatient psychiatric facilities; specialty treatment facilities; and residential treatment centers.

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.

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

	Three Months Ended	
	March 31,	
	2022	2021
Acute inpatient psychiatric facilities	\$ 310,748	\$ 267,359
Specialty treatment facilities	233,640	211,757
Residential treatment centers	72,265	68,649
Other	—	3,434
Revenue	\$ 616,653	\$ 551,199

The Company receives payments from the following sources for services rendered in its 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.

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 the Company'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 consolidated statements of operations. Bad debt expense for the three months ended March 31, 2022 and 2021 was not significant.

The following table presents the Company's revenue by payor type and as a percentage of revenue (in thousands):

	Three Months Ended			
	2022		2021	
	Amount	%	Amount	%
Commercial	\$ 194,693	31.6%	\$ 162,702	29.5%
Medicare	94,582	15.3%	86,185	15.6%
Medicaid	299,914	48.6%	274,620	49.8%
Self-Pay	19,785	3.2%	22,443	4.1%
Other	7,679	1.3%	5,249	1.0%
Revenue	<u>\$ 616,653</u>	<u>100.0%</u>	<u>\$ 551,199</u>	<u>100.0%</u>

Contract liabilities consisted of unearned revenue from CMS' Accelerated and Advance Payment Program and other advances. In April 2020, the Company received approximately \$45 million from CMS' Accelerated and Advance Payment Program for Medicare providers. Of the \$45 million of advance payments received in 2020, the Company repaid approximately \$25 million of advance payments during 2021 and made additional payments of approximately \$8 million during the three months ended March 31, 2022. The Company will continue to repay the remaining balance throughout the rest of 2022. Contract liabilities of \$26.3 million and \$30.4 million are included in other accrued liabilities at March 31, 2022 and December 31, 2021, respectively, on the condensed consolidated balance sheets. A summary of the activity in contract liabilities is as follows (in thousands):

Balance at December 31, 2021	\$ 30,371
Payments received	5,612
Revenue recognized	(2,127)
Medicare advance repayments	(7,556)
Balance at March 31, 2022	<u>\$ 26,300</u>

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, 2022 and 2021 (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Income from continuing operations attributable to Acadia Healthcare Company, Inc.	\$ 60,837	\$ 22,358
Loss from discontinued operations	—	(12,641)
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 60,837</u>	<u>\$ 9,717</u>
Denominator:		
Weighted average shares outstanding for basic earnings per share	89,258	88,242
Effects of dilutive instruments	1,754	1,699
Shares used in computing diluted earnings per common share	<u>91,012</u>	<u>89,941</u>
Basic earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:		
Income from continuing operations attributable to Acadia Healthcare Company, Inc.	\$ 0.68	\$ 0.25
Loss from discontinued operations	—	(0.14)
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 0.68</u>	<u>\$ 0.11</u>
Diluted earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:		
Income from continuing operations attributable to Acadia Healthcare Company, Inc.	\$ 0.67	\$ 0.25
Loss from discontinued operations	—	(0.14)
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 0.67</u>	<u>\$ 0.11</u>

Approximately 0.7 million shares of common stock issuable upon exercise of outstanding stock option awards were excluded from the calculation of diluted earnings per share for both the three months ended March 31, 2022 and 2021, because their effect would have been anti-dilutive.

5. Acquisitions

The Company's strategy is to acquire and develop behavioral healthcare facilities and improve operating results within its facilities and its other behavioral healthcare operations.

On December 31, 2021, the Company acquired the equity of CenterPointe Behavioral Health System, LLC and certain related entities ("CenterPointe") for cash consideration of approximately \$139 million. The acquisition was funded through a combination of cash on hand and a \$70.0 million draw on the Company's revolving credit facility. CenterPointe operates four acute inpatient hospitals with 306 beds and ten outpatient locations primarily in Missouri.

The preliminary fair values of assets acquired and liabilities assumed in the CenterPointe acquisition were as follows (in thousands):

Cash	\$	5,640
Accounts receivable, net		9,697
Other current assets		2,087
Property and equipment		35,670
Goodwill		97,844
Intangible assets		825
Deferred tax assets		1,573
Operating lease right-of-use assets		29,245
Total assets acquired		<u>182,581</u>
Accounts payable		3,820
Accrued salaries and benefits		3,585
Current portion of operating lease liabilities		2,569
Other accrued liabilities		1,277
Operating lease liabilities		26,675
Total liabilities assumed		<u>37,926</u>
Net assets acquired	\$	<u>144,655</u>

The fair values assigned to certain assets acquired and liabilities assumed by the Company have been estimated on a preliminary basis and are subject to change as new facts and circumstances emerge that were present at the date of acquisition. Specifically, the Company is further assessing the valuation of intangible assets and certain tax matters as well as certain receivables and assumed liabilities of CenterPointe. The qualitative factors comprising the goodwill acquired in the CenterPointe acquisition include the value of the business and efficiencies derived through synergies expected by the elimination of certain redundant corporate functions and expenses, coordination of services provided across the combined network of facilities, achievement of operating efficiencies by benchmarking performance and applying best practices.

Transaction-related expenses

Transaction-related expenses represent costs primarily related to legal, accounting, termination, restructuring, management transition, acquisition and other similar costs. Transaction-related expenses comprised the following costs for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended	
	March 31,	
	2022	2021
Legal, accounting and other acquisition-related costs	\$ 589	\$ 1,787
Termination and restructuring costs	1,958	2,823
Management transition costs	1,035	—
	<u>\$ 3,582</u>	<u>\$ 4,610</u>

6. Other Current Assets

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

	March 31, 2022	December 31, 2021
Other receivables	18,341	10,786
Prepaid expenses	\$ 18,166	\$ 22,292
Assets held for sale	14,758	15,808
Workers' compensation deposits – current portion	12,000	12,000
Income taxes receivable	10,251	1,523
Insurance receivable – current portion	9,016	10,807
Inventory	4,768	4,786
Other	3,410	1,884
Other current assets	<u>\$ 90,710</u>	<u>\$ 79,886</u>

7. Property and Equipment

Property and equipment consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022	December 31, 2021
Land	\$ 156,139	\$ 154,376
Building and improvements	1,694,282	1,683,560
Equipment	259,132	253,100
Construction in progress	255,697	221,249
	<u>2,365,250</u>	<u>2,312,285</u>
Less: accumulated depreciation	(569,459)	(541,126)
Property and equipment, net	<u>\$ 1,795,791</u>	<u>\$ 1,771,159</u>

The Company has recorded assets held for sale within other current assets on the condensed consolidated balance sheets for closed properties actively marketed of \$14.8 million and \$15.8 million as of March 31, 2022 and December 31, 2021, respectively.

8. Goodwill and Other Intangible Assets

Other identifiable intangible assets and related accumulated amortization consisted of the following at March 31, 2022 and December 31, 2021 (in thousands):

	Gross Carrying Amount		Accumulated Amortization	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Intangible assets subject to amortization:				
Non-compete agreements	\$ 1,131	\$ 1,131	\$ (1,131)	\$ (1,131)
Intangible assets not subject to amortization:				
Licenses and accreditations	11,600	11,600	—	—
Trade names	40,435	40,435	—	—
Certificates of need	18,284	18,110	—	—
	<u>70,319</u>	<u>70,145</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 71,450</u>	<u>\$ 71,276</u>	<u>\$ (1,131)</u>	<u>\$ (1,131)</u>

All of the Company's definite-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.

The following table summarizes changes in goodwill for 2022 (in thousands):

Balance at December 31, 2021	\$	2,199,937
Adjustments related to 2021 acquisition		722
Balance at March 31, 2022	\$	<u>2,200,659</u>

9. U.K. Sale

On January 19, 2021, the Company completed the U.K. Sale pursuant to a Share Purchase Agreement in which it sold all of the securities of AHC-WW Jersey Limited, a private limited liability company incorporated in Jersey and a subsidiary of the Company, which constituted the entirety of the Company's U.K. business operations. The U.K. Sale resulted in approximately \$1,525 million of gross proceeds before deducting the settlement of existing foreign currency hedging liabilities of \$85 million based on the current British Pounds ("GBP") to U.S. Dollars ("USD") exchange rate, cash retained by the buyer and transaction costs. The Company used the net proceeds of approximately \$1,425 million (excluding cash retained by the buyer) along with cash from the balance sheet to reduce debt by \$1,640 million during the first quarter of 2021 as described in Note 12 – Long-Term Debt.

As a result of the U.K. Sale, the Company reported, for all periods presented, results of operations and cash flows of the U.K. operations as discontinued operations in the accompanying financial statements.

For the three months ended March 31, 2021, results of operations of the U.K. operations were as follows (in thousands):

	March 31, 2021
Revenue	\$ 62,520
Salaries, wages and benefits	35,937
Professional fees	6,815
Supplies	2,217
Rents and leases	2,509
Other operating expenses	6,682
Interest expense, net	10
Loss on sale	13,490
Transaction-related expenses	6,265
Total expenses	<u>73,925</u>
Loss from discontinued operations before income taxes	(11,405)
Benefit from income taxes	1,236
Loss from discontinued operations, net of taxes	<u>\$ (12,641)</u>

10. The CARES Act

As part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), the U.S. government announced it would offer \$100 billion of relief to eligible healthcare providers. On April 24, 2020, then President Trump signed into law the Paycheck Protection Program and Health Care Enhancement Act (the “PPP Act”). Among other things, the PPP Act allocated \$75 billion to eligible healthcare providers to help offset COVID-19 related losses and expenses. The \$75 billion allocated under the PPP Act is in addition to the \$100 billion allocated to healthcare providers for the same purposes in the CARES Act and has been disbursed to providers under terms and conditions similar to the CARES Act funds. During the three months ended June 30, 2020, the Company participated in certain relief programs offered through the CARES Act, including receipt of approximately \$19.7 million relating to the initial portions of the Public Health and Social Services Emergency Fund (the “PHSSE Fund”), also known as the Provider Relief Fund, and approximately \$45 million of payments from the CMS Accelerated and Advance Payment Program. In August 2020, the Company received approximately \$12.8 million of additional funds from the PHSSE Fund. Of the \$45 million of advance payments received in 2020, the Company repaid approximately \$25 million of advance payments during 2021 and made additional payments of approximately \$8 million during the three months ended March 31, 2022. The Company will continue to repay the remaining balance throughout the rest of 2022. In addition, the Company received a 2% increase in facilities’ Medicare reimbursement rate as a result of the temporary suspension of Medicare sequestration from May 1, 2020, to March 31, 2022. In April 2021, the Company received \$24.2 million of additional funds from the PHSSE Fund. During the fourth quarter of 2021, the Company recorded \$17.9 million of income from provider relief fund related to PHSSE funds received in 2021. The remaining unrecognized funds of \$6.3 million are included in other accrued liabilities on the consolidated balance sheet at March 31, 2022 and December 31, 2021.

The CARES Act also provides for certain federal income and other tax changes. The Company received a cash benefit of approximately \$39 million for 2020 relating to the delay of payment of the employer portion of Social Security payroll taxes. The Company repaid half of the \$39 million of payroll tax deferrals during the third quarter of 2021 and expects to repay the remaining portion in the second half of 2022, which is included in accrued salaries and benefits on the condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021.

11. Other Accrued Liabilities

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

	March 31, 2022	December 31, 2021
Unearned Income	\$ 26,300	\$ 30,371
Accrued expenses	24,347	26,791
Accrued interest	17,490	17,418
Government relief funds	13,787	12,718
Cost report payable	13,318	6,487
Insurance liability – current portion	11,923	11,923
Accrued property taxes	8,046	8,375
Finance lease liabilities	990	990
Income taxes payable	213	5,540
Other	5,616	5,886
Other accrued liabilities	<u>\$ 122,030</u>	<u>\$ 126,499</u>

12. Long-Term Debt

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

	March 31, 2022	December 31, 2021
New Credit Facility:		
Term Loan A	\$ 414,375	\$ 417,031
Revolving Line of Credit	160,000	170,000
5.500% Senior Notes due 2028	450,000	450,000
5.000% Senior Notes due 2029	475,000	475,000
Less: unamortized debt issuance costs, discount and premium	(14,277)	(14,811)
	<u>1,485,098</u>	<u>1,497,220</u>
Less: current portion	(21,250)	(18,594)
Long-term debt	<u>\$ 1,463,848</u>	<u>\$ 1,478,626</u>

New Credit Facility

The Company entered into a new senior credit facility (the “New Credit Facility”) on March 17, 2021. This New Credit Facility provides for a \$600.0 million senior secured revolving credit facility (the “Revolving Facility”) and a \$425.0 million senior secured term loan facility (the “Term Loan Facility”) and, together with the Revolving Facility, the “Senior Facilities”), each maturing on March 17, 2026 unless extended in accordance with the terms of the New Credit Facility. The Revolving Facility further provides for (i) up to \$20.0 million to be utilized for the issuance of letters of credit and (ii) the availability of a swingline facility under which the Company may borrow up to \$20.0 million.

As a part of the closing of the New Credit Facility on March 17, 2021, the Company (i) refinanced and terminated the Company’s prior credit facilities under the Amended and Restated Credit Agreement, dated as of December 31, 2012 (the “Prior Credit Facility”) and (ii) financed the redemption of all of the Company’s outstanding 5.625% Senior Notes due 2023 (the “5.625% Senior Notes”).

During the three months ended March 31, 2022, the Company repaid \$10.0 million of the balance outstanding on the Revolving Facility. The Company had \$436.8 million of availability under the Revolving Facility and had standby letters of credit outstanding of \$3.2 million related to security for the payment of claims required by its workers’ compensation insurance program at March 31, 2022.

The New Credit Facility requires quarterly term loan principal repayments for the Term Loan Facility of \$5.3 million for June 30, 2022 to March 31, 2024, \$8.0 million for June 30, 2024 to March 31, 2025, \$10.6 million for June 30, 2025 to December 31, 2025, with the remaining principal balance of the Term Loan Facility due on the maturity date of March 17, 2026.

The Company has the ability to increase the amount of the Senior Facilities, which may take the form of increases to the Revolving Facility or the Term Loan Facility or the issuance of one or more incremental term loan facilities (collectively, the “Incremental Facilities”), upon obtaining additional commitments from new or existing lenders and the satisfaction of customary conditions precedent for such Incremental Facilities. Such Incremental Facilities may not exceed the sum of (i) the greater of \$480.0 million and an amount equal to 100% of Consolidated EBITDA (as defined in the New Credit Facility) of the Company and its Restricted Subsidiaries (as defined in the New Credit Facility) (as determined for the four fiscal quarter period most recently ended for which financial statements are available), and (ii) additional amounts so long as, after giving effect thereto, the Consolidated Senior Secured Net Leverage Ratio (as defined in the New Credit Facility) does not exceed 3.5 to 1.0.

Subject to certain exceptions, substantially all of the Company’s existing and subsequently acquired or organized direct or indirect wholly-owned U.S. subsidiaries are required to guarantee the repayment of the Company’s obligations under the New Credit Facility. Borrowings under the Senior Facilities bear interest at a floating rate, which will initially be, at the Company’s option, either (i) adjusted LIBOR plus 1.50% or (ii) an alternative base rate plus 0.50% (in each case, subject to adjustment based on the Company’s consolidated total net leverage ratio). An unused fee initially set at 0.20% per annum (subject to adjustment based on the Company’s consolidated total net leverage ratio) is payable quarterly in arrears based on the actual daily undrawn portion of the commitments in respect of the Revolving Facility.

The New Credit Facility contains customary representations and affirmative and negative covenants, including limitations on the Company’s and its subsidiaries’ ability to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, pay junior indebtedness and enter into affiliate transactions, in each case, subject to customary exceptions. In addition, the New Credit Facility contains financial covenants requiring

the Company on a consolidated basis to maintain, as of the last day of any consecutive four fiscal quarter period, a consolidated total net leverage ratio of not more than 5.0 to 1.0 and an interest coverage ratio of at least 3.0 to 1.0. The New Credit Facility also includes events of default customary for facilities of this type and upon the occurrence of such events of default, among other things, all outstanding loans under the Senior Facilities may be accelerated and/or the lenders' commitments terminated. At March 31, 2022, the Company was in compliance with such covenants.

Prior 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 the Prior Credit Facility which amended and restated the Senior Secured Credit Facility. The Company amended the Prior Credit Facility from time to time as described in the Company's prior filings with the SEC.

On January 5, 2021, the Company made a voluntary payment of \$105.0 million on the Term Loan B Facility Tranche B-4 ("Tranche B-4 Facility"). On January 19, 2021, the Company used a portion of the net proceeds from the U.K. Sale to repay the outstanding balances of \$311.7 million of its TLA Facility and \$767.9 million of its Tranche B-4 Facility of the Prior Credit Facility. During the three months ended March 31, 2021, in connection with the termination of the Prior Credit Facility, the Company recorded a debt extinguishment charge of \$10.9 million, including the write-off of discount and deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statement of operations.

Senior Notes

5.500% Senior Notes due 2028

On June 24, 2020, the Company issued \$450.0 million of 5.500% Senior Notes due 2028 (the "5.500% Senior Notes"). The 5.500% Senior Notes mature on July 1, 2028 and bear interest at a rate of 5.500% per annum, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2021.

5.000% Senior Notes due 2029

On October 14, 2020, the Company issued \$475.0 million of 5.000% Senior Notes due 2029 (the "5.000% Senior Notes"). The 5.000% Senior Notes mature on April 15, 2029 and bear interest at a rate of 5.000% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2021. The Company used the net proceeds of the 5.000% Senior Notes to prepay approximately \$453.3 million of the outstanding borrowings on its existing Term Loan B Facility Tranche B-3 ("Tranche B-3 Facility") and used the remaining net proceeds for general corporate purposes and to pay related fees and expenses in connection with the offering. In connection with the 5.000% Senior Notes, the Company recorded a debt extinguishment charge of \$2.9 million, including the write-off of discount and deferred financing costs of the Tranche B-3 Facility, which was recorded in debt extinguishment costs in the consolidated statement of operations for the year ended December 31, 2020.

The indentures governing the 5.500% Senior Notes and the 5.000% 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 New 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.

5.625% Senior Notes due 2023

On February 11, 2015, the Company issued \$375.0 million of 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 had outstanding an aggregate of \$650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes were to 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. On March 17, 2021, the Company redeemed the 5.625% Senior Notes.

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 were to 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. On March 1, 2021, the Company redeemed the

6.500% Senior Notes.

Redemption of 5.625% Senior Notes and 6.500% Senior Notes

On January 29, 2021, the Company issued conditional notices of full redemption providing for the redemption in full of \$650 million of 5.625% Senior Notes and \$390 million of 6.500% Senior Notes to the holders of such notes.

On March 1, 2021, the Company satisfied and discharged the indentures governing the 6.500% Senior Notes. In connection with the redemption of the 6.500% Senior Notes, the Company recorded debt extinguishment costs of \$10.5 million, including \$6.3 million cash paid for breakage costs and the write-off of deferred financing costs of \$4.2 million in the condensed consolidated statement of operations.

On March 17, 2021, the Company satisfied and discharged the indentures governing the 5.625% Senior Notes. In connection with the redemption of the 5.625% Senior Notes, the Company recorded debt extinguishment costs of \$3.3 million, including the write-off of deferred financing and premiums costs in the condensed consolidated statement of operations.

13. Noncontrolling Interests

Noncontrolling interests in the consolidated financial statements represents the portion of equity held by noncontrolling partners in the Company's non-wholly owned subsidiaries. At March 31, 2022, the Company operated six facilities through non-wholly owned subsidiaries. The Company owns between 60% and 86% of the equity interests of these entities and noncontrolling partners own the remaining equity interests. The initial value of the noncontrolling interests is based on the fair value of contributions. The Company consolidates the operations of each facility based on its status as primary beneficiary, as further discussed in Note 14 – Variable Interest Entities. 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, 2021	\$	65,388
Contributions from noncontrolling partners in joint ventures		4,290
Net income attributable to noncontrolling interests		1,073
Distributions to noncontrolling partners in joint ventures		(447)
Balance at March 31, 2022	\$	<u>70,304</u>

14. Variable Interest Entities

For legal entities where the Company has a financial relationship, the Company evaluates whether it has a variable interest and determines if the entity is considered a variable interest entity ("VIE"). If the Company concludes an entity is a VIE and the Company is the primary beneficiary, the entity is consolidated. The primary beneficiary analysis is a qualitative analysis based on power and benefits. A reporting entity has a controlling financial interest in a VIE and must consolidate the VIE if it has both power and benefits. It must have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that potentially could be significant to the VIE or the right to receive benefits from the VIE that potentially could be significant to the VIE.

At March 31, 2022, the Company operated six facilities through non-wholly owned subsidiaries. The Company owns between 60% and 86% of the equity interests of these entities, and noncontrolling partners own the remaining equity interests. The Company manages each of these facilities, is responsible for the day to day operations and, therefore, has the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or receive benefits from the VIE that could potentially be significant to the VIE. These activities include, but are not limited to, behavioral healthcare services, human resource and employment-related decisions, marketing and finance. The terms of the agreements governing each of the Company's VIEs prohibit the Company from using the assets of each VIE to satisfy the obligations of other entities. Consolidated assets at March 31, 2022 and December 31, 2021 include total assets of variable interest entities of \$337.3 million and \$320.6 million, respectively, which cannot be used to settle the obligations of other entities. Consolidated liabilities at March 31, 2022 and December 31, 2021 include total liabilities of variable interest entities of \$26.1 million and \$24.1 million, respectively.

The consolidated VIEs assets and liabilities in the Company’s condensed consolidated balance sheets are shown below (in thousands):

	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 27,159	\$ 26,360
Accounts receivable, net	19,854	20,144
Other current assets	1,570	1,304
Total current assets	48,583	47,808
Property and equipment, net	236,765	220,793
Goodwill	34,945	34,945
Intangible assets, net	10,490	10,490
Operating lease right-of-use assets	6,524	6,603
Total assets	\$ 337,307	\$ 320,639
Accounts payable	\$ 3,736	\$ 3,690
Accrued salaries and benefits	6,139	5,656
Current portion of operating lease liabilities	206	197
Other accrued liabilities	8,325	6,818
Total current liabilities	18,406	16,361
Operating lease liabilities	6,614	6,666
Other liabilities	1,083	1,083
Total liabilities	\$ 26,103	\$ 24,110

15. 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, 2022, a maximum of 12,700,000 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 3,913,868 were available for future grant. Stock options may be granted for terms of up to 10 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 most recent trading date prior to the date of grant.

The Company recognized \$7.9 million and \$7.0 million in equity-based compensation expense for the three months ended March 31, 2022 and 2021, respectively. At March 31, 2022, there was \$49.3 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 1.5 years.

The Company recognized a deferred income tax benefit of \$2.0 million and \$1.8 million for the three months ended March 31, 2022 and 2021, respectively, related to equity-based compensation expense.

Stock Options

Stock option activity during 2021 and 2022 was as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2021	1,510,306	\$ 37.56	7.35	\$ 1,414
Options granted	324,320	57.53	9.31	851
Options exercised	(558,322)	39.45	N/A	11,118
Options cancelled	(170,235)	40.08	N/A	N/A
Options outstanding at December 31, 2021	1,106,069	42.07	7.49	19,988
Options granted	306,120	53.65	9.91	1,406
Options exercised	(110,559)	33.91	N/A	3,202
Options cancelled	(31,530)	46.24	N/A	N/A
Options outstanding at March 31, 2022	1,270,100	\$ 45.47	7.94	\$ 16,483
Options exercisable at December 31, 2021	324,409	\$ 43.24	5.48	\$ 5,575
Options exercisable at March 31, 2022	458,705	\$ 42.76	6.26	\$ 7,331

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, 2022 and year ended December 31, 2021:

	March 31, 2022	December 31, 2021
Weighted average grant-date fair value of options	\$ 19.67	\$ 20.64
Risk-free interest rate	1.9%	0.9%
Expected volatility	39%	40%
Expected life (in years)	5.0	5.0

The Company's estimate of expected volatility for stock options is based upon the volatility of its 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 2021 and 2022 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2021	1,022,996	\$ 28.41
Granted	352,430	58.32
Cancelled	(82,751)	39.63
Vested	(366,048)	30.81
Unvested at December 31, 2021	926,627	\$ 37.84
Granted	272,740	53.87
Cancelled	(31,545)	42.54
Vested	(292,748)	30.41
Unvested at March 31, 2022	875,074	\$ 45.15

Restricted stock unit activity during 2021 and 2022 was as follows:

	Number of Units	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2021	1,073,062	\$ 20.15
Granted	149,416	61.52
Performance adjustment	465,993	25.49
Cancelled	—	—
Vested	(184,051)	42.30
Unvested at December 31, 2021	1,504,420	\$ 23.20
Granted	—	—
Performance adjustment	116,608	28.19
Cancelled	—	—
Vested	(518,474)	43.16
Unvested at March 31, 2022	<u>1,102,554</u>	<u>\$ 14.35</u>

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. 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. 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.

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.

16. Income Taxes

The provision for income taxes for the three months ended March 31, 2022 and 2021 reflects effective tax rates of 21.9% and 21.2%, respectively. The three months ended March 31, 2022 includes tax benefits related to settlements of employee equity compensation awards and legal entity restructuring.

As the Company continues to monitor the implications of potential tax legislation in each of its jurisdictions, the Company may adjust its estimates and record additional amounts for tax assets and liabilities. Any adjustments to the Company's tax assets and liabilities could materially impact its provision for income taxes and its effective tax rate in the periods in which they are made.

17. 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 New Credit Facility, 5.500% Senior Notes, and 5.000% Senior Notes at March 31, 2022 and December 31, 2021 were as follows (in thousands):

	Carrying Amount		Fair Value	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
New Credit Facility	\$ 571,927	\$ 584,418	\$ 571,927	\$ 584,418
5.500% Senior Notes due 2028	\$ 444,091	\$ 443,894	\$ 444,668	\$ 466,577
5.000% Senior Notes due 2029	\$ 469,080	\$ 468,908	\$ 463,075	\$ 481,802

The Company's New Credit Facility, 5.500% Senior Notes, and 5.000% Senior Notes 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.

18. Commitments and Contingencies

Professional and General Liability

A portion of the Company's professional liability risks are insured through a wholly-owned insurance subsidiary. The Company is self-insured for professional liability claims up to \$10.0 million and has obtained reinsurance coverage from a third party to cover claims in excess of the retention limit. The reinsurance policy has a coverage limit of \$60.0 million in the aggregate. The Company's reinsurance receivables are recognized consistent with the related liabilities and include known claims and any incurred but not reported claims that are covered by current insurance policies in place.

Legal Proceedings

The Company is, from time to time, subject to various claims, lawsuits, 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. Certain of the Company's individual facilities have received, and from time to time, other facilities may receive, subpoenas, civil investigative demands, audit requests and other inquiries from, and may be subject to investigation by, federal and state agencies. These investigations can result in repayment obligations, and violations of the False Claims Act can result in substantial monetary penalties and fines, the imposition of a corporate integrity agreement and exclusion from participation in governmental health programs. In addition, the federal False Claims Act permits private parties 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.

On April 1, 2019, a consolidated complaint was filed against the Company and certain former and current officers in the lawsuit styled *St. Clair County Employees' Retirement System v. Acadia Healthcare Company, Inc., et al.*, Case No. 3:19-cv-00988, which is pending in the United States District Court for the Middle District of Tennessee. The complaint purports to be brought on behalf of a class consisting of all persons (other than defendants) who purchased securities of the Company between April 30, 2014 and November 15, 2018, and alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. At this time, the Company is not able to quantify any potential liability in connection with this litigation because the case is in its early stages.

On February 21, 2019, a purported stockholder filed a related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Davydov v. Joey A. Jacobs, et al.*, Case No. 3:19-cv-00167, which is pending in the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Section 10(b) and 14(a) of the Exchange Act, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. On May 23, 2019, a purported stockholder filed a second related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Beard v. Jacobs, et al.*, Case No. 3:19-cv-0441, which is pending the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Sections 10(b), 14(a), and 21D of the Exchange Act, breach of fiduciary duty, waste of corporate assets, unjust enrichment, and insider selling. On June 11, 2019, the Davydov and Beard actions were consolidated. On February 16, 2021, the parties filed a stipulation staying the case. On October 23, 2020, a purported stockholder filed a third related derivative action on behalf of the Company against former and current officers and directors in the lawsuit styled *Pfenning v. Jacobs, et al.*, Case No. 2020-0915-JRS, which is pending in the Court of Chancery of the State of Delaware. The complaint alleges claims for breach of fiduciary duty. On February 17, 2021, the court entered an order staying the case. At this time, the Company is not able to quantify any potential liability in connection with this litigation because the cases are in their early stages.

In the fall of 2017, the Office of Inspector General ("OIG") issued subpoenas to three of the Company's facilities requesting certain documents from January 2013 to the date of the subpoenas. The U.S. Attorney's Office for the Middle District of Florida issued a civil investigative demand to one of the Company's facilities in December 2017 requesting certain documents from November 2012 to the date of the demand. In April 2019, the OIG issued subpoenas relating to six additional facilities requesting certain documents and information from January 2013 to the date of the subpoenas. The government's investigation of each of these facilities is focused on claims not eligible for payment because of alleged violations of certain regulatory requirements relating to, among other things, medical necessity, admission eligibility, discharge decisions, length of stay and patient care issues. The Company is cooperating with the government's investigation but is not able to quantify any potential liability in connection with these investigations.

19. Derivatives

The Company entered into foreign currency forward contracts during the year ended December 31, 2020 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 USD and GBP associated with cash transfers.

In August 2019, the Company also 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 £538.1 million. During the term of the swap agreements, the Company received semi-annual interest payments in USD from the counterparties at fixed interest rates, and the Company made semi-annual interest payments in GBP to the counterparties at fixed interest rates. The interest payments under the cross-currency swap agreements resulted in £25.4 million of annual cash flows from the Company's U.K. business being converted to \$35.8 million.

In conjunction with the U.K. Sale in January 2021, the Company settled its cross currency swap liability and outstanding forward contracts as shown in investing activities in the condensed consolidated statements of cash flows.

20. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. The 5.500% Senior Notes and 5.000% 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 New Credit Facility. Summarized financial information is presented below is consistent with the condensed consolidated financial statements of the Company, except transactions between combining entities have been eliminated. Financial information for the combined non-guarantor entities has been excluded. Presented below is condensed financial information for the combined wholly-owned subsidiary guarantors at March 31, 2022 and December 31, 2021, and for the three months ended March 31, 2022.

Summarized balance sheet information (in thousands):

	March 31, 2022	December 31, 2021
Current assets	\$ 453,748	\$ 422,113
Property and equipment, net	1,534,615	1,525,569
Goodwill	2,087,700	2,086,978
Total noncurrent assets	3,908,572	3,893,087
Current liabilities	388,834	385,044
Long-term debt	1,447,937	1,460,046
Total noncurrent liabilities	1,753,630	1,752,271
Redeemable noncontrolling interests	—	—
Total equity	2,219,856	2,177,885

Summarized operating results information (in thousands):

	Three Months Ended March 31, 2022
Revenue	\$ 569,806
Income before income taxes	72,712
Net income	56,687
Net income attributable to Acadia Healthcare Company, Inc.	56,687

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 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:

- the impact of the COVID-19 pandemic on our inpatient and outpatient volumes, or disruptions caused by other pandemics, epidemics or outbreaks of infectious diseases;
- the impact of vaccine and other pandemic-related mandates imposed by local, state and federal authorities on our business;
- costs of providing care to our patients, including increased staffing, equipment and supply expenses resulting from the COVID-19 pandemic;
- the impact of the retirement of Debra K. Osteen, our former chief executive officer, and our ability to integrate Christopher H. Hunter, our new chief executive officer;
- our significant indebtedness, our ability to meet our debt obligations, and our ability to incur substantially more debt;
- our ability to implement our business strategies, especially in light of the COVID-19 pandemic;
- the impact of payments received from the government and third-party payors on our revenue and results of operations;
- 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 recruit and retain quality psychiatrists and other physicians, nurses, counselors and other medical support personnel;
- the impact of competition for staffing on our labor costs and profitability;
- the impact of increases to our labor costs;
- the impact of general economic and employment conditions on our business and future results of operations;
- 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;
- the impact of the economic and employment conditions on our business and future results of operations;
- the impact of adverse weather conditions, including the effects of hurricanes and wildfires;
- 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;
- any failure to comply with the terms of our corporate integrity agreement with the OIG;
- the impact of healthcare reform in the U.S.;

- the risk of a cyber-security incident and any resulting adverse impact on our operations or violation of laws and regulations regarding information privacy;
- 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 wholly-owned 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 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 earnings, adverse changes in our effective tax rate and adverse developments in tax laws generally;
- changes in interpretations, assumptions and expectations regarding recent tax legislation, including provisions of the CARES Act and 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, 2022, we operated 238 behavioral healthcare facilities with approximately 10,600 beds in 40 states and Puerto Rico. During the three months ended March 31, 2022, we added 28 beds to existing facilities and opened one comprehensive treatment center (“CTC”). For the year ending December 31, 2022, we expect to add approximately 300 beds to existing facilities and expect to open two wholly-owned facilities, two joint venture facilities and at least six CTCs.

We are the leading publicly traded pure-play provider of behavioral healthcare services in the United States. 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. through acquisitions, wholly-owned de novo facilities, joint ventures and bed additions in existing facilities.

On January 19, 2021, we completed the U.K. Sale pursuant to a Share Purchase Agreement in which we sold all of the securities of AHC-WW Jersey Limited, a private limited liability company incorporated in Jersey and a subsidiary of the Company, which constituted the entirety of our U.K. business operations. The U.K. Sale resulted in approximately \$1,525 million of gross proceeds before deducting the settlement of existing foreign currency hedging liabilities of \$85 million based on the current GBP to USD exchange rate, cash retained by the buyer and transaction costs. We used the net proceeds of approximately \$1,425 million (excluding cash retained by the buyer) along with cash from the balance sheet to reduce debt by \$1,640 million during the first quarter of 2021. As a result of the U.K. Sale, we reported, for all periods presented, results of operations and cash flows of the U.K. operations as discontinued operations in the accompanying financial statements.

COVID-19

During March 2020, the global pandemic of COVID-19 began to affect our facilities, employees, patients, communities, business operations and financial performance, as well as the broader U.S. and U.K. economies and financial markets. At many of our facilities, employees and/or patients have tested positive for COVID-19. We are committed to protecting the health of our communities and have been responding to the evolving COVID-19 situation while taking steps to provide quality care and protect the health and safety of our patients and employees. Over the last two years, all of our facilities have closely followed infectious disease protocols, as well as recommendations by the CDC and local health officials.

We have taken numerous steps to help minimize the impact of the virus on our patients and employees. For example, we:

- established an internal COVID-19 taskforce;
- instituted social distancing practices and protective measures throughout our facilities, which included restricting or suspending visitor access, screening patients and staff who enter our facilities based on criteria established by the CDC and local health officials, and testing and isolating patients when warranted;
- implemented plans to vaccinate all eligible employees at our facilities that participate in CMS reimbursement programs;
- secured contracts with additional distributors for supplies;
- expanded telehealth capabilities;
- implemented emergency planning in directly impacted markets; and
- limited all non-essential business travel and suspended in-person trainings and conferences.

We have developed additional supply chain management processes, which includes extensive tracking and delivery of key personal protective equipment (“PPE”) and supplies and sharing resources across all facilities. We could experience supply chain disruptions and significant price increases in equipment, pharmaceuticals and medical supplies, particularly PPE. Pandemic-related staffing difficulties and equipment, pharmaceutical and medical supplies shortages may impact our ability to treat patients at our facilities. Such shortages could lead to us paying higher prices for supplies, equipment and labor and an increase in overtime hours paid to our employees.

CARES Act and Other Regulatory Developments

On March 27, 2020, the CARES Act was signed into law. The CARES Act is intended to provide over \$2 trillion in stimulus benefits for the U.S. economy. Among other things, the CARES Act includes additional support for small businesses, expands unemployment benefits, makes forgivable loans available to small businesses, provides for certain federal income tax changes, and provides \$500 billion for loans, loan guarantees, and other investments for or in U.S. businesses.

In addition, the CARES Act contains a number of provisions that are intended to assist healthcare providers as they combat the effects of the COVID-19 pandemic. Those provisions include, among others:

- an appropriation to the PHSSE Fund to reimburse, through grants or other mechanisms, eligible healthcare providers and other approved entities for COVID-19-related expenses or lost revenue;
- the expansion of CMS’ Accelerated and Advance Payment Program;

- the temporary suspension of Medicare sequestration from May 1, 2020, to March 31, 2022; and
- waivers or temporary suspension of certain regulatory requirements.

The U.S. government initially announced it would offer \$100 billion of relief to eligible healthcare providers through the PHSSE Fund. On April 24, 2020, then President Trump signed into law the PPP Act. Among other things, the PPP Act allocated \$75 billion to eligible healthcare providers to help offset COVID-19 related losses and expenses. The \$75 billion allocated under the PPP Act is in addition to the \$100 billion allocated to healthcare providers for the same purposes in the CARES Act and has been disbursed to providers under terms and conditions similar to the CARES Act funds. We received approximately \$19.7 million of the initial funds distributed from the PHSSE Fund in April 2020. We received an additional \$12.8 million from the PHSSE Fund in August 2020. In April 2021, we received \$24.2 million of additional funds from the PHSSE Fund. During the fourth quarter of 2021, we recorded \$17.9 million of income from provider relief fund related to the PHSSE funds received in 2021. We continue to evaluate our compliance with the terms and conditions to, and the financial impact of, these additional funds received.

Using existing authority and certain expanded authority under the CARES Act, the U.S. Department of Health & Human Services (“HHS”) expanded CMS’ Accelerated and Advance Payment Program to a broader group of Medicare Part A and Part B providers for the duration of the COVID-19 pandemic. Under the program, certain of our facilities were eligible to request up to 100% of their Medicare payment amount for a three-month period. Under the original terms of the program, the repayment of these accelerated/advanced payments would have begun 120 days after the date of the issuance of the payment and the amounts advanced to our facilities would have been recouped from new Medicare claims as a 100% offset. Our facilities would have had 210 days from the date the accelerated or advance payment was made to repay the amounts that they owe.

On October 1, 2020, Congress amended the terms of the Accelerated and Advance Payment Program to extend the term of the loan and adjust the repayment process. Under the new terms of the program, all providers will have 29 months from the date of their first program payment to repay the full amount of the accelerated or advance payments they have received. The revised terms extend the period before repayment begins from 210 days to one year from the date that payment under the program was received. Once the repayment period begins, the offset is limited to 25% of new claims during the first 11 months of repayment and 50% of new claims during the final 6 months. The revised program terms also lower the interest rate on outstanding amounts due at the end of the repayment period from 10% to 4%. We applied for and received approximately \$45 million in April 2020 from this program. Of the \$45 million of advance payments received in 2020, we repaid approximately \$25 million of advance payments during 2021 and made additional payments of approximately \$8 million during the three months ended March 31, 2022. We will continue to repay the remaining balance throughout the rest of 2022.

Under the CARES Act, we also received a 2% increase in our facilities’ Medicare reimbursement rate as a result of the temporary suspension of Medicare sequestration from May 1, 2020 to March 31, 2022.

The CARES Act also provides for certain federal income and other tax changes. We received a cash benefit of approximately \$39 million for 2020 relating to the delay of payment of the employer portion of Social Security payroll taxes. We repaid half of the \$39 million of payroll tax deferrals during the third quarter of 2021 and expect to repay the remaining portion in the second half of 2022.

In addition to the financial and other relief that has been provided by the federal government through the CARES Act and other legislation passed by Congress, CMS and many state governments have also issued waivers and temporary suspensions of healthcare facility licensure, certification, and reimbursement requirements in order to provide hospitals, physicians, and other healthcare providers with increased flexibility to meet the challenges presented by the COVID-19 pandemic. For example, CMS and many state governments have temporarily eased regulatory requirements and burdens for delivering and being reimbursed for healthcare services provided remotely through telemedicine. CMS has also temporarily waived many provisions of the Stark law, including many of the provisions affecting our relationships with physicians. Many states have also suspended the enforcement of certain regulatory requirements to ensure that healthcare providers have sufficient capacity to treat COVID-19 patients. These regulatory changes are temporary, with most slated to expire at the end of the declared COVID-19 public health emergency.

We are continuing to evaluate the terms and conditions and financial impact of funds received under the CARES Act and other government relief programs.

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,			
	2022		2021	
	Amount	%	Amount	%
Revenue	\$ 616,653	100.0%	\$ 551,199	100.0%
Salaries, wages and benefits	335,762	54.4%	304,333	55.2%
Professional fees	36,911	6.0%	31,617	5.7%
Supplies	23,699	3.8%	21,322	3.9%
Rents and leases	11,249	1.8%	9,412	1.7%
Other operating expenses	81,425	13.2%	72,010	13.1%
Depreciation and amortization	28,926	4.7%	24,894	4.5%
Interest expense	15,787	2.6%	29,027	5.3%
Debt extinguishment costs	—	0.0%	24,650	4.5%
Transaction-related expenses	3,582	0.6%	4,610	0.8%
Total expenses	537,341	87.1%	521,875	94.7%
Income from continuing operations before income taxes	79,312	12.9%	29,324	5.3%
Provision for income taxes	17,402	2.8%	6,204	1.1%
Income from continuing operations	61,910	10.0%	23,120	4.2%
Loss from discontinued operations, net of taxes	—	0.0%	(12,641)	-2.3%
Net income	61,910	10.0%	10,479	1.9%
Net income attributable to noncontrolling interests	(1,073)	-0.2%	(762)	-0.1%
Net income attributable to Acadia Healthcare Company, Inc.	<u>\$ 60,837</u>	<u>9.9%</u>	<u>\$ 9,717</u>	<u>1.8%</u>

At March 31, 2022, we operated 238 behavioral healthcare facilities with approximately 10,600 beds in 40 states and Puerto Rico. For all periods presented, results of operations and cash flows of the U.K. operations are reported as discontinued operations in the accompanying financial statements.

We are encouraged by the favorable trends in our business and believe we are well positioned to capitalize on the expected growth in demand for behavioral health services. As with many other healthcare providers and other industries across the country, we are currently dealing with a tight labor market. However, we believe the diversity of our markets and service lines and our proactive focus helps us manage through this environment. We remain focused on ensuring that we have the level of staff to meet the demand in our markets.

The following table sets forth percent changes in same facility operating data for the three months ended March 31, 2022 compared to the same period in 2021:

U.S. Same Facility Results (a)	
Revenue growth	8.6%
Patient days growth	2.2%
Admissions growth	-2.6%
Average length of stay change (b)	4.9%
Revenue per patient day growth	6.2%
Adjusted EBITDA margin change (c)	150 bps

- (a) Results for the periods presented include facilities we have operated more than one year and exclude certain closed services.
- (b) Average length of stay is defined as patient days divided by admissions.
- (c) Adjusted EBITDA is defined as income before provision for income taxes, equity-based compensation expense, debt extinguishment costs, transaction-related expenses, interest expense and

depreciation and amortization. Management uses Adjusted EBITDA as an analytical indicator to measure performance and to develop strategic objectives and operating plans. Adjusted 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. Adjusted EBITDA should not be considered as a measure of financial performance under GAAP, and the items excluded from Adjusted EBITDA are significant components in understanding and assessing financial performance. Because Adjusted EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

Three months ended March 31, 2022 compared to the three months ended March 31, 2021

Revenue. Revenue increased \$65.5 million, or 11.9%, to \$616.7 million for the three months ended March 31, 2022 from \$551.2 million for the three months ended March 31, 2021. Same facility revenue increased \$46.8 million, or 8.6%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, resulting from same facility growth in patient days of 2.2% and an increase in same facility revenue per day of 6.2%. Consistent with same facility growth in 2021, the growth in same facility patient days for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 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 \$335.8 million for the three months ended March 31, 2022 compared to \$304.3 million for the three months ended March 31, 2021, an increase of \$31.5 million. SWB expense included \$7.9 million and \$7.0 million of equity-based compensation expense for the three months ended March 31, 2022 and 2021, respectively. Excluding equity-based compensation expense, SWB expense was \$327.9 million, or 53.2% of revenue, for the three months ended March 31, 2022, compared to \$297.3 million, or 53.9% of revenue, for the three months ended March 31, 2021. The increase in SWB expense relates to incremental staff to support volume growth as well as wage inflation. Same facility SWB expense was \$290.8 million for the three months ended March 31, 2022, or 49.1% of revenue, compared to \$274.2 million for the three months ended March 31, 2021, or 50.3% of revenue.

Professional fees. Professional fees were \$36.9 million for the three months ended March 31, 2022, or 6.0% of revenue, compared to \$31.6 million for the three months ended March 31, 2021, or 5.7% of revenue. Same facility professional fees were \$31.4 million for the three months ended March 31, 2022, or 5.3% of revenue, compared to \$28.3 million, for the three months ended March 31, 2021, or 5.2% of revenue.

Supplies. Supplies expense was \$23.7 million for the three months ended March 31, 2022, or 3.8% of revenue, compared to \$21.3 million for the three months ended March 31, 2021, or 3.9% of revenue. Same facility supplies expense was \$22.4 million for the three months ended March 31, 2022, or 3.8% of revenue, compared to \$21.2 million for the three months ended March 31, 2021, or 3.9% of revenue.

Rents and leases. Rents and leases were \$11.2 million for the three months ended March 31, 2022, or 1.8% of revenue, compared to \$9.4 million for the three months ended March 31, 2021, or 1.7% of revenue. Same facility rents and leases were \$9.1 million for the three months ended March 31, 2022, or 1.5% of revenue, compared to \$8.5 million for the three months ended March 31, 2021, or 1.6% 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 \$81.4 million for the three months ended March 31, 2022, or 13.2% of revenue, compared to \$72.0 million for the three months ended March 31, 2021, or 13.1% of revenue. Same facility other operating expenses were \$74.1 million for the three months ended March 31, 2022, or 12.5% of revenue, compared to \$69.6 million for the three months ended March 31, 2021, or 12.8% of revenue.

Depreciation and amortization. Depreciation and amortization expense was \$28.9 million for the three months ended March 31, 2022, or 4.7% of revenue, compared to \$24.9 million for the three months ended March 31, 2021, or 4.5% of revenue.

Interest expense. Interest expense was \$15.8 million for the three months ended March 31, 2022 compared to \$29.0 million for the three months ended March 31, 2021. The decrease in interest expense was primarily due to debt repayments in connection with the U.K. Sale in January 2021.

Transaction-related expenses. Transaction-related expenses were \$3.6 million for the three months ended March 31, 2022, compared to \$4.6 million for the three months ended March 31, 2021. Transaction-related expenses represent legal, accounting, termination, restructuring, management transition, acquisition and other similar costs incurred in the respective period, as summarized below (in thousands).

	Three Months Ended March 31,	
	2022	2021
Legal, accounting and other acquisition-related costs	\$ 589	\$ 1,787
Termination and restructuring costs	1,958	2,823
Management transition costs	1,035	—
	<u>\$ 3,582</u>	<u>\$ 4,610</u>

Provision for income taxes. For the three months ended March 31, 2022, the provision for income taxes was \$17.4 million, reflecting an effective tax rate of 21.9%, compared to \$6.2 million, reflecting an effective tax rate of 21.2%, for the three months ended March 31, 2021.

As we continue to monitor the implications of potential tax legislation in each of our jurisdictions, we may adjust our estimates and record additional amounts for tax assets and liabilities. Any adjustments to our tax assets and liabilities could materially impact our provision for income taxes and our effective tax rate in the periods in which they are made.

Revenue

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; and (iv) 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 for the three months ended March 31, 2022 and 2021 (dollars in thousands):

	Three Months Ended March 31,			
	2022		2021	
	Amount	%	Amount	%
Commercial	\$ 194,693	31.6%	\$ 162,702	29.5%
Medicare	94,582	15.3%	86,185	15.6%
Medicaid	299,914	48.6%	274,620	49.8%
Self-Pay	19,785	3.2%	22,443	4.1%
Other	7,679	1.3%	5,249	1.0%
Revenue	<u>\$ 616,653</u>	<u>100.0%</u>	<u>\$ 551,199</u>	<u>100.0%</u>

The following tables present a summary of our aging of accounts receivable at March 31, 2022 and December 31, 2021:

March 31, 2022

	Current	30-90	90-150	>150	Total
Commercial	21.8%	5.5%	2.8%	8.4%	38.5%
Medicare	10.7%	1.5%	0.4%	1.5%	14.1%
Medicaid	30.4%	2.6%	1.9%	5.3%	40.2%
Self-Pay	1.3%	1.6%	1.3%	2.6%	6.8%
Other	0.2%	0.1%	0.0%	0.1%	0.4%
Total	64.4%	11.3%	6.4%	17.9%	100.0%

December 31, 2021

	Current	30-90	90-150	>150	Total
Commercial	20.1%	6.2%	2.6%	8.2%	37.1%
Medicare	11.3%	1.7%	0.5%	2.0%	15.5%
Medicaid	28.6%	3.5%	2.0%	5.6%	39.7%
Self-Pay	1.3%	1.4%	1.4%	3.0%	7.1%
Other	0.1%	0.1%	0.2%	0.2%	0.6%
Total	61.4%	12.9%	6.7%	19.0%	100.0%

Liquidity and Capital Resources

Cash provided by continuing operating activities for the three months ended March 31, 2022 was \$76.8 million compared to \$75.8 million for the three months ended March 31, 2021. Operating cash flows for the three months ended March 31, 2022 included net government relief funds paid of approximately \$7.6 million for repayment of Medicare advance payments. Operating cash flows were impacted by an increase in earnings, a reduction in cash paid for interest and an increase in tax payments during the three months ended March 31, 2022. Days sales outstanding were 44 days at March 31, 2022 compared to 42 days at December 31, 2021.

Cash used in investing activities for the three months ended March 31, 2022 was \$49.7 million compared to cash provided by investing activities of \$1,367.6 million for the three months ended March 31, 2021. Cash used in investing activities for the three months ended March 31, 2022 primarily consisted of \$50.5 million of cash paid for capital expenditures and \$0.5 million of other, offset by \$1.3 million of proceeds from sales of property and equipment. Cash paid for capital expenditures for the three months ended March 31, 2022 consisted of \$12.0 million of routine capital expenditures and \$38.5 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 approximately 2% of revenue for the three months ended March 31, 2022. Cash provided by investing activities for the three months ended March 31, 2021 primarily consisted of \$1,511.0 million of proceeds from the U.K. Sale and \$0.1 million of proceeds from the sale of property and equipment, offset by \$84.8 million for settlement of foreign currency derivatives, \$58.7 million of cash paid for capital expenditures and \$0.1 million of other. Cash paid for capital expenditures for the three months ended March 31, 2021 consisted of \$7.7 million of routine capital expenditures and \$51.0 million of expansion capital expenditures.

Cash used in financing activities for the three months ended March 31, 2022 was \$20.5 million compared to \$1,647.5 million for the three months ended March 31, 2021. Cash used in financing activities for the three months ended March 31, 2022 consisted of repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises of \$11.7 million, principal payments on revolving credit facility of \$10.0 million, principal payments on long-term debt of \$2.7 million and distributions to noncontrolling partners in joint ventures of \$0.4 million, offset by \$4.3 million of contributions from noncontrolling partners in joint ventures. Cash used in financing activities for the three months ended March 31, 2021 primarily consisted of repayment of long-term debt of \$2,224.6 million, payment of debt issuance costs of \$9.9 million, principal payments on revolving credit facility of \$270.0 million, other of \$6.8 million and \$0.4 million of distributions to noncontrolling partners in joint ventures, offset by borrowings on long-term debt of \$425.0 million, borrowings on revolving credit facility of \$430.0 million, repurchase of shares for payroll tax withholding, net of proceeds from stock option exercises of \$8.2 million and \$1.0 million of contributions from noncontrolling partners in joint ventures.

We had total available cash and cash equivalents of \$140.4 million and \$133.8 million at March 31, 2022 and December 31, 2021, respectively, of which approximately \$22.1 million and \$20.1 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.

We believe existing cash on hand, cash flows from operations, the availability under our revolving line of credit and cash from additional financing will be sufficient to meet our expected liquidity needs during the next 12 months.

New Credit Facility

We entered into a New Credit Facility on March 17, 2021. The New Credit Facility provides for a \$600.0 million Revolving Facility and a \$425.0 million Term Loan Facility with each maturing on March 17, 2026 unless extended in accordance with the terms of the New Credit Facility. The Revolving Facility further provides for (i) up to \$20.0 million to be utilized for the issuance of letters of credit and (ii) the availability of a swingline facility under which we may borrow up to \$20.0 million.

As a part of the closing of the New Credit Facility on March 17, 2021, we (i) refinanced and terminated our Prior Credit Facility and (ii) financed the redemption of all of our outstanding 5.625% Senior Notes.

During the three months ended March 31, 2022 we repaid \$10.0 million of the balance outstanding on the Revolving Facility. We had \$436.8 million of availability under the Revolving Facility and had standby letters of credit outstanding of \$3.2 million related to security for the payment of claims required by our workers' compensation insurance program at March 31, 2022.

The New Credit Facility requires quarterly term loan principal repayments for our Term Loan Facility of \$5.3 million for June 30, 2022 to March 31, 2024, \$8.0 million for June 30, 2024 to March 31, 2025, \$10.6 million for June 30, 2025 to December 31, 2025, with the remaining principal balance of the Term Loan Facility due on the maturity date of March 17, 2026.

We have the ability to increase the amount of the Senior Facilities, which may take the form of increases to the Revolving Facility or the Term Loan Facility or the issuance of one or more Incremental Facilities, upon obtaining additional commitments from new or existing lenders and the satisfaction of customary conditions precedent for such Incremental Facilities. Such Incremental Facilities may not exceed the sum of (i) the greater of \$480.0 million and an amount equal to 100% of our Consolidated EBITDA (as defined in the New Credit Facility) and its Restricted Subsidiaries (as defined in the New Credit Facility) (as determined for the four fiscal quarter period most recently ended for which financial statements are available), and (ii) additional amounts so long as, after giving effect thereto, the Consolidated Senior Secured Net Leverage Ratio (as defined in the New Credit Facility) does not exceed 3.5 to 1.0.

Subject to certain exceptions, substantially all of our existing and subsequently acquired or organized direct or indirect wholly-owned U.S. subsidiaries are required to guarantee the repayment of its obligations under the New Credit Facility. Borrowings under the Senior Facilities bear interest at a floating rate, which will initially be, at our option, either (i) adjusted LIBOR plus 1.50% or (ii) an alternative base rate plus 0.50% (in each case, subject to adjustment based on our consolidated total net leverage ratio). An unused fee initially set at 0.20% per annum (subject to adjustment based on the our consolidated total net leverage ratio) is payable quarterly in arrears based on the actual daily undrawn portion of the commitments in respect of the Revolving Facility.

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

Pricing Tier	Consolidated Total Net Leverage Ratio	Eurodollar Rate Loans and Letter of Credit Fees	Base Rate and Swing Line Loans	Commitment Fee
1	≥ 4.50:1.0	2.250%	1.250%	0.350%
2	<4.50:1.0 but ≥ 3.75:1.0	2.000%	1.000%	0.300%
3	<3.75:1.0 but ≥ 3.00:1.0	1.750%	0.750%	0.250%
4	<3.00:1.0 but ≥ 2.25:1.0	1.500%	0.500%	0.200%
5	<2.25:1.0	1.375%	0.375%	0.200%

The New Credit Facility contains customary representations and affirmative and negative covenants, including limitations on the Company's and its subsidiaries' ability to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, pay junior indebtedness and enter into affiliate transactions, in each case, subject to customary exceptions. In addition, the New Credit Facility contains financial covenants requiring us on a consolidated basis to maintain, as of the last day of any consecutive four fiscal quarter period, a consolidated total net leverage ratio of not more than 5.0 to 1.0 and an interest coverage ratio of at least 3.0 to 1.0. The New Credit Facility also includes events of default customary for facilities of this type and upon the occurrence of such events of default, among other things, all outstanding loans under the Senior Facilities may be accelerated and/or the lenders' commitments terminated. At March 31, 2022, we were in compliance with such covenants.

Prior Credit Facility

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

On January 5, 2021, we made a voluntary payment of \$105.0 million on the Tranche B-4 Facility. On January 19, 2021, we used a portion of the net proceeds from the U.K. Sale to repay the outstanding balances of \$311.7 million of our TLA Facility and \$767.9 million of our Tranche B-4 Facility of the Prior Credit Facility. During the three months ended March 31, 2021, in connection with the termination of the Prior Credit Facility, we recorded a debt extinguishment charge of \$10.9 million, including the write-off of discount and deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statement of operations.

Senior Notes

5.500% Senior Notes due 2028

On June 24, 2020, we issued \$450.0 million of 5.500% Senior Notes due 2028. The 5.500% Senior Notes mature on July 1,

2028 and bear interest at a rate of 5.500% per annum, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2021.

5.000% Senior Notes due 2029

On October 14, 2020, we issued \$475.0 million of 5.000% Senior Notes. The 5.000% Senior Notes mature on April 15, 2029 and bear interest at a rate of 5.000% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2021. We used the net proceeds of the 5.000% Senior Notes to prepay approximately \$453.3 million of the outstanding borrowings on our existing Tranche B-3 Facility and used the remaining net proceeds for general corporate purposes and to pay related fees and expenses in connection with the offering. In connection with the 5.000% Senior Notes, we recorded a debt extinguishment charge of \$2.9 million, including the write-off of discount and deferred financing costs of the Tranche B-3 Facility, which was recorded in debt extinguishment costs in the consolidated statement of operations for the year ended December 31, 2020.

The indentures governing the Senior Notes contain covenants that, among other things, limit our ability and the ability of our 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 guaranteed our obligations under the New Credit Facility. The guarantees are full and unconditional and joint and several.

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

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 had outstanding an aggregate of \$650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes were to 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. On March 17, 2021, we redeemed the 5.625% Senior Notes.

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 were to 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. On March 1, 2021, we redeemed the 6.500% Senior Notes.

Redemption of 5.625% Senior Notes and 6.500% Senior Notes

On January 29, 2021, we issued conditional notices of full redemption providing for the redemption in full of \$650 million of 5.625% Senior Notes and \$390 million of 6.500% Senior Notes to the holders of such notes.

On March 1, 2021, we satisfied and discharged the indentures governing the 6.500% Senior Notes. In connection with the redemption of the 6.500% Senior Notes, we recorded debt extinguishment costs of \$10.5 million, including \$6.3 million cash paid for breakage costs and the write-off of deferred financing costs of \$4.2 million in the condensed consolidated statement of operations.

On March 17, 2021, we satisfied and discharged the indentures governing the 5.625% Senior Notes. In connection with the redemption of the 5.625% Senior Notes, we recorded debt extinguishment costs of \$3.3 million, including the write-off of deferred financing and premiums costs in the condensed consolidated statement of operations.

Contractual Obligations

The following table presents a summary of contractual obligations at March 31, 2022 (in thousands):

	Payments Due by Period				Total
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
Long-term debt (a)	\$ 81,609	\$ 172,465	\$ 605,687	\$ 1,009,375	\$ 1,869,136
Operating lease liabilities (b)	31,539	52,837	35,775	66,748	186,899
Finance lease liabilities	990	2,021	2,178	22,638	27,827
Total obligations and commitments	\$ 114,138	\$ 227,323	\$ 643,640	\$ 1,098,761	\$ 2,083,862

- (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, 2022.
- (b) Amounts exclude variable components of lease payments.

Critical Accounting Policies

Our goodwill and other indefinite-lived intangible assets, which consist of licenses and accreditations, trade names and certificates of need intangible assets that are not amortized, are evaluated for impairment annually during the fourth quarter or more frequently if events indicate the carrying value of a reporting unit may not be recoverable.

Subsequent to the U.K. Sale, as of our impairment test on October 1, 2021, we had one reporting unit, behavioral health services. The fair value of our behavioral health services reporting unit substantially exceeded its carrying value, and therefore no impairment was recorded.

There have been no material changes in our critical accounting policies at March 31, 2022 from those described in our Annual Report on Form 10-K for the year ended December 31, 2021.

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, 2022 was composed of \$913.2 million of fixed-rate debt and \$571.9 million 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 0.20% higher rate on our variable rate debt) would decrease our net income and cash flows by \$0.8 million on an annual basis based upon our borrowing level at March 31, 2022.

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 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, 2022 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION**Item 1. Legal Proceedings**

Information with respect to this item may be found in Note 18 – Commitments and Contingencies in the accompanying notes to our consolidated financial statements of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

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, 2021. The risks described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, 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, 2022, 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	31,180	\$ 53.33	—	—
February 1 – February 28	217,780	56.54	—	—
March 1 – March 31	39,638	64.06	—	—
Total	<u>288,598</u>			

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
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	Side Letter to Employment Agreement, dated January 31, 2022, by and between Acadia Management Company, Inc. and Debra K. Osteen. (2)
10.2*	Consulting Agreement, dated April 11, 2022, by and between Acadia Management Company, Inc. and Debra K. Osteen.
10.3*	Employment Agreement, dated March 31, 2022, by and between Acadia Management Company, Inc. and Christopher H. Hunter.
22	List of Subsidiary Guarantors and Issuers of Guaranteed Securities. (3)
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**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, has been formatted in Inline XBRL.

(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 February 1, 2022 (File No. 001-35331).

(3) Incorporated by reference to exhibits filed with the Company's Annual Report on Form 10-K for year ended December 31, 2021 (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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange 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 4, 2022

CONSULTANT SERVICES AGREEMENT

This Consultant Services Agreement ("Agreement") by and between Acadia Management Company, LLC (the "Company") and Debbie Osteen ("Consultant"), is entered into and effective as of April 11, 2022 (the "Commencement Date").

WHEREAS, Consultant is a member of the board of directors (the "Board") and the former Chief Executive Officer of Acadia Healthcare Company, Inc. ("Acadia");

WHEREAS, Consultant is willing to provide to Acadia the services described in this Agreement, and Acadia desires for Consultant to provide the services described in this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants and conditions set forth hereinafter, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Consultant, intending to be legally bound, agree as follows:

1. **Duties and Responsibilities.** During the term of this Agreement, Consultant shall make herself available to provide transition advisory services as reasonably requested by the Chief Executive Officer or Board of Acadia. Acadia and Consultant acknowledge and agree that such advisory services are in addition to Consultant's role as a director of the Board. The parties expect that Consultant will devote approximately 40 hours per month in the performance of her duties and responsibilities hereunder.
 2. **Compensation and Expenses.** For the services described herein, the Company will pay Consultant \$20,000.00 per month. Consultant, as an independent contractor, agrees to pay in a timely manner all social security and other payroll taxes relating to such compensation. In addition, the Company will reimburse Consultant for her reasonable expenses incurred in the performance of her duties and responsibilities hereunder, provided Consultant provides appropriate documentation for such expenses. Consultant's compensation will be paid monthly no later than the 15th day of the month following the month of service.
 3. **Term of Agreement.** This Agreement shall become effective on the date set forth above and continue until terminated by either party.
 4. **Termination.** Either party may terminate this Agreement with or without cause at any time by providing notice to the other party, such termination to be effective immediately upon delivery of such notice or as otherwise stated in such notice.
 5. **Amendment.** This Agreement shall not be amended, modified or supplemented except by a written instrument signed by the parties hereto.
 6. **Notices.** Any notice provided for in this Agreement shall be in writing and sent via email, overnight delivery service or U.S. mail, return receipt requested, to the
-

recipient at the address indicated on the signature page to this Agreement. Notice of a change in address of one of the parties shall be given in writing to the other party as provided above.

7. **Counterparts.** This Agreement may be executed and delivered in separate counterparts, including by “pdf” or other electronic transmission, each of which shall be deemed to be an original and all of which together constitute one and the same agreement.
8. **Governing Law.** The interpretation and enforcement of this Agreement will be governed by Delaware law, without regard to any conflicts of law provisions contained therein.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date set forth above.

For the Company:

For Consultant:

Acadia Management Company, LLC

By: /S/ Chris Howard
Chris Howard

By: /S/ Debbie Osteen
Debbie Osteen

Its: VP and Secretary

Address for Company:

Address for Consultant:

Acadia Healthcare Company, Inc.
Attn: General CounselDebbie Osteen
6100 Tower Circle, Suite 1000
Franklin, TN 37067
chris.howard@acadiahealthcare.com

Debbie Osteen

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of March 31, 2022 by and between Acadia Management Company, LLC, a Delaware limited liability company (the "Company"), Christopher H. Hunter ("Executive"). Acadia Healthcare Company, Inc., a Delaware corporation ("Acadia") shall be a party to the Agreement only to the extent expressly set forth in the Agreement. This Agreement will become effective when signed by each of the Company, Acadia and Executive.

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by and render services to the Company, Acadia and their respective affiliates, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment; Employment Period. The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning as of April 11, 2022 (the "Effective Date") and ending on December 31, 2027 (such period, the "Initial Term"). Thereafter, the term of this Agreement will automatically extend, on the same terms, for successive one-year periods, unless either party provides written notice of non-extension at least one hundred eighty (180) days prior to the end of the Initial Term or any extension thereof. The period during which this Agreement is in effect is referred to as the "Employment Period". Notwithstanding the foregoing, Executive's employment hereunder may be earlier terminated in accordance with (and subject to) Section 4.

2. Position and Duties.

(a) Position; Responsibilities. During the Employment Period, Executive shall serve as the Chief Executive Officer of Acadia, and shall have the normal duties, responsibilities, functions and authority of a chief executive officer in similarly sized companies that are not inconsistent with Executive's position as Chief Executive Officer of Acadia, subject to the power and authority of the board of directors of Acadia (the "Board"), to expand or limit such duties, responsibilities, functions and authority within the scope of duties, responsibilities, functions and authority associated with the position of Chief Executive Officer consistent with Acadia's Bylaws in effect on the Effective Date. Executive shall also serve as the Chief Executive Officer of the Company, and shall have the normal duties, responsibilities, functions and authority of such office consistent with the Company's Bylaws. Acadia shall cause the nominating and corporate governance committee of the Board (the "Nominating Committee") to nominate Executive to serve as a member of the Board each year during the Employment Period that Executive's term of Board service is to be slated for reelection to the Board. If Acadia's stockholders vote in favor of the Nominating Committee's nomination of Executive to serve as a member of the Board, Executive agrees to serve in such capacity. During the Employment Period, Executive agrees to serve on all other boards of directors of the Subsidiaries or the

Company's affiliates and Executive agrees that any such board service shall be without additional compensation.

(b) Reporting; Performance of Duties. Executive shall report to the Board and all employees of Acadia and the Subsidiaries shall report to Executive or his designee(s). Executive shall devote substantially all of his business time and attention (except for vacation periods and periods of illness or other incapacity, in each case, taken in accordance with the terms of applicable policies and benefit plans of the Company) to the business and affairs of Acadia and the Subsidiaries. So long as Executive is employed by the Company, Executive shall not, without the prior written consent or approval of the Board, perform other services for compensation. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the Board, as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of for-profit companies or businesses which are not directly competitive with the Company or any Subsidiary (provided that the prior written consent of the Board shall not be required for Executive to serve as a member of the board of directors or advisory boards (or their equivalents) of the companies listed on Exhibit A), (ii) engaging in charitable activities and community affairs (including serving as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of not-for-profit, charitable or community organizations which are not directly competitive with the Company or any Subsidiary); and (iii) managing Executive's personal and legal affairs and his passive personal investments; provided, however, the activities set out in clauses (i) and (ii) above shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder. For the avoidance of doubt, so long as Executive is employed by the Company, Executive shall not provide any services to any company or business that is directly competitive with Acadia or the Subsidiaries (whether for-profit or not-for-profit) without the prior written consent of the Board.

3. Compensation and Benefits.

(a) Base Salary. During the Employment Period, Executive's base salary shall be \$1,000,000 per annum, subject to annual review by the Compensation Committee of the Board (the "Compensation Committee") (as may be adjusted from time to time, but in no event in an amount that is less than \$1,000,000 per annum without the written consent of Executive, the "Base Salary"), which salary shall be payable by the Company in regular installments in accordance with the Company's general payroll practices (as in effect from time to time). The Base Salary for any partial calendar year during the Employment Period will be based upon the actual number of days elapsed in such calendar year.

(b) Bonus. In addition to the Base Salary, for each fiscal year of Acadia that begins or ends during the Employment Period, Executive shall be eligible to earn a target annual cash bonus of 100% of Executive's Base Salary (the "Target Bonus") in accordance with the Company's annual bonus plan applicable to senior executives which currently provides a range of 0% for performance below threshold performance, 50% of Base Salary at threshold performance, and up to a maximum cash bonus determined in accordance with the Company's annual bonus plan for senior executives (which for Executive shall be 200% of Base Salary), if and only if Executive, Acadia and the Subsidiaries achieve the performance criteria specified by

the Board and the Compensation Committee for such year, as determined by the Board and the Compensation Committee in its sole discretion. The performance criteria for any particular year shall be set by the Board and the Compensation Committee no later than ninety (90) days after the commencement of the relevant year; provided that, with respect to Executive's annual bonus for 2022, the performance criteria will be based (i) 40% on EBITDA, (ii) 40% on EPS and (iii) subject to the achievement of EBITDA and EPS goals at or in excess of target levels, 20% on such other goals as shall be established by the Board or the Compensation Committee. Unless otherwise agreed to by Executive, any such bonus amount for any year shall be earned (if awarded) on the last day of such year and paid by the Company in the calendar year following the calendar year to which such bonus has been earned and no later than the earlier of (x) the date that is ten (10) business days after Acadia's receipt of its audited financial statements for the calendar year with respect to which such bonus has been earned and (y) December 31 of the calendar year following such year with respect to which such bonus has been earned; provided that, except as set forth in Section 4, Executive must be employed on the applicable payment date in order to receive payment of such bonus.

(c) Long-Term Incentive Compensation.

(i) Subject to approval by the Board and the Compensation Committee (which shall be sought as soon as practicable following the effectiveness of this Agreement), Executive shall receive, as soon as practicable following the Effective Date, an initial long-term incentive award (the "Initial Award") consisting of time-based restricted stock units to acquire shares of the common stock of Acadia ("RSUs") with an aggregate grant date value of \$1 million and performance stock units to acquire shares of the common stock of Acadia ("PSUs") with an aggregate target grant date value of \$3.5 million. RSUs subject to the Initial Award shall vest in four equal annual installments from the Effective Date; provided that Executive has not suffered a Termination (as such term is defined in Acadia's Incentive Compensation Plan) prior to the applicable vesting date. PSUs subject to the Initial Award shall vest based on performance over a three-year performance period commencing on January 1, 2022 and ending on December 31, 2024; provided that, except as otherwise provided in Section 4 or the form of award agreement documenting the terms of such award, Executive has not suffered a Termination prior to the last day of such performance period. The performance criteria for such PSUs shall be established by the Board or the Compensation Committee, with 50% of such performance criteria based on EBITDA and 50% of such performance criteria based on earnings per share ("EPS").

(ii) Commencing with Acadia's 2023 fiscal year, Executive shall be eligible to receive annual grants of long-term incentive awards in amounts as determined by the Compensation Committee and on terms and conditions comparable to Acadia's other senior executives.

(d) Business Expenses. During the Employment Period, the Company shall reimburse Executive in the calendar year in which they are incurred for all reasonable out-of-pocket business expenses incurred by him in the course of performing his duties and responsibilities under this Agreement which are consistent with the Company's policies in effect

from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(e) Relocation. If requested by the Board, Executive shall relocate his principal residence to the greater Nashville, Tennessee area within six (6) months following such request and the Company shall reimburse Executive up to \$100,000 in the aggregate (or such other amount as may be approved by the Board) for reasonable expenses incurred in connection with such relocation subject to the Company's relocation policy in effect from time to time, including, without limitation, the Company's requirements with respect to reporting and documentation of such expenses. Executive must notify the Board in writing within thirty (30) days following such written request to relocate whether he intends to relocate in accordance with this Section 3(e).

(f) Benefits. In addition to (but without duplication of) the Base Salary and any bonuses payable to Executive pursuant to this Section 3, Executive shall be entitled to participate at his sole discretion in all of the Company's employee benefit programs for which senior executive employees of the Company are generally eligible.

(g) Counsel Fees. Upon presentation of appropriate documentation, the Company shall pay Executive's reasonable counsel fees incurred in connection with the negotiation and documentation of this Agreement in an amount up to \$50,000, and matters related hereto, payable within thirty (30) days following the execution of this Agreement.

4. Termination.

(a) Termination. The Employment Period shall terminate automatically and immediately upon Executive's resignation for any reason (whether with Good Reason or without Good Reason), Executive's death or becoming Disabled, upon the termination of Executive's employment by the Company (through action by the Board) for any reason (whether for Cause or without Cause) or upon the expiration of the Employment Term due to a non-extension of this Agreement by Executive or by the Company. The date on which Executive ceases to be employed by the Company is referred to herein as the "Termination Date."

(b) Termination without Cause or with Good Reason outside of the Change in Control Period. If Executive's employment is terminated by the Company without Cause or by Executive with Good Reason (an "Involuntary Termination") outside of the Change in Control Period (as defined below), then Executive shall be entitled to receive:

(i) unpaid Base Salary through the Termination Date (payable in accordance with Section 3(a) or such earlier date required by law);

(ii) payment in respect of any unused paid time off and sick pay of Executive in such amounts as have accrued as of the Termination Date in accordance with the Company's policies with respect thereto as in effect during the Employment Period, and reimbursement of any business expenses incurred by Executive but not reimbursed prior to the Termination Date in accordance with and reimbursable under the terms of the Company's policies with respect thereto as in effect on the Termination Date (in each case, payable in a lump sum within ten (10) business days after the Termination

Date or such later date permitted under the Company's policies) and all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Agreement;

(iii) any accrued but unpaid cash bonus with respect to a completed performance period, which shall become payable upon satisfaction of the Release Requirement (as defined below);

(iv) an amount equal to one and a half times (1.5x) the sum of (x) the Base Salary and (y) the Target Bonus, payable in substantially equal installments in accordance with the Company's general payroll practices (as in effect from time to time) during the eighteen (18)-month period following the Termination Date; provided that any installments that would otherwise have been paid prior to satisfaction of the Release Requirement shall be accumulated and paid in a lump sum on the first payroll date following satisfaction of the Release Requirement, provided, further, that, to the extent necessary to comply with Code Section 409A (as defined below), if the period during which the required release must be executed and become irrevocable spans two (2) calendar years, payment of installments shall commence in the second calendar year, and the timing of such installments may be subject to further restrictions under Code Section 409A as set forth in Section 4(j);

(v) an amount equal to the after-tax cost of the premiums for continued health and dental insurance for Executive and/or Executive's dependents in accordance with the Consolidated Budget Reconciliation Act of 1985, as amended ("COBRA"), such premiums to be referred to herein as COBRA Premium Payments, for the period commencing on the date that continuation coverage under COBRA begins ("COBRA Commencement Date") and ending on the eighteen (18)-month anniversary of the COBRA Commencement Date (payable in monthly installments during and concurrently with such period); provided that any installments that would otherwise have been paid prior to satisfaction of the Release Requirement shall be accumulated and paid in a lump sum on the first payroll date following satisfaction of the Release Requirement, provided, further, that, to the extent necessary to comply with Code Section 409A, if the period during which the required release must be executed and become irrevocable spans two (2) calendar years, payment of installments shall commence in the second calendar year, and the timing of such installments may be subject to further restrictions under Code Section 409A as set forth in Section 4(j); and

(vi) a prorated portion of outstanding PSUs determined based on the actual number of days elapsed during the applicable performance period on or before the Termination Date shall remain outstanding and eligible to vest at the end of the applicable performance period based on actual achievement of the applicable performance conditions.

Notwithstanding the foregoing, Executive shall be entitled to receive such payments described in Sections 4(b)(iii) through 4(b)(vi) only so long as Executive has not breached any of the provisions of Sections 5, 6 and 7, and all amounts payable and benefits or additional rights

provided pursuant to Sections 4(b)(iii) through 4(b)(vi) shall only be payable if Executive delivers to the Company and does not revoke a general release of claims in favor of the Company in substantially the form attached on Exhibit B hereto; such release shall be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following Executive's termination (the "Release Requirement"). Notwithstanding anything in the applicable award agreements to the contrary, in the event that Executive has breached any of the provisions of Sections 5, 6 and 7, the Company may cease making any payments under Sections 4(b)(iii) through 4(b)(vi) and any remaining outstanding PSUs shall terminate.

(c) Termination without Cause or with Good Reason during the Change in Control Period. If Executive's employment is terminated due to an Involuntary Termination, in each case, during the period beginning three (3) months prior to and eighteen (18) months following a Change in Control (the "Change in Control Period"), then Executive shall be entitled to receive:

(i) unpaid Base Salary through the Termination Date (payable in accordance with Section 3(a)) or such earlier date required by law);

(ii) payment in respect of any unused paid time off and sick pay of Executive in such amounts as have accrued as of the Termination Date in accordance with the Company's policies with respect thereto as in effect during the Employment Period, and reimbursement of any business expenses incurred by Executive but not reimbursed prior to the Termination Date in accordance with and reimbursable under the terms of the Company's policies with respect thereto as in effect on the Termination Date (in each case, payable in a lump sum within ten (10) business days after the Termination Date or such later date permitted under the Company's policies) and all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Agreement;

(iii) any accrued but unpaid cash bonus with respect to a completed performance period, which shall become payable upon satisfaction of the Release Requirement;

(iv) an amount equal to two times (2x) the sum of (x) the Base Salary and (y) the Target Bonus, payable in a lump sum upon satisfaction of the Release Requirement (or, if payment on such date is not permitted by Code Section 409A, then at the earliest time that such payment would not violate Code Section 409A);

(v) COBRA Premium Payments for the period commencing on the COBRA Commencement Date and ending on the twenty-four (24)-month anniversary of the COBRA Commencement Date (payable in a lump sum upon satisfaction of the Release Requirement, or if payment on such date is not permitted by Code Section 409A, then at the earliest time that such payment would not violate Code Section 409A);

(vi) if the Termination Date occurs following a Change in Control, full accelerated vesting of all outstanding RSUs;

(vii) if the Termination Date occurs prior to a Change in Control, all of RSUs that remain unvested as of the date of such Involuntary Termination shall become “tentatively vested” (the “Tentatively Vested RSUs”) and shall be subject to vesting as follows: (1) if a Change in Control occurs on or prior to the date that is three (3) months following the date of such Involuntary Termination (the “Determination Date”), then all of the Tentatively Vested RSUs shall become immediately vested as of the date on which such Change in Control occurs; and (2) if a Change in Control does not occur on or prior to the Determination Date, then, as of the Determination Date, all of the Tentatively Vested RSUs (and all rights of Executive arising from the Tentatively Vested RSUs and from being a holder thereof) shall terminate automatically without any further action by the Company and shall be forfeited without further notice and at no cost to the Company; and

(viii) full accelerated vesting of a prorated portion of outstanding PSUs determined based on the actual number of days elapsed during the applicable performance period on or before the Termination Date (with outstanding performance conditions deemed satisfied at target levels).

Notwithstanding the foregoing, (A) if the Termination Date occurs within three (3) months prior to a Change in Control, then the amounts payable pursuant to Sections 4(c)(iv) and 4(c)(v) shall be reduced by the aggregate amount of payments Executive received pursuant to Sections 4(b)(iv) and 4(b)(v) and shall be paid in a lump sum cash payment within thirty (30) days following such Change in Control and (B) Executive shall be entitled to receive such payments described in Sections 4(c)(iii) through 4(c)(vii) only so long as Executive has not breached any of the provisions of Sections 5, 6 and 7, and all amounts payable and benefits or additional rights provided pursuant to Sections 4(c)(iii) through 4(c)(vii) shall only be payable if Executive satisfies the Release Requirement. Notwithstanding anything in the applicable award agreements to the contrary, in the event that Executive has breached any of the provisions of Sections 5, 6 and 7, the Company may cease making any payments under Sections 4(c)(iii) through 4(c)(vii) and any remaining outstanding RSUs and PSUs shall terminate.

(d) Termination by Death or Disability. If Executive’s employment is terminated due to Executive’s death or becoming Disabled, then Executive (or his estate or beneficiary) shall be entitled to receive:

(i) unpaid Base Salary through the Termination Date (payable in accordance with Section 3(a) or such earlier date required by law) and any accrued but unpaid cash bonus with respect to a completed performance period (payable within ten (10) business days of Executive’s Termination Date, or if later, the first date on which such payment may be made in accordance with Code Section 409A);

(ii) payment in respect of any unused paid time off and sick pay of Executive in such amounts as have accrued as of the Termination Date in accordance with the Company’s policies with respect thereto as in effect during the Employment Period, and reimbursement of any business expenses incurred by Executive but not reimbursed prior to the Termination Date in accordance with and reimbursable under the terms of the Company’s policies with respect thereto as in effect on the Termination Date

(in each case, payable in a lump sum within ten (10) business days after the Termination Date or such later date permitted under the Company's policies) and all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Agreement;

(iii) an amount equal to the actual annual cash bonus amount (if any) to which Executive would be entitled under Section 3(b) with respect to the calendar year in which the Termination Date occurs, determined based on achievement of the performance objectives specified in Executive's bonus plan for such year (with any subjective performance criteria deemed achieved at target), as determined by the Board and the Compensation Committee consistent with other senior executives of the Company, which amount shall be prorated based on the actual number of days elapsed in such year prior to the Termination Date (payable at the same time it would have been paid pursuant to Section 3(b));

(iv) COBRA Premium Payments for the period commencing on the COBRA Commencement Date and ending on the earliest of (A) the date on which health care continuation coverage for all of Executive, his spouse and his eligible dependents terminates or expires, (B) six (6) months after the Termination Date and (C) the date on which Executive becomes eligible for long-term disability benefits under any long-term disability program sponsored by the Company (payable in monthly installments during and concurrently with such period); provided that if Executive's COBRA period is terminated prior to expiration of the period commencing on the COBRA Commencement Date and ending on the earlier of (I) six (6) months after the Termination Date and (II) the date on which Executive becomes eligible for long-term disability benefits under any long-term disability program sponsored by the Company (such period, the "Disability Severance Period"), then Executive shall be entitled to receive COBRA Premium Payments during the period commencing on the date of such termination or expiration and ending on the date on which the Disability Severance Period expires (assuming such continued insurance coverage remained available at the same monthly cost) (payable in monthly installments during and concurrently with such period); and

(v) a pro-rata portion of outstanding PSUs determined based on the actual number of days elapsed during the applicable performance period on or before the Termination Date shall remain outstanding and eligible to vest at the end of the applicable performance period based on actual achievement of the applicable performance conditions.

In addition, if Executive's employment is terminated due to Executive's becoming Disabled (but, for the avoidance of doubt, not due to his death), then Executive (or his estate or beneficiary) shall be entitled to receive, during the Disability Severance Period, continued installment payments of Executive's Base Salary as in effect on the Termination Date, which shall be payable over such period in regular installments in accordance with the Company's general payroll practices as in effect on the Termination Date, but in no event less frequently than monthly.

(e) Non-Extension of this Agreement by the Company. If Executive's employment is terminated due to the Company's election not to extend the term of this Agreement as provided under Section 1, then Executive shall be entitled to receive:

3(a); (i) unpaid Base Salary through the Termination Date (payable in accordance with Section

(ii) payment in respect of any unused paid time off and sick pay of Executive in such amounts as have accrued as of the Termination Date in accordance with the Company's policies with respect thereto as in effect during the Employment Period, and reimbursement of any business expenses incurred by Executive but not reimbursed prior to the Termination Date in accordance with and reimbursable under the terms of the Company's policies with respect thereto as in effect on the Termination Date (in each case, payable in a lump sum within ten (10) business days after the Termination Date or such later date permitted under the Company's policies) and all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Agreement;

(iii) any accrued but unpaid cash bonus with respect to a completed performance period; and

(iv) a pro-rata portion of outstanding PSUs determined based on the actual number of days elapsed during the applicable performance period prior to the Termination Date shall remain outstanding and eligible to vest at the end of the applicable performance period based on actual achievement of the applicable performance conditions.

Notwithstanding the foregoing, Executive shall be entitled to receive such payments described in Section 4(e)(iii) through 4(e)(iv) only so long as Executive has not breached any of the provisions of Sections 5, 6 and 7, and all amounts payable and benefits or additional rights provided pursuant to Section 4(e)(iii) through 4(e)(iv) shall only be payable if Executive satisfies the Release Requirement. Notwithstanding anything in the applicable award agreements to the contrary, in the event that Executive has breached any of the provisions of Sections 5, 6 and 7, the Company may cease making any payments under Sections 4(e)(iii) through 4(e)(iv) and any remaining outstanding PSUs shall terminate.

(f) Other Termination. If Executive's employment is terminated (i) by the Company for Cause, (ii) by Executive's resignation without Good Reason or (iii) due to non-extension of this Agreement by Executive, then the Company shall pay Executive unpaid Base Salary through the Termination Date (payable in accordance with Section 3(a) or such earlier date required by law) and all other payments, benefits or fringe benefits to which Executive shall be entitled under the terms of any applicable compensation arrangement or benefit, equity or fringe benefit plan or program or grant or this Agreement.

(g) Continuation of Benefits. Upon any termination of employment, whether voluntary or otherwise, Executive shall have the option to elect health insurance coverage for

himself, his spouse and his eligible dependents during the period commencing on the end of the statutory COBRA period, if any (provided that Executive validly elected COBRA continuation coverage), until the earlier of the date on which Executive (i) is eligible to participate in another health benefit plan (including, without limitation, a plan sponsored by a then current or former employer of Executive's or Executive's spouse, other than a plan that provides for "excepted benefits" as defined under section 733(c) of the Employee Retirement Income Security Act of 1974) or (ii) becomes eligible for Medicare. Such coverage will be provided for by the Company (or any successor to the Company, whether by operation of law or otherwise) in accordance with applicable law, and Executive shall pay premiums consistent with other senior executive employees of the Company (or any successor to the Company, whether by operation of law or otherwise). Executive agrees to take all required actions and provide any requested personal medical history and information, in accordance with the applicable policy application and medical underwriting process. Nothing in this Section 4(g) shall decrease or reduce Executive's rights or entitlements under Sections 4(b)(v), 4(c)(v) or 4(d)(iv).

(h) No Mitigation. Executive is under no obligation to mitigate damages or the amount of any payment provided for under this Section 4 by seeking other employment or otherwise.

(i) Right of Offset. The Company may offset any bona fide obligations that Executive owes Acadia or any of the Subsidiaries (which for the avoidance of doubt shall not include any unliquidated obligations or obligations to the extent Executive disputes in good faith the nature or amount thereof) against any amounts the Company or any of the Subsidiaries owes Executive hereunder; provided that, notwithstanding the foregoing or any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount unless otherwise permitted by Code Section 409A.

(j) Section 409A Compliance.

(i) The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. In no event whatsoever shall Acadia or any of the Subsidiaries be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment," "termination of the Employment Period" or like terms shall mean "separation from service."

(iii) All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

(iv) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

(v) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within fifteen (15) days following the Termination Date"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

(vi) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is deemed on the Termination Date to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then any payment that is considered deferred compensation under Code Section 409A payable on account of a "separation from service" shall be made on the date which is the earlier of (a) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive and (b) the date of Executive's death (the "Delay Period") to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to the immediately preceding sentence (whether they otherwise would have been payable in a single sum or in installments in the absence of such delay) shall be paid to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. In addition, if Executive is a "specified employee," to the extent that welfare benefits to be provided to Executive pursuant to this Agreement are not "disability pay," "death benefit" plans or non-taxable medical benefits within the meaning of Treasury Regulation Section 1.409A-1(a)(5) or other benefits not considered nonqualified deferred compensation within the meaning of that regulation, such provision of benefits shall be delayed until the end of the Delay Period. Notwithstanding the foregoing, to the extent that the previous sentence applies to the provision of any ongoing health or welfare benefits that would not be required to be delayed if the premiums were paid by Executive, Executive shall pay the full cost of the premiums for such benefits during the Delay Period and the Company shall pay Executive an amount equal to the amount of such premiums paid by Executive during the Delay Period within ten (10) days after the end of the Delay Period.

(k) Upon any termination of Executive's employment with the Company, Executive shall promptly resign, and shall be automatically deemed to have resigned without the requirement of any further action, from any position as an officer, director or fiduciary of Acadia and the Company and their respective Affiliates (including, without limitation the Board of

Acadia). Executive agrees to execute any additional documentation reasonably requested by the Company to implement any such resignation contemplated herein.

5. Confidential Information.

(a) Protection of Confidential Information. Executive acknowledges that the continued success of Acadia and the Subsidiaries depends upon the use and protection of a large body of confidential and proprietary information. All of such confidential and proprietary information now existing or to be developed in the future will be referred to in this Agreement as “Confidential Information.” Confidential Information will be interpreted broadly to include, without limitation, all information that is (i) related to Acadia’s or the Subsidiaries’ (including any of their predecessors’ prior to being acquired by the Company) current or potential business and (ii) is not generally or publicly known (including, without specific limitation, the information, observations and data concerning (A) acquisition opportunities in or reasonably related to Acadia’s or the Subsidiaries’ business or industry, (B) identities and requirements of, contractual arrangements with and other information regarding Acadia’s or the Subsidiaries’ employees (including personnel files and other information), suppliers, distributors, customers, independent contractors, third-party payors, providers or other business relations and their confidential information, including, without limitation, patient records, medical histories and other information concerning patients (including, without limitation, all “Protected Health Information” within the meaning of the Health Insurance Portability and Accountability Act), and (C) internal business information and intellectual property of every kind and description of Acadia and the Subsidiaries). Executive agrees that during the Employment Period and at any time thereafter, he shall not disclose to any unauthorized person or use for his own account any of such Confidential Information, whether or not developed by Executive, without the Board’s prior written consent, unless and to the extent that any Confidential Information (1) was known to Executive prior to the negotiation of this Agreement or the Employment Period from a source (other than Acadia, the Subsidiaries or any of their respective agents) that, to the knowledge of Executive, was not prohibited from disclosing such information by a legal, contractual or fiduciary obligation to Acadia or any of the Subsidiaries, (2) becomes generally known to and available for use by the public other than as a result of Executive’s acts or omissions to act or (3) is required to be disclosed pursuant to any applicable law or court order.

(b) Use of Others’ Confidential Information. During the Employment Period, Executive shall not use or disclose any confidential information or trade secrets, if any, of any former employers or any other Person to whom Executive has an obligation of confidentiality. If at any time during his employment with the Company, Executive believes he is being asked to engage in work that will, or will be likely to, jeopardize any confidentiality or other obligations Executive may have to former employers, then Executive shall immediately advise the Board so that Executive’s duties can be modified appropriately.

(c) Third-Party Information. Executive understands that Acadia and the Subsidiaries will receive from third parties confidential or proprietary information (“Third-Party Information”) subject to a duty on Acadia’s and the Subsidiaries’ part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the Employment Period and thereafter, and without in any way limiting the provisions of Section 5(a), Executive will hold Third-Party Information in the strictest confidence and will not disclose

to anyone (other than personnel of Acadia or the Subsidiaries who need to know such information in connection with their work for Acadia or the Subsidiaries) or use, except in connection with his work for Acadia or the Subsidiaries, Third-Party Information unless expressly authorized by the Board in writing.

(d) Whistleblower Protection. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall be interpreted so as to impede Executive (or any other individual) from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures under the whistleblower provisions of federal law or regulation. Executive does not need the prior authorization of Acadia or any of the Subsidiaries to make any such reports or disclosures and Executive shall not be not required to notify the Acadia or any of the Subsidiaries that such reports or disclosures have been made.

(e) Trade Secrets. 18 U.S.C. § 1833(b) provides: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

6. Ownership of Intellectual Property, Inventions and Patents. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any confidential information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) which relate to Acadia’s or the Subsidiaries’ actual or anticipated business, research and development or existing or future products or services and which are conceived, developed, contributed to, made or reduced to practice by Executive (whether alone or jointly with others) while employed by Acadia or the Subsidiaries after the date of this Agreement, including any of the foregoing that constitutes any proprietary information or records (“Work Product”), belong to Acadia or such Subsidiary. Any copyrightable work prepared in whole or in part by Executive in the course of his work for any of the foregoing entities shall be deemed a “work made for hire” to the maximum extent permitted under copyright laws, and Acadia or such Subsidiary shall own all rights therein. To the extent any such copyrightable work is not a “work made for hire,” Executive hereby assigns and agrees to assign to Acadia or such Subsidiary all right, title and interest, including, without limitation, copyright, in and to such copyrightable work. Executive shall promptly disclose such Work Product to the Board and, at the Company’s expense, perform all actions reasonably

requested by the Board (whether during or after the Employment Period) to establish and confirm such ownership by Acadia or such Subsidiary (including, without limitation, execution and delivery of assignments, consents, powers of attorney and other instruments).

7. Non-Compete; Non-Solicit.

(a) Non-Compete. In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that during the course of his employment with the Company he shall become familiar with Acadia's and the Subsidiaries' trade secrets and with other Confidential Information concerning Acadia and the Subsidiaries and that his services have been and shall be of special, unique and extraordinary value to Acadia and the Subsidiaries, and, therefore, Executive agrees that, during the Employment Period and for a period thereafter of (x) in the case of a termination pursuant to Section 4(c), twenty-four (24) months or (y) in the case of all other terminations of employment, eighteen (18) months (the "Non-Compete Period"), he shall not (i) directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any business that derives at least 25% of its gross revenue from (A) the business of providing behavioral healthcare and/or related services, or (B) any other material business in which Acadia or any of the Subsidiaries have developed plans to be engaged in on or after such date of which the Executive has or should have had actual knowledge, or (ii) directly or indirectly manage, control, participate in, consult with or render services specifically with respect to any unit, division, segment or subsidiary of any other business that engages in or otherwise competes with (or was organized for the purpose of engaging in or competing with) the business of providing behavioral healthcare and/or related services (provided that, this clause (ii) shall not be construed to prohibit Executive from directly or indirectly owning any interest in, managing, controlling, participating in, consulting with, rendering services for, or in any manner engaging in any business activities with or for such business generally and, for the avoidance of doubt, not specifically with respect to such unit, division, segment or subsidiary), in each case, within the United States and any other geographical area in which Acadia and the Subsidiaries engage in such businesses. Notwithstanding anything in this Agreement to the contrary, Executive shall not be subject to the restrictions set forth in this Section 7(a) if the Employment Period is terminated (or deemed to have been terminated) by the Company without Cause or by Executive with Good Reason and for so long as the Company or Acadia, as applicable, is in breach of its obligations under Sections 4(b) or 4(c) and such breach is not the subject of a good faith dispute between the Company and Executive. For purposes of this Agreement, the term "participate in" shall include, without limitation, having any direct or indirect interest in any Person, whether as a sole proprietor, owner, stockholder, partner, joint venturer, creditor or otherwise, or rendering any direct or indirect service or assistance to any individual, corporation, partnership, joint venture and other business entity (whether as a director, officer, manager, supervisor, employee, agent, consultant or otherwise). Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) Non-Solicit. During the Employment Period and for a period thereafter of (x) in the case of a termination pursuant to Section 4(c), twenty-four (24) months or (y) in the case of all other terminations of employment, eighteen (18) months (the "Non-Solicit Period"), Executive shall not directly or indirectly through another Person (other than on behalf of Acadia

and the Subsidiaries) (i) induce or attempt to induce any employee or independent contractor of Acadia or the Subsidiaries to leave the employ or services of Acadia or the Subsidiaries, or in any way willfully interfere with the relationship between Acadia and the Subsidiaries and any employee or independent contractor thereof, (ii) hire or seek any business affiliation with any person who was an employee or independent contractor of Acadia or the Subsidiaries at any time during the twelve (12) months prior to the Termination Date or (iii) willfully induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Acadia or any Subsidiary to cease doing business with Acadia or such Subsidiary or willfully interfere with the relationship between any such customer, supplier, licensor or other business relation and Acadia or any Subsidiary.

(c) Non-Disparagement. Without limiting any other obligation of Executive pursuant to this Agreement, Executive hereby covenants and agrees that, except as may be required by applicable law, Executive shall not make any statement, written or verbal, in any forum or media, or take any other action in disparagement of Acadia, any of its Subsidiaries or any of Acadia's stockholders, directors or executive officers, during the Employment Period and for a period of five (5) years thereafter (the "Non-Disparagement Period"). Without limiting any other obligation of Acadia and the Subsidiaries pursuant to this Agreement, Acadia hereby covenants and agrees that, except as may be required by applicable law, Acadia shall instruct its executive officers and members of the Board, in their official capacities with Acadia, not to make, any statement, written or verbal, in any forum or media, or take any other action in disparagement of Executive, during the Employment Period and the Non-Disparagement Period. This Section 7(c) will not be violated by (i) truthful statements required to be made by law or legal process, or (ii) internal statements in connection with providing services to Acadia and the Subsidiaries.

(d) Blue-Pencil. If, at the time of enforcement of Section 5 or 6 or this Section 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Executive hereby acknowledges and represents that he has either consulted with independent legal counsel regarding his rights and obligations under this Agreement or knowingly and voluntarily waived the opportunity to do so and that he fully understands the terms and conditions contained herein. Each of Acadia and the Company hereby acknowledges and represents that it has either consulted with independent legal counsel regarding its rights and obligations under this Agreement or knowingly and voluntarily waived the opportunity to do so and that it fully understands the terms and conditions contained herein.

(e) Additional Acknowledgments. Executive acknowledges that the provisions of Sections 5 and 6 and this Section 7 are in consideration of Executive's employment with the Company and other good and valuable consideration as set forth in this Agreement. In addition, Executive agrees and acknowledges that the restrictions contained in Sections 5 and 6 and this Section 7 do not preclude Executive from earning a livelihood, nor do they unreasonably impose limitations on Executive's ability to earn a living. In addition, Executive acknowledges (x) that the business of Acadia and the Subsidiaries is conducted throughout the United States

and certain of its territories, (y) notwithstanding the state of organization or principal office of Acadia or any of the Subsidiaries or facilities, or any of their respective executives or employees (including Executive), Acadia and the Subsidiaries have business activities and valuable business relationships within its industry throughout the United States and certain of its territories, and (z) as part of Executive's responsibilities, Executive will be traveling throughout the United States and other jurisdictions where Acadia and the Subsidiaries conduct business during the Employment Period in furtherance of the Company's business relationships. Executive agrees and acknowledges that the potential harm to Acadia and the Subsidiaries of the non-enforcement of any provision of Sections 5 and 6 and this Section 7 outweighs any potential harm to Executive of its enforcement by injunction or otherwise. Executive acknowledges that he has carefully read this Agreement and either consulted with legal counsel of Executive's choosing regarding its contents or knowingly and voluntarily waived the opportunity to do so, has given careful consideration to the restraints imposed upon Executive by this Agreement and is in full accord as to their necessity for the reasonable and proper protection of confidential and proprietary information of Acadia and the Subsidiaries now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, duration and geographical area.

(f) Specific Performance. In the event of the breach or a threatened breach by Executive of any of the provisions of Section 5 or 6 or this Section 7, Acadia and the Subsidiaries would suffer irreparable harm and that money damages would not be a sufficient remedy and, in addition and supplementary to other rights and remedies existing in its favor whether under this Agreement or under any other agreement, the Company shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of a breach or violation by Executive of this Section 7, the Non-Compete Period or the Non-Solicit Period, as applicable, shall be tolled until such breach or violation has been duly cured, if such breach or violation is capable of cure.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (a) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which he is bound, (b) except as previously disclosed to the Company in writing (a copy of each such agreement having been provided to the Company prior to the date hereof or being publicly available on EDGAR as of the date hereof), Executive is not a party to or bound by any employment agreement, non-compete agreement or confidentiality agreement with any other person or entity, (c) except as previously disclosed to the Company in writing, Executive took nothing with him which belonged to any former employer when Executive left his prior position and Executive has nothing that contains any information which belongs to any former employer, in either case which would reasonably be likely to result in any liability to Acadia or any Subsidiary, and (d) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges and represents that he has either consulted with independent legal counsel regarding his rights and obligations under this Agreement or knowingly and voluntarily waived the opportunity to do so and that he fully understands the terms and conditions contained herein.

9. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

“Cause” shall mean with respect to Executive one or more of the following: (a) the arrest and indictment for, 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 Acadia or any of the Subsidiaries or any of their customers, suppliers or other business relations, (b) willful conduct outside the scope of Executive’s duties and responsibilities under this Agreement that causes Acadia or any of the Subsidiaries substantial public disgrace or disrepute or demonstrable economic harm, (c) repeated failure to perform duties consistent with this Agreement as reasonably directed by the Board; (d) any willful act or knowing omission of aiding or abetting a competitor of Acadia or any of the Subsidiaries to the disadvantage or detriment of Acadia and the Subsidiaries, (e) material breach of fiduciary duty or gross negligence in the performance of Executive’s duties to Acadia or any of the Subsidiaries, (f) intentional misconduct in the performance of Executive’s duties to Acadia or any of the Subsidiaries, (g) an administrative or other proceeding arising as a result of Executive’s action that results in the suspension or debarment of Executive 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 any finding of a governmental agency that Executive personally has engaged in misconduct in connection with his employment by the Company, (h) any other material breach by Executive of this Agreement or material breach of any other agreement between Executive and Acadia or any of the Subsidiaries or any written policy of the Company or Acadia or (i) failure by Executive to, or notification by Executive of his intent not to, relocate to the greater Nashville, Tennessee area as requested by the Board pursuant to Section 3(e); provided that no determination of “Cause” may be made with respect to conduct described in prongs (b), (c), (e) or (h) until Executive has been given written notice from the Board detailing the specific Cause event and, to the extent such conduct is capable of being cured, as determined by the Board, a period of thirty (30) days following receipt of such notice to cure such event; provided that there shall be no opportunity to cure a repeated violation of prong (c).

“Change in Control” shall have the meaning set forth in Acadia Healthcare Company, Inc. Incentive Compensation Plan, as may be amended and restated from time to time; provided that, with respect to any amount or benefit payable pursuant to this Agreement that constitutes “nonqualified deferred compensation” subject to Code Section 409A, an event shall not be considered to be a Change in Control under this Agreement for purposes of payment of any such amount or benefit unless such event constitutes a “change in control event”, as defined pursuant to Treasury Regulation Section 1.409A-3(i)(5).

“Disabled” means any physical or mental disability or infirmity that has prevented the performance of Executive’s duties for a period of (a) one hundred twenty (120) consecutive days or (b) one hundred eighty (180) non-consecutive days during any twelve (12)-month period. Any question as to the existence, extent or potentiality of Executive’s Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected by the Company and reasonably approved by Executive (or his representative).

“Good Reason” shall mean if Executive resigns his employment with the Company as a result of one or more of the following actions (in each case taken without Executive’s written consent): (a) a reduction in Executive’s Base Salary; (b) the assignment of job duties or responsibilities materially inconsistent with Executive’s position; (c) any other material breach by the Company or Acadia (or their successors) of this Agreement (excluding any breach based on any diminution in Executive’s duties, responsibilities, titles or positions following a Change in Control in which Acadia ceases to be a standalone public reporting company); or (d) a relocation of the Company’s and Acadia’s principal executive offices and corporate headquarters outside of a thirty (30) mile radius of Nashville, Tennessee; provided that, none of the events described above shall constitute Good Reason unless Executive shall have notified the Company and/or Acadia 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 and/or Acadia and the Subsidiaries shall have failed to cure such event within thirty (30) days after the Company’s and/or Acadia’s receipt of such written notice and Executive elects to terminate his employment as a result within thirty (30) days after the end of such thirty (30)-day cure period.

“Person” shall mean an individual, a partnership, a corporation (whether or not for profit), a limited liability company, an association, a joint stock company, a trust, a joint venture, or other business entity, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“Subsidiary” shall mean any corporation or other entity of which the securities or other ownership interests having the voting power to elect a majority of the board of directors or other governing body are, at the time of determination, owned by Acadia or of which Acadia serves as the managing member or in a similar capacity or of which Acadia holds a majority of the partnership or limited liability company or similar interests or is otherwise entitled to receive a majority of distributions made by it, in each case directly or through one or more Subsidiaries.

10. Survival. Sections 4 through 28 (other than Section 22) shall survive and continue in full force in accordance with their terms notwithstanding the expiration or termination of the Employment Period.

11. Notices. Any notice provided for in this Agreement shall be in writing and shall be personally delivered, sent by email or facsimile (with hard copy to follow), sent by reputable overnight courier service, or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

Christopher H. Hunter

At the address on the books and records of the Company at the time of such notice with copies (which shall not constitute notice) to:

Stephen W. Fackler, Esq.
Gibson, Dunn & Crutcher LLP
1881 Page Mill Road
Palo Alto, California 94304

Facsimile: (650) 849-5085

Notices to the Company:

Acadia Healthcare Company, Inc.
6100 Tower Circle, Suite 1000
Franklin, TN 37067 Attention: Board of Directors
Facsimile: (615) 261-9685

with copies (which shall not constitute notice) to:

Acadia Healthcare Company, Inc.
6100 Tower Circle, Suite 1000
Franklin, TN 37067 Attention: General Counsel
Facsimile: (615) 261-9685

or such other address or to the attention of such other Person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or sent by facsimile (subject to automatic proof of transmission) or email, one day after being sent by overnight courier or three days after being mailed by first class mail, return receipt requested, as applicable.

12. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any action in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

13. Complete Agreement. This Agreement and those documents expressly referred to herein embody the complete agreement and understanding among the parties with respect to, and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to, the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Counterparts. This Agreement may be executed in separate counterparts (including by means of facsimile or by electronic transmission in portable document format (pdf) or comparable electronic transmission), each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

16. Successors and Assigns. This Agreement is personal in nature and none of the parties hereto shall, without the consent of the others, assign, transfer or delegate this Agreement or any rights or obligations hereunder; provided that (a) this Agreement will inure to the benefit

of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees (but otherwise will not otherwise be assignable, transferable or delegable by Executive), and (b) this Agreement will not be assignable, transferable or delegable by the Company, without the consent of Executive, except to Acadia or any of the Subsidiaries, or to any successor (whether direct or indirect, in whatever form of transaction) to all or substantially all of the business or assets of Acadia (none of which shall constitute a termination of Executive's employment hereunder).

17. Choice of Law and Forum. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. The parties agree that any dispute arising out of or relating to this Agreement, exclusively shall be brought in the state courts located in Williamson County, Tennessee or the United States District Court for the Middle District of Tennessee. Each party hereby waives any objection to the personal or subject matter jurisdiction and venue of such courts.

18. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company (as approved by the Board) and Executive, and no course of conduct or course of dealing or failure or delay by any party hereto in enforcing or exercising any of the provisions of this Agreement (including, without limitation, the Company's right to terminate the Employment Period for Cause) shall affect the validity, binding effect or enforceability of this Agreement or be deemed to be an implied waiver of any provision of this Agreement.

19. Insurance. The Company may, at its discretion, apply for and procure in its own name and for its own benefit life and/or disability insurance on Executive in any amount or amounts considered advisable. Executive agrees to cooperate in any medical or other examination, supply any information and execute and deliver any applications or other instruments in writing as may be reasonably necessary to obtain and constitute such insurance.

20. Indemnification and Reimbursement of Payments on Behalf of Executive. Acadia and the Subsidiaries shall be entitled to deduct or withhold from any amounts owing from Acadia or any of the Subsidiaries to Executive any federal, state, local or foreign withholding taxes, excise tax, or employment taxes imposed with respect to Executive's compensation or other payments from Acadia or any of the Subsidiaries or Executive's ownership interest in Acadia or any of the Subsidiaries (including, without limitation, wages, bonuses, dividends, the receipt or exercise of equity options and/or the receipt or vesting of restricted equity), as may be required to be deducted or withheld by any applicable law or regulation.

21. Waiver of Jury Trial. AS A SPECIFICALLY BARGAINED FOR INDUCEMENT FOR EACH OF THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT (AFTER HAVING THE OPPORTUNITY TO CONSULT WITH COUNSEL), EACH PARTY HERETO EXPRESSLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY

22. Opportunity. During the Employment Period, Executive shall submit to the Board all material investment or business opportunities of which he becomes aware that would customarily be brought to the attention of a board of directors and which are within the scope and investment objectives of Acadia or any of the Subsidiaries.

23. Executive's Cooperation. During the Employment Period and thereafter, Executive shall cooperate with Acadia and the Subsidiaries in any internal investigation or administrative, regulatory or judicial investigation or proceeding or any dispute with any third party as reasonably requested by Acadia or the Subsidiaries (including, without limitation, Executive being available to Acadia and the Subsidiaries upon reasonable notice for interviews and factual investigations, appearing at Acadia's or any of the Subsidiaries' request to give testimony without requiring service of a subpoena or other legal process, volunteering Acadia and the Subsidiaries all pertinent information and turning over to Acadia and the Subsidiaries all relevant documents which are or may come into Executive's possession, all at times and on schedules that are reasonably consistent with Executive's other activities and commitments), all at Acadia's or the Subsidiaries' sole cost and expense. During the period that Executive receives severance benefits and payments pursuant to Section 4(b) or 4(c), Executive shall make himself reasonably available to provide reasonably requested transition support at the request of Acadia. Any services requested by the Company under this Section 23 shall be scheduled to not unreasonably interfere with Executive's employment or personal obligations at the time. It is expressly agreed that the Company's rights to avail itself of the advice and consultation services of Executive shall at all times be exercised in a reasonable manner, that adequate notice shall be given to Executive in such events, and that non-compliance with any such request by Executive for good reason, including, but not limited to, ill health, shall not constitute a breach or violation of this Agreement.

24. Consulting Services. In the event that Executive's employment is terminated by the Company without Cause or by Executive with Good Reason, in each case, during the Change in Control Period, if requested by the successor to Acadia in the Change in Control transaction, Executive agrees to enter into a consulting arrangement with Acadia, its successor or one of their subsidiaries for a period of up to one (1) year following such termination to provide transition services as reasonably requested by Acadia or its successor; provided that, unless otherwise mutually agreed by Executive and Acadia or its successor, Executive's target annual base compensation opportunity (base salary, target bonus opportunity and target long-term incentive opportunity) pursuant to such consulting arrangement shall not be less than Executive's target annual base compensation opportunity (base salary, target bonus opportunity and target long-term incentive opportunity) in effect for the calendar year preceding the year in which the Change in Control transaction occurs and appropriately adjusted to reflect the period of time requested by Acadia or its successor such that Executive's actual pre-tax taxable compensation paid for such transition services, which if annualized is no less than sum of Executive's Base Salary, target bonus opportunity and target long-term incentive compensation opportunity for the calendar year preceding the year in which the Change in Control transaction occurs.

25. Delivery by Facsimile or PDE. This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission in pdf, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or electronic transmission in pdf to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic transmission in pdf as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

26. Indemnification and Directors and Officers Insurance.

(a) During the Employment Period and for a period of six (6) years thereafter, the Company shall, to the fullest extent permitted under applicable law, indemnify and hold harmless Executive on a basis no less favorable than members of the Board and in accordance with the bylaws of the Company and Acadia.

(b) During the Employment Period and for a period of six (6) years thereafter, the Company, or any successor to the Company, shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in the same or greater amount as for members of the Board.

27. Legal Fees and Expenses. In the event any litigation or other court action, arbitration or similar adjudicatory proceeding (a “Proceeding”) is commenced or threatened by any party hereto (the “Claiming Party”) to enforce its rights under this Agreement against any other party hereto (the “Defending Party”), if the Defending Party is the prevailing party in such Proceeding, all fees, costs and expenses, including, without limitation, reasonable attorneys fees and court costs, incurred by the Defending Party in such Proceeding, will be reimbursed by the Claiming Party, and, if the Claiming Party is the prevailing party in such Proceeding, all fees, costs and expenses, including, without limitation, reasonable attorneys fees and court costs, incurred by the Claiming Party in such Proceeding, will be reimbursed by the Defending Party; provided that if the Defending Party prevails in part, and loses in part, in such Proceeding, the court, arbitrator or other adjudicator presiding over such Proceeding shall award a reimbursement of the fees, costs and expenses incurred by the Claiming Party and the Defending Party on an equitable basis. For purposes of this Section 27, and without limiting the generality of the foregoing, the Defending Party will be deemed to have prevailed in any Proceeding if the Claiming Party commences or threatens such Proceeding and (a) the underlying claim(s) in such Proceeding are subsequently dropped or dismissed, or (b) the Defending Party defeats any such claim(s).

28. Acadia Guarantee. Acadia unconditionally guarantees and promises to pay and perform, upon Executive’s demand following a default by the Company, any and all obligations of the Company from time to time owed to Executive under this Agreement, subject to any

applicable cure period. Acadia further agrees that if the Company shall fail to fulfill any of its obligations under this Agreement, Acadia will perform the same on demand as a principal obligor, and not as a surety. This is a continuing guarantee of the obligations and may not be revoked and shall not otherwise terminate unless and until the obligations of the Company have been paid and performed in full. Acadia represents and warrants that it will receive a substantial benefit from Company's employment of Executive, which employment gives rise to the obligations of the Company under this Agreement. Acadia acknowledges that Executive would not execute this Agreement if it did not receive this guarantee.

29. Section 280G. Notwithstanding anything to the contrary in this Agreement, if Executive is a "disqualified individual" (as defined in Section 280G of the Code), and the payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its affiliates, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Executive from the Company or any of its affiliates shall be one dollar (\$1.00) less than three times Executive's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Executive (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in-kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company or any of its affiliates used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Executive's base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 29 shall require the Company, Acadia or any of their respective affiliates to be responsible for, or have any liability or obligation with respect to, Executive's excise tax liabilities under Section 4999 of the Code.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

COMPANY:

ACADIA MANAGEMENT COMPANY, INC.

By: /s/ Christopher L. Howard
Name: Christopher L. Howard
Its: Vice President and Secretary

EXECUTIVE:

/s/ Christopher H. Hunter
Name: Christopher H. Hunter

ACKNOWLEDGED AND AGREED:

ACADIA HEALTHCARE COMPANY, INC., solely with respect to Sections 1, 2, 7 and 28

By: /s/ Christopher L. Howard
Name: Christopher L. Howard
Its: Executive Vice President and General Counsel

Exhibit A

Other Activities

Director - AfterNext HealthTech (NYSE: AFTR)

Advisory Board - Parthenon Capital

Exhibit B1

GENERAL RELEASE

I, _____, in consideration of and subject to the performance by Acadia Management Company, Inc., a Delaware corporation (together with its affiliates, the "Company"), of the Company's obligations under the Employment Agreement dated as of [____], 2022 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and all present, former and future managers, directors, officers, employees, successors and assigns of the Company and direct or indirect owners (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Agreement.

1. I understand that any payments or benefits paid or granted to me under Section 4 of the Agreement represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in Section 4, unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company.

2. Except as provided in paragraphs 5 and 6 below and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, including those that arise out of or are connected with my employment with, or my separation or termination from, the Company (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or

¹ Note to Draft: Subject to updates to the extent necessary for applicable governing law.

under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. The released claims described in paragraph 2 hereof include all such claims, whether known or unknown by me.

4. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.

5. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

6. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving (and nothing set forth herein shall be deemed a release of) (a) any right to any earned and accrued salary, vacation, benefits, expense reimbursements, or any severance benefits to which I am entitled under the Agreement, (b) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents, applicable law or otherwise, including, without limitation, Sections 26 and 27 of the Agreement, (c) my rights as an equity or security holder in the Company, (d) claims for workers' compensation benefits under any of the Company's workers' compensation insurance policies or funds, (e) claims related to my rights under the Consolidated Budget Reconciliation Act of 1985, as amended and/or (f) any obligations of the Company under this General Release, including my rights to enforce this General Release.

7. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. I further agree that in the event I should

bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim of the type described in paragraph 2 above as of the execution of this General Release.

8. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

9. I agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees.

10. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity.

11. I hereby acknowledge that Sections 4 through 28 (other than Section 22) of the Agreement shall survive my execution of this General Release.

12. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.

13. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Agreement after the date hereof.

14. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

- (a) I HAVE READ IT CAREFULLY;
- (b) I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS

UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED; TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963; THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

- (c) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
- (d) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;
- (e) I HAVE HAD AT LEAST [21][45] DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED [21] [45]-DAY PERIOD;
- (f) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;
- (g) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
- (h) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED: _____ DATED: _____

**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, Christopher H. Hunter, 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 4, 2022

/s/ Christopher H. Hunter

Christopher H. Hunter

Chief Executive Officer and Director

**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 4, 2022

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

**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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher H. Hunter, 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 4, 2022

/s/ Christopher H. Hunter

Christopher H. Hunter
Chief Executive Officer and Director

/s/ David M. Duckworth

David M. Duckworth
Chief Financial Officer