UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): June 9, 2014 (June 9, 2014)

Acadia Healthcare Company, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-35331**	**46-2492228**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

830 Crescent Centre Drive, Suite 610 **Franklin, Tennessee**	**37067**
(Address of Principal Executive Offices)	**(Zip Code)**

(615) 861-6000
(Registrant's Telephone Number, including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Other Events.

On June 9, 2014, Acadia Healthcare Company, Inc., a Delaware corporation (“**Acadia**”), issued a press release announcing that it had commenced a solicitation of consents from holders of its outstanding 12.875% senior notes due 2018 (the “**Notes**”) that will amend the related indenture by increasing the permitted secured leverage ratio in the defined term “Permitted Liens”, which will enable Acadia to incur additional secured indebtedness, thereby affording Acadia greater financial flexibility. Other than amending this provision, the proposed amendment would not change the terms of the indenture or the Notes. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is hereby incorporated by reference.

The information in this Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, unless Acadia specifically incorporates them by reference in a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 8.01. Other Events.

As previously disclosed in the Current Reports on Form 8-K of Acadia, which were filed on June 3, 2014 and June 6, 2014, Piper Holdco 2, Ltd., a company incorporated in England and Wales (the “**Purchaser**”) and a wholly-owned, indirect subsidiary of Acadia, entered into an agreement, dated as of June 3, 2014 (the “**Agreement**”), with Partnerships in Care Holdings Limited, a company incorporated in England and Wales (the “**Seller**”), and The Royal Bank of Scotland plc, a company incorporated in England and Wales (the “**RBS Seller**”). Acadia joined the Agreement for the purpose of guarantying the Purchaser’s obligations arising under the Agreement. Pursuant to the terms of the Agreement, (i) the Seller will sell, and the Purchaser will purchase, all of the issued and outstanding ordinary shares in the capital of Partnerships in Care Investments 1 Limited, a company incorporated in England and Wales and a wholly-owned, direct subsidiary of the Seller (the “**Target**”), and (ii) the RBS Seller will sell, and the Purchaser will purchase, the issued and outstanding A ordinary shares in the capital of Partnerships in Care Property 1 Limited, a company incorporated in England and Wales and a wholly-owned, indirect subsidiary of the Target, owned by the RBS Seller (collectively, the “**Transaction**”). The Agreement provides that the Transaction will close (the “**Closing**”) on July 1, 2014.

The purpose of this Current Report on Form 8-K is to file the following pro forma and historical financial information as well as updated Risk Factors which are incorporated by reference herein.

<u>Unaudited Pro Forma Condensed Combined Financial Information of Acadia and its Subsidiaries</u>

- Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2014
- Unaudited Pro Forma Condensed Combined Statement of Operations for the fiscal year ended December 31, 2013
- Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended March 31, 2014
- Notes to Unaudited Pro Forma Condensed Combined Financial Information

Partnerships in Care Investments 1 Limited Audited Combined Financial Statements

- Director's Responsibility Statement
- Independent auditors' report
- Combined profit and loss account for the years ended December 31, 2013, 2012 and 2011.
- Combined statement of total recognized gains and losses for the years ended December 31, 2013, 2012 and 2011.
- Combined balance sheet as of December 31, 2013, 2012 and 2011
- Combined cash flow statement for the years ended December 31, 2013, 2012 and 2011
- Reconciliation of net cash flow to movement in net debt for the years ended December 31, 2013, 2012 and 2011.
- Notes to Combined Financial Statements (including a reconciliation to US GAAP for the years ended December 31, 2013 and 2012)

The audited combined financial statements of the Target and its subsidiaries have been prepared in accordance with United Kingdom Accounting Standards ("UK GAAP"). UK GAAP differs in certain respects from generally accepted accounting principles in the United States ("US GAAP"). Except where otherwise noted, the Target has not prepared or reconciled, and does not currently intend to prepare or reconcile, its financial statements and the accompanying notes thereto in accordance with US GAAP.

In addition, Acadia has revised certain risk factors it previously disclosed in its periodic reports as filed with the Securities and Exchange Commission from time to time. A copy of the updated risk factors is filed as Exhibit 99.4 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of PricewaterhouseCoopers, LLP, independent accountants, with respect to the audited combined financial statements of Partnerships in Care Investments 1 Limited and its subsidiaries
99.1	Press release, dated June 9, 2014
99.2	Unaudited pro forma condensed combined financial information of Acadia and its subsidiaries
99.3	Combined financial statements of Partnerships in Care Investments 1 Limited and its subsidiaries
99.4	Risk Factors

Cautionary Statement Regarding Forward-Looking Statements

This Current Report on Form 8-K (including the exhibits) hereto 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 events, occurrences or results. In some cases, forward-looking statements can be identified 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 used in connection with any discussion of the Agreement and the Transaction identify forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and adversely from these forward-looking statements.

Acadia has based these forward-looking statements on its current expectations, assumptions, estimates and projections. Although Acadia believes that such expectations, assumptions, estimates and projections are reasonable, forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, many of which are outside of Acadia's control and could cause Acadia's actual results, performance or achievements to differ materially and adversely from any results, performance or achievements expressed or implied by such forward-looking statements.

Given these risks and uncertainties, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are made only as of the date of this Current Report on Form 8-K. Acadia does not undertake, and expressly disclaims, any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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 hereunto duly authorized.

ACADIA HEALTHCARE COMPANY, INC.

Date: June 9, 2014	By: /s/ Christopher L. Howard
	Christopher L. Howard
	Executive Vice President, Secretary and General Counsel

EXHIBIT INDEX

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99.4	Risk Factors

Exhibit 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the following Registration Statements:

(1) Form S-3 (No. 333-184456) pertaining to the registration of shares of common stock;

(2) Form S-8 (No. 333-177990) pertaining to the Acadia Healthcare Company, Inc. Incentive Compensation Plan;

(3) Form S-8 (No. 333-190232) pertaining to the Acadia Healthcare Company, Inc. Incentive Compensation Plan; and

(4) Post-Effective Amendment No. 1 to Form S-4 on Form S-8 (No. 333-175523) pertaining to the PHC, Inc. 2004 Non-Employee Director Stock Option Plan, the PHC, Inc. 2003 Stock Purchase and Option Plan, the PHC, Inc. 1995 Employee Stock Purchase Plan and the PHC, Inc. 1993 Stock Purchase and Option Plan;

of our report dated 3 June 2014 related to the financial statements of Partnerships in Care Investments 1 Limited, which appears in the Current Report on Form 8-K of Acadia Healthcare Company, Inc. dated 9 June 2014.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
9 June 2014

Contact:
Brent Turner
President
(615) 861-6000

Acadia Healthcare Announces Commencement of Consent Solicitation Related to its 12.875% Senior Notes due 2018.

FRANKLIN, Tenn.—June 9, 2014 — Acadia Healthcare Company, Inc. (NASDAQ: ACHC) (the “Company”) today announced that it has commenced a consent solicitation relating to its 12.875% Senior Notes due 2018 (the “Notes”). The Company is soliciting the consents of the requisite holders of the Notes as of the record date set forth in the solicitation documents (the “Solicitation Documents”) to certain amendments (the “Proposed Amendments”) of provisions of the indenture governing the Notes (the “Indenture”).

The primary purpose of the Proposed Amendments is to increase the permitted Secured Leverage Ratio (as defined in the Indenture) contained in clause (29) of the definition of “Permitted Liens” in Section 1.01 of the Indenture from 3.0 to 1.0 to 3.5 to 1.0, subject to the satisfaction of certain requirements.

The implementation of the Proposed Amendments is subject to the valid delivery of consents by holders (as of the record date) of Notes constituting a majority of the outstanding principal amount of the Notes (the “Requisite Consents”), the acceptance of the consents by the Company, as well as the other conditions set forth in the Solicitation Documents, including the execution of a supplemental indenture effecting the Proposed Amendments. If these conditions are satisfied or waived, and the Proposed Amendments are implemented, the Proposed Amendments will become operative only upon the Company’s making consent payments to holders (as of the record date) of Notes who validly deliver and do not revoke their consents on or before the expiration date, as set forth in the Solicitation Documents.

The solicitation of consents is scheduled to expire at 5:00 p.m., New York City time, on June 17, 2014, unless extended or earlier terminated.

Jefferies LLC is acting as the solicitation agent and Ipreo LLC is acting as the information and tabulation agent in connection with the consent solicitation. Additional information concerning the terms of the consent solicitation and copies of the Solicitation Documents may be obtained from Ipreo by holders (as of the record date) of the Notes. Ipreo may be contacted at (888) 593-9546 (toll free) or (212) 849-3880.

This press release shall not constitute a solicitation of consents with respect to the Notes. The consent solicitation may only be made in accordance with and subject to the terms and conditions specified in the Solicitation Documents, which more fully set forth the terms and conditions of the consent solicitations.

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Forward-Looking Statements

This news release contains forward-looking statements. Generally words such as “may,” “will,” “should,” “could,” “anticipate,” “expect,” “intend,” “estimate,” “plan,” “continue,” and “believe” or the negative of or other variation on these and other similar expressions identify forward-looking statements. These forward-looking statements are made only as of the date of this news release. The Company does not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements are based on current expectations and involve risks and uncertainties.

About Acadia

Acadia is a provider of inpatient behavioral healthcare services. Acadia operates a network of 52 behavioral healthcare facilities with more than 4,300 licensed beds in 24 states and Puerto Rico. Acadia provides psychiatric and chemical dependency services to its patients in a variety of settings, including inpatient psychiatric hospitals, residential treatment centers, outpatient clinics and therapeutic school-based programs.

- END -

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The tables below set forth the unaudited pro forma condensed combined financial data for Acadia giving effect to Acadia's planned acquisition of Partnerships in Care on July 1, 2014, the offering of common stock described in this prospectus supplement and Acadia's planned debt financing transactions.

With respect to this offering, the unaudited pro forma condensed combined financial data is based on the assumption that Acadia is offering 7,344,998 shares of common stock at an assumed public offering price of $46.29 per share, which was the closing price of our common stock on June 6, 2014, as reported on the NASDAQ Global Market.

With respect to Acadia's planned debt financing, the unaudited pro forma condensed combined financial data is based on the assumption that Acadia will issue $300,000,000 of incremental term loans through an amendment to its existing Amended and Restated Credit Agreement and borrow $56,000,000 on its existing revolving line of credit.

The unaudited pro forma condensed combined balance sheet as of March 31, 2014 reflects the effect of Acadia's planned acquisition of Partnerships in Care as if it occurred on March 31, 2014.

The unaudited pro forma condensed combined statements of operations give effect to each transaction as if it occurred on January 1, 2013.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2013 combines the audited consolidated statement of operations of Acadia for that period, the unaudited consolidated statement of operations for Acadia's completed acquisitions, and the audited consolidated statement of operations of Partnerships in Care for the period from January 1, 2013 to December 31, 2013.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2014 combines the unaudited consolidated statement of operations of Acadia for that period with the unaudited consolidated statement of operations of Partnerships in Care for the period from January 1, 2014 to March 31, 2014.

The unaudited pro forma condensed combined financial data has been prepared using the acquisition method of accounting for business combinations under GAAP. The adjustments necessary to fairly present the unaudited pro forma condensed combined financial data have been made based on available information and in the opinion of management are reasonable. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed combined financial data. The pro forma adjustments related to the planned acquisition of Partnerships in Care are preliminary and revisions to the fair value of assets acquired and liabilities assumed may have a significant impact on the pro forma adjustments. A final valuation of assets acquired and liabilities assumed has not been completed and the completion of fair value determinations may result in changes in the values assigned to property and equipment and other assets (including intangibles) acquired and liabilities assumed.

The unaudited pro forma condensed combined financial data is for illustrative purposes only and does not purport to represent what our financial position or results of operations actually would have been had the events noted above in fact occurred on the assumed dates or to project our financial position or results of operations for any future date or future period.

The unaudited pro forma condensed combined financial data should be read in conjunction with the consolidated financial statements and notes thereto of Acadia and Partnerships in Care incorporated by reference in this prospectus supplement.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of March 31, 2014
(In thousands)

	Acadia(1)	Partnerships in Care(2a)	Pro Forma Adjustments	Notes	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 7,243	$ 20,485	$ (20,485)	(5)	$ 7,362
			119	(8)	
Accounts receivable, net	104,585	7,641			112,226
Deferred tax assets	17,029	—			17,029
Other current assets	28,180	5,409			33,589
Total current assets	157,037	33,535	(20,366)		170,206
Property and equipment, net	403,366	895,673	(287,925)	(7)	1,011,114
Goodwill	665,421	—	84,457	(7)	749,878
Intangible assets, net	20,730	—	3,000	(7)	23,730
Deferred tax assets—noncurrent	4,325	—			4,325
Other assets	32,066	—	11,100	(8)	43,166
Total assets	1,282,945	929,208	(209,734)		2,002,419
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	9,570	—	3,000	(9)	12,570
Accounts payable	28,405	6,410			34,815
Accrued salaries and benefits	32,257	6,292			38,549
Other accrued liabilities	27,673	8,209			35,882
Total current liabilities	97,905	20,911	3,000		121,816
Long-term debt	653,626	1,345,323	(992,323)	(9)	1,006,626
Deferred tax liabilities—noncurrent	15,399	76,064	(56,985)	(7)	34,478
Other liabilities	19,865	6,284			26,149
Total liabilities	786,795	1,448,582	(1,046,308)		1,189,069
Equity:					
Common stock	502	—	73	(8)	575
Additional paid-in capital	464,188	—	324,927	(8)	789,115
Retained earnings (accumulated deficit)	31,460	—	(7,800)	(8)	23,660
Investment in Parent	—	(519,374)	519,374	(6)	—
Total equity	496,150	(519,374)	836,574		813,350
Total liabilities and equity	$1,282,945	$ 929,208	$ (209,734)		$ 2,002,419

See accompanying notes to unaudited pro forma financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2013
(In thousands, except per share amounts)

	Acadia(1)	Completed Acquisitions Pro Forma Adjustment(3)	Notes	Acadia Pro Forma	Partnerships in Care(2b)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue before provision for doubtful accounts	$ 735,109	$ 23,111		$ 758,220	$ 267,031			$ 1,025,251
Provision for doubtful accounts	(21,701)	(933)		(22,634)	(11)			(22,645)
Revenue	713,408	22,178		735,586	267,020			1,002,606
Salaries, wages and benefits	407,962	12,312		420,274	151,493			571,767
Professional fees	37,171	1,567		38,738	11,294			50,032
Supplies	37,569	1,176		38,745	9,755			48,500
Rents and leases	10,049	1,228		11,277	1,605			12,882
Other operating expenses	80,572	2,625		83,197	24,050			107,247
Depreciation and amortization	17,090	501		17,591	21,173	(5,957)	(10)	32,807
Interest expense, net	37,250	2,603		39,853	77,373	(61,357)	(11)	55,869
Debt extinguishment costs	9,350	—		9,350	—			9,350
Transaction-related expenses	7,150	(1,403)	(12)	5,747	—	(184)	(12)	5,563
Total expenses	644,163	20,609		664,772	296,743	(67,498)		894,017
Income (loss) from continuing operations before income taxes	69,245	1,569		70,814	(29,723)	67,498		108,589
Provision (benefit) for income taxes	25,975	588		26,563	(12,844)	21,029	(13)	34,748
Income (loss) from continuing operations	$ 43,270	$ 981		$ 44,251	$ (16,879)	$ 46,469		$ 73,841
Earnings per share—income (loss) from continuing operations:								
Basic	$ 0.87			$ 0.88				$ 1.29
Diluted	$ 0.86			$ 0.88				$ 1.28
Weighted average shares:								
Basic	50,004			50,004		7,345	(14)	57,349
Diluted	50,261			50,261		7,345	(14)	57,606

See accompanying notes to unaudited pro forma financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2014
(In thousands, except per share amounts)

	Acadia(1)	Partnerships in Care(2c)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue before provision for doubtful accounts	$ 206,119	$ 69,450			$ 275,569
Provision for doubtful accounts	(4,701)	—			(4,701)
Revenue	201,418	69,450			270,868
Salaries, wages and benefits	117,575	40,797			158,372
Professional fees	10,382	3,116			13,498
Supplies	10,064	2,305			12,369
Rents and leases	2,769	448			3,217
Other operating expenses	23,110	6,944			30,054
Depreciation and amortization	5,436	5,767	(1,963)	(10)	9,240
Interest expense, net	9,707	20,809	(16,805)	(11)	13,711
Transaction-related expenses	1,579	—	(9)	(12)	1,570
Total expenses	180,622	80,186	(18,777)		242,031
Income (loss) from continuing operations before income taxes	20,796	(10,736)	18,777		28,837
Provision (benefit) for income taxes	7,775	15	1,438	(13)	9,228
Income (loss) from continuing operations	$ 13,021	$ (10,751)	$ 17,339		$ 19,609
Earnings per share—income (loss) from continuing operations:					
Basic	$ 0.26				$ 0.34
Diluted	$ 0.26				$ 0.34
Weighted average shares:					
Basic	50,120		7,345	(14)	57,465
Diluted	50,486		7,345	(14)	57,831

See accompanying notes to unaudited pro forma financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(In thousands, except per share amounts)

(1) The amounts in this column represent, for Acadia, actual results for the periods presented.
(2) The historical financial statements of Partnerships in Care are prepared in accordance with U.K. GAAP and are adjusted to: (i) reconcile the financial statements to U.S. GAAP and (ii) translate the financial statements to U.S. dollars based on the historical exchange rates below. The Partnerships in Care financial statements have been reclassified to conform to Acadia's financial statement presentation.

		GBP/USD
March 31, 2014	Period End Spot Rate	$ 1.6637
Year ended December 31, 2013	Average Spot Rate	$ 1.5643
Three months ended March 31, 2014	Average Spot Rate	$ 1.6548

(a) The amounts below represent results as of March 31, 2014.

	Partnerships in Care (in £, in U.K. GAAP)	U.S. GAAP Adjustments	Notes	Partnerships in Care (in £, in U.S. GAAP)	Partnerships in Care (in $, in U.S. GAAP)
Current assets:					
Cash and cash equivalents	£ 12,313	£		£ 12,313	$ 20,485
Accounts receivable, net	4,593			4,593	7,641
Deferred tax assets	—			—	—
Other current assets	3,251			3,251	5,409
Total current assets	20,157			20,157	33,535
Property and equipment, net	453,735	84,627	(4)	538,362	895,673
Goodwill	—			—	—
Intangible assets, net	—			—	—
Deferred tax assets—noncurrent	—			—	—
Other assets	—			—	—
Total assets	£ 473,892	£ 84,627		£ 558,519	$ 929,208
Current liabilities:					
Current portion of long-term debt	£ —	£		£ —	$ —
Accounts payable	3,853			3,853	6,410
Accrued salaries and benefits	3,782			3,782	6,292
Other accrued liabilities	4,934			4,934	8,209
Total current liabilities	12,569			12,569	20,911
Long-term debt	792,206	16,427	(4)	808,633	1,345,323
Deferred tax liabilities—noncurrent	2,027	43,693	(4)	45,720	76,064
Other liabilities	3,777			3,777	6,284
Total liabilities	810,579	60,120		870,699	1,448,582
Equity:					
Investment in Parent	(336,687)	24,507		(312,180)	(519,374)
Total equity	(336,687)	24,507		(312,180)	(519,374)
Total liabilities and equity	£ 473,892	£ 84,627		£ 558,519	$ 929,208

(b) The amounts below represent results for the year ended December 31, 2013.

	Partnerships in Care (in £, in U.K. GAAP)	U.S. GAAP Adjustments	Notes	Partnerships in Care (in £, in U.S. GAAP)	Partnerships in Care (in $, in U.S. GAAP)
Revenue before provision for doubtful accounts	£ 170,703	£		£ 170,703	$ 267,031
Provision for doubtful accounts	(7)			(7)	(11)
Revenue	170,696			170,696	267,020
Salaries, wages and benefits	98,345	(1,501)	(4)	96,844	151,493
Professional fees	7,220			7,220	11,294
Supplies	6,236			6,236	9,755
Rents and leases	1,026			1,026	1,605
Other operating expenses	15,374			15,374	24,050
Depreciation and amortization	11,458	2,077	(4)	13,535	21,173
Interest expense, net	61,782	(12,320)	(4)	49,462	77,373
Transaction-related expenses	—			—	—
Total expenses	201,441	(11,744)		189,697	296,743
Loss from continuing operations before income taxes	(30,745)	11,744		(19,001)	(29,723)
Benefit for income taxes	(1,715)	(6,496)	(4)	(8,211)	(12,844)
Loss from continuing operations	£ (29,030)	£ 18,240		£ (10,790)	$ (16,879)

(c) The amounts below represent results for the three months ended March 31, 2014.

	Partnerships in Care (in £, in U.K. GAAP)	U.S. GAAP Adjustments	Notes	Partnerships in Care (in £, in U.S. GAAP)	Partnerships in Care (in $, in U.S. GAAP)
Revenue before provision for doubtful accounts	£ 41,969	£		£ 41,969	$ 69,450
Provision for doubtful accounts	—			—	—
Revenue	41,969			41,969	69,450
Salaries, wages and benefits	25,091	(437)	(4)	24,654	40,797
Professional fees	1,883			1,883	3,116
Supplies	1,393			1,393	2,305
Rents and leases	271			271	448
Other operating expenses	4,196			4,196	6,944
Depreciation and amortization	2,966	519	(4)	3,485	5,767
Interest expense, net	15,655	(3,080)	(4)	12,575	20,809
Transaction-related expenses	—			—	—
Total expenses	51,455	(2,998)		48,457	80,186
Loss from continuing operations before income taxes	(9,486)	2,998		(6,488)	(10,736)
Benefit for income taxes	(532)	541	(4)	9	15
Loss from continuing operations	£ (8,954)	£ 2,457		£ (6,497)	$ (10,751)

(3) The amounts in this column represent pro forma adjustments for Acadia's completed acquisitions of two facilities from United Medical Corporation and Cascade Behavioral Hospital (neither acquisition was individually material), actual results for the periods presented, up to the acquisition dates.

(4) Reflects adjustments to reconcile U.K. GAAP to U.S. GAAP per the footnotes of Partnerships in Care Investments 1 Limited financial statements including (i) a property and equipment impairment charge and related depreciation expense adjustment, which would not have been recorded under U.S. GAAP; (ii) amortization of an interest rate swap, which would not have been recorded under U.S. GAAP; (iii) a share-based payment charge, which would not have been recorded under U.S. GAAP; and (iv) the tax impact of the previous adjustments.

(5) Represents cash not acquired as part of the acquisition.

(6) Reflects elimination of equity accounts of Partnerships in Care.

(7) Represents adjustments based on preliminary estimates of fair value and the adjustment to goodwill derived from the difference in the estimated total consideration to be transferred by Acadia and the estimated fair value of assets acquired and liabilities assumed by Acadia, calculated as follows:

Estimated cash consideration	$661,981
Cash and cash equivalents	—
Accounts receivable	7,641
Other current assets	5,409
Property and equipment	607,748
Intangible assets	3,000
Other long-term assets	—
Accounts payable	(6,410)
Accrued salaries and benefits	(6,292)
Other accrued liabilities	(8,209)
Deferred tax liabilities—noncurrent	(19,079)
Other long-term liabilities	(6,284)
Fair value of assets acquired and liabilities assumed	$577,524
Estimated goodwill	$ 84,457

The acquired assets and liabilities will be recorded at their relative fair values as of the closing date of the acquisition. Estimated goodwill is based upon a determination of the fair value of assets acquired and liabilities assumed that is preliminary and subject to revision as the value of total consideration is finalized and additional information related to the fair value of property and equipment and other assets (including intangible assets) acquired and liabilities assumed becomes available. The actual determination of the fair value of assets acquired and liabilities assumed will differ from that assumed in these unaudited pro forma condensed combined financial statements and such differences may be material. Qualitative factors comprising goodwill include efficiencies derived through synergies expected by coordination of services provided across the combined network of facilities, achievement of operating efficiencies by benchmarking performance and applying best practices throughout the combined company.

(8) Represents a $119 increase in cash as a result of the planned acquisition of Partnerships in Care and related financing transactions. Acadia expects to issue $300,000 of incremental term loans through an amendment to its existing Amended and Restated Credit Agreement, or Incremental Term Loans, borrow $56,000 on its existing revolving line of credit and issue additional common shares for estimated net proceeds of $325,000. Based on the assumed public offering price of $46.29 (the closing price of our common stock on June 6, 2014, as reported on the NASDAQ Global Market) the number of shares to be issued is 7,344,998 with a par value of $0.01, which results in additional common stock of $73 and additional paid-in capital of $324,927 and includes estimated underwriting discounts and other offering expenses of $15,000. The sources and uses of cash in connection with the acquisition are expected to be as follows:

Sources:	
Incremental Term Loans	$ 300,000
Revolving line of credit	56,000
Equity issuance	325,000
Uses:	
Cash consideration	(661,981)
Debt financing costs	(11,100)
Acquisition costs(a)	(7,800)
Cash adjustment	$ 119

(a) The effect of estimated acquisition costs are not included in the pro forma condensed combined statement of operations for the year ended December 31, 2013 and three months ended March 31, 2014.

(9) Represents the elimination of debt not assumed in the Partnerships in Care acquisition, the issuance of Incremental Term Loans and borrowings under the existing revolving line of credit as follows:

	Current Portion	Long-term Portion	Total Debt
Elimination of debt not assumed	$ —	$(1,345,323)	$(1,345,323)
Incremental Term Loans	3,000	297,000	300,000
Revolving line of credit	—	56,000	56,000
Adjustments	$ 3,000	$ (992,323)	$ (989,323)

(10) Represents the adjustments to Partnerships in Care's depreciation and amortization expense as a result of recording the property and equipment and intangible assets at preliminary estimates of fair value as of the date of the acquisitions, as follows:

(a) Completed acquisitions:

	Amount	Useful Lives (in years)	Monthly Depreciation	Year Ended December 31, 2013	Three Months Ended March 31, 2014
Land	$137,483	N/A	$ —	$ —	$ —
Building and improvements	455,764	30-50	950	12,168	3,042
Equipment	14,501	3-10	192	3,048	762
				15,216	3,804
Indefinite-lived intangible assets	607,748	N/A	1,142	—	—
Total depreciation and amortization expense				15,216	3,804
Less: historical depreciation and amortization expense				(21,173)	(5,767)
Depreciation and amortization expense adjustment				$ (5,957)	$ (1,963)

(11) Represents an adjustment to interest expense to give effect to the Incremental Term Loans based on an estimated interest rate of 4.25% and to borrow $56,000 on its existing revolving line of credit and to eliminate interest expense on Partnerships in Care's historical debt, which will be extinguished at closing. Interest expense includes related amortization of $1.6 million of deferred financing costs for the year ended December 31, 2013 and $0.4 million for the three months ended March 31, 2014.

	Year Ended December 31, 2013	Three Months Ended March 31, 2014
Interest related to Incremental Term Loan	$ 12,750	$ 3,188
Interest related to borrowings on revolving credit facility	1,680	420
Interest related to amortization of deferred financing costs	1,586	396
Less: historical interest expense	(77,373)	$ (20,809)
Interest expense adjustment	$ (61,357)	$ (16,805)

An increase or decrease of 0.125% in the assumed interest rate would result in a change of $375 for the year ended December 31, 2013 and $94 for the three months ended March 31, 2014.

(12) Reflects the removal of acquisition-related expenses, related to Acadia's completed acquisitions and Partnerships in Care, included in the historical statements of operations.

(13) Reflects adjustments to income taxes to reflect the impact of the above pro forma adjustments applying combined U.S. federal and state statutory tax rates and U.K. statutory rates.

(14) Represents adjustments to weighted average shares used to compute basic and diluted earnings per share to reflect the effect of an estimated 7,344,998 shares of common stock to be issued by Acadia in this offering, which resulted in an increase in weighted average shares outstanding of 7,344,998 shares for the year ended December 31, 2013 and the three months ended March 31, 2014. The proceeds from such offering of common stock are to be used to partially fund Acadia's planned acquisition of Partnerships in Care.

Exhibit 99.3

Partnerships in Care Investments 1 Limited

Combined financial statements for the years ended
31 December 2013, 31 December 2012 and 31 December 2011

Partnerships in Care Investments 1 Limited

Contents

Partnerships in Care Investments 1 Limited

Directors' responsibility statement

The Directors present the combined financial statements for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

Statement of Directors' responsibilities

The Directors are responsible for the preparation of the combined financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The combined financial statements have been prepared by the Directors with the purpose of providing historical financial information to Acadia Healthcare Company, Inc to assist it satisfy its reporting responsibilities under Regulation S-X, Rule 3-05.

The Directors are satisfied that these combined financial statements present fairly the state of affairs of the Company and its subsidiary undertakings and of the loss and cash flows of the Company and its subsidiary undertakings for the years ended 31 December 2013, 31 December 2012 and 31 December 2011. In preparing the combined financial statements the Directors have:

- selected an appropriate basis of preparation given the intended purpose of the combined financial statements, as set out in Note 2.1, and applied that basis of preparation to all periods presented;
- selected suitable accounting policies, as set out in Note 2, and then applied them consistently to all periods presented;
- made judgements and accounting estimates that are reasonable and prudent; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The factors taken into consideration by the Directors in forming their conclusions in relation to going concern are set out in Note 2.2.

These combined financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

Provision of Information to Auditors

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

/s/ Dr. Quazi Haque

Dr Quazi Haque
Director, Partnerships in Care Investments 1 Limited
3 June 2014

Partnerships in Care Investments 1 Limited

Independent Auditors' Report

To the Board of Directors and Shareholders of Partnerships in Care Investments 1 Limited

We have audited the accompanying combined financial statements of Partnerships in Care Investments 1 Limited and its subsidiaries, which comprise the combined balance sheets as of 31 December 2013, 31 December 2012 and 31 December 2011, and the related combined profit and loss account, combined statement of total recognised gains and losses, combined cash flow statement, reconciliation of net cash flow to movement in net debt and the related notes for the years then ended ("the combined financial statements").

Directors' Responsibility for the Combined Financial Statements

The Directors are responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United Kingdom; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Partnerships in Care Investments 1 Limited and its subsidiaries at 31 December 2013, 31 December 2012 and 31 December 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United Kingdom.

Emphasis of matter – Basis of Preparation and Going Concern

In forming our opinion on the combined financial statements, which is not modified, we draw attention to the basis of preparation set out in Note 2.1 and the basis on which the going concern presumption has been applied by the Directors in preparing the combined financial statements as set out in Note 2.2. In addition, these combined financial statements are not the statutory financial statements of the Company prepared in accordance with section 394 of the Companies Act 2006. Accordingly, these combined financial statements do not present information on Partnerships in Care Investments 1 Limited as a separate legal entity.

Generally accepted accounting principles in the United Kingdom vary in certain significant respects from generally accepted accounting principles in the United States of America ("US GAAP"). Application of generally accepted accounting principles in the United States of America would have affected the combined financial condition and results of operations of the company as of and for the years ended 31 December 2013 and 31 December 2012 to the extent summarised in Note 29 to the combined financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
St Albans, United Kingdom
3 June 2014

Partnerships in Care Investments 1 Limited

Combined profit and loss account

	Note	2013 £000	2012 £000	2011 £000
Turnover	3	170,703	171,171	172,839
Cost of sales		(109,625)	(109,624)	(106,628)
Gross profit		61,078	61,547	66,211
Administrative expenses		(30,041)	(30,716)	(29,518)
Exceptional administrative expenses	8	—	—	(97,317)
Total administrative expenses		(30,041)	(30,716)	(126,835)
Operating profit / (loss)	4	31,037	30,831	(60,624)
Interest receivable and similar income		35	30	29
Interest payable and similar charges	6	(61,784)	(60,691)	(55,244)
Other finance (expenses) / income	7	(33)	(71)	132
Loss on ordinary activities before taxation		(30,745)	(29,901)	(115,707)
Tax credit / (charge) on loss on ordinary activities	9	1,715	629	(1,718)
Loss for the financial year		**(29,030)**	**(29,272)**	**(117,425)**

All amounts relate to continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The accompanying notes form an integral part of the combined financial statements.

Partnerships in Care Investments 1 Limited

Combined statement of total recognised gains and losses

	2013 £000	2012 £000	2011 £000
Loss for the financial year	(29,030)	(29,272)	(117,425)
Actuarial loss related to pension scheme (Note 23)	(2,939)	(1,287)	(449)
Deferred tax attributable to actuarial loss	683	315	112
Total recognised gains and losses relating to the year	**(31,286)**	**(30,244)**	**(117,762)**

The accompanying notes form an integral part of the combined financial statements.

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Partnerships in Care Investments 1 Limited

Combined balance sheet

	Note	2013 £000	2012 £000	2011 £000
Fixed assets				
Tangible assets	10	454,844	457,113	460,584
Current assets				
Stocks	12	628	622	607
Debtors	13	7,045	6,603	5,411
Cash at bank and in hand		15,817	18,124	16,007
Current assets		23,490	25,349	22,025
Creditors: amounts falling due within one year	14	(13,306)	(15,621)	(17,318)
Net current assets		10,184	9,728	4,707
Total assets less current liabilities		465,028	466,841	465,291
Creditors: amounts falling due after more than one year	15	(786,725)	(759,324)	(728,814)
Provisions for liabilities				
Deferred tax	16	(2,559)	(4,147)	(4,650)
Net liabilities excluding pension scheme liability		(324,256)	(296,630)	(268,173)
Pension liability	23	(3,913)	(1,754)	(878)
Net liabilities		**(328,169)**	**(298,384)**	**(269,051)**
Capital and reserves				
Net Investment of Parent		(328,169)	(298,384)	(269,051)
Shareholders' deficit	17	**(328,169)**	**(298,384)**	**(269,051)**

The accompanying notes form an integral part of the combined financial statements.

Partnerships in Care Investments 1 Limited

Combined cash flow statement

	Note	2013 £000	2012 £000	2011 £000
Net cash flow from operating activities	18	41,199	41,026	44,616
Returns on investments and servicing of finance	19	(10,309)	(13,223)	(15,659)
Taxation		254	(500)	(261)
Capital expenditure and financial investment	19	(9,163)	(7,337)	(3,495)
Cash inflow before financing		21,981	19,966	25,201
Financing	19	(24,288)	(17,849)	(20,038)
(Decrease)/Increase in cash in the year		(2,307)	2,117	5,163

Reconciliation of net cash flow to movement in net debt

		2013 £000	2012 £000	2011 £000
(Decrease)/Increase in cash in the year		(2,307)	2,117	5,163
Decrease in borrowings		24,288	17,849	20,038
Change in net debt resulting from cash flows		21,981	19,966	25,201
Other non-cash increase in borrowings		(51,689)	(48,338)	(36,231)
Movement in net debt in the year		(29,708)	(28,372)	(11,030)
Net debt at 1 January	20	(742,120)	(713,748)	(702,718)
Net debt at 31 December	20	(771,828)	(742,120)	(713,748)

The accompanying notes form an integral part of the combined financial statements.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

1. Nature of business

Partnerships in Care Investments 1 Limited (the "Company") is a subsidiary of Partnerships in Care Group Limited (the "Parent" or "PiC Group Limited") and of Partnerships in Care Holdings Limited (together, "the parent companies"). The Parent and its subsidiary undertakings ("the Group") have historically prepared consolidated financial statements of the Group which has been managed as a business by a single management team. The accompanying combined financial statements reflect the assets, liabilities, revenues and expenses directly attributed to Partnerships in Care Investments 1 Limited and its subsidiary undertakings, as well as certain liabilities and expenses of the Parent as described below (together referred to as the "Business"). The combined financial statements of the Business for the three years ended 31 December 2013, 31 December 2012 and 31 December 2011 ("the combined financial statements") are prepared on the basis set out below.

The Business is one of the largest UK independent providers of secure and step down services to patients in facilities operated by the Business and which include medium and low security, and inpatient rehabilitation for patients with mental health, personality disorder, learning disability and similar conditions.

On 2 June 2014, the Business entered into a contract for the sale of Partnerships in Care Investments 1 Limited to Acadia Healthcare Company, Inc ("Acadia") for consideration of approximately £395m. The sale is due to complete on or around 30 June 2014, and as at the date of approving these combined financial statements the Directors are not aware of any material factors that would prevent completion occurring.

2. Accounting policies

2.1 Basis of preparation

These combined financial statements have been prepared by the Directors of the Company on the basis set out below. The Directors believe that the basis of preparation applied is appropriate for the intended use of these financial statements, which is to provide historical financial information to Acadia to assist Acadia in satisfying its reporting responsibilities under Regulation S-X, Rule 3-05, *Financial statements of businesses acquired or to be acquired*.

These combined financial statements are not the statutory financial statements of the Company prepared in accordance with section 394 of the Companies Act 2006. Accordingly, these financial statements do not present information on Partnerships in Care Investments 1 Limited as a separate legal entity.

These combined financial statements reflect the historical financial position, results of operations, parent company equity and cash flows of the Business for the periods presented. The historical financial statements reflect the amounts that have been "carved-out" from the Parent's consolidated financial statements prepared in accordance with applicable accounting standards in the United Kingdom ("UK GAAP") and reflect assumptions and allocations made by the Parent to depict the Business on a stand-alone basis. As a result, the combined financial statements included herein may not necessarily be indicative of the Business's financial position, results of operations, or cash flows had the Business operated as a stand-alone entity during the periods presented.

The combined financial statements were prepared using the Parent's historical records of the assets and liabilities of the Business, and the historical combined financial statements include all assets, liabilities, revenues and expenses directly attributable to the Business. The Business has been partially financed by borrowings from the parent companies. The parent companies have in turn been financed by the ultimate controlling party through the issue of unsecured subordinated loan notes and PIK notes, and in substance those loans have been used to finance the operations of the group headed by Partnerships in Care Investments 1 Limited. Accordingly, the Directors consider it appropriate for the purpose of these combined financial statements to apply the push down accounting principles contained in Staff Accounting Bulletin Topic 5J that discusses push down of debt. All related costs of servicing the pushed down debt have been included in the Business.

The amounts that have been legally incurred by the parent companies but which have been pushed down to the Business are set out in Note 26.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

2.1 Basis of preparation (continued)

All such costs and expenses have been deemed to have been paid by the Business to the Parent in the period in which the costs were incurred. The Net Investment of Parent in the Business as shown in the combined balance sheet includes amounts due to / from PiC Group Limited as well as certain intercompany receivables / payables with Partnerships in Care Holdings Limited.

2.2 Going concern

On 2 June 2014, the Business entered into a contract for the sale of Partnerships in Care Investments 1 Limited to Acadia Healthcare Company, Inc ("Acadia") for consideration of approximately £395m. The sale is due to complete on or around 30 June 2014, and as at the date of approving these combined financial statements the Directors are not aware of any material factors that would prevent completion occurring.

As described in Note 2.1 above, the application of "push down accounting" principles has resulted in the inclusion in these financial statements of certain unsecured loan notes including PIK notes and other loans which are not liabilities of the Business. These are liabilities of the parent companies and therefore will not need to be repaid by the Business headed by Partnerships in Care Investments 1 Ltd after the completion of the sale. Details of these liabilities are set out in Notes 14 and 15 to these combined financial statements.

At completion of the sale, the Business is expected to repay the majority of its senior bank debt extant at that time from the proceeds of the transaction. Furthermore, the Business expects that "A" Ordinary Shares in PiC Property 1 Limited will be issued to its bankers in consideration for the release of any remaining bank debt. These "A" Ordinary Shares are expected to be sold to Acadia for a nominal amount. Together these anticipated transactions at the completion date will result in the extinguishment of all the Business's bank debt and any related accrued interest and capitalised finance costs.

Acadia has provided written confirmation to the Directors of Partnerships in Care Investments 1 Limited that should the acquisition complete it will continue to provide funds to the Business to enable it to repay its debts as and when they fall due, for a period of at least one year from the date of approval of these combined financial statements.

Accordingly, and on the presumption that the proposed sale to Acadia will proceed to completion which the Directors consider is likely at the date of approving these financial statements, the Directors consider it appropriate to adopt the going concern basis in preparing these combined financial statements.

Were the sale not to proceed to completion, the Directors have regard to the fact that at 31 December 2013 the Business has bank debt of £455,104,000 under facilities due to expire in July 2015. The Directors, having assessed the prospects of the Business having regard to current trading and looking forward to the period through to refinancing in July 2015, are confident the business has sufficient funds to meet its obligations.

2.3 Basis of consolidation

The combined financial statements combine the financial information of Partnerships in Care Investments 1 Limited and all of its subsidiary undertakings ("subsidiaries"). Intra group sales and profits are eliminated fully on combination. In addition, certain liabilities and related finance costs directly attributable to the Business have been included in accordance with "push down accounting" principles, as set out in Note 2.1 above. Accordingly, these combined financial statements are described as "combined financial statements".

The Business applies the acquisition method to account for business combinations. Identifiable assets and liabilities acquired are measured initially at their estimated fair value at the acquisition date. The excess of the consideration paid over the fair value of the assets and liabilities acquired is recognised as goodwill on acquisition. Following an impairment review performed in 2010, all remaining goodwill from acquisitions was fully impaired.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

2.4 Turnover

Turnover is primarily earned from the provision of services to patients in secure and step down facilities operated by the Business and which include medium and low security, and inpatient rehabilitation for patients with mental health, personality disorder, learning disability and similar conditions. Revenue is recognised in the period that services are provided based on contractual billing rates agreed with health service commissioners throughout the United Kingdom.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	—	over 50 years straight line
Plant & machinery	—	over 7 to 10 years straight line
Motor vehicles	—	over 4 years straight line
Fixtures & fittings	—	over 5 to 10 years straight line
Computer equipment	—	over 3 to 7 years straight line

2.6 Impairment of fixed assets

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the combined profit and loss account and, where material, are classified as exceptional items.

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income generating unit to which the asset belongs.

2.7 Capitalised fees

Fees incurred in arranging the Business's bank and unsecured loan financing arrangements are capitalised and amortised to the profit and loss account over the remaining life of the related loans. Where finance facilities are re-financed and a modification of the facilities occurs, any incremental costs, including closed-out interest rate swaps, incurred as a direct consequence of the modification are also capitalised and amortised over the modified term of the facility.

2.8 Operating leases

Rentals under operating leases are charged to the combined profit and loss account on a straight line basis over the lease term.

2.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes direct purchase costs.

Notes to the combined financial statements

2.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the combined financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

2.11 Pensions

The Business operates a defined contribution pension scheme and the associated pension charge represents the amounts payable by the Group to the scheme in respect of the year.

The Business also operates a defined benefits pension scheme. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the defined benefit pension schemes expected to arise from employee service in the period, curtailment and settlement gains and losses are charged to operating profit. The expected return on the scheme's assets, and the increase during the year in the present value of the scheme's liabilities arising from the passage of time, are included within other finance charges. Actuarial gains and losses are recognised in the combined statement of total recognised gains and losses.

Any pension scheme surplus is recognised to the extent that it is recoverable and any deficit is recognised in full.

2.12 Share based payments

The Business operates a share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (restricted shares) of Partnerships in Care Investments 2 Limited, a subsidiary of the Company. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted, excluding the impact of any service and non-market performance vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of restricted shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. Where the vesting period is influenced by liquidity events such as a sale of the business or initial public offering, an estimate is made of the period between awarding the restricted shares and the date of a liquidity event.

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the combined profit and loss account, with a corresponding adjustment to shareholders' deficit.

Notes to the combined financial statements

2.13 Key accounting estimates and judgements

The preparation of the combined financial statements requires the Directors to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the year. The Directors evaluate the estimates and judgements on an ongoing basis. Such estimates and judgements are based upon historical experience and other factors they believe to be reasonable under the circumstances. Actual results may differ from estimates.

Key estimates and judgements have been made in respect of the following:

Carrying value of fixed assets and related impairment charges

Fixed asset balances held within the Business are reviewed by management for any indications of impairment. Where appropriate, management considers internal and external factors including market value, economic and cashflow performance in determining if any indicators of impairment exist. Impairment charges, if any, are determined in accordance with the policy at 2.6 above.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

3. Turnover

The directors are of the opinion that the operations of the Business are substantially similar in that they all relate to the provision of healthcare services; therefore there is only one class of business.

All turnover arose within the United Kingdom.

4. Operating profit / (loss)

Operating profit / (loss) is stated after charging:

	2013 £000	2012 £000	2011 £000
Depreciation of tangible fixed assets:			
- owned by the Group	11,458	10,782	12,691
- held under finance leases	—	17	34
Operating lease rentals:			
- plant and machinery	489	489	283
- other operating leases	415	432	475
	12,362	**11,720**	**13,483**

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2013 £000	2012 £000	2011 £000
Wages and salaries	86,073	86,781	84,254
Social security costs	8,145	8,229	8,171
Share based payments	1,501	911	—
Other pension costs	2,010	2,043	1,855
	97,729	**97,964**	**94,280**

The average monthly number of full time equivalent persons, including the directors, employed by the Business during the year was as follows:

	2013 No.	2012 No.	2011 No.
Operations	2,747	2,845	2,831
Administration	432	331	274
	3,179	**3,176**	**3,105**

6. Interest payable and similar charges

	2013 £000	2012 £000	2011 £000
On bank loans and overdrafts	29,254	31,014	28,233
On unsecured and other loan notes	32,528	29,676	27,008
On finance leases and hire purchase contracts	—	1	3
Other interest payable	2	—	—
	61,784	60,691	55,244

7. Other finance (expenses)/income

	2013 £000	2012 £000	2011 £000
Expected return on pension scheme assets (see Note 23)	1,508	1,358	1,681
Interest on pension scheme liabilities (see Note 23)	(1,541)	(1,429)	(1,549)
	(33)	(71)	132

8. Exceptional items

	2013 £000	2012 £000	2011 £000
Impairment of fixed assets	—	—	89,300
Professional fees	—	—	8,017
	—	—	97,317

In light of trading conditions in 2011, the directors reassessed their growth forecasts and concluded that the growth prospects for the Group were lower than previous forecasts had indicated. As a consequence, management conducted an impairment review of tangible fixed assets during the year.

The review indicated that the freehold properties' recoverable amount exceeded their carrying amount by £89.3 million and consequently it was written down by this amount. The impairment loss was recognised in administrative expenses within the profit and loss account.

The recoverable amount of tangible fixed assets was calculated with reference to their value in use. The key assumptions of this calculation are shown below:

- Period over which management projected cash flows – 4 years
- Growth rate used to extrapolate cash flows – 2.25%
- Discount rate – 10.3% (pre-tax)
- The period before a steady long-term growth rate has been assumed is 4 years.

On 28 September 2011, the Group amended its banking financing arrangements, incurring professional fees of £8.0 million.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

9. Taxation

	2013 £000	2012 £000	2011 £000
Analysis of tax (credit) / charge in the year			
Current tax (see note below)			
UK Corporate tax on loss for the year	—	—	557
Adjustments in respect of prior years	(356)	(210)	—
	(356)	(210)	557
Deferred tax			
Origination and reversal of timing differences	(1,228)	(233)	1,447
Effect of decreased tax rate on opening liability	(524)	(363)	(241)
Adjustment in respect of prior years	393	177	(45)
Total deferred tax (see Note 16)	(1,359)	(419)	1,161
Tax (credit) / charge on loss on ordinary activities	(1,715)	(629)	1,718

Factors affecting tax (credit) / charge for the year

The tax assessed for the year is higher than (2012 - higher than, 2011 – higher than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%, 2011 – 26.49%). The differences are explained below:

	2013 £000	2012 £000	2011 £000
Loss on ordinary activities before tax	(30,745)	(29,901)	(115,707)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%, 2011 – 26.49%)	(7,147)	(7,325)	(30,654)
Effects of:			
Depreciation for the year on qualifying assets in excess of / (less than) capital allowances	804	628	(757)
Tax losses arising in period but not utilised	810	—	—
Brought-forward losses utilised in the period	—	(295)	(711)
Adjustments in respect of prior years	(356)	(210)	—
Short term timing difference, including interest accruals	(47)	1,355	3,177
Share based payment charge	349	223	—
Expenses not deductible	5,231	5,414	29,504
Small companies rate	—	—	(2)
Current tax (credit) / charge for the year (see note above)	(356)	(210)	557

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

9. Taxation (continued)

Factors that may affect future tax charges

The level of disallowable expenses and utilisation of tax losses carried forward will impact future tax charges.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rate of 20% (2012: 23%, 2011: 25 %) substantively enacted at the balance sheet date.

10. Tangible assets

10.1 Tangible assets - 2013

Group	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost						
At 1 January 2013	595,359	7,972	1,526	15,037	7,647	627,541
Additions	4,942	1,208	687	1,361	1,041	9,239
Disposals	(52)	(111)	(321)	(247)	(270)	(1,001)
At 31 December 2013	600,249	9,069	1,892	16,151	8,418	635,779
Depreciation						
At 1 January 2013	150,102	5,349	1,364	8,609	5,004	170,428
Charge for the year	7,733	723	154	1,960	888	11,458
Disposals	(47)	(111)	(321)	(222)	(250)	(951)
At 31 December 2013	157,788	5,961	1,197	10,347	5,642	180,935
Net book value						
At 31 December 2013	**442,461**	**3,108**	**695**	**5,804**	**2,776**	**454,844**
At 31 December 2012	445,257	2,623	162	6,428	2,643	457,113

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

10.2 Tangible assets – 2012

Group	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost						
At 1 January 2012	592,105	7,220	1,453	12,805	6,689	620,272
Additions	3,318	819	112	2,182	944	7,375
Disposals	(34)	(29)	(39)	(2)	(2)	(106)
Transfers	(30)	(38)	—	52	16	—
At 31 December 2012	595,359	7,972	1,526	15,037	7,647	627,541
Depreciation						
At 1 January 2012	142,851	4,544	1,311	6,775	4,207	159,688
Charge for the year	7,254	807	104	1,837	797	10,799
Disposals	(3)	(15)	(39)	(2)	—	(59)
Transfers	—	13	(12)	(1)	—	—
At 31 December 2012	150,102	5,349	1,364	8,609	5,004	170,428
Net book value						
At 31 December 2012	**445,257**	**2,623**	**162**	**6,428**	**2,643**	**457,113**
At 31 December 2011	449,254	2,676	142	6,030	2,482	460,584

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

10.3 Tangible assets – 2011

Group	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost						
At 1 January 2011	590,759	6,707	1,452	12,123	5,831	616,872
Additions	1,354	522	22	674	923	3,495
Disposals	—	(17)	(21)	(9)	(48)	(95)
Transfers	(8)	8	—	17	(17)	—
At 31 December 2011	592,105	7,220	1,453	12,805	6,689	620,272
Depreciation						
At 1 January 2011	44,536	3,612	1,097	4,965	3,548	57,758
Charge for the year	9,015	949	235	1,819	707	12,725
On disposals	—	(17)	(21)	(9)	(48)	(95)
Impairment charge	89,300	—	—	—	—	89,300
At 31 December 2011	142,851	4,544	1,311	6,775	4,207	159,688
Net book value						
At 31 December 2011	**449,254**	**2,676**	**142**	**6,030**	**2,482**	**460,584**
At 31 December 2010	546,223	3,095	355	7,158	2,283	559,114

In light of trading conditions in 2011, the directors reassessed their growth forecasts and concluded that the growth prospects for the Group were lower than previous forecasts had indicated. As a consequence, management conducted an impairment review of tangible fixed assets during the year and concluded that the freehold properties' recoverable amount exceeded their carrying amount by £89.3 million and consequently it was written down by this amount. See Note 8.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

11. Principal subsidiaries of the Company

Company name	Percentage Shareholding	Description
Partnerships in Care Management Limited	100%	Holding company for trading companies
Partnerships in Care Limited	100%	Mental healthcare services
Oaktree Care Group Limited	100%	Mental healthcare services
Partnerships in Care Scotland Limited	100%	Mental healthcare services
Partnerships in Care Property Holding Limited	100%	Holding company for property companies
Partnerships in Care Property 1 Limited	100%	Property holding company
Partnerships in Care Investments 2 Limited	100%	Property holding company
Partnerships in Care Property 2 Limited	100%	Property holding company
Partnerships in Care Property 3 Limited	100%	Property holding company
Partnerships in Care Property 4 Limited	100%	Property holding company
Partnerships in Care Property 5 Limited	100%	Property holding company
Partnerships in Care Property 6 Limited	100%	Property holding company
Partnerships in Care Property 7 Limited	100%	Property holding company
Partnerships in Care Property 8 Limited	100%	Property holding company
Partnerships in Care Property 9 Limited	100%	Property holding company
Partnerships in Care Property 10 Limited	100%	Property holding company
Partnerships in Care Property 11 Limited	100%	Property holding company
Partnerships in Care Property 12 Limited	100%	Property holding company
Partnerships in Care Property 13 Limited	100%	Property holding company
Partnerships in Care Property 14 Limited	100%	Property holding company
Partnerships in Care Property 15 Limited	100%	Property holding company
Partnerships in Care Property 16 Limited	100%	Property holding company
Partnerships in Care Property 17 Limited	100%	Property holding company
Partnerships in Care Property 18 Limited	100%	Property holding company
Partnerships in Care Property 19 Limited	100%	Property holding company
Partnerships in Care Property 20 Limited	100%	Property holding company
Partnerships in Care Property 21 Limited	100%	Property holding company
Partnerships in Care Property 22 Limited	100%	Property holding company
Partnerships in Care Property 23 Limited	100%	Property holding company
Partnerships in Care Property 24 Limited	100%	Property holding company
Partnerships in Care Property 25 Limited	100%	Property holding company

All of the principal subsidiaries are registered in England and Wales.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

12. Stocks

	2013 £000	2012 £000	2011 £000
Finished goods and goods for resale	628	622	607

13. Debtors

	2013 £000	2012 £000	2011 £000
Trade debtors	2,695	3,247	1,711
Other debtors	651	494	246
Accrued income	1,197	527	696
Prepayments	2,502	2,335	2,758
	7,045	**6,603**	**5,411**

14. Creditors: Amounts falling due within one year

	2013 £000	2012 £000	2011 £000
Other loans (refer to Note 15)	920	920	920
Net obligations under finance leases and hire purchase contracts	—	—	21
Trade creditors	840	932	952
Corporation tax	—	—	502
Other taxation and social security	2,564	2,651	2,701
Other creditors	1,450	1,347	1,664
Accrued finance costs	2,287	2,536	3,436
Salary related accruals	1,730	2,967	3,036
Other accrued expenses	3,515	4,268	4,086
	13,306	**15,621**	**17,318**

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

15. Creditors: Amounts falling due after more than one year

	2013 £000	2012 £000	2011 £000
Unsecured loan notes including PIK notes	354,075	321,887	292,552
Bank loans	455,104	473,032	484,998
Capitalised amounts	(22,454)	(35,595)	(48,736)
	786,725	**759,324**	**728,814**

The Business has been partially financed by borrowings from its parent companies, Partnerships in Care Holdings Limited and Partnerships in Care Group Limited ("the parent companies"). The parent companies have in turn been financed by the ultimate controlling party through the issue of unsecured subordinated loan notes including PIK notes (included above) and by other loans (included in Note 14), and in substance those loans have been used to finance the operations of the group headed by Partnerships in Care Investments 1 Limited. Accordingly, the Directors consider it appropriate for the purpose of these combined financial statements to apply the push down accounting principles contained in Staff Accounting Bulletin Topic 5 J that discusses push down of debt.

Included within the above are amounts falling due as follows:

	2013 £000	2012 £000	2011 £000
Between one and two years			
Bank loans	455,104	—	—
Capitalised amounts	(20,269)	—	—
	434,835	—	—
Between two and five years			
Bank loans	—	473,032	484,998
Capitalised amounts	—	(33,069)	(45,870)
	—	439,963	439,128
Over five years			
Unsecured loan notes including PIK notes	354,075	321,887	292,552
Capitalised amounts	(2,185)	(2,526)	(2,866)
	351,890	319,361	289,686

Included in capitalised amounts is an unamortised swap balance of £19,506,760 (2012 - £31,826,820, 2011 - £44,146,878) and capitalised fees of £2,947,543 (2012 - £3,768,148, 2011 - £4,588,753).

Creditors include amounts not wholly repayable within 5 years as follows:

	2013 £000	2012 £000	2011 £000
Repayable other than by instalments	354,075	321,887	292,552

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

15. Creditors: Amounts falling due after more than one year (continued)

Details of the Group's borrowings are set out below – also refer to Note 26:

A bank loan of £25,844,806 (2012 - £29,337,286, 2011 - £32,096,990) is secured by way of a fixed legal charge over subsidiary companies' assets, with an interest rate varying with LIBOR maturing in July 2015.

A bank loan of £429,259,353 (2012 - £443,694,620, 2011- £452,900,929) is secured by way of a fixed legal charge over subsidiary companies' assets, with an interest rate varying with LIBOR maturing in July 2015.

The Group had taken out an interest rate swap to hedge the interest rate on the Group's bank borrowings. As part of the amended financing arrangements agreed on 28 September 2011, the existing interest rate swap was closed out and an amount equivalent to the cost of exiting the swaps of £51,328,760 was added to the loan. Of this amount £47,226,894 was capitalised and is being amortised to the profit and loss account over the remaining life of the bank loan until July 2015, and the remainder was recognised in finance costs.

A loan amounting to £920,000 (2012 - £920,000, 2011 - £920,000) at the year end from the majority shareholder which is interest free and repayable on demand.

Unsecured subordinated loan notes amounting to £352,716,682 (2012 - £320,651,529, 2011 - £291,428,804) at the year end due 2020 on which unsecured subordinated PIK notes due 2020 have been issued up to March 2011 to satisfy interest at 10% per annum. From April 2011 these loans have been accruing compound interest at 10% per annum.

Unsecured fixed rate loan notes amounting to £1,358,483 (2012 - £1,235,280, 2011 - £1,122,935) due 2020 with compound interest at 10% per annum.

16. Deferred taxation

	2013 £000	2012 £000	2011 £000
At beginning of year	4,147	4,650	3,571
(Credit)/debit to profit and loss for the year	(1,359)	(419)	1,161
Movement in relation to defined benefit pension scheme	(229)	(84)	(82)
At end of year	2,559	4,147	4,650

The provision for deferred taxation is made up as follows:

	2013 £000	2012 £000	2011 £000
Accelerated capital allowances	3,306	4,183	5,179
Tax losses carried forward	(697)	—	(468)
Short term timing differences	(50)	(36)	(61)
	2,559	4,147	4,650

The deferred tax liability at 31 December 2013 has been calculated based on the rate of 20% (2012: 23%, 2011: 25 %) substantively enacted at the balance sheet date.

There is an unprovided deferred tax liability in respect of fair value adjustments to properties arising from purchase price allocations following acquisitions in prior years of £42,985,368 (2012 - £50,015,108, 2011- £54,996,788). There is an unprovided deferred tax asset in respect of unpaid interest on the unsecured loans notes of £3,571,308 (2012 - £4,107,004, 2011- £3,161,287).

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

17. Reconciliation of movement in shareholders' deficit

	2013 £000	2012 £000	2011 £000
Opening shareholders' deficit	(298,384)	(269,051)	(151,289)
Loss for the financial year	(29,030)	(29,272)	(117,425)
Share based payments	1,501	911	—
Actuarial loss from pension scheme, net of tax	(2,256)	(972)	(337)
Closing shareholders' deficit	**(328,169)**	**(298,384)**	**(269,051)**

18. Net cash flow from operating activities

	2013 £000	2012 £000	2011 £000
Operating profit / (loss)	31,037	30,831	(60,624)
Share based payments	1,501	911	—
Depreciation of tangible fixed assets	11,458	10,799	12,725
Impairment of fixed assets	—	—	89,300
(Profit)/loss on disposal of tangible fixed assets	(26)	8	1
(Increase) / decrease in stocks	(6)	(15)	47
(Increase) / decrease in debtors	(340)	(1,193)	1,273
(Decrease) / increase in creditors	(2,066)	(65)	2,014
Difference between pension payments and charge to operating profit	(359)	(250)	(120)
Net cash inflow from operating activities	**41,199**	**41,026**	**44,616**

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

19. Analysis of cash flows for headings netted in cash flow statement

	2013 £000	2012 £000	2011 £000
Returns on investments and servicing of finance			
Interest received	35	30	29
Interest paid	(10,344)	(13,252)	(15,685)
Hire purchase interest	—	(1)	(3)
Net cash outflow from returns on investments and servicing of finance	(10,309)	(13,223)	(15,659)

	2013 £000	2012 £000	2011 £000
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(9,239)	(7,375)	(3,495)
Sale of tangible fixed assets	76	38	—
Net cash outflow from capital expenditure	(9,163)	(7,337)	(3,495)

	2013 £000	2012 £000	2011 £000
Financing			
New secured bank loans	—	—	5,000
Repayment of bank loans	(24,288)	(17,828)	(19,417)
Repayment of unsecured loan notes	—	—	(5,572)
Repayment of finance leases	—	(21)	(49)
Net cash outflow from financing	(24,288)	(17,849)	(20,038)

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

20. Analysis of changes in net debt

2013

	1 January 2013 £000	Cash flow £000	Other non-cash changes £000	31 December 2013 £000
Cash at bank and in hand	18,124	(2,307)	—	15,817
Debt:				
Debts due within one year	(920)	24,288	(24,288)	(920)
Debts falling due after more than one year	(759,324)	—	(27,401)	(786,725)
Net debt	**(742,120)**	**21,981**	**(51,689)**	**(771,828)**

2012

	1 January 2012 £000	Cash flow £000	Other non-cash changes £000	31 December 2012 £000
Cash at bank and in hand	16,007	2,117	—	18,124
Debt:				
Finance lease liabilities	(21)	21	—	—
Debts due within one year	(920)	17,828	(17,828)	(920)
Debts falling due after more than one year	(728,814)	—	(30,510)	(759,324)
Net debt	**(713,748)**	**19,966**	**(48,338)**	**(742,120)**

2011

	1 January 2011 £000	Cash flow £000	Other non-cash changes £000	31 December 2011 £000
Cash at bank and in hand	10,844	5,163	—	16,007
Debt:				
Finance lease liabilities	(70)	49	—	(21)
Debts due within one year	(54,943)	19,989	34,034	(920)
Debts falling due after more than one year	(658,549)	—	(70,265)	(728,814)
Net debt	**(702,718)**	**25,201**	**(36,231)**	**(713,748)**

Other non-cash changes include the reclassification between debts due within one year and after one year, together with the roll-up of interest in the form of PIK notes or accrued interest on debts falling due after more than one year.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

21. Contingent liabilities

As at 31 December of each year presented, the Business had a contingent liability to Cinven Limited for an amount of up to £10 million dependent on the repayment of certain debt facilities of the Group. This contingent liability is expected to be removed at the completion of the Acadia transaction as described in Note 28, "Post balance sheet events".

22. Capital commitments

At 31 December the Business had capital commitments as follows:

	2013 £000	2012 £000	2011 £000
Contracted for but not provided in these financial statements	629	582	635

23. Pension liability

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,833,174 (2012 - £1,329,788, 2011 - £1,142,139). Contributions totalling £201,728 (2012 - £97,397, 2011 - £84,107) were payable to the fund at the combined balance sheet date and are included in creditors.

The Group operates a defined benefits pension scheme in the UK, the Partnerships in Care Limited Pension and Life Assurance Plan. The Plan was closed to new entrants from May 2005. Employed members continue to accrue benefits that are linked to final pensionable salary and service at retirement (or earlier date of leaving). The disclosures set out below are based on calculations carried out as at 31 December each year by a qualified independent actuary.

The assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the Plan are required to act in the best interest of the Plan's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The liabilities of the Plan are measured by discounting the best estimate of future cash flows to be paid out of the Plan using the projected unit method. This amount is reflected in the deficit in the combined balance sheet. The projected unit method is an accrued benefits valuation method in which the Plan's liabilities make allowance for projected earnings.

The liabilities set out in this note have been calculated based on the most recent full actuarial valuation at 31 December 2010, updated to 31 December each year. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2013, contributions are payable to the Plan at the rates set out in the latest schedule of contributions. The total employer contributions expected to be made in the year commencing 1 January 2014 are at the rate of 18.6% of pensionable salaries plus £476,143 recovery plan contributions.

The amounts recognised in the combined balance sheet are as follows:

	2013 £000	2012 £000	2011 £000
Present value of funded obligations	(38,167)	(33,726)	(29,807)
Fair value of scheme assets	33,276	31,448	28,637
Deficit in scheme	(4,891)	(2,278)	(1,170)
Related deferred tax asset	978	524	292
Net liability	**(3,913)**	**(1,754)**	**(878)**

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

23. Pension liability (continued)

The amounts recognised in combined profit or loss are as follows:

	2013 £000	2012 £000	2011 £000
Current service cost	(712)	(847)	(626)
Interest on obligation	(1,541)	(1,429)	(1,549)
Expected return on scheme assets	1,508	1,358	1,681
Total	(745)	(918)	(494)
Actual return on scheme assets	1,259	2,227	1,101

Movements in the present value of the defined benefit obligation were as follows:

	2013 £000	2012 £000	2011 £000
Opening defined benefit obligation	33,726	29,807	28,150
Current service cost	712	847	626
Interest cost	1,541	1,429	1,549
Contributions by scheme participants	212	256	289
Actuarial losses / (gains)	2,690	2,156	(131)
Benefits paid	(714)	(769)	(676)
Closing defined benefit obligation	38,167	33,726	29,807

Changes in the fair value of scheme assets were as follows:

	2013 £000	2012 £000	2011 £000
Opening fair value of scheme assets	31,448	28,637	27,177
Expected return on assets	1,508	1,358	1,681
Actuarial (losses)/gains	(249)	869	(580)
Contributions by employer	1,071	1,097	746
Contributions by scheme participants	212	256	289
Benefits paid	(714)	(769)	(676)
Closing fair value of scheme assets	33,276	31,448	28,637

The cumulative amount of actuarial net losses recognised in the combined statement of total recognised gains and losses was £4,549,000 (2012 - £1,610,000, 2011 – £323,000).

The Group expects to contribute £1,071,000 to its defined benefits pension scheme in 2014.

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

23. Pension liability (continued)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012	2011
Equities	25.7%	18.4%	17.9%
Gilts	14.2%	17.5%	18.1%
Bonds	26.6%	28.5%	26.8%
Property	— %	4.3%	4.9%
Real return fund	28.8%	28.3%	29.9%
Cash	4.7%	3.3%	2.4%

A weighted expected rate of return on assets is calculated by considering the scheme's specific asset distribution. The expected rate of return on assets has been calculated as 5.2% per annum (31 December 2012 - 5.0% per annum, 31 December 2011 – 5.2% per annum) by considering the following rates of expected return on the individual asset classes at 31 December each year. The rates are assumed to be net of investment expenses.

The long term historic out performance of "equities" over very long-term gilts has resulted in the rate used being 6.5% per annum (31 December 2012 - 6.5% per annum, 31 December 2011 - 6.5% per annum).

For "gilts", from considering the yields currently available on 15 year fixed gilts, the rate used is 3.4% per annum (31 December 2012 - 2.3% per annum, 31 December 2011 - 2.5% per annum).

For "bonds", from considering consistency with the discount rate, which is linked to the yields available on corporate bonds, the rate used is 4.5% per annum (31 December 2012 - 4.5% per annum, 31 December 2011 - 4.7% per annum).

The "real return fund" rate used is 6.5% per annum (31 December 2012 - 6.5% per annum, 31 December 2011 - 6.5% per annum).

For "cash", having regard to the current Bank of England base rate, the rate used is 0.5% per annum (31 December 2012 - 0.5% per annum, 31 December 2011 - 0.5% per annum).

Principal actuarial assumptions at the balance sheet date were:

	2013	2012	2011
Rate of increase in salaries as inflation	3.6%	3.2%	3.0%
Rate of increase in salaries as inflation, subject to 2% cap	2.0%	2.0%	2.0%
Rate of increase of pensions in payment - CPI (max 3%)	2.9%	2.5%	2.3%
Rate of increase of pensions in payment - RPI (max 5%)	3.6%	3.2%	3.0%
Rate of increase of pensions in payment - CPI (max 5%)	2.9%	2.5%	2.3%
RPI inflation assumption	3.6%	3.2%	3.0%
Cash commutation as a percentage of pension at retirement	12.5%	12.5%	12.5%
CPI inflation assumption	2.9%	2.5%	2.0%
Discount rate	4.5%	4.5%	4.7%
Expected return on scheme assets	5.2%	5.0%	5.2%
Mortality	S1NA BMC 1% floor	S1NA BMC 1% floor	S1NA BMC 1% floor

Notes to the combined financial statements

23. Pension liability (continued)

The UK government has announced that, in future, it will use the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI), for the statutory increases to pensions in payment and deferred pensions.

In preparing these financial statements, scheme benefits which are subject to revaluation in deferment (in excess of Guaranteed Minimum Payments (GMP)) have been indexed in line with CPI (subject to a cap of 5% per annum on pensions accruing up to 6 April 2009 and a cap of 2.5% on pensions accruing thereafter).

Any GMP that is subject to statutory indexation in payment will be indexed in line with CPI (and subject to a cap of 3% per annum).

That part of each pension which was earned for pensionable service prior to 6 April 1997 will be indexed in payment in line with RPI (subject to a cap of 5% per annum).

That part of each pension which was earned for pensionable service after 6 April 1997 will be indexed in payment in line with RPI (subject to a cap of 5% per annum).

Amounts for the current and previous four years are as follows:

Defined benefit pension schemes

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Defined benefit obligation	(38,167)	(33,726)	(29,807)	(28,150)	(26,467)
Scheme assets	33,276	31,448	28,637	27,177	24,228
Deficit	(4,891)	(2,278)	(1,170)	(973)	(2,239)
Experience adjustments on scheme liabilities	101	217	1,637	—	(3,024)
Experience adjustments on scheme assets	(249)	869	(580)	1,211	1,251

24. Operating lease commitments

At 31 December, the Business had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2013 £000	2012 £000	2011 £000
Expiry date:			
Within 1 year	38	53	413
Between 2 and 5 years	364	364	—

	Other 2013 £000	2012 £000	2011 £000
Expiry date:			
Within 1 year	38	51	66
Between 2 and 5 years	407	475	85

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

25. Share based payments

The Board of Directors of Partnerships in Care Group Limited approved the establishment of a Management Incentive Plan (MIP) on 28 September 2011. Under the terms of the 2011 MIP plan, the Board may offer directors and selected employees to purchase restricted shares in Partnerships in Care Investments 2 Limited. The restricted shares are transferrable upon the occurrence of a trade sale of the Group's or Business's shares or in the event of a listing of the Group's or Business's shares on a recognised investment exchange. Under the terms of the 2011 MIP plan the proceeds receivable by the holders of the restricted shares on transfer are to be settled by the Business's banks.

Restricted shares were valued using the Monte Carlo method. No performance conditions were included in the calculation of fair value. The fair value per restricted share granted and the assumptions used in the calculation are as follows:

Grant date	August 2013	March 2013	October 2012	February 2012
Number of awards granted	152,000	56,000	184,000	400,000
Expected life (years)	4	4	4	4
Expected volatility	30%	30%	30%	30%
Risk-free interest rate	0.66%	0.66%	0.66%	0.66%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Fair value per restricted share	6.55	7.24	7.88	8.75

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period until the performance condition is met, lifting the restriction. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected life of the restricted shares. A reconciliation of restricted share movements over the period from approval to 31 December 2013 is shown below:

	2013	2012
At January 1,	552,000	—
Granted	208,000	584,000
Forfeited	—	(32,000)
At December 31,	**760,000**	**552,000**

The weighted average fair value of restricted shares granted in the year was £1.4 m (2012: £4.9 m, 2011: £0.0 m).

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

26. Related party transactions

Push down accounting

The Business has been partially financed by borrowings from its parent companies, Partnerships in Care Holdings Limited and Partnerships in Care Group Limited ("the parent companies"). The parent companies have in turn been financed by the ultimate controlling party through the issue of unsecured subordinated loan notes and PIK notes, and in substance those loans have been used to finance the operations of the group headed by Partnerships in Care Investments 1 Limited. Accordingly, the Directors consider it appropriate for the purpose of these combined financial statements to apply the push down accounting principles contained in Staff Accounting Bulletin Topic 5 J that discusses push down of debt. The amounts pushed down and included in these combined financial statements are:

	2013 £000	2012 £000	2011 £000
Other loans	920	920	920
Unsecured loan notes including PIK notes	354,075	321,887	292,552
Capitalised amounts	(2,948)	(3,768)	(4,589)
	352,047	**319,039**	**288,883**

The combined financial statements include interest relating to the above debt:

	2013 £000	2012 £000	2011 £000
Interest expense	32,528	29,676	27,008
	32,528	**29,676**	**27,008**

Net investment of Parent

The Directors do not believe it meaningful to show share capital or retained earnings for the Company since the net assets of the combined group are represented by the Net investment of Parent, which comprises share capital and retained earnings of the Company, after eliminating investments and transactions between the Company, Parent or its subsidiaries, and pushing down certain debt (as described above).

All significant intercompany transactions between the Parent and the Company have been included in the Net investment of Parent and are considered to be effectively settled for cash at the time the transaction is recorded.

Transactions with directors

Kevin Beeston, a director, holds 22,000 A Ordinary shares (2012 - 22,000 A Ordinary shares, 2011 – 22,000 A Ordinary shares) in PiC Group Limited.

Transactions with Cinven

Funds under the management of Cinven Limited have invested in two subordinated loan notes totalling £352,716,682 (2012 - £320,651,529, 2011 - £291,428,804). During the year interest amounting to £32,065,153 (2012 - £29,222,725, 2011 - 26,567,690) was rolled into these loan notes.

The same Cinven funds have invested in two other loan notes totalling £646,757 (2012 - £587,511, 2011 - £Nil). During the year interest amounting to £58,994 (2012 - £53,410, 2011 - £Nil) was rolled into these loan notes.

Funds under the management of Cinven Limited have invested in an unsecured fixed rate loan of £920,000 (2012 - £920,000, 2011 - £920,000).

Cinven Limited charged a monitoring fee during the year amounting to £300,000 (2012 - £300,000, 2011 - £300,000).

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

27. Controlling party

As at December 31, 2013, the immediate parent company was Partnership in Care Holdings Limited and the ultimate parent entity was PIC Investments Limited Partnership Incorporated, a limited partnership established and existing under the laws of Guernsey.

The directors are of the opinion that Cinven Limited was the controlling party at 31 December 2013. Funds managed by Cinven Limited have a 100% interest in the ultimate parent company. Cinven Limited is incorporated in England and Wales with registered offices at Warwick Court, Paternoster Square, London EC4M 7AG.

On the presumption that the proposed sale of the Business will complete on or around 30 June 2014, the ultimate parent company is expected to be Acadia Healthcare Company, Inc. See Note 28, "Post balance sheet events".

28. Post balance sheet events

On 2 June 2014, the Business entered into a contract for the sale of Partnerships in Care Investments 1 Limited to Acadia Healthcare Company, Inc ("Acadia") for consideration of approximately £395m. The sale is due to complete on or around 30 June 2014, and as at the date of approving these combined financial statements the Directors are not aware of any material factors that would prevent completion occurring.

As described in Note 2.1 above, the application of "push down accounting" principles has resulted in the inclusion in these financial statements of certain Unsecured loan notes and PIK notes which are not liabilities of the Business. These are liabilities of the parent companies and therefore will not need to be repaid by the Business headed by Partnerships in Care Investments 1 Ltd after the completion of the sale. Details of those finance facilities are set out in Notes 14 and 15 to these combined financial statements.

At completion of the sale, the Business is expected to repay the majority of its senior bank debt extant at that time from the proceeds of the transaction. Furthermore, the Business expects that "A" Ordinary Shares in PiC Property 1 Limited will be issued to its bankers in consideration for the release of any remaining bank debt. These "A" Ordinary Shares are expected to be sold to Acadia for a nominal amount. Together these anticipated transactions at the completion date will result in the extinguishment of all the Business's bank debt and any related accrued interest and capitalised finance costs.

Notes to the combined financial statements

29. Reconciliation from UK GAAP to US GAAP

These combined financial statements have been prepared in accordance with the basis of preparation as set out in Note 2.1, and have been “carved out” of consolidated financial statements of the Parent which were prepared in accordance with applicable accounting standards in the United Kingdom (“UK GAAP”) which differs in certain significant respects from accounting principles generally accepted in the United States of America (“US GAAP”). The effects of the application of US GAAP to the loss for the financial year after taxation, as determined under UK GAAP for the years ended 31 December 2013 and 31 December 2012, are set out in the tables below:

a) Loss for the financial years ended 31 December 2013 and 31 December 2012

	2013 £000	2012 £000
Loss for the financial years ended 31 December under UK GAAP	(29,030)	(29,272)
(i) Reversal of share based payment expense	1,501	911
(ii) Impact of reversal of PPE impairment in prior years	(2,077)	(2,077)
(iii) Interest rate hedging	12,320	12,320
(iv) Deferred taxes	6,883	6,068
(v) Tax impact of above differences	(387)	(1,453)
Loss for the financial years ended 31 December under US GAAP	**(10,790)**	**(13,503)**

Partnerships in Care Investments 1 Limited

Notes to the combined financial statements

29. Reconciliation from UK GAAP to US GAAP (continued)

b) Balance sheet as at 31 December 2013 and 31 December 2012

	2013 £000	2012 £000
Shareholders’ deficit as at 31 December under UK GAAP	(328,169)	(298,384)
(ii) Reversal of PPE impairment	85,146	87,223
(iii) Interest rate hedging	(19,507)	(31,827)
(iv) Tax differences	(30,024)	(36,907)
(v) Tax impact of above differences	(13,128)	(12,741)
Shareholders’ deficit as at 31 December under US GAAP	**(305,682)**	**(292,636)**

(i) Under UK GAAP, a share based payment expense of £1,501,000 (2012: £911,000) was recognised. The vesting of the shares awarded in connection with the Management Incentive Plan is restricted until a change of control event. Under US GAAP, such a performance condition is highly uncertain and, therefore, is not probable; as such, no expense is recognised.

(ii) Under UK GAAP, an impairment of £89,300,000 was recognised in the year ended 31 December 2011. Under US GAAP, this impairment is not recognised as, in conducting the first step of the two-step impairment test under US GAAP, the undiscounted cash flows of fixed assets exceeded the carrying value. The adjustments above of £2,077,000 per annum are the impact on depreciation in subsequent years arising as a result of reversing the impairment under US GAAP.

(iii) Under UK GAAP the interest swap taken out to hedge the interest rates on the Business’s borrowings until September 2011 was off-balance sheet. Upon re-financing, the fair value of the instrument of £47,227,000 was capitalised and amortised over the remaining life of the debt facilities. Under US GAAP, this derivative financial instrument would have been carried at its fair value at each balance sheet date, with gains and losses being recorded to the income statement (since no formal hedge documentation was produced). Upon cessation of the agreement in 2011, any gain / loss would have been recognised in the income statement immediately. Therefore, the amortisation of the capitalised amount (2013: £12,320,000; 2012: £12,320,000) has been reversed under US GAAP.

(iv) Under UK GAAP, provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation. US GAAP uses the “asset and liability method” of accounting for income taxes whereby deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities using tax rates that are expected to apply in the years the temporary differences are expected to reverse. The principal differences relate to deferred taxes on property, plant and equipment.

(v) This adjustment reflects the tax impact of the above GAAP differences, including effective tax rate changes in the UK.

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Notes to the combined financial statements

29. Reconciliation from UK GAAP to US GAAP (continued)

c) Cash flow statement for the years ended 31 December 2013 and 31 December 2012

The combined cash flow statements have been prepared under UK GAAP and present substantially the same information as required under US GAAP. There are certain differences with regard to classification of items within the cash flow statements. Under UK GAAP, cash flows are prepared separately for operating activities, returns on investments and servicing of finance, taxation, capital expenditures and financial investment, acquisitions and disposals, and financing. Under US GAAP, cash flows are classified under three major categories: operating activities, investing activities and financing activities. Under UK GAAP, cash is defined as cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Under US GAAP, cash and cash equivalents are defined as cash and investments with original maturities of three months or less. The following table presents cash flows as classified under US GAAP.

	2013 £000	2012 £000
Operating activities:		
Operating profit	30,461	29,665
Depreciation of tangible fixed assets	13,535	12,876
(Gain)/loss on disposal of tangible fixed assets	(26)	8
Increase in stocks	(6)	(15)
Increase in debtors	(340)	(1,193)
Decrease in creditors	(2,066)	(65)
Difference between pension payments and charge to operating profit	(359)	(250)
Interest received	35	30
Interest paid	(10,344)	(13,252)
Hire purchase interest	—	(1)
Taxes paid / (received)	254	(500)
Net cash flow from operating activities	31,144	27,303
Investing activities:		
Capital expenditure and financial investment	(9,163)	(7,337)
Net cash used in investing activities	(9,163)	(7,337)
Financing activities:		
Financing	(24,288)	(17,849)
Net cash used in financing activities	(24,288)	(17,849)
Net (decrease) / increase in cash and cash equivalents	(2,307)	2,117
Cash and cash equivalents, beginning of period	18,124	16,007
Cash and cash equivalents, end of period	**15,817**	**18,124**

RISK FACTORS

Investing in our common stock involves risks. Before making an investment in our common stock, you should carefully consider, among other factors, the risks described below and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement. Please see "Special Note Regarding Forward-Looking Statements" on page S-ii of this prospectus supplement. Please also see "Risk Factors" and "Special Note Regarding Forward-Looking Statements" beginning on page 3 of the accompanying prospectus and the risks described in the documents incorporated by reference in this prospectus supplement, including those identified under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and in our other filings that we make with the Securities and Exchange Commission. The risks described in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement are not the only ones we face. Additional risks not presently known or that we currently deem immaterial could also materially and adversely affect our financial condition, results of operations, business and prospects. You should consult your own financial and legal advisors as to the risks entailed by an investment in these shares and the suitability of investing in such shares in light of your particular circumstances. Our business, financial condition and results of operations could be materially adversely affected by the materialization of any of these risks. The trading price of our common stock could decline due to the materialization of any of these risks, and you may lose all or part of your investment.

Risks Relating to the Acquisition

We may be unable to complete our planned acquisition of Partnerships in Care on currently anticipated terms, or at all.

On June 3, 2014, we entered into binding purchase agreement to acquire the specified equity interests of Partnerships in Care. The agreement provides that the Acquisition will close on July 1, 2014. The total consideration for the acquisition is equal to £395 million (approximately $660 million), subject to adjustment in relation to cash, debt and working capital balances of the target companies. We plan to finance the acquisitions in part through this offering and in part through an amendment to, or an amendment and restatement of, our Amended and Restated Senior Credit Facility, as we do not currently have sufficient capacity under our Amended and Restated Senior Credit Facility. We are currently negotiating a Proposed Amended and Restated Senior Credit Facility to provide for additional debt of approximately $300 million (or, if we cannot obtain the consent from holders of our existing notes, $250 million (or such lesser amount necessary for our secured leverage ratio to remain under 3.0x)) and expect the amendment to be effective commensurate with the closing of the Acquisition. If we do not get the requisite consents, we will only be able to borrow $250 million of term debt and then will issue additional unsecured debt to finance the Acquisition. If we are not able to complete the amendment to our Amended and Restated Senior Credit Facility on currently anticipated terms or at all or we otherwise are not able to close the anticipated financing transactions mentioned above, we may be unable to successfully complete the Acquisition on time, or at all, which could have a material adverse effect on our results of operations, financial condition and the trading price of our common stock.

If we are unable to integrate successfully Partnerships in Care into our business following the Acquisition, our business, financial condition and results of operations may be negatively impacted.

Upon the closing of the Acquisition, we will integrate Partnerships in Care's business into our current business. Successful integration will depend on our ability to effect any required changes in operations or personnel which may entail unforeseen liabilities. The integration of Partnerships in Care may expose us to certain risks, including the following: difficulty in integrating Partnerships in Care in a cost-effective manner, including the establishment of effective management information and financial control systems; unforeseen legal, regulatory, contractual, employment or other issues arising out of the combination; combining corporate cultures; maintaining employee morale and retaining key employees; potential disruptions to our on-going business caused by its senior management's focus on integrating Partnerships in Care; and performance of the combined assets not meeting our expectations or plans. A failure to properly integrate Partnerships in Care could have a corresponding material adverse effect on our business, results of operations, financial condition or prospects.

Expanding our operations internationally poses additional risks to our business.

We are currently engaged in business activities in the United States and Puerto Rico. The acquisition of Partnerships in Care marks our first entry into a foreign market. Our business or financial performance may be adversely affected due to the risks of operating internationally, including but not limited to the following: economic and political instability, failure to comply with foreign laws and regulations and adverse changes in the health care policy of the United Kingdom (including decreases in funding for the services provided by Partnerships in Care), adverse changes in law and regulations affecting the operations of Partnerships in Care, difficulties and costs of staffing and managing our new operations in the United Kingdom. If any of these events were to materialize, they could lead to disruption of our business, significant expenditures and/or damages to our reputation, which could have a material adverse effect on our results of operations, financial condition or prospects.

As a company based outside of the United Kingdom, we will need to take certain actions to be more easily accepted in the United Kingdom. For example, we may need to engage in a public relations campaign to emphasize service quality and company philosophy, preserve local management continuity and business practices and be transparent in our dealings with local governments and taxing authorities. Such efforts will require significant time and effort on the part of our management team. Our results of operation could suffer if these efforts are not successful.

Our acquisition of the capital shares of the Partnerships in Care entities may expose us to unknown or contingent liabilities for which we will not be indemnified.

We are acquiring the capital shares of Partnerships in Care entities. Such entities and/or the facilities that we will own upon completion of the Acquisition may have unknown or contingent liabilities, including, but not limited to, liabilities for uncertain tax positions, for failure to comply with healthcare laws and regulations and for unresolved litigation or regulatory reviews. Although we typically attempt to exclude significant liabilities from our acquisition transactions and seek indemnification from the sellers of such facilities, the purchase agreement with Partnerships in Care contains minimal representations and warranties about the entities and business that we are acquiring. In addition, we have no indemnification rights against the sellers under the purchase agreement and all of the purchase price consideration will be paid at closing of the Acquisition. Therefore, we may incur material liabilities for the past activities of acquired entities and facilities. Such liabilities and related legal or other costs and/or resulting damage to a facility's reputation could negatively impact our business, financial condition or results of operations.

Partnerships in Care relies on publicly funded entities in the United Kingdom for approximately 97% of its revenue, and the loss or reduction of such funding or changes to procurement methods could negatively impact Partnerships in Care's occupancy rates which could have a corresponding material adverse effect on Partnerships in Care's business, results of operations, financial condition or prospects.

Referrals to Partnerships in Care's services by NHS accounted for approximately 97% of its revenue for the year ended December 31, 2013. There is a risk that budget constraints, public spending cuts (such as the cuts announced by the United Kingdom government in the 2010 Comprehensive Spending Review and implemented in the 2011 and 2012 government budgets) or other financial pressures could cause NHS to reduce funding for the types of services that Partnerships in Care provides. For example, in 2010, NHS announced a period of austerity and reduced spending and outsourcing of medical health treatment, which adversely affected our results from 2010 to 2012 until such austerity was relaxed. In addition, policy changes in the United Kingdom could lead to fewer of such services being purchased by publicly funded entities or material changes being made to their procurement practices, or the in-sourcing of mental health services, any of which could materially reduce Partnerships in Care's revenue.

As part of the Acquisition, we will assume Partnerships in Care's existing pension plans and a defined contribution plan and will be responsible for an underfunded pension liability. In addition, we may be required to increase funding of the pension plans and/or be subject to restrictions on the use of excess cash.

Partnerships in Care is the sponsor of a defined benefit pension plan (the Partnerships in Care Limited Pension and Life Assurance Plan) that, as of December 31, 2013, covered approximately 187 members in the United Kingdom, most of whom are inactive and retired former employees. As of May 1, 2005, this plan was closed to new participants but then-current participants continue to accrue benefits. As of December 31, 2013, the net deficit recognized under UK GAAP in respect of this scheme was £4.9 million. Although this underfunded position was considered in determining the purchase price for Partnerships in Care, it may adversely affect the combined company as follows:

- Laws and regulations normally require a new funding plan to be agreed upon every three years, with the next new funding plan to be agreed upon with the plan trustees by March 2015. Changes in actuarial assumptions, including future discount, inflation and interest rates, investment returns and mortality rates, may increase the underfunded position of the pension plan and cause the combined company to increase its contributions to the pension plan to cover underfunded liabilities.
- The pension plan is regulated in the United Kingdom, and trustees represent the interests of covered workers. Laws and regulations could create an immediate funding obligation to the pension plan which could be significantly greater than the £5 million assumed for accounting purposes as of December 31, 2013, and could impact the ability to use Partnerships in Care's existing cash or the combined company's future excess cash to grow the business or finance other obligations. The use of Partnerships in Care's cash and future cash flows beyond the operation of Partnerships in Care's business or the satisfaction of Partnerships in Care's obligations would require negotiations with the trustees and regulators.

We also are assuming an additional pension plan (the Federated Pension Plan), of which fewer than five Partnerships in Care employees are participants, and a defined contribution plan (the Partnerships in Care Limited New Generation Personal Pension) under which participants receive contributions as a proportion of earnings. Maintenance of these plans following the Acquisition may result in additional expenses to the combined company. Termination of these plans could have an adverse impact on employee relations and a material adverse effect on our financial results.

Partnerships in Care may not achieve fee rate increases or may suffer fee rate decreases, which could have an adverse impact on Partnerships in Care's business, results of operations, financial condition or prospects.

The majority of fee rates that Partnerships in Care decides to set for its services are subject to annual adjustments. NHS has been under budgetary pressure since the announcement by the United Kingdom Government of the Comprehensive Spending Review in 2010 imposing cuts on government spending and have, as such, reduced its spending. This resulted in Partnerships in Care being unable to implement material price increases during the last several years (which has adversely affected its results), and there can be no assurance that Partnerships in Care will be able to implement price increases in the future. Furthermore, should the effect of any increase in Partnerships in Care's annual wages or other operating costs of the business exceed the effect of any increase in Partnerships in Care's weekly fee rates (which are the basis of Partnerships in Care's revenue), we would have to absorb such costs and this could have a material adverse effect on our business, results of operations, financial condition or prospects.

With NHS as the principal provider of secure mental healthcare services and the preferred provider in the United Kingdom, and other independent operators, we face significant competition in the United Kingdom.

NHS is the principal provider of secure mental healthcare services in the United Kingdom, with approximately 70% of the totals beds in the United Kingdom. As the preferred provider, there is a bias toward referrals to NHS, and therefore NHS facilities have maintained a high occupancy rates. As a result of budget constraints, independent operators have emerged to satisfy the demand for mental health services not supplied by NHS. Partnerships in Care may not be able to compete effectively with NHS or other independent operators.

Partnerships in Care relies upon maintaining strong relationships with commissioners employed by publicly funded entities and any reorganization of such publicly funded entities may result in the loss of those relationships.

The relationships that Partnerships in Care's sales and marketing function holds with commissioners is a key driver of Partnerships in Care's referrals. Should there be a major reorganization of publicly funded entities, such as the NHS reorganization announced in 2010 and implemented between 2012 and 2013, Partnerships in Care may need to rebuild such relationships which could result in a decrease in the number of referrals made to Partnerships in Care's facilities, which could have a corresponding material adverse effect on our business, results of operations, financial condition or prospects.

Partnerships in Care operates in a highly regulated business environment, which is subject to political and regulatory scrutiny. Failure to comply with regulations or the introduction of new regulations or standards with which Partnerships in Care does not comply could lead to substantial penalties, including the loss of registration on one or more of Partnerships in Care's facilities.

Partnerships in Care's business is subject to a high level of regulation and oversight, in particular from: the Care Quality Commission ("CQC"), the independent regulator for health and adult social care in England; Healthcare Improvement Scotland ("HIS"), the independent regulator for healthcare services in Scotland; Healthcare Inspectorate Wales ("HIW"), the independent regulator of for all healthcare services in Wales; and Monitor, the non-departmental public body of the United Kingdom government that serves as the sector regulator for health services in England. The regulatory requirements relevant to Partnerships in Care's business span the range of Partnerships in Care's operations from the establishment of new facilities, which are subject to registration requirements, to the recruitment and appointment of staff, occupational health and safety, duty of care to the people Partnerships in Care supports, administration of controlled drugs, clinical standards, conduct of Partnerships in Care's professional and care staff and other requirements.

Inspections by regulators can be carried out on both an announced and, in most cases, unannounced basis, depending on the specific regulatory provisions relating to the different services Partnerships in Care provides. A failure to comply with regulations in the future, the receipt of poor ratings or lower ratings, the receipt of a negative report that leads to a determination of regulatory noncompliance, or Partnerships in Care's failure to cure any defect noted in an inspection report could result in reputational damage to Partnerships in Care, fines, or the revocation or suspension of the registration or closure of any care facility or service. Additionally, as placing authorities monitor performance, negative changes in regulatory compliance may affect the number of referrals made to Partnerships in Care. In addition, frequent changes are made to regulatory assessment methods.

We cannot guarantee that current laws, regulations and regulatory assessment methodologies will not be modified or replaced in the future. Such future developments and amendments may negatively impact Partnerships in Care's operations which could have a material adverse effect on Partnerships in Care's business, results of operations, financial condition or prospects.

Foreign currency exchange rate fluctuations could materially impact our consolidated financial position and results of operations.

The acquisition of Partnerships in Care expands our operations to the United Kingdom. Accordingly, a portion of our net revenues will be derived from operations in the United Kingdom, and we intend to translate sales and other results denominated in foreign currency into U.S. dollars for our consolidated financial statements. During periods of a strengthening U.S. dollar, our reported international sales and net earnings could be reduced because foreign currencies may translate into fewer U.S. dollars.

In all jurisdictions in which we operate, we are also subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions. These laws and regulations may limit our ability to repatriate cash as dividends or otherwise to the United States and may limit our ability to convert foreign currency cash flows into U.S. dollars.

We will incur significant transaction and acquisition-related costs in connection with the Acquisition.

We will incur substantial costs in connection with the Acquisition, including approximately $19.0 million in transaction-related expenses. In addition, we may incur additional costs to maintain employee morale and to retain key employees, and we will incur substantial fees and costs related to formulating and executing integration plans. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to more than offset incremental transaction and acquisition-related costs over time, this net benefit may not be achieved in the near term, or at all.

The pro forma financial statements are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the Acquisition.

The pro forma financial statements contained in this prospectus supplement are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the Acquisition for several reasons. For example, the pro forma financial statements have been derived from our historical financial statements and Partnerships in Care's historical financial statements, and certain adjustments and assumptions have been made regarding the combined company after giving effect to the Acquisition. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with accuracy. Moreover, the actual financial condition and results of operations of the combined company following the Acquisition may not be consistent with, or evident from, these pro forma financial statements.

In addition, the assumptions used in preparing the pro forma financial data may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the Acquisition. Any potential decline in the combined company's financial condition or results of operations may cause significant variations in the stock price of the combined company. See the section entitled "Unaudited Pro Forma Condensed Combined Financial Information."

We have made certain assumptions relating to the Acquisition in our forecasts that may prove to be materially inaccurate.

We have made certain assumptions relating to the forecast level of cost savings, synergies and associated costs of the Acquisition. Our assumptions relating to the forecast level of cost savings, synergies and associated costs of the Acquisition may be inaccurate based on the information available to us, including as the result of the failure to realize the expected benefits of the Acquisition, higher than expected transaction and integration costs and unknown liabilities as well as general economic and business conditions that may adversely affect the combined company following the completion of the Acquisition. In addition, Partnerships in Care was operating at a net loss for the year ended December 31, 2013 and for the three months ended March 31, 2014, which may impact our ability to achieve synergies and profitability from the Acquisition in the near term.

Risks of the Combined Company Upon Completion of the Acquisition

Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under our financing arrangements.

As of March 31, 2014, we had $663.2 million of total debt, which included $392.1 million of debt under our Amended and Restated Senior Credit Facility, $96.3 million (net of a discount of $1.2 million) of debt under our 12.875% Senior Notes due 2018, or the 12.875% Senior Notes, $150.0 million of debt under our 6.125% Senior Notes due 2021, or together with the 12.875% Senior Notes, the Senior Notes, and $24.8 million (including a premium of $2.0 million) of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5%. In connection with the planned acquisition of Partnerships in Care, we anticipate amending, or amending and restating, our Amended and Restated Senior Credit Facility to provide for additional debt of approximately $300.0 million (or, if we cannot obtain the consent from holders of our existing notes, $250.0 million (or such lesser amount necessary for our secured leverage ratio to remain under 3.0x)) and incurring additional debt. Our substantial debt could have important consequences to our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- make it more difficult for us to satisfy our other financial obligations;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt (including scheduled repayments on our outstanding term loan borrowings under the Amended and Restated Senior Credit Facility), thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- expose us to interest rate fluctuations because the interest on the Amended and Restated Senior Credit Facility is imposed at variable rates;
- make it more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our ability to borrow additional funds; and
- limit our ability to pay dividends, redeem stock or make other distributions.

In addition, the terms of our financing arrangements contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts, including the Amended and Restated Senior Credit Facility and Senior Notes.

Despite our debt level, we may incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial debt.

We may incur substantial additional debt, including additional notes and other secured debt, in the future. Although the indentures governing our outstanding Senior Notes and our Amended and Restated Senior Credit Facility contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of debt that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we now face would intensify and we may not be able to meet all our debt obligations.

Servicing our debt will require a significant amount of cash. Our ability to generate sufficient cash to service our debt depends on many factors beyond our control.

Our ability to make payments on and to refinance our debt, to fund planned capital expenditures and to maintain sufficient working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Amended and Restated Senior Credit Facility, as it may be amended, or from other sources in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If our cash flow and capital resources are insufficient to allow us to make scheduled payments on our debt, we may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of our debt on or before the maturity thereof, any of which could have a material adverse effect on our business, financial condition or results of operations. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all, or that the terms of that debt will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition and the value of our outstanding debt. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

We will be subject to taxation in certain foreign jurisdictions after the acquisition of Partnerships in Care. Any adverse development in the tax laws of such jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, financial condition or results of operations. In addition, our effective tax rate could change materially as a result of certain changes in our mix of United States and foreign earnings and other factors, including changes in tax laws.

We will be subject to taxation in, and to the tax laws and regulations of, certain foreign jurisdictions as a result of our operations and our corporate and financing structure after the acquisition of Partnerships in Care. Adverse developments in these tax laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, financial condition or results of operations. In addition, the tax authorities in any applicable jurisdiction may disagree with the tax treatment or characterization of any of our transactions, which, if successfully challenged by such tax authorities, could have a material adverse effect on our business, financial condition or results of operations. Certain changes in the mix of our earnings between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a material adverse effect on our overall effective tax rate. In addition, legislative proposals to change the United States taxation of foreign earnings could also increase our effective tax rate.

Our acquisition strategy exposes us to a variety of operational and financial risks.

A principal element of our business strategy is to grow by acquiring other companies and assets in the behavioral healthcare industry. Growth, especially rapid growth, through acquisitions exposes us to a variety of operational and financial risks. We summarize the most significant of these risks below. For specific risks related to the acquisition of Partnerships in Care, see "Risks Relating to the Acquisition" above.

Integration risks

We must integrate our acquisitions with our existing operations. This process includes the integration of the various components of our business and of the businesses we have acquired or may do so in the future, including the following:

- additional psychiatrists, other physicians and employees who are not familiar with our operations;
- patients who may elect to switch to another behavioral healthcare provider;
- regulatory compliance programs; and
- disparate operating, information and record keeping systems and technology platforms.

Integrating a new facility could be expensive and time consuming and could disrupt our ongoing business, negatively affect cash flow and distract management and other key personnel from day-to-day operations.

We may not be able to combine successfully the operations of recently acquired facilities with our operations, and even if such integration is accomplished, we may never realize the potential benefits of the acquisition. The integration of acquisitions with our operations requires significant attention from management, may impose substantial demands on our operations or other projects and may impose challenges on the combined business including, but not limited to, consistencies in business standards, procedures, policies, business cultures and internal controls and compliance. Certain acquisitions involve a capital outlay, and the return that we achieved on any capital invested may be less than the return that we would achieve on our other projects or investments. If we fail to complete the integration of recently acquired facilities, we may never fully realize the potential benefits of the related acquisitions.

Benefits may not materialize

When evaluating potential acquisition targets, we identify potential synergies and cost savings that we expect to realize upon the successful completion of the acquisition and the integration of the related operations. We may, however, be unable to achieve or may otherwise never realize the expected benefits. Our ability to realize the expected benefits from potential cost savings and revenue improvement opportunities is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, such as changes to government regulation governing or otherwise impacting the behavioral healthcare industry, reductions in reimbursement rates from third-party payors, reductions in service levels under our contracts, operating difficulties, client preferences, changes in competition and general economic or industry conditions. If we are unsuccessful in implementing these improvements or if we do not achieve our expected results, it may adversely impact our business, financial condition or results of operations.

Assumptions of unknown liabilities

Facilities that we acquire may have unknown or contingent liabilities, including, but not limited to, liabilities for failure to comply with healthcare laws and regulations. Although we typically attempt to exclude significant liabilities from our acquisition transactions and seek indemnification from the sellers of such facilities for at least a portion of these matters, we do not have indemnification rights against the sellers under the Partnerships in Care acquisition. Even in those acquisitions in which we have such rights, we may experience difficulty enforcing the sellers' obligations, or we may incur material liabilities for the past activities of acquired facilities. Such liabilities and related legal or other costs and/or resulting damage to a facility's reputation could negatively impact our business, financial condition or results of operations.

Competing for acquisitions

We face competition for acquisition candidates primarily from other for-profit healthcare companies, as well as from not-for-profit entities. Some of our competitors may have greater resources than we do. As a result, we may pay more to acquire a target business or may agree to less favorable deal terms than we would have otherwise. Our principal competitors for acquisitions have included UHS, Aurora Behavioral Health Care and private equity firms. Also, suitable acquisitions may not be accomplished due to unfavorable terms.

Further, the cost of an acquisition could result in a dilutive effect on our results of operations, depending on various factors, including the amount paid for an acquired facility, the acquired facility's results of operations, the fair value of assets acquired and liabilities assumed, effects of subsequent legislation and limits on rate increases. In addition, we may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, which could adversely affect our financial results, result in dilution to our stockholders, result in increased fixed obligations or impede our ability to manage our operations.

Managing growth

Some of the facilities we have acquired or may acquire in the future may have had significantly lower operating margins prior to the time of our acquisition or may have had operating losses prior to such acquisition. If we fail to improve the operating margins of the facilities we acquire, operate such facilities profitably or effectively integrate the operations of the acquired facilities, our results of operations could be negatively impacted.

Failure to comply with the international and U.S. laws and regulations applicable to our international operations could subject us to penalties and other adverse consequences.

We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include U.S. laws such as the Foreign Corrupt Practices Act and other U.S. federal laws and regulations established by the Office of Foreign Asset Control, local laws such as the United Kingdom Bribery Act 2010 or other local laws which prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws, however, there is a risk that some provisions may be inadvertently breached by us, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, implementation of compliance programs, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to conduct business in the United Kingdom and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Our success depends, in part, on our ability to anticipate these risks and manage these challenges.

If you purchase our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.

The public offering price of our common stock is substantially higher than the net tangible book value per share of our outstanding common stock immediately after this offering. As a result, you will suffer immediate and substantial dilution in the net tangible book value of the common stock you purchase in this offering. If the underwriters exercise their option to purchase additional shares, you will experience additional dilution.

Future sales of common stock by our existing stockholders may cause our stock price to fall.

The market price of our common stock could decline as a result of sales by our existing stockholders in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

Waud Capital Partners, along with certain members of our management, have certain demand and piggyback registration rights with respect to shares of our common stock beneficially owned by them. The presence of additional shares of our common stock trading in the public market, as a result of the exercise of such registration rights, may have an adverse effect on the market price of our securities.

If securities or industry analysts do not publish research or reports about our business, if they were to change their recommendations regarding our stock adversely or if our operating results do not meet their expectations, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us. If one or more of these analysts cease coverage of us or fail to publish regular reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

We are party to a stockholders agreement with Waud Capital Partners which provides it with certain rights over Company matters.

Prior to this offering, Waud Capital Partners owned approximately 23% of our outstanding common stock. In accordance with the terms of the stockholders agreement among Waud Capital Partners, Acadia and certain current and former members of our management, for so long as Waud Capital Partners owns at least 17.5% of our outstanding common stock, it is entitled to designate the pro rata number of our directors that is proportional (but rounded up to the nearest whole number) to its percentage ownership of our outstanding common stock, subject to the NASDAQ rules regarding director independence, and has consent rights to many corporate actions, such as issuing equity or debt securities, paying dividends, acquiring any interest in another company and materially changing our business activities. It is possible that the interests of Waud Capital Partners may in some circumstances conflict with our interests and the interests of our other stockholders. Waud Capital Partners is selling shares of our common stock in this offering and is expected to own approximately 18.4% of our outstanding common stock after completion of the offering assuming that the underwriters exercise their option to purchase additional shares in full.

Fluctuations in our operating results, quarter to quarter earnings and other factors, including incidents involving our patients and negative media coverage, may result in significant decreases in the price of our common stock.

The stock markets experience volatility that is often unrelated to operating performance. These broad market fluctuations may adversely affect the trading price of our common stock and, as a result, there may be significant volatility in the market price of our common stock. If we are unable to operate our facilities as profitably as we have in the past or as our stockholders expect us to in the future, the market price of our common stock will likely decline as stockholders could sell shares of our common stock when it becomes apparent that the market expectations may not be realized. In addition to our operating results, many economic and seasonal factors outside of our control could have an adverse effect on the price of our common stock and increase fluctuations in our quarterly earnings. These factors include certain of the risks discussed herein, demographic changes, operating results of other healthcare companies, changes in our financial estimates or recommendations of securities analysts, speculation in the press or investment community, the possible effects of war, terrorist and other hostilities, adverse weather conditions, the level of seasonal illnesses, managed care contract negotiations and terminations, changes in general conditions in the economy or the financial markets or other developments affecting the healthcare industry. An incident involving one or more of our patients could result in negative media coverage and adversely affect the trading price of our common stock.

We have been and could become the subject of negative media coverage as a result of incidents involving one or more of our patients. If we were to receive such negative publicity or unfavorable media attention, whether warranted or unwarranted, the trading price of our common stock and reputation could be significantly, adversely affected. In addition, we may become subject to increased regulatory burdens, governmental investigations and may be required to pay large judgments or fines.

Our revenues and results of operations are significantly affected by payments received from the government and third-party payors.

A significant portion of the combined companies' revenues (after giving effect to the Acquisition) will be from government healthcare programs, principally Medicare, Medicaid and NHS. For the year ended December 31, 2013, Acadia derived approximately 70% of its revenues from the Medicare and Medicaid programs, and Partnerships in Care derived approximately 97% of its revenue from NHS.

Changes in these government programs in recent years have resulted in limitations on reimbursement and, in some cases, reduced levels of reimbursement for healthcare services. Payments from federal, state and UK government healthcare programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review, and governmental funding restrictions, all of which could materially increase or decrease program payments, as well as affect the cost of providing service to patients and the timing of payments to facilities. We are unable to predict the effect of recent and future policy changes on our operations. In addition, since most states operate with balanced budgets, and since the Medicaid program is often a state's largest program, some states can be expected to enact or consider enacting legislation formulated to reduce their Medicaid expenditures. Furthermore, the recent economic downturn has increased the budgetary pressures on the federal government and many state governments, which may negatively affect the availability of taxpayer funds for Medicare and Medicaid programs.

If the rates paid or the scope of services covered by government payors are reduced, there could be a material adverse effect on our business, financial condition and results of operations.

In addition to changes in government reimbursement programs, our ability to negotiate favorable contracts with private payors, including managed care providers, significantly affects the financial condition and operating results of our facilities in the United States. Management expects third-party payors to aggressively manage reimbursement levels and cost controls. Reductions in reimbursement amounts received from third-party payors could have a material adverse effect on our business, financial condition and results of operations.

We are subject to a number of restrictive covenants, which may restrict our business and financing activities.

Our financing arrangements impose, and the terms of any future debt may impose, operating and other restrictions on us. Such restrictions affect, and in many respects limit or prohibit, among other things, our and our subsidiaries' ability to:

- incur or guarantee additional debt and issue certain preferred stock;
- pay dividends on our common stock or redeem, repurchase or retire our equity interests or subordinated debt;

- transfer or sell our assets:
- make certain payments or investments;
- make capital expenditures;
- create certain liens on assets;
- create restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- engage in certain transactions with our affiliates; and
- merge or consolidate with other companies.

The Amended and Restated Senior Credit Facility also requires us to meet certain financial ratios, including a fixed charge coverage ratio and a consolidated leverage ratio.

The restrictions may prevent us from taking actions that management believes would be in the best interests of our business and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. Our ability to comply with these covenants in future periods will largely depend on the pricing of our products and services, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy. We cannot assure you that we will be granted waivers or amendments to our financing arrangements if for any reason we are unable to comply with our financial covenants. The breach of any of these covenants and restrictions could result in a default under the indentures governing the Senior Notes or under the Amended and Restated Senior Credit Facility, which could result in an acceleration of our debt.

If we default on our obligations to pay our debt, we may not be able to make payments on our financing arrangements.

Any default under the agreements governing our debt, including a default under the Amended and Restated Senior Credit Facility, and the remedies sought by the holders of such debt, could adversely affect our ability to pay the principal, premium, if any, and interest on the Senior Notes and substantially decrease the market value of the Senior Notes. If we are unable to generate sufficient cash flows and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our debt, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our debt (including the Amended and Restated Senior Credit Facility and the indentures governing the Senior Notes), we would be in default under the terms of the agreements governing such debt. In the event of such default, the holders of such debt could elect to declare all the funds borrowed thereunder to be due and payable, the lenders under the Amended and Restated Senior Credit Facility could elect to terminate their commitments or cease making further loans and institute foreclosure proceedings against our assets, or we could be forced to apply all available cash flows to repay such debt, and, in any such case, we could ultimately be forced into bankruptcy or liquidation. Because the indentures governing the Senior Notes and the agreement governing the Amended and Restated Senior Credit Facility have customary cross-default provisions, if the debt under the Senior Notes or under the Amended and Restated Senior Credit Facility is accelerated, we may be unable to repay or refinance the amounts due.

A worsening of the economic and employment conditions in the geographies in which we operate could materially affect our business and future results of operations.

During periods of high unemployment, governmental entities often experience budget deficits as a result of increased costs and lower than expected tax collections. These budget deficits at the federal, state and local levels have decreased, and may continue to decrease, spending for health and human service programs, including Medicare and Medicaid in the United States, which are significant payor sources for our facilities. In periods of high unemployment, we also face the risk of potential declines in the population covered under private insurance, patient decisions to postpone or decide against receiving behavioral healthcare services, potential increases in the uninsured and underinsured populations we serve and further difficulties in collecting patient co-payment and deductible receivables.

Furthermore, the availability of liquidity and capital resources to fund the continuation and expansion of many business operations worldwide has been limited in recent years. Our ability to access the capital markets on acceptable terms may be severely restricted at a time when we would like, or need, access to those markets, which could have a negative impact on our growth plans, our flexibility to react to changing economic and business conditions and our ability to refinance existing debt (including debt under our Amended and Restated Senior Credit Facility and the Senior Notes). The recent economic downturn or other economic conditions could also adversely affect the counterparties to our agreements, including the lenders under the Amended and Restated Senior Credit Facility, causing them to fail to meet their obligations to us.

If we fail to comply with extensive laws and government regulations, we could suffer penalties or be required to make significant changes to our operations.

Companies operating in the behavioral healthcare industry in the United States are required to comply with extensive and complex laws and regulations at the federal, state and local government levels relating to, among other things: billing practices and prices for services; relationships with physicians and other referral sources; necessity and quality of medical care; condition and adequacy of facilities; qualifications of medical and support personnel; confidentiality, maintenance and security issues associated with health-related information and patient health information, or PHI; the screening, stabilization and/or transfer of patients who have emergency medical conditions; certification, licensure and accreditation of our facilities; operating policies and procedures; activities regarding competitors; and addition or expansion of facilities and services.

Among these laws are the anti-kickback provision of the Social Security Act, or the Anti-Kickback Statute, the federal physician self-referral, or the Stark Law, the federal False Claims Act, or the False Claims Act, and similar state laws. These laws, and particularly the Anti-Kickback Statute and the Stark Law, impact the relationships that we may have with physicians and other potential referral sources. We have a variety of financial relationships with physicians and other professionals who refer patients to our facilities, including employment contracts, leases and professional service agreements. The Office of the Inspector General of the Department of Health and Human Services has issued certain exceptions and safe harbor regulations that outline practices that are deemed acceptable under the Stark Law and Anti-Kickback Statute. While we endeavor to comply with applicable exceptions and safe harbors, certain of our current arrangements with physicians and other potential referral sources may not qualify for safe harbor protection. Failure to meet a safe harbor does not mean that the arrangement necessarily violates the Anti-Kickback Statute, but may subject the arrangements to greater scrutiny. We cannot offer assurances that practices that are outside of a safe harbor will not be found to violate the Anti-Kickback Statute. Allegations of violations of the Stark Law and Anti-Kickback Statute may be brought under the federal Civil Monetary Penalty Law, which requires a lower burden of proof than other fraud and abuse laws.

These laws and regulations are extremely complex, and, in many cases, we do not have the benefit of regulatory or judicial interpretation. In the future, it is possible that different interpretations of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our arrangements for facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated one or more of these laws could subject us to liabilities, including civil penalties, exclusion of one or more facilities from participation in the government healthcare programs and, for violations of certain laws and regulations, criminal penalties. Even the public announcement that we are being investigated for possible violations of these laws could cause our reputation to suffer and have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot predict whether other legislation or regulations at the federal or state level will be adopted, what form such legislation or regulations may take or what their impact on us may be.

The construction and operation of healthcare facilities in the United States are subject to extensive federal, state and local regulation relating to, among other things, the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting, compliance with building codes and environmental protection. Additionally, such facilities are subject to periodic inspection by government authorities to assure their continued compliance with these various standards. If we fail to adhere to these standards, we could be subject to monetary and operational penalties.

Many of our U.S. facilities are also accredited by third-party accreditation agencies such as The Joint Commission. If any of our existing healthcare facilities lose their accreditation or any of our new facilities fail to receive accreditation, such facilities could become ineligible to receive reimbursement under Medicare or Medicaid.

Similarly, providers of behavioral healthcare services in the United Kingdom are also subject to a highly regulated business environment. Failure to comply with regulations, lapses in the standards of care, the receipt of poor ratings or lower ratings, the receipt of a negative report that leads to a determination of regulatory non-compliance, or the failure to cure any defect noted in an inspection report could lead to substantial penalties, including the loss of registration or closure of one or more facilities as well as damage to reputation.

We may be required to spend substantial amounts to comply with statutes and regulations relating to privacy and security of patient health information.

There are currently numerous legislative and regulatory initiatives in both the U.S. and the United Kingdom addressing patient privacy and information security concerns. In particular, federal regulations issued under HIPAA require our U.S. facilities to comply with standards to protect the privacy, security and integrity of PHI. These regulations have imposed extensive administrative requirements, technical and physical information security requirements, restrictions on the use and disclosure of PHI and related financial information and have provided patients with additional rights with respect to their health information. Compliance with these regulations requires substantial expenditures, which could negatively impact our business, financial condition or results of operations. In addition, our management has spent, and may spend in the future, substantial time and effort on compliance measures.

Violations of the privacy and security regulations could subject our operations to substantial civil monetary penalties and substantial other costs and penalties associated with a breach of data security, including criminal penalties.

We may be subject to liabilities from claims brought against our facilities.

We are subject to medical malpractice lawsuits and other legal actions in the ordinary course of business. Some of these actions may involve large claims, as well as significant defense costs. We cannot predict the outcome of these lawsuits or the effect that findings in such lawsuits may have on us. All professional and general liability insurance we purchase is subject to policy limitations. Management believes that, based on our past experience and actuarial estimates, our insurance coverage is adequate considering the claims arising from the operations of our facilities. While we continuously monitor our coverage, our ultimate liability for professional and general liability claims could change materially from our current estimates. If such policy limitations should be partially or fully exhausted in the future, or payments of claims exceed our estimates or are not covered by our insurance, it could have a material adverse effect on our business, financial condition or results of operations.

We have been and could become the subject of governmental investigations, regulatory actions and whistleblower lawsuits.

Healthcare companies in both the United States and the United Kingdom are subject to numerous investigations by various governmental agencies. Certain of our facilities have received, and other facilities may receive, government inquiries from, and may be subject to investigation by, governmental agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material adverse effect on our business, financial condition and results of operations.

Further, under the federal False Claims Act, private parties are permitted to bring qui tam or “whistleblower” lawsuits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Because qui tam lawsuits are filed under seal, we could be named in one or more such lawsuits of which we are not aware.

We are subject to uncertainties regarding recent health reform and budget legislation.

The expansion of health insurance coverage in the United States under the Patient Protection and Affordable Care Act and the Reconciliation Act, or, collectively, the Health Reform Legislation, may increase the number of patients using our facilities who have either private or public program coverage. In addition, a disproportionately large percentage of new Medicaid coverage is likely to be in states that currently have relatively low income eligibility requirements and may include states where we have facilities. Furthermore, as a result of the Health Reform Legislation, there may be a reduction in uninsured patients, which should reduce our expense from uncollectible accounts receivable.

Notwithstanding the foregoing, the Health Reform Legislation makes a number of other changes to Medicare and Medicaid which management believes may have an adverse impact on us. The various provisions in the Health Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years. Health Reform Legislation provisions are likely to be affected by the incomplete nature of implementing regulations or expected forthcoming interpretive guidance, gradual implementation or future legislation. Further, Health Reform Legislation provisions, such as those creating the Medicare Shared Savings Program and the Independent Payment Advisory Board, create certain flexibilities in how healthcare may be reimbursed by federal programs in the future. Thus, we cannot predict the impact of the Health Reform Legislation on our future reimbursement at this time.

The Health Reform Legislation also contains provisions aimed at reducing fraud and abuse in healthcare. The Health Reform Legislation amends several existing laws, including the federal Anti-Kickback Statute and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers. Congress revised the intent requirement of the Anti-Kickback Statute to provide that a person is not required to have actual knowledge or specific intent to commit a violation of the Anti-Kickback Statute in order to be found guilty of violating such law. The Health Reform Legislation also provides that any claims for items or services that violate the Anti-Kickback Statute are also considered false claims for purposes of the federal civil False Claims Act. The Health Reform Legislation provides that a healthcare provider that knowingly retains an overpayment in excess of 60 days is subject to the federal civil False Claims Act.

The impact of the Health Reform Legislation on each of our facilities may vary. We cannot predict the impact the Health Reform Legislation may have on our business, results of operations, cash flow, capital resources and liquidity, or whether we will be able to adapt successfully to the changes required by the Health Reform Legislation.

We are similarly unable to guarantee that current United Kingdom laws, regulations and regulatory assessment methodologies will not be modified or replaced in the future. Additionally, there is a risk that budget constraints, public spending cuts (such as the cuts announced by the United Kingdom government in the 2010 Comprehensive Spending Review and implemented in the 2011 and 2012 government budgets) or other financial pressures could cause NHS to reduce funding for the types of services that Partnerships in Care provides. Such policy changes in the United Kingdom could lead to fewer services being purchased by publicly funded entities or material changes being made to their procurement practices, any of which could materially reduce Partnerships in Care's revenue. These and other future developments and amendments may negatively impact our operations, which could have a material adverse effect on our business, financial condition or results of operations. See "—Expanding our operations internationally poses additional risks to our business" in this prospectus supplement.

We operate in a highly competitive industry, and competition may lead to declines in patient volumes.

The healthcare industry is highly competitive, and competition among healthcare providers (including hospitals) for patients, physicians and other healthcare professionals has intensified in recent years. There are other healthcare facilities that provide behavioral and other mental health services comparable to at least some of those offered by our facilities in each of the geographical areas in which we operate. Some of our competitors are owned by tax-supported governmental agencies or by nonprofit corporations and may have certain financial advantages not available to us, including endowments, charitable contributions, tax-exempt financing and exemptions from sales, property and income taxes.

If our competitors are better able to attract patients, recruit and retain physicians and other healthcare professionals, expand services or obtain favorable managed care contracts at their facilities, we may experience a decline in patient volume and our results of operations may be adversely affected.

We will similarly face competition in the United Kingdom from other independent sector providers and publicly funded entities for individuals requiring care and for appropriate sites on which to develop or expand facilities in the United Kingdom. Should we fail to compete effectively with our peers and competitors in the industry, or if the competitive environment intensifies, individuals may be referred elsewhere for services that we provide, negatively impacting our ability to secure referrals and limiting the expansion of our business.

The trend by insurance companies and managed care organizations to enter into sole-source contracts may limit our ability to obtain patients.

Insurance companies and managed care organizations in the United States are entering into sole-source contracts with healthcare providers, which could limit our ability to obtain patients since we do not offer the range of services required for these contracts. Moreover, private insurers, managed care organizations and, to a lesser extent, Medicaid and Medicare, are beginning to carve-out specific services, including mental health and substance abuse services, and establish small, specialized networks of providers for such services at fixed reimbursement rates. Continued growth in the use of carve-out arrangements could materially adversely affect our business to the extent we are not selected to participate in such networks or if the reimbursement rate is not adequate to cover the cost of providing the service.

Our performance depends on our ability to recruit and retain quality psychiatrists and other physicians.

The success and competitive advantage of our facilities depends, in part, on the number and quality of the psychiatrists and other physicians on the medical staffs of our facilities and our maintenance of good relations with those medical professionals. Although we employ psychiatrists and other physicians at many of our facilities, psychiatrists and other physicians generally are not employees of our facilities, and, in a number of our markets, they have admitting privileges at competing hospitals providing acute or inpatient behavioral health services. Such physicians (including psychiatrists) may terminate their affiliation with us at any time or admit their patients to competing healthcare facilities or hospitals. If we are unable to attract and retain sufficient numbers of quality psychiatrists and other physicians by providing adequate support personnel and facilities that meet the needs of those psychiatrists and other physicians, they may stop referring patients to our facilities and our results of operations may decline.

It may become difficult for us to attract and retain an adequate number of psychiatrists and other physicians to practice in certain of the communities in which our facilities are located. Our failure to recruit psychiatrists and other physicians to these communities or the loss of such medical professionals in these communities could make it more difficult to attract patients to our facilities and thereby may have a material adverse effect on our business, financial condition or results of operations. Additionally, our ability to recruit psychiatrists and other physicians is closely regulated. The form, amount and duration of assistance we can provide to recruited psychiatrists and other physicians is limited by the Stark Law, the Anti-Kickback Statute, state anti-kickback statutes, and related regulations. For example, the Stark Law requires, among other things, that recruitment assistance can be provided only to psychiatrists and other physicians who meet certain geographic and practice relocation requirements, that the amount of assistance cannot be changed during the term of the recruitment agreement, and that the recruitment payments cannot generally benefit psychiatrists and other physicians currently in practice in the community beyond recruitment costs actually incurred by them.

Our facilities face competition for staffing that may increase our labor costs and reduce our profitability.

Our operations depend on the efforts, abilities, and experience of our management and medical support personnel, including our therapists, nurses, pharmacists and mental health technicians, as well as our psychiatrists and other professionals. We compete with other healthcare providers in recruiting and retaining qualified management, physicians (including psychiatrists) and support personnel responsible for the daily operations of our business, financial condition or results of operations.

The nationwide shortage of nurses and other medical support personnel in the United States has been a significant operating issue facing us and other healthcare providers. This shortage may require us to enhance wages and benefits to recruit and retain nurses and other medical support personnel or require us to hire more expensive temporary or contract personnel. In addition, certain of our facilities are required to maintain specified staffing levels. To the extent we cannot meet those levels, we may be required to limit the services provided by these facilities, which would have a corresponding adverse effect on our net operating revenues.

Increased labor union activity is another factor that could adversely affect our labor costs. As of May 31, 2014, labor unions represented employees at only three of our facilities and three of our outpatient clinics. Upon closing of the Acquisition, the Royal College of Nursing will represent nursing employees at all of our facilities in the United Kingdom. To the extent that a greater portion of our employee base unionizes, it is possible that our labor costs could increase materially.

We cannot predict the degree to which we will be affected by the future availability or cost of attracting and retaining talented medical support staff. If our general labor and related expenses increase, we may not be able to raise our rates correspondingly. Our failure either to recruit and retain qualified management, psychiatrists, therapists, nurses and other medical support personnel or control our labor costs could have a material adverse effect on our results of operations.

We depend heavily on key management personnel, and the departure of one or more of our key executives or a significant portion of our local facility management personnel could harm our business.

The expertise and efforts of our senior executives and the chief executive officer, chief financial officer, medical director, physicians and other key members of our facility management personnel are critical to the success of our business. The loss of the services of one or more of our senior executives or of a significant portion of our facility management personnel could significantly undermine our management expertise and our ability to provide efficient, quality healthcare services at our facilities, which could harm our business.

The Partnerships in Care senior management team is important to our acquisition of Partnerships in Care. The loss of members of the Partnerships in Care management team could impact our ability to successfully integrate and operate the Partnerships in Care facilities and business.

We could face risks associated with, or arising out of, environmental, health and safety laws and regulations.

We are subject to various federal, state and local laws and regulations that:

- regulate certain activities and operations that may have environmental or health and safety effects, such as the generation, handling and disposal of medical wastes;
- impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances; and
- regulate workplace safety.

Compliance with these laws and regulations could increase our costs of operation. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial condition or cash flows. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse effect on our business, financial condition or results of operations.

State efforts to regulate the construction or expansion of healthcare facilities in the United States could impair our ability to operate and expand our operations.

A majority of the states in which we operate facilities in the United States have enacted certificate of need, or CON, laws that regulate the construction or expansion of healthcare facilities, certain capital expenditures or changes in services or bed capacity. In giving approval for these actions, these states consider the need for additional or expanded healthcare facilities or services. Our failure to obtain necessary state approval could (i) result in our inability to acquire a targeted facility, complete a desired expansion or make a desired replacement, (ii) make a facility ineligible to receive reimbursement under the Medicare or Medicaid programs or (iii) result in the revocation of a facility's license or impose civil or criminal penalties on us, any of which could harm our business.

In addition, significant CON reforms have been proposed in a number of states that would increase the capital spending thresholds and provide exemptions of various services from review requirements. In the past, we have not experienced any material adverse effects from such requirements, but we cannot predict the impact of these changes upon our operations.

We may be unable to extend leases at expiration, which could harm our business, financial condition or results of operations.

We lease the real property on which a number of our facilities are located. Our lease agreements generally give us the right to renew or extend the term of the leases and, in certain cases, purchase the real property. These renewal and purchase rights generally are based upon either prescribed formulas or fair market value. Management expects to renew, extend or exercise purchase options with respect to our leases in the normal course of business; however, there can be no assurance that these rights will be exercised in the future or that we will be able to satisfy the conditions precedent to exercising any such renewal, extension or purchase options. Furthermore, the terms of any such options that are based on fair market value are inherently uncertain and could be unacceptable or unfavorable to us depending on the circumstances at the time of exercise. If we are not able to renew or extend our existing leases, or purchase the real property subject to such leases, at or prior to the end of the existing lease terms, or if the terms of such options are unfavorable or unacceptable to us, our business, financial condition or results of operations could be adversely affected.

Controls designed to reduce inpatient services may reduce our revenues.

Controls imposed by Medicare, Medicaid and commercial third-party payors designed to reduce admissions and lengths of stay, commonly referred to as "utilization review," have affected and are expected to continue to affect our facilities. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor-required preadmission authorization and utilization review and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Efforts to impose more stringent cost controls are expected to continue. For example, the Health Reform Legislation potentially expands the use of prepayment review by Medicare contractors by eliminating statutory restrictions on its use. Utilization review is also a requirement of most non-governmental managed-care organizations and other third-party payors. Although we are unable to predict the effect these controls and changes will have on our operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on our financial condition and results of operations.

Additionally, the outsourcing of behavioral health care to the private sector is a relatively recent development in the United Kingdom. There has been some opposition to outsourcing. While we anticipate that NHS will continue to rely increasingly upon outsourcing, we cannot assure you that the outsourcing trend will continue. The absence of future growth in the outsourcing of behavioral healthcare services could have a material adverse impact on our business, financial condition and results of operations.

Although we have facilities in 24 states and Puerto Rico (prior to giving effect to the Acquisition), we have substantial operations in each of Arkansas, Michigan, Mississippi, Tennessee and Texas, which makes us especially sensitive to regulatory, economic, environmental and competitive conditions and changes in those states.

At December 31, 2013, we operated 51 facilities, 16 of which are located in Arkansas, Michigan, Mississippi, Tennessee and Texas. Our revenues in those states represented approximately 45% of our revenue for the year ended December 31, 2013. This concentration makes us particularly sensitive to legislative, regulatory, economic, environmental and competition changes in those states. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have a disproportionate effect on our overall business results.

In addition, some of our facilities are located in hurricane-prone areas. In the past, hurricanes have had a disruptive effect on the operations of facilities and the patient populations in hurricane-prone areas. Our business activities could be significantly disrupted by a particularly active hurricane season or even a single storm, and our property insurance may not be adequate to cover losses from such storms or other natural disasters.

We are required to treat patients with emergency medical conditions regardless of ability to pay.

In accordance with our internal policies and procedures, as well as the Emergency Medical Treatment and Active Labor Act, or EMTALA, we provide a medical screening examination to any individual who comes to one of our hospitals while in active labor and/or seeking medical treatment (whether or not such individual is eligible for insurance benefits and regardless of ability to pay) to determine if such individual has an emergency medical condition. If it is determined that such person has an emergency medical condition, we provide such further medical examination and treatment as is required to stabilize the patient's medical condition, within the facility's capability, or arrange for transfer of such individual to another medical facility in accordance with applicable law and the treating hospital's written procedures. Our obligations under EMTALA may increase substantially; Centers for Medicare and Medicaid Services has recently sought stakeholder comments concerning the potential applicability of EMTALA to hospital inpatients and the responsibilities of hospitals with specialized capabilities, such as ours, to accept the transfer of such patients. If the number of indigent and charity care patients with emergency medical conditions we treat increases significantly, or if regulations expanding our obligations to inpatients under EMTALA are proposed and adopted, our results of operations may be harmed.

An increase in uninsured or underinsured patients or the deterioration in the collectability of the accounts of such patients could harm our results of operations.

Collection of receivables from third-party payors and patients is critical to our operating performance. Our primary collection risks relate to uninsured patients and the portion of the bill that is the patient's responsibility, which primarily includes co-payments and deductibles. We estimate our provisions for doubtful accounts based on general factors such as payor source, the agings of the receivables and historical collection experience. At December 31, 2013, our allowance for doubtful accounts represented approximately 19% of our accounts receivable balance as of such date. We routinely review accounts receivable balances in conjunction with these factors and other economic conditions that might ultimately affect the collectability of the patient accounts and make adjustments to our allowances as warranted. Significant changes in business office operations, payor mix, economic conditions or trends in federal and state governmental health coverage (including implementation of the Health Reform Legislation) could affect our collection of accounts receivable, cash flow and results of operations. If we experience unexpected increases in the growth of uninsured and underinsured patients or in bad debt expenses, our results of operations will be harmed.

A cyber security incident could cause a violation of HIPAA and other privacy laws and regulations or result in a loss of confidential data.

A cyber-attack that bypasses our information technology, or IT, security systems causing an IT security breach, loss of PHI or other data subject to privacy laws, loss of proprietary business information, or a material disruption of our IT business systems, could have a material adverse impact on our business, financial condition or results of operations. In addition, our future results of operations, as well as our reputation, could be adversely impacted by theft, destruction, loss, or misappropriation of PHI, other confidential data or proprietary business information.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of Sarbanes-Oxley, could have a material adverse effect on our business.

We are required to maintain internal control over financial reporting under Section 404 of Sarbanes-Oxley. If we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis, may suffer adverse regulatory consequences or violations of NASDAQ listing rules and may breach the covenants under our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal control over financial reporting.

We incur substantial costs as a result of being a public company.

As a public company, we incur significant legal, accounting, insurance and other expenses, including costs associated with public company reporting requirements. We incur costs associated with complying with the requirements of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, the Dodd-Frank Wall Street Reform and

Consumer Protection Act, or the Dodd-Frank Act, and related rules implemented by the SEC and NASDAQ. Enacted in July 2010, the Dodd-Frank Act contains significant corporate governance and executive compensation-related provisions, some of which the SEC has recently implemented by adopting additional rules and regulations in areas such as executive compensation. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. Management expects these laws and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although management is currently unable to estimate these costs with any degree of certainty. These laws and regulations could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Provisions of our charter documents or Delaware law could delay or prevent an acquisition of us, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for stockholders to change management.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. This is because these provisions may prevent or frustrate attempts by stockholders to replace or remove our management. These provisions include:

- a classified board of directors;
- a prohibition on stockholder action through written consent;
- a requirement that special meetings of stockholders be called only upon a resolution approved by a majority of our directors then in office;
- advance notice requirements for stockholder proposals and nominations; and
- the authority of the board of directors to issue preferred stock with such terms as the board of directors may determine.

Section 203 of the Delaware General Corporation Law, as amended, or DGCL, prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person that together with its affiliates owns or within the last three years has owned 15% of voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Although we have elected not to be subject to Section 203 of the DGCL, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that Waud Capital Partners, its affiliates and any investment fund managed by Waud Capital Partners and any persons to whom Waud Capital Partners sells at least five percent (5%) of our outstanding voting stock will be deemed to have been approved by our board of directors, and thereby not subject to the restrictions set forth in our amended and restated certificate of incorporation that have the same effect as Section 203 of the DGCL. Accordingly, the provision in our amended and restated certificate of incorporation that adopts a modified version of Section 203 of the DGCL may discourage, delay or prevent a change in control of us.

As a result of these provisions in our charter documents and Delaware law, the price investors may be willing to pay in the future for shares of our common stock may be limited.

We do not anticipate paying any cash dividends in the foreseeable future.

We intend to retain our future earnings, if any, for use in our business or for other corporate purposes and do not anticipate that cash dividends with respect to common stock will be paid in the foreseeable future. Any decision as to the future payment of dividends will depend on our results of operations, financial position and such other factors as our board of directors, in its discretion, deems relevant. In addition, the terms of our debt substantially limit our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be a stockholder's sole source of gain for the foreseeable future.