



**6100 TOWER CIRCLE, SUITE 1000
FRANKLIN, TENNESSEE 37067**

March 24, 2021

TO OUR STOCKHOLDERS:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders (the "Annual Meeting") of Acadia Healthcare Company, Inc., to be held on Thursday, May 6, 2021, at 9:00 a.m. (Central Time), in a virtual only format. The matters to be acted upon at the Annual Meeting are more fully described in the accompanying Proxy Statement and related materials.

As part of our effort to maintain a healthy and safe environment at the Annual Meeting and in light of the COVID-19 pandemic, the Annual Meeting will be held solely by remote communication, in a virtual only format. You will not be able to attend the Annual Meeting in person. Stockholders of record as of the record date can participate in the Annual Meeting at <https://www.virtualshareholdermeeting.com/ACHC2021> by entering the 16-digit control number found on the proxy card or voting instruction form provided to you. Once admitted, you may submit questions, vote or view our list of stockholders during the Annual Meeting by following the instructions that will be available on the meeting website.

In accordance with rules adopted by the Securities and Exchange Commission, we are mailing to many of our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of the Proxy Statement and our 2020 Annual Report to Stockholders. The Notice of Internet Availability of Proxy Materials contains instructions on how stockholders can access the proxy documents over the internet as well as how stockholders can receive a paper copy of our proxy materials, including the Proxy Statement, the 2020 Annual Report to Stockholders and a form of proxy card.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, please vote by proxy as soon as possible by following the instructions located in the Notice of Internet Availability of Proxy Materials sent to you or in the Proxy Statement. If you attend the Annual Meeting, you may withdraw your proxy and vote your shares personally.

We look forward to your attendance at the Annual Meeting.

Sincerely,

A handwritten signature in cursive script that reads "Debra K. Osteen".

Debra K. Osteen
Chief Executive Officer and Director

YOUR VOTE IS IMPORTANT.

**PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD
AS PROMPTLY AS POSSIBLE.**



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FRANKLIN, TENNESSEE 37067**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 6, 2021**

TO OUR STOCKHOLDERS:

The 2021 Annual Meeting of Stockholders (the "Annual Meeting") of Acadia Healthcare Company, Inc. will be held on Thursday, May 6, 2021, at 9:00 a.m. (Central Time), in a virtual only format. You can participate in the Annual Meeting at <https://www.virtualshareholdermeeting.com/ACHC2021> by entering the 16-digit control number found on the proxy card or voting instruction form provided to you.

The Annual Meeting is being convened for the following purposes:

- (1) To elect three nominees as Class I directors;
- (2) To approve an amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan;
- (3) To approve, on a non-binding advisory basis, the compensation of our named executive officers;
- (4) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021; and
- (5) To transact any other business that properly comes before the Annual Meeting or any adjournments or postponements thereof.

The matters to be acted upon at the Annual Meeting are more fully described in the Proxy Statement and related materials. Please read the materials carefully.

The Board of Directors has fixed the close of business on March 11, 2021 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof.

Dated: March 24, 2021

By order of the Board of Directors,

A handwritten signature in black ink that reads "Debra K. Osteen".

Debra K. Osteen
Chief Executive Officer and Director

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, TO ASSURE THE PRESENCE OF A QUORUM, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE. IF YOU ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE THE PROXY IS EXERCISED.

TABLE OF CONTENTS

PROXY STATEMENT	1
INFORMATION CONCERNING SOLICITATION AND VOTING.....	1
PROPOSAL 1: ELECTION OF DIRECTORS	3
PROPOSAL 2: APPROVAL OF SECOND AMENDMENT TO INCENTIVE COMPENSATION PLAN.....	7
PROPOSAL 3: NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION.....	12
PROPOSAL 4: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	13
CORPORATE GOVERNANCE	14
MANAGEMENT	21
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	22
COMPENSATION DISCUSSION AND ANALYSIS	25
COMPENSATION COMMITTEE REPORT	41
EXECUTIVE COMPENSATION.....	42
DIRECTOR COMPENSATION	55
AUDIT AND RISK COMMITTEE REPORT	57
CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS	58
GENERAL INFORMATION.....	58
APPENDIX A: Second Amendment to Acadia Healthcare Company, Inc. Incentive Compensation Plan	A-1
APPENDIX B: Acadia Healthcare Company, Inc. Incentive Compensation Plan, as amended	B-1



**6100 TOWER CIRCLE, SUITE 1000
FRANKLIN, TENNESSEE 37067**

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the “Board” or “Board of Directors”) of Acadia Healthcare Company, Inc. (the “Company”) of proxies to be voted at the 2021 Annual Meeting of Stockholders (the “Annual Meeting”), to be held in a virtual only format, on Thursday, May 6, 2021, at 9:00 a.m. (Central Time), for the purposes set forth in the accompanying notice, and at any adjournments or postponements thereof. This Proxy Statement and the accompanying proxy are first being mailed or made available to stockholders on or about March 24, 2021.

INFORMATION CONCERNING SOLICITATION AND VOTING

Record Date

The close of business on March 11, 2021 has been fixed as the record date for the determination of stockholders entitled to vote at the Annual Meeting. As of such date, we had 180,000,000 authorized shares of common stock, \$0.01 par value per share (“Common Stock”), of which 89,411,515 shares were outstanding and entitled to vote, and 10,000,000 authorized shares of preferred stock, \$0.01 par value per share, of which no shares were outstanding. Common Stock is our only outstanding class of voting stock. Each share of Common Stock will have one vote on each matter to be voted upon at the Annual Meeting.

Quorum Requirements

A majority of the shares of Common Stock entitled to vote, represented in person or by proxy, is required to constitute a quorum. Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum at the Annual Meeting. If a quorum is not present at the time of the Annual Meeting, the stockholders entitled to vote, present in person or represented by proxy, shall have the power to adjourn the Annual Meeting until a quorum shall be present or represented by proxy. The Annual Meeting may be adjourned from time to time, whether or not a quorum is present, by the affirmative vote of a majority of the votes present and entitled to be cast at the Annual Meeting.

Voting Procedures

Whether you hold shares directly as the stockholder of record or through a broker, trustee or other nominee, as the beneficial owner, you may direct how your shares are voted without attending the Annual Meeting. If you hold shares in street name, you must vote by giving instructions to your broker or nominee. You should follow the voting instructions on any form that you receive from your broker or nominee. The availability of telephone and Internet voting for shares held in street name will depend on your broker’s or nominee’s voting process. Please refer to the instructions in the materials provided in the Notice of Internet Availability of Proxy Materials or proxy card provided to you for information on the available voting methods.

If a proxy is properly given prior to or at the Annual Meeting and not properly revoked, it will be voted in accordance with the instructions, if any, given by the stockholder. Subject to the requirements described below, if no instructions are given, each proxy will be voted:

- **FOR** the election as directors of the nominees described in this Proxy Statement;

- **FOR** the approval of an amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan, as amended (the “Incentive Plan”);
- **FOR** the approval, on a non-binding advisory basis, of the compensation of our executive officers named in the section below entitled “EXECUTIVE COMPENSATION – Summary Compensation Table” (the “Named Executive Officers”);
- **FOR** ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021; and
- In accordance with the recommendation of the Board on any other proposal that may properly come before the Annual Meeting or any adjournment thereof.

The persons named as proxies were selected by our Board of Directors.

Without your instructions, your broker or nominee is permitted to use its own discretion and vote your shares on certain routine matters (such as Proposal 4), but is not permitted to use its discretion and vote your shares on non-routine matters (such as Proposals 1, 2 and 3). We urge you to give voting instructions to your broker or nominee on all proposals. Shares that are not permitted to be voted by your broker or nominee are called “broker non-votes.” Broker non-votes are not considered votes for or against a proposal and, therefore, will have no direct impact on any proposal. If you abstain from voting on Proposal 1, your abstention will have no effect on the outcome of the election. If you abstain from voting on Proposals 2, 3 or 4, your abstention will have the same legal effect as a vote against these proposals.

Stockholders who give proxies have the right to revoke them at any time before they are voted by delivering a written request to Christopher L. Howard, Esq., Executive Vice President, General Counsel and Secretary, at 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067, prior to the Annual Meeting or by submitting another proxy at a later date. The giving of the proxy will not affect the right of a stockholder to attend the Annual Meeting and vote in person.

Miscellaneous

We will bear the cost of printing, mailing and other expenses in connection with this solicitation of proxies and will also reimburse brokers and other persons holding shares of Common Stock in their names or in the names of nominees for their expenses in forwarding the proxy materials to the beneficial owners of such shares. Certain of our directors, officers and employees may, without any additional compensation, solicit proxies in person or by telephone.

Our management is not aware of any matters other than those described in this Proxy Statement that may be presented for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is intended that the proxies will be voted with respect thereto in accordance with the judgment of the person or persons voting such proxies subject to the direction of our Board of Directors.

PROPOSAL 1: ELECTION OF DIRECTORS

Introduction

Our Amended and Restated Certificate of Incorporation, as amended (“Certificate of Incorporation”), provides that our Board of Directors shall be divided into three classes. All classes of directors have three-year terms. The terms of our Class I directors expire at the Annual Meeting.

Our Board of Directors has nominated the individuals named below under the caption “Class I Nominees” for election as directors to serve until the annual meeting of stockholders in 2024 and their successors have been elected and take office or until their earlier death, resignation or removal. Each nominee has consented to be a candidate and to serve if elected. Proxies cannot be voted for a greater number of persons than the nominees named.

Qualification of Directors

As described below, our Board of Directors is composed of individuals from differing backgrounds and experiences. We believe that each of our directors possesses unique qualifications, skills and attributes that complement the performance of the full Board. The experience that each has obtained from his or her professional background, as set forth below, has qualified him or her to serve on our Board of Directors.

Class I Nominees

The following table shows the names, ages and principal occupations of each of the nominees designated by our Board of Directors to become directors and the year in which each nominee was first appointed or elected to the Board of Directors:

Name	Age	Principal Occupation/Other Directorships	Director Since
E. Perot Bissell	61	Since 2016, Mr. Bissell has been a Managing Partner of Egis Capital Partners, LLC, a private equity firm that invests in the security and protection industries. Mr. Bissell served as the Chairman and Chief Executive Officer of Next Generation Energy Logistics, LLC, an energy logistics development company, from 2013 to 2015. Before that, Mr. Bissell served as the Vice Chairman of Pilot Logistics Services, a provider of drilling and exploration support services, from September 2012 until July 2013. From 2006 to 2012, he served as Chief Executive Officer for Maxum Petroleum, Inc., an independent energy logistics company. Prior to that, Mr. Bissell was a Partner of Northwest Capital Appreciation, Inc., a merchant banking and private equity firm, and before that, the Co-Managing Partner and Chief Financial Officer of SLP Capital, a specialty finance company. Mr. Bissell also serves on the board of directors of Mission Critical Partners, LLC and ClearObject, Inc. and has served on a number of charitable boards. Our Board believes that Mr. Bissell is qualified to serve as a director because of, among other things, his extensive corporate finance background and his general business and financial acumen.	2013
Vicky B. Gregg	66	Since November 2014, Ms. Gregg has served as Co-Founder and Partner of Guidon Partners, an investor and consultant for an array of privately held healthcare companies. She served as Chief Executive Officer of BlueCross BlueShield of Tennessee from January 2003 through the end of 2012. Ms. Gregg currently serves on the board of directors of Quest Diagnostics Incorporated (NYSE: DGX), Erlanger Health Systems, and Elara	2016

Name	Age	Principal Occupation/Other Directorships	Director Since
		Caring, LLC. Our Board believes that Ms. Gregg is qualified to serve as a director because of, among other things, her extensive healthcare background and her general business and financial acumen.	
Debra K. Osteen	65	Since December 16, 2018, Ms. Osteen has served as our Chief Executive Officer. Ms. Osteen has extensive experience in the behavioral health industry. Prior to joining the Company in 2018, she served as Senior Vice President of Universal Health Services, Inc. (NYSE: UHS) (“UHS”) since 2005 and President, Behavioral Health Division since 1999. Our Board believes that Ms. Osteen is qualified to serve as a director because of, among other things, her 35 years of experience in the healthcare industry and her general business and financial acumen.	2018

Required Vote

Our Certificate of Incorporation provides that, in an uncontested election, a nominee is elected if a majority of the votes cast by the holders of the shares of Common Stock entitled to vote in the election at a meeting at which a quorum is present are cast in favor of such nominee’s election. In contested elections, directors are elected by a plurality of the votes cast. Our Certificate of Incorporation does not provide for cumulative voting, and, accordingly, the stockholders do not have cumulative voting rights with respect to the election of directors. Consequently, each stockholder may cast one vote per share of Common Stock held of record for each nominee. Abstentions and broker non-votes will have no effect on the outcome of the election. If a nominee becomes unavailable for election, shares covered by a proxy will be voted for a substitute nominee selected by our Board of Directors.

The Board of Directors recommends that the stockholders vote FOR each of the Class I nominees.

Continuing Directors

Each of the persons named below will continue to serve as a director until the annual meeting of stockholders in the year indicated and a successor is elected and takes office or until his or her earlier death, resignation or removal. Stockholders are not voting on the election of the Class II directors or Class III directors. The following table shows the names, ages, principal occupations and other directorships of each continuing director and the year in which each was first appointed or elected to our Board or that of our predecessor, Acadia Healthcare Company, LLC:

Name	Age	Principal Occupation/Other Directorships	Director Since
Class II			
Term Expiring in 2022			
Jason R. Bernhard	55	Mr. Bernhard is the Chief Operating Officer, Financial Advisory North America; Managing Director, Head of North America Healthcare Investment Banking; and a Vice Chairman of Investment Banking at Lazard Ltd, where he has served for more than 20 years. Our Board believes that Mr. Bernhard is qualified to serve as a director because of, among other things, his extensive corporate finance background and his general business and financial acumen.	2019

Name	Age	Principal Occupation/Other Directorships	Director Since
William F. Grieco.....	67	Since March 2018, Mr. Grieco has served as Vice President and Chief Compliance Officer of NX Development Corporation, the U.S. life sciences affiliate of Tokyo-based SBI Holdings, Inc. Also, since 2008, Mr. Grieco has served as the Managing Director of Arcadia Strategies, LLC, a legal and business consulting organization servicing healthcare, science and technology companies. From 2003 to 2008, he served as Senior Vice President and General Counsel of American Science and Engineering, Inc., an x-ray inspection technology company. From 2001 to 2002, he served as Senior Vice President and General Counsel of IDX Systems Corporation, a healthcare information technology company. Previously, from 1995 to 1999, he was Senior Vice President and General Counsel for Fresenius Medical Care North America, a dialysis service and products company. Prior to that, Mr. Grieco was a partner in the Healthcare Department at Choate, Hall & Stewart, a general service law firm. Mr. Grieco previously served on the board of directors of PHC, Inc. (“PHC”). Our Board believes that Mr. Grieco is qualified to serve as a director because of, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen.	2011
Reeve B. Waud.....	57	Mr. Waud founded the Company in 2005 and, most recently, has served as the Chairman of the Board since December 2018. Mr. Waud previously served as the Lead Director of the Board from April 2012 to December 2018. Mr. Waud formed Waud Capital Partners, L.L.C. (“WCP”) in 1993 and has served as the Managing Partner of WCP since that time. Prior to founding WCP, Mr. Waud was an investment professional at Golder, Thoma, Cressey, Rauner, Inc. (“GTCR”), a private equity investment group based in Chicago, Illinois. Before joining GTCR, Mr. Waud was in the Corporate Finance Group of Salomon Brothers Inc and was a founding member of its Venture Capital Group. He is a member of the Northwestern Memorial HealthCare finance committee, a trustee of the Art Institute of Chicago and serves on the board of directors of The Economic Club of Chicago. In addition, Mr. Waud is the Chairman of the Illinois State Police Merit Board, which has oversight responsibility for the Illinois State Police. Our Board believes that Mr. Waud is qualified to serve as a director because of, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. Mr. Waud was originally designated as a director by WCP.	2005

**Class III
Term Expiring in 2023**

Michael J. Fucci	62	Prior to his retirement in September 2020, Mr. Fucci served as Chairman Emeritus of Deloitte U.S. He previously served as Executive Chairman of Deloitte U.S. from 2015 to 2019, Chief Operating Officer of Deloitte Consulting from 2009 to 2015 and held various management positions since 2003. Mr. Fucci also served as a member on both the Deloitte U.S. and Deloitte Global Boards of Directors. While at Deloitte U.S., he established and co-chaired the Board Leadership Forum, a coalition of Fortune 500 board chairs and lead directors. Our Board believes that Mr. Fucci is qualified to serve as a director because of, among other things,	2020
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Name	Age	Principal Occupation/Other Directorships	Director Since
Wade D. Miquelon	56	<p>his extensive corporate finance background and his general business and financial acumen.</p> <p>Mr. Miquelon is the President, Chief Executive Officer and a member of the board of directors of JOANN Inc. (Nasdaq: JOAN) (“Jo-Ann”), the nation’s leading fabric and craft specialty retailer. Prior to that, he served as the Chief Financial Officer and Executive Vice President of Jo-Ann. Prior to joining Jo-Ann, he served as Chief Financial Officer, Executive Vice President and President International for Walgreen Co. from June 2008 to August of 2014. From 2006 to 2008, he was Executive Vice President and Chief Financial Officer at Tyson Foods, Inc. Prior to that, Mr. Miquelon served Procter and Gamble in several positions of increasing responsibility. Mr. Miquelon serves on the board of directors of Jo-Ann and the National 4-H Council, and has served on various for profit and non-profit boards including Alliance Boots, the Chicago Lyric Opera and the John G. Shedd Aquarium. Our Board believes that Mr. Miquelon is qualified to serve as a director because of, among other things, his extensive knowledge and background in public accounting and finance.</p>	2012
William M. Petrie, M.D.	74	<p>Dr. Petrie is Professor of Clinical Psychiatry in the Department of Psychiatry at the Vanderbilt University School of Medicine, where he has served for more than 20 years. He is also Director, Vanderbilt Senior Assessment Clinic in the Department of Psychiatry at the Vanderbilt University School of Medicine. Previously, Dr. Petrie served as President and Co-Director of Research at Psychiatric Consultants, P.C., a leading psychiatry practice in Nashville, Tennessee, and Chairman, Department of Psychiatry, Parthenon Pavilion at Centennial Medical Center. Dr. Petrie served as a director for Psychiatric Solutions, Inc. (“PSI”), from September 2004 until November 2010. Our Board believes that Dr. Petrie is qualified to serve as a director because of, among other things, his extensive healthcare experience, particularly in the psychiatric and behavioral healthcare fields.</p>	2012

PROPOSAL 2: APPROVAL OF SECOND AMENDMENT TO INCENTIVE COMPENSATION PLAN

Background

The Acadia Healthcare Company, Inc. Incentive Compensation Plan currently in effect provides for grants of stock options, stock appreciation rights (“SARs”), restricted stock and other stock-based and cash-based awards. Directors, officers and other employees of the Company and its subsidiaries and affiliates, as well as other persons performing consulting or advisory services for the Company, are eligible for grants under the Incentive Plan. The purpose of the Incentive Plan is to provide incentives that will attract, retain and motivate high performing officers, directors, employees and consultants by providing them with a proprietary interest in our long-term success or compensation based on their performance in fulfilling their responsibilities to the Company.

As of March 11, 2021, there were outstanding under the Incentive Plan:

Total Stock Options Outstanding	1,202,434
Total Unvested Restricted Stock Outstanding	835,263
Total Unvested Restricted Stock Units Outstanding	1,009,930
Total Common Stock Outstanding	89,411,515
Weighted-Average Exercise Price of Stock Options Outstanding	\$38.45
Weighted-Average Remaining Duration of Stock Options Outstanding	6.53
Total Shares Available for Grant under Incentive Plan	1,012,148

The closing price of a share of our Common Stock on The NASDAQ Global Select Market on March 11, 2021 was \$58.85. The Incentive Plan is the Company’s only equity compensation plan.

Proposal

In February 2021, the Compensation Committee and the Board of Directors approved and adopted a second amendment to the Incentive Plan (the “Amendment”), subject to stockholder approval. If approved, the Amendment will increase the aggregate number of shares of our Common Stock which may be issued or used for purposes of awards granted under the Incentive Plan by 4,500,000 shares, which would increase the aggregate number of shares available for issuance or use under the Incentive Plan from 8,200,000 shares to 12,700,000 shares. Increasing the number of shares of Common Stock available under the Incentive Plan enables the Company to effectively use the Incentive Plan going forward in attracting, motivating, retaining and rewarding talented employees, directors, consultants and advisors to the Company or its related entities.

In addition, the Amendment includes revisions to specifically prohibit certain share recycling, including a prohibition on recycling shares of Common Stock subject to a SAR that are not issued in connection with stock settlement of the SAR on exercise. The Amendment also prohibits payment of dividends on unvested awards unless conditioned on vesting. The Incentive Plan is not being amended in any other respect.

Stockholders are being asked to approve the Amendment at the Annual Meeting. The full text of the Amendment is included in *Appendix A* to this Proxy Statement.

Description of the Incentive Plan

Set forth below is a summary of the material terms of the Incentive Plan. The summary is qualified in its entirety by reference to the full text of the Incentive Plan, as amended, which is included in *Appendix B* to this Proxy Statement.

Administration. The Incentive Plan is administered by the Compensation Committee. Under the Incentive Plan, the Compensation Committee has the power to:

- Grant awards under the Incentive Plan and determine the recipients, type of awards, form, amount and other terms and conditions of awards, including the number of shares of Common Stock in each award;

- Construe and interpret the terms and provisions of the Incentive Plan or any award agreement;
- Amend the terms of outstanding awards;
- Administer the Incentive Plan and adopt such rules, forms, instruments and guidelines for administering the Incentive Plan as it deems necessary or proper;
- Make all other determinations in connection with the Incentive Plan and the awards; and
- Delegate authority under the Incentive Plan.

Available Shares. On and after the effective date of the Amendment, the aggregate number of shares of our Common Stock which may be issued or used for reference purposes under the Incentive Plan or with respect to which awards may be granted may not exceed 12,700,000 shares. The number of shares available for issuance under the Incentive Plan may be subject to adjustment in the event of a reorganization, stock split, merger or similar change in the corporate structure or the number of outstanding shares of our Common Stock. In the event of any of these occurrences, we may make any adjustments we consider appropriate to, among other things, the number and kind of shares, options or other property available for issuance under the Incentive Plan or covered by grants previously made under the Incentive Plan. The shares available for issuance under the Incentive Plan may be either authorized and unissued shares of our Common Stock or shares of Common Stock held in or acquired for our treasury. In general, if awards under the Incentive Plan are for any reason cancelled, or expire or terminate unexercised, the shares covered by such awards may again be available for the grant of awards under the Incentive Plan.

Maximum Awards. The maximum number of shares of our Common Stock subject to any performance award granted to any one participant during any fiscal year is 750,000 shares, provided that the maximum number of shares of our Common Stock for all performance awards granted to any one participant during any fiscal year is 1,500,000 shares. The maximum value of a cash payment made under a performance award with respect to any fiscal year is \$10,000,000.

Eligibility for Participation. Members of our Board of Directors, as well as employees of, and consultants to, us or any of our subsidiaries and affiliates are eligible to receive awards under the Incentive Plan.

Award Agreement. Awards granted under the Incentive Plan will generally be evidenced by award agreements, which need not be identical, that provide additional terms, conditions, restrictions or limitations covering the grant of the award, including additional terms providing for the acceleration of exercisability or vesting of awards in the event of a change of control or conditions regarding the participant's employment, as determined by the Compensation Committee.

Stock Options. The Compensation Committee may grant nonqualified options to purchase shares of our Common Stock to eligible employees and eligible non-employees, and incentive options to purchase shares of our Common Stock only to eligible employees. The Compensation Committee will determine the number of shares of our Common Stock subject to each option, the term of each option, which may not exceed ten years (or five years in the case of an incentive stock option granted to a 10% or greater stockholder), the exercise price, the vesting schedule (if any) and the other material terms of each option. No incentive stock option or nonqualified stock option may have an exercise price less than the fair market value of a share of our Common Stock at the time of grant or, in the case of an incentive stock option granted to a 10% or greater stockholder, 110% of such fair market value. Options will be exercisable at such time or times and subject to such terms and conditions as determined by the Compensation Committee at grant and the exercisability of such options may be accelerated by the Compensation Committee.

Stock Appreciation Rights. The Compensation Committee may grant SARs either with a stock option, which may be exercised only at such times and to the extent the related option is exercisable (a "Tandem SAR"), or independent of a stock option (a "Non-Tandem SAR"). A SAR is a right to receive a payment in shares of our Common Stock or cash, as determined by the Compensation Committee, equal in value to the excess of the fair market value of one share of our Common Stock on the date of exercise over the exercise price per share established

in connection with the grant of the SAR. The term of each SAR may not exceed ten years. The exercise price per share covered by an SAR will be the exercise price per share of the related option in the case of a Tandem SAR and will be the fair market value of our Common Stock on the date of grant in the case of a Non-Tandem SAR. The Compensation Committee may also grant limited SARs, either as Tandem SARs or Non-Tandem SARs, which may become exercisable only upon the occurrence of a change in control, as defined in the Incentive Plan, or such other event as the Compensation Committee may designate at the time of grant or thereafter.

Restricted Stock. The Compensation Committee may award shares of restricted stock. Except with respect to dividends or as otherwise provided by the Compensation Committee upon the award of restricted stock, the recipient generally will have the rights of a stockholder with respect to the shares, including the right to vote the shares of restricted stock and, conditioned upon full vesting of shares of restricted stock, the right to tender such shares, subject to the conditions and restrictions generally applicable to restricted stock or specifically set forth in the recipient's restricted stock agreement. As provided in the Amendment, in no event will dividends or dividend equivalents be granted with respect to unvested shares of restricted stock, except that the Compensation Committee may provide in the applicable award agreement at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, vesting of the shares of restricted stock. Recipients of restricted stock will generally be required to enter into a restricted stock agreement with us that states the restrictions to which the shares are subject, which may include satisfaction of pre-established performance goals, and the criteria or date or dates on which such restrictions will lapse. If the grant of restricted stock or the lapse of the relevant restrictions is based on the attainment of performance goals, the Compensation Committee will establish for each recipient the applicable performance goals, formulae or standards and the applicable vesting percentages with reference to the attainment of such goals or satisfaction of such formulae or standards while the outcome of the performance goals are substantially uncertain. Such performance goals may incorporate provisions for disregarding, or adjusting for, changes in accounting methods, corporate transactions, including dispositions and acquisitions, and other similar events or circumstances.

Other Stock-Based Awards. The Compensation Committee may, subject to limitations under applicable law, make a grant of such other stock-based awards, including stock equivalent units and restricted stock units under the Incentive Plan that are payable in cash or denominated or payable in or valued by shares of our Common Stock or factors that influence the value of such shares. The Compensation Committee may determine the terms and conditions of any such other awards, which may include the achievement of certain minimum performance goals and a minimum vesting period.

Other Cash-Based Awards. The Compensation Committee may grant awards payable in cash. Cash-based awards shall be in such form, and dependent on such conditions, as the Compensation Committee shall determine, including being subject to the satisfaction of vesting conditions or awarded purely as a bonus and not subject to restrictions or conditions. If a cash-based award is subject to vesting conditions, the Compensation Committee may accelerate the vesting of such award in its discretion.

Performance Awards. The Compensation Committee may grant a performance award to a participant payable upon the attainment of specific performance goals. If the performance award is payable in cash, it may be paid upon the attainment of the relevant performance goals either in cash or in shares of restricted stock, based on the then current fair market value of such shares, as determined by the Compensation Committee. Based on service, performance or other factors or criteria, the Compensation Committee may, at or after grant, accelerate the vesting of all or any part of any performance award.

Change in Control. In connection with a change in control, as defined in the Incentive Plan, the Compensation Committee may accelerate vesting of outstanding awards under the Incentive Plan. In addition, such awards may be, in the discretion of the Compensation Committee:

- Assumed and continued or substituted in accordance with applicable law; or
- Purchased by us for an amount equal to the excess of the price of a share of our Common Stock paid in a change in control over the exercise price of the awards.

The Compensation Committee may also provide for accelerated vesting or lapse of restrictions of an award at any time.

Stockholder Rights. Except as otherwise provided in the applicable award agreement and with respect to an award of restricted stock, a participant will have no rights as a stockholder with respect to shares of our Common Stock covered by any award until the participant becomes the record holder of such shares. Notwithstanding the foregoing, under the Amendment in no event will dividends or dividend equivalents be granted with respect to unvested awards, except that the Compensation Committee may provide in the applicable award agreement at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, vesting of the award.

Amendment and Termination. Notwithstanding any other provision of the Incentive Plan, generally our Board of Directors may at any time amend any or all of the provisions of the Incentive Plan, or suspend or terminate it entirely, retroactively or otherwise; provided, however, that, unless otherwise required by law or specifically provided in the Incentive Plan, the rights of a participant with respect to awards granted prior to such amendment, suspension or termination may not be adversely affected without the consent of such participant. Repricing of options and SARs (including the cash buyout of underwater options and SARs) without stockholder approval is prohibited.

Transferability. Awards granted under the Incentive Plan generally are nontransferable, other than by will or the laws of descent and distribution, except that the Compensation Committee may provide for the transferability of nonqualified stock options at the time of grant or thereafter to certain family members.

Recoupment of Awards. The Incentive Plan provides that awards granted under the Incentive Plan are subject to any right that we might have (i) under any recoupment policy or (ii) regarding the clawback of “incentive-based compensation” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and under any applicable rules and regulations promulgated by the Securities and Exchange Commission (the “SEC”).

Federal Income Tax Consequences

Under present federal income tax law, participants will generally realize ordinary income equal to the amount of a cash award under the Incentive Plan in the year of receipt. With respect to equity awards (other than options) under the Incentive Plan, participants will generally recognize ordinary income based on the market value of our Common Stock at the time it becomes vested or earned under an award; however, with respect to an award of restricted stock, participants can make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the “Code”), to be taxed on the value of the Common Stock at the time the award is granted. In either case, the individual is also subject to capital gains treatment on the subsequent sale of the Common Stock acquired through an award. For this purpose, the individual’s basis in the Common Stock is its fair market value at the time the Common Stock subject to the award becomes vested. If an election under Section 83(b) is made, basis is determined at the time the Common Stock was transferred. With respect to nonqualified stock options, a participant will recognize ordinary income when the option is exercised, equal to the difference between the exercise price and the fair market value of our Common Stock at the time of exercise. A participant who exercises an incentive stock option generally will not recognize any ordinary income, provided the participant holds the Common Stock for at least two years from the time of grant of the option and one year from the time of exercise.

We will generally be entitled to a corresponding federal income tax deduction at the time the participant recognizes ordinary income. However, Section 162(m) of the Code generally limits federal income tax deductions for compensation paid to a “covered employee” in any taxable year to \$1 million. A person is a covered employee if such person was either the Company’s Chief Executive Officer or Chief Financial Officer or was one of the Company’s three other most highly compensated officers for the fiscal year. For taxable years ending December 31, 2017 and earlier, compensation that qualifies as “performance-based compensation” is excluded from the \$1 million deductibility cap, and therefore fully deductible by the company that pays it. Due to changes in Section 162(m) of the Code this exclusion is not available for grants after November 2, 2017.

The Incentive Plan is intended to comply with Section 409A of the Code to the extent that such section would apply to any award under the Incentive Plan. Section 409A of the Code governs the taxation of deferred compensation. Any participant that is granted an award that is deemed to be deferred compensation, such as a grant

of restricted stock units that does not qualify for an exemption from Section 409A of the Code, and does not comply with Section 409A of the Code, could be subject to taxation on the award as soon as the award is no longer subject to a substantial risk of forfeiture and an additional 20% tax (and a further additional tax based upon an amount of interest determined under Section 409A of the Code) on the value of the award.

Required Vote

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter is needed to approve the Amendment. Under Delaware law, an abstention will have the same legal effect as a vote against approval of the Amendment, and broker non-votes will have no effect on the outcome of the approval of the Amendment.

The Board of Directors recommends that the stockholders vote FOR approval of the Second Amendment to the Incentive Plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2020 with respect to compensation plans (including individual compensation arrangements) under which shares of Common Stock are authorized for issuance:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans ⁽¹⁾
Equity Compensation Plans Approved by Stockholders ⁽²⁾	3,606,364 ⁽³⁾	\$37.56	974,746
Equity Compensation Plans Not Approved by Stockholders	—	—	—
Total	3,606,364		974,746

- (1) Excludes shares to be issued upon exercise of outstanding options and vesting of outstanding restricted stock units.
- (2) Represents securities issued or available for issuance under the Incentive Plan.
- (3) Includes 1,073,062 shares that may be issued upon vesting of outstanding restricted stock units that vest over three years, assuming that maximum performance goals are attained in all three years.

PROPOSAL 3: NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) enables our stockholders to vote to approve, on a non-binding advisory basis, the compensation of our Named Executive Officers as described below in the sections entitled “COMPENSATION DISCUSSION AND ANALYSIS” and “EXECUTIVE COMPENSATION.” Because your vote is advisory, it will not be binding on the Board of Directors or the Compensation Committee, override any decision made by the Board of Directors or the Compensation Committee or create or imply any additional fiduciary duty of the Board of Directors or the Compensation Committee. The Compensation Committee will, however, review the voting results and take them into consideration when making future decisions regarding executive compensation.

Our executive compensation program is vital to our ability to attract, motivate and retain a highly experienced team of executives. We believe that the program is structured in a manner that supports our company and our business objectives.

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended, we are asking our stockholders to indicate their support for the compensation of our Named Executive Officers disclosed in this Proxy Statement. This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on the compensation of our Named Executive Officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we ask our stockholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the Company’s stockholders approve, on a non-binding advisory basis, the compensation of the Named Executive Officers as disclosed in the Company’s Proxy Statement for the 2021 annual meeting of stockholders pursuant to Item 402 of Regulation S-K, including the sections entitled “COMPENSATION DISCUSSION AND ANALYSIS” and “EXECUTIVE COMPENSATION.”

Although the results of this advisory vote are not binding on the Board of Directors or the Compensation Committee, the Compensation Committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.

The Board of Directors recommends that stockholders vote FOR the resolution to approve, on a non-binding advisory basis, the compensation of our Named Executive Officers.

PROPOSAL 4: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit and Risk Committee of the Board of Directors has appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions. Although ratification is not required by our Amended and Restated Bylaws, as amended (“Bylaws”), or otherwise, our Board of Directors is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice.

Fees

The following table presents fees for professional services rendered by Ernst & Young LLP for the audit of our annual financial statements for the years ended December 31, 2020 and 2019, and fees incurred for other services rendered by Ernst & Young LLP for such years:

	2020	2019
Audit Fees ⁽¹⁾	\$4,602,000	\$4,120,544
Audit-Related Fees	—	—
Tax Fees ⁽²⁾	1,412,520	1,041,463
All Other Fees ⁽³⁾	54,000	—
Total Fees	\$6,068,520	\$5,162,007

- (1) Primarily for the audit of our annual financial statements and the review of our quarterly financial statements, and services provided in connection with acquisition due diligence.
- (2) Primarily for tax compliance services and other tax planning and tax advice services.
- (3) Primarily for debt transaction advisory services.

Pre-approval of Auditor Services

The charter of the Audit and Risk Committee provides that the Audit and Risk Committee must pre-approve all auditing and non-auditing services to be provided by our auditor. In addition, the Audit and Risk Committee shall have the sole authority to approve any compensation to our auditor for any approved audit or non-audit services. For 2020, all services provided by Ernst & Young LLP were pre-approved by the Audit and Risk Committee. All non-audit services were reviewed by the Audit and Risk Committee, and the Audit and Risk Committee concluded that the provision of such services by Ernst & Young LLP was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions.

Required Vote

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter is needed to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021. Under Delaware law, an abstention will have the same legal effect as a vote against the ratification of Ernst & Young LLP, and broker non-votes will have no effect on the outcome of the ratification of the independent registered public accounting firm. If the appointment is not ratified, the matter will be referred to the Audit and Risk Committee for further review.

The Audit and Risk Committee and the Board of Directors recommend that the stockholders vote FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021.

CORPORATE GOVERNANCE

Independence of the Board of Directors

Our Board annually reviews the independence of all of our directors and affirmatively makes a determination as to the independence of each director based on whether such director satisfies the definition of “independent director” as set forth in the applicable rules of The NASDAQ Stock Market. Our Board has determined that all of our directors are independent directors other than Ms. Osteen.

Code of Conduct and Code of Ethics for Senior Financial Officers

Our Board of Directors has adopted a Code of Conduct which is applicable to all of our officers, employees and directors, including our Chief Executive Officer, Chief Financial Officer, the principal accounting officer or controller and all persons performing similar functions (together, the “Senior Financial Officers”). In addition, our Board has adopted a Code of Ethics that applies to the Senior Financial Officers. Both the Code of Conduct and the Code of Ethics are available on our website at www.acadiahealthcare.com under the webpage “Investors – Corporate Governance.”

Committees of the Board of Directors

Our Board of Directors has established five standing committees – a Compensation Committee, an Audit and Risk Committee, a Nominating and Governance Committee, a Compliance Committee and a Finance Committee, each of which is described below.

Compensation Committee

Our Board of Directors has appointed a Compensation Committee to assist it with executive compensation matters. The primary responsibilities and duties of the Compensation Committee are:

- Reviewing and approving for the Chief Executive Officer and other executive officers (a) the annual base salary level, (b) bonus and other annual incentives, (c) equity compensation, (d) employment agreements, severance arrangements and change in control arrangements, and (e) any other benefits, compensation, compensation policies or arrangements;
- Reviewing and making recommendations to the Board regarding the compensation policy for such other officers as directed by the Board;
- Preparing a report to be included in the annual report or proxy statement that describes: (a) the criteria on which compensation paid to the Chief Executive Officer for the last completed fiscal year is based; (b) the relationship of such compensation to our performance; and (c) the Compensation Committee’s executive compensation policies applicable to executive officers; and
- Overseeing the administration and approval of our current equity-based compensation plans and making recommendations to our Board of Directors with respect to amendments to the plans, changes in the number of shares reserved for issuance thereunder and other equity-based compensation plans proposed for adoption.

During 2020, the Compensation Committee was composed of Ms. Gregg, Mr. Miquelon and Dr. Petrie, with Mr. Miquelon serving as Chairman. Mr. Fucci joined the committee in February 2021. During 2020, the Compensation Committee held five meetings and took action by written consent one time. The Compensation Committee has a written charter that is available on our website at www.acadiahealthcare.com under the webpage “Investors – Corporate Governance.”

Audit and Risk Committee

Our Board of Directors has appointed an Audit and Risk Committee to assist it in fulfilling its oversight responsibilities for our financial reports, systems of internal control over financial reporting and accounting policies, procedures and practices. The primary responsibilities and duties of the Audit and Risk Committee are:

- Appointing, retaining, evaluating and, when appropriate, replacing our independent registered public accounting firm, whose duty it is to audit our financial statements and our internal control over financial reporting for the fiscal year in which it is appointed;
- Determining the compensation to be paid to our independent registered public accounting firm (subject to ratification by our stockholders) and, in its sole discretion, approving all audit and engagement fees and terms and pre-approve all auditing and non-auditing services of our independent registered public accounting firm;
- Reviewing and discussing our system of internal control over financial reporting, audit procedures and the adequacy and effectiveness of our disclosure controls and procedures with management, our independent registered public accounting firm and our internal auditors;
- Reviewing the internal audit function of the Company, including the independence of its reporting obligations and the adequacy of the internal audit budget and staffing;
- Reviewing and discussing with management and our independent registered public accounting firm the audited financial statements to be included in our Annual Report on Form 10-K, the quarterly financial statements to be included in our Quarterly Reports on Form 10-Q, our disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the selection, application and disclosure of critical accounting policies used in our financial statements;
- Reviewing and discussing with management the Company’s major risk exposures with respect to the Company’s accounting and financial reporting policies and procedures;
- Reviewing and discussing with management all existing related-party transactions and approving any proposed related-party transactions to ensure that they are in our best interest;
- Reviewing and discussing with management the quarterly earnings press releases and financial information and earnings guidance provided to analysts and rating agencies;
- Establishing and overseeing procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- Reviewing and reassessing the performance of the Audit and Risk Committee and the adequacy of the Audit and Risk Committee charter adopted by our Board of Directors and recommending proposed changes to the Board.

During 2020, the Audit and Risk Committee was composed of Messrs. Bissell, Grieco and Waud, with Mr. Grieco serving as Chairman. Mr. Fucci joined the committee in February 2021. Our Board of Directors has determined that each of Messrs. Bissell, Fucci, Grieco and Waud is an “audit committee financial expert” as defined in rules promulgated by the SEC under the Exchange Act, and that each member of the Audit and Risk Committee meets the financial literacy requirements under the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) and rules and regulations of NASDAQ and the SEC. Our Board has determined that each of Messrs. Bissell, Fucci, Grieco and Waud satisfies the independence requirements for audit committee members set forth in the applicable rules of The NASDAQ Stock Market. The Audit and Risk Committee held four meetings during 2020. The Audit and Risk Committee has a written charter available on our website, www.acadiahealthcare.com under the webpage “Investors – Corporate Governance.”

Nominating and Governance Committee

Our Board of Directors has appointed a Nominating and Governance Committee (the “Nominating Committee”) to assist it with director nominations matters. The primary responsibilities and duties of the Nominating Committee are:

- Identifying, recruiting and recommending individuals qualified to serve on the Board;
- Reviewing the qualifications and performance of incumbent directors to determine whether to recommend them as nominees for re-election;
- Reviewing and considering candidates who may be properly suggested by any director or executive office of the Company, or by any stockholder of the Company;
- Periodically reviewing the composition of the Board, including size of the Board and the minimum qualifications for director nominees;
- Reviewing the performance of members of the Board; and
- Carrying out such other responsibilities delegated by the Board relating to the director nominations process and procedures.

During 2020, the Nominating Committee was composed of Ms. Gregg, Messrs. Bissell and Grieco and Dr. Petrie, with Mr. Bissell serving as Chairman. In February 2021, Mr. Waud replaced Dr. Petrie on the committee. During 2020, the Nominating Committee held three meetings. The Nominating Committee has a written charter available on our website, www.acadiahealthcare.com under the webpage “Investors – Corporate Governance.”

Compliance Committee

Our Board of Directors has appointed a Compliance Committee (the “Compliance Committee”) to oversee regulatory compliance risks, including risks associated with healthcare related requirements. The primary responsibilities and duties of the Compliance Committee are:

- Reviewing and providing oversight of matters relating to compliance with Federal health care program requirements, obligations under the Company’s corporate integrity agreement and other legal and regulatory requirements;
- Periodically meeting with and reviewing reports regarding compliance matters from the Company’s chief compliance officer;
- Reviewing and overseeing the performance of the Company’s chief compliance officer and the compliance department;
- Reviewing significant areas of healthcare compliance risk, including (i) coding, billing, documentation, claims submission and reimbursement, (ii) licensure and accreditation requirements, (iii) clinical quality of care, (iv) physician recruitment and contracting, and (v) privacy and security of health information;
- Overseeing procedures for the receipt, retention and treatment of complaints regarding compliance with applicable legal and regulatory requirements and the Company’s compliance policies;
- Reviewing significant licensure, certification, accreditation and quality standards matters; and
- Carrying out such other responsibilities delegated by the Board relating to regulatory compliance.

The Compliance Committee is composed of Ms. Gregg, Mr. Grieco and Dr. Petrie, with Ms. Gregg serving as Chairman. During 2020, the Compliance Committee held four meetings. The Compliance Committee has a written charter available on our website, www.acadiahealthcare.com under the webpage “Investors – Corporate Governance.”

Finance Committee

Our Board of Directors has appointed a Finance Committee (the “Finance Committee”) to oversee and review the Company’s significant strategic transactions and financing matters. The primary responsibilities and duties of the Finance Committee are:

- Overseeing our strategic transactions, including the sale of our U.K. operations completed in January 2021;
- Reviewing and evaluating our (i) capital structure and proposed changes thereto, including significant new issuances, purchases, or redemptions of our securities, (ii) plans for allocation and disbursement of capital expenditures, (iii) credit rating, activities with credit rating agencies, and key financial ratios, (iv) long-term financial strategy and financial needs, (v) major activities with respect to mergers, acquisition and divestitures, and (vi) plans to manage insurance and asset risk;
- Reviewing and approving certain capital expenditures, contractual obligations and financial commitments per delegated authority from our Board; and
- Carrying out such other responsibilities delegated by the Board relating to long-term finance and strategic transaction matters.

During 2020, the Finance Committee was composed of Messrs. Bernhard, Bissell, Grieco, Miquelon and Waud, with Mr. Waud serving as Chairman. In February 2021, Mr. Fucci replaced Mr. Grieco on the committee. During 2020, the Finance Committee held nine meetings. The Finance Committee was established in October 2018 and was initially called the Transaction Committee.

Meetings of our Board of Directors and Committees

During 2020, our Board of Directors held a total of seven meetings and took action by written consent five times. Each director attended 75% or more of the meetings of our Board and the committees of our Board of Directors on which such director served.

Nomination of Directors

Nominations By the Nominating Committee

Directors may be nominated by our Nominating Committee, Board, executive officers or by our stockholders in accordance with our Bylaws, Certificate of Incorporation, applicable laws and any guidelines developed by Nominating Committee or the Board. The Nominating Committee is responsible for identifying individuals qualified to become members of the Board and its committees, and recommending candidates for the Board’s selection as director nominees for election at the annual or other properly convened meeting of the stockholders in accordance with our Bylaws and applicable laws and regulations. The Nominating Committee meets to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. The Nominating Committee considers each identified candidate’s qualifications, which include the nominee’s experience, business acumen, education, integrity, character, commitment, diligence, conflicts of interest and ability to exercise sound business judgment. While we have not established diversity standards for nominees, as a matter of practice, we generally seek nominees with a broad diversity of experience, professions, skills and backgrounds. We do not currently pay a fee to any third party to identify or assist in identifying or evaluating potential nominees.

Nominations By Our Stockholders

Our Bylaws govern stockholder nominations of directors. To make a director nomination at the 2022 annual meeting, a stockholder of record entitled to vote at the annual meeting must deliver a written notice (containing certain information specified in our Bylaws as discussed below) to Christopher L. Howard, Esq., Executive Vice President, General Counsel and Secretary, at Acadia Healthcare Company, Inc., 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067 between the close of business on January 6, 2022 and the close of business on February 5, 2022. If the date of the 2022 annual meeting is more than 30 days before or more than 70 days after May 6, 2022, the stockholder's notice must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Company. To make a director nomination to be voted on at a special meeting of stockholders called for the purpose of electing directors, a stockholder of record entitled to vote in such election must deliver written notice to our secretary at the address above no earlier than the close of business on the 120th day prior to such special meeting and no later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which we first publicly announce the date of the special meeting and the nominees proposed by the Board to be elected at such meeting.

For a stockholder nomination to be deemed proper, the notice must contain certain information specified in our Bylaws, including information as to the director nominee(s) proposed by the stockholder, the name and address of the stockholder, the class and number of shares of our capital stock beneficially owned by the stockholder, a description of all arrangements or understandings between the stockholder and any other persons (including each proposed nominee(s) if applicable) in connection with the proposed nominations, and a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business or nominate the person(s) named in the notice.

Majority Voting for Uncontested Director Elections; Director Resignation Policy

In May 2017, amendments to our Certificate of Incorporation and Bylaws became effective that adopted a majority voting standard for uncontested director elections. In contested elections, directors will continue to be elected by a plurality of the votes cast. The Board also adopted a Director Resignation Policy requiring a nominee for director to submit a written offer of resignation to the Board in the event such nominee does not receive a majority of the votes cast in an uncontested election of directors. The Director Resignation Policy addresses the continuation in office of a "holdover" director, so that an incumbent director who does not receive the requisite affirmative majority of the votes cast for his or her re-election must tender his or her resignation to the Board. In the event a nominee submits a written offer of resignation to the Board, the Nominating and Governance Committee will promptly consider the director's offer of resignation and recommend to the Board whether to accept the resignation or reject it. The Board will act on such recommendation within 90 days following receipt of the recommendation.

Communicating with the Board

All stockholder communications with our Board of Directors should be directed to Christopher L. Howard, Esq., Executive Vice President, General Counsel and Secretary, at Acadia Healthcare Company, Inc., 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067, and should prominently indicate on the outside of the envelope that it is intended for our Board of Directors or for an individual director. Each communication intended for our Board of Directors and received by Mr. Howard will not be opened but will be promptly forwarded unopened to the Chairman of the Audit and Risk Committee following its clearance through normal security procedures.

Attendance by Members of the Board of Directors at the Annual Meeting of Stockholders

We encourage each member of our Board of Directors to attend the annual meeting of stockholders. Each director participated virtually in the 2020 annual meeting of stockholders.

Board Leadership Structure

The Board of Directors does not have a formal policy on whether the roles of Chief Executive Officer and Chairman of the Board of Directors should be separate. While historically these roles have been combined, the Company currently has separate individuals serve in those positions. Reeve B. Waud serves as the Chairman of the Board and Debra K. Osteen serves as our Chief Executive Officer. Ms. Osteen is also a member of the Board. The Board of Directors has carefully considered its leadership structure and believes at this time that the Company and its stockholders are best served by having the positions of Chairman of the Board and Chief Executive Officer filled by different individuals. This allows the Chief Executive Officer to, among other things, focus on the Company's day-to-day business, while allowing the Chairman to lead the Board of Directors in its fundamental role of providing advice and oversight of management. In addition, our independent directors bring experience, oversight and expertise from outside our Company and industry, while the Chief Executive Officer brings Company-specific experience and expertise. The Board of Directors recognizes that depending on future circumstances, other leadership models may become more appropriate. Accordingly, the Board of Directors will continue to periodically review its leadership structure.

Risk Oversight

Our Board is responsible for overseeing our risk management process. The Board fulfills its responsibility by delegating many of these functions to its committees. Under its charter, the Audit and Risk Committee is responsible for meeting periodically with management to review our major financial risks and the steps management has taken to monitor and control such risks. The Audit and Risk Committee also oversees our financial reporting and internal controls and compliance programs.

The Board receives reports on risk management from our senior officers, the Compliance Committee and from the Chairman of the Audit and Risk Committee. Also, our Executive Vice President, General Counsel and Secretary provides a summary of our outstanding litigation and any governmental investigations to our Board at each Board meeting. Additionally, our Board regularly engages in discussions of the most significant risks that we are facing and how these risks are being managed. Our Board of Directors believes that the work undertaken by the Audit and Risk Committee and Compliance Committee, together with the oversight provided by the full Board of Directors, enables the Board to oversee our risk management function effectively.

Non-Management Executive Sessions

We had eight independent directors in 2020. During 2020, there were three executive sessions of the independent directors.

Compensation Committee Interlocks and Insider Participation

During 2020, the Compensation Committee consisted of Ms. Gregg, Mr. Miquelon and Dr. Petrie, none of whom has at any time been one of our officers or employees. None of our executive officers serves, or in the past year served, as a member of the board of directors or compensation committee of any entity that has or had one or more of its executive officers serving on our Board or Compensation Committee.

Policy on Reporting of Concerns Regarding Accounting Matters

The Audit and Risk Committee has adopted a policy on the reporting of concerns regarding accounting, internal accounting controls or auditing matters. We have established a compliance hotline called ValuesLine (800-500-0333), which is administered by a third party, as a hotline for the receipt, retention and treatment of complaints from employees or others regarding accounting, internal accounting controls and auditing matters. Information received through the hotline is conveyed directly to our Chief Compliance Officer. Complaints relating to accounting, internal accounting controls or auditing matters will then be directed to the Chairman of the Audit and Risk Committee. Any complaint may be made anonymously if the claimant so desires, and all claimants will be provided confidentiality in the handling of the complaint.

Procedure for Approval of Transactions with Related Persons

We have established policies and other procedures regarding approval of transactions between the Company and any employee, officer, director, and certain of their family members and other related persons, including those required to be reported under Item 404 of Regulation S-K promulgated under the Securities Act of 1933, as amended (the “Securities Act”). These policies and procedures are generally not in writing, but are evidenced by principles set forth in our Code of Conduct or adhered to by our Board. As set forth in the Audit and Risk Committee Charter, the Audit and Risk Committee reviews and approves all related person transactions after reviewing such transaction for potential conflicts of interests and improprieties. Accordingly, all such related person transactions are submitted to the Audit and Risk Committee for ongoing review and oversight. Generally speaking, we enter into related person transactions only on terms that we believe are at least as favorable to the Company as those that we could obtain from an unrelated third party.

MANAGEMENT

Executive Officers

Below are the names and ages (as of March 1, 2021) of our executive officers and a brief account of the business experience of the executive officers who are not members of our Board.

Name	Age	Title
Debra K. Osteen	65	Chief Executive Officer
David M. Duckworth	41	Chief Financial Officer
Christopher L. Howard	54	Executive Vice President, General Counsel and Secretary
John S. Hollinsworth	57	Executive Vice President of Operations
Laurence L. Harrod	64	Executive Vice President of Finance

The term of each executive officer runs until his or her successor is appointed and qualified, or until his or her earlier death, resignation or removal.

David M. Duckworth joined the Company as our Controller in April 2011 and became Chief Accounting Officer in January 2012 and Chief Financial Officer in July 2012. From May 2010 to April 2011, Mr. Duckworth served as Director of Finance at Emdeon Inc., a leading provider of revenue and payment cycle management and clinical information exchange solutions. Prior to joining Emdeon, Mr. Duckworth was a Manager with Ernst & Young LLP, which he joined in 2002.

Christopher L. Howard joined the Company in February 2011 and has served as our Executive Vice President, General Counsel and Secretary since that time. Before joining the Company, Mr. Howard served as PSI's Executive Vice President, General Counsel and Secretary from September 2005 to November 2010. Prior to joining PSI, Mr. Howard was a partner at Waller Lansden Dortch & Davis, LLP, a law firm based in Nashville, Tennessee.

John S. Hollinsworth joined the Company as the Eastern Group President in January 2019 and became Executive Vice President of Operations in July 2019. From November 2010 to January 2019, Mr. Hollinsworth served as a Senior Vice President and Division Vice President at UHS. Previously, Mr. Hollinsworth was a Division President with PSI from 2008 until October 2010.

Laurence L. Harrod joined the Company in August 2019 and has served as our Executive Vice President of Finance since that time. Prior to that, Mr. Harrod served as Senior Vice President of Finance, Behavioral Health, at UHS, having joined UHS in September 1996.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth information with respect to ownership of our Common Stock as of March 11, 2021, by:

- Each person who we know to be the beneficial owner of more than 5% of the outstanding shares of Common Stock;
- Each of our directors and nominees;
- Each of our Named Executive Officers; and
- All of our directors and executive officers as a group.

To our knowledge, unless otherwise indicated, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned. All computations are based on 89,411,515 shares of Common Stock outstanding on March 11, 2021, unless otherwise indicated.

Name of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership ⁽²⁾	Percent of Class
T. Rowe Price Associates, Inc. ⁽³⁾	10,332,194	11.6%
Wellington Management Group LLC ⁽⁴⁾	9,376,402	10.5%
The Vanguard Group ⁽⁵⁾	7,921,619	8.9%
BlackRock, Inc. ⁽⁶⁾	7,571,642	8.5%
Dimensional Fund Advisors LP ⁽⁷⁾	6,019,608	6.7%
Debra K. Osteen ⁽⁸⁾	202,068	*
David M. Duckworth ⁽⁹⁾	94,450	*
Christopher L. Howard ⁽¹⁰⁾	210,727	*
John S. Hollinsworth ⁽¹¹⁾	60,957	*
Laurence L. Harrod ⁽¹²⁾	54,350	*
Reeve B. Waud ⁽¹³⁾	697,082	*
Jason R. Bernhard ⁽¹⁴⁾	11,354	*
E. Perot Bissell ⁽¹⁵⁾	29,127	*
Vicky B. Gregg ⁽¹⁵⁾	22,269	*
William F. Grieco ⁽¹⁵⁾	77,958	*
Wade D. Miquelon ⁽¹⁵⁾	41,195	*
William M. Petrie, M.D. ⁽¹⁵⁾	32,916	*
Michael J. Fucci ⁽¹⁶⁾	5,293	*
All directors and executive officers as a group (13 persons) ⁽¹⁷⁾	1,539,746	1.7%

* Less than 1%

(1) Unless otherwise indicated, the address of each beneficial owner is c/o Acadia Healthcare Company, Inc., 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067.

(2) Under SEC rules, the number of shares shown as beneficially owned includes shares of Common Stock subject to options that currently are exercisable or will be exercisable within 60 days of March 11, 2021. Such shares are deemed to be outstanding for the purpose of computing the “percent of class” for that individual, but are not deemed outstanding for the purpose of computing the percentage of any other person.

(3) Information is based solely on the Schedule 13G/A filed by T. Rowe Price Associates, Inc. (“Price Associates”) with the SEC on February 16, 2021. Price Associates reported that it possesses (i) sole voting power with respect to 4,059,832 shares, and (ii) sole dispositive power with respect to all of the shares. These securities are owned by various individual and institutional investors for which Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be the beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the

beneficial owner of such securities. The address for Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202.

- (4) Information is based solely on the Schedule 13G/A filed by Wellington Management Group LLP (“Wellington”) with the SEC on February 3, 2021. Wellington reported that it possessed shared dispositive power with respect to all of the shares. The address for Wellington is 280 Congress Street, Boston, Massachusetts 02210.
- (5) Information is based solely on the Schedule 13G/A filed by The Vanguard Group (“Vanguard”) with the SEC on February 10, 2021. Vanguard reported that it possessed (i) sole dispositive power with respect to 7,795,360 shares and (ii) shared dispositive power with respect to 126,259 shares. The address for Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (6) Information is based solely on the Schedule 13G/A filed by BlackRock, Inc. (“BlackRock”) with the SEC on January 29, 2021. BlackRock reported that it possessed (i) sole voting power with respect to 7,271,460 shares and (ii) sole dispositive power with respect to all of the shares. The address for BlackRock is 55 East 52nd Street, New York, New York 10055.
- (7) Information is based solely on the Schedule 13G/A filed by Dimensional Fund Advisors LP (“Dimensional”) with the SEC on February 12, 2021. Dimensional reported that it possessed (i) sole voting power with respect to 5,892,606 shares and (ii) sole dispositive power with respect to all of the shares. The address for Dimensional is Building One, 6300 Bee Cave Road, Austin, Texas 78746.
- (8) Includes 103,426 shares of restricted stock.
- (9) Includes 37,466 shares of restricted stock and options to purchase 3,897 shares of Common Stock.
- (10) Includes 33,616 shares held by the Christopher L. Howard Family 2017 Grantor Retained Annuity Trust, 33,616 shares held by the Angie Parrott Howard Family 2017 Grantor Retained Annuity Trust, 26,384 shares held by Mr. Howard’s wife, 38,831 shares of restricted stock and options to purchase 6,137 shares of Common Stock.
- (11) Includes 46,998 shares of restricted stock and options to purchase 2,500 shares of Common Stock.
- (12) Includes 34,321 shares of restricted stock.
- (13) Includes 11,280 shares of restricted stock. The 671,317 shares of Common Stock are owned of record as follows: (i) 266,934 shares by the Halcyon Exempt Family Trust (the “Halcyon Trust”); (ii) 37,493 shares by Waud Capital Partners, L.L.C.; (iii) 183,445 shares by the Reeve B. Waud Jr. 2012 Family Trust (the “2012 RBW Jr Family Trust”); (iv) 183,445 shares by the Cecily R.M. Waud 2012 Family Trust (the “2012 CRMW Family Trust”) and (v) 25,765 shares directly held by Mr. Waud.

Mr. Waud may be deemed to beneficially own the shares of Common Stock reported herein by virtue of (A) his being the investment advisor of the Halcyon Trust of which Mr. Waud’s children are beneficiaries, (B) his being the sole manager of WCP LLC, and (C) his being the investment advisor of the 2012 RBW Jr Family Trust and the 2012 CRMW Family Trust of which Mr. Waud’s grandchildren are beneficiaries.

- (14) Includes 9,773 shares of restricted stock.
- (15) Includes 11,280 shares of restricted stock.
- (16) Includes 5,293 shares of restricted stock.
- (17) Includes 338,495 shares of restricted stock and options to purchase 12,534 shares of Common Stock.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock. These officers, directors and greater than 10% stockholders are required by SEC rules to furnish us with copies of all Section 16(a) reports they file. There are specific due dates for these reports and we are required to report in this Proxy Statement any failure to file reports in a timely manner as required during 2020. Based upon a review of these filings and written representations from our directors and executive officers, we believe that all reports required to be filed with the SEC pursuant to Section 16(a) during 2020 were filed in a timely manner except: Jason R. Bernhard filed a report on Form 4 on February 28, 2020 with respect to an award of restricted stock on February 25, 2020; and Reeve B. Waud filed a report on Form 4 on May 13, 2020 with respect to an award of restricted stock on May 7, 2020.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and programs, the compensation arrangements that we have with our Named Executive Officers, and the alignment of our executive compensation programs with Company performance.

Table of Contents

Named Executive Officers	25
Executive Summary.....	25
Compensation Process and Philosophy	27
Components of Executive Compensation.....	30
Compensation Clawback Policy.....	38
Deferred Compensation Plan.....	39
Risk Assessment.....	39
Internal Revenue Code Section 162(m).....	39
Stock Ownership Guidelines, Insider Trading Policy, Hedging and Pledging.....	40
Termination and Change-in-Control Arrangements.....	40

Named Executive Officers

Our Named Executive Officers for 2020 were:

Name	Title
Debra K. Osteen	Chief Executive Officer and Director
David M. Duckworth	Chief Financial Officer
Christopher L. Howard	Executive Vice President, General Counsel and Secretary
John S. Hollinsworth	Executive Vice President of Operations
Laurence L. Harrod	Executive Vice President of Finance

Executive Summary

Acadia is the leading publicly traded pure-play provider of behavioral healthcare services, with operations in the United States and Puerto Rico. Our business strategy is to acquire and develop behavioral healthcare facilities and improve our operating results within our facilities and our other behavioral healthcare operations. We strive to improve the operating results of our facilities by providing quality patient care, expanding referral networks and marketing initiatives while meeting the increased demand for behavioral healthcare services through expansion of our current locations as well as developing new services within existing locations. The Company grew rapidly between becoming a publicly-traded company in late 2011 and 2016, completing several significant acquisitions during that period. Since acquiring Priory Group No. 1 Limited in early 2016, acquisition activity has slowed considerably compared to prior years, while organic growth through bed additions and development has continued. The Company experienced various business challenges with its United Kingdom operations beginning in the second half of 2017 and that continued through 2020. During March 2020, the global COVID-19 pandemic began to affect our facilities, employees, patients, communities, business operations and financial performance, as well as global economies and financial markets. In January 2021, the Company completed the sale of its United Kingdom operations, allowing it to focus exclusively on its U.S. operations.

Acadia has a history of motivating leaders through the use of performance-based pay with challenging annual and long-term incentives and a record of good alignment with stockholders' interests as a result of incentive designs and executive equity ownership. As described in greater detail below, our executive compensation program seeks to:

- (i) attract and retain superior executives by providing the opportunity to earn competitive compensation packages,
- (ii) align the pay of our executive officers with Company performance, and

- (iii) recognize and reward senior management’s individual and collective efforts relating to the financial performance of the Company and creation of stockholder value.

Despite various challenges relating to the COVID-19 pandemic, the Company produced solid operating results in 2020 as described below. Based on those results, our executive officers realized above target payouts under cash and equity incentive programs as described below. Furthermore, the Compensation Committee did not make any adjustments, whether for the COVID-19 pandemic or otherwise, in determining Adjusted EBITDA, Adjusted EPS and revenue goals for 2020 compensation plan purposes. We believe that the compensation of our executive officers was well aligned with our financial and operating performance, and the returns experienced by our stockholders. We remain committed to providing quality patient care at our facilities and supporting our long-term strategic objectives. We believe that the Company is well positioned to address the challenges facing it and to grow through future acquisitions and same-facility growth, both of which will contribute to additional stockholder value creation in the future.

Summary of 2020 Company Performance

Results for 2020 include:

- Reported revenue for 2020 was \$3,209.7 million, which includes revenue from discontinued operations of \$1,119.8 million relating to our U.K. operations. For purposes of our 2020 non-equity incentive awards, our target level revenue was \$3,317.9 million.
- Adjusted EPS (as defined below) for purposes of our compensation plans was \$2.81 for 2020 compared with \$2.10 for 2019, on a 0.3% increase in weighted average basic shares outstanding. For purposes of our 2020 equity and non-equity incentive awards, our target level Adjusted EPS was \$2.30.
- Adjusted EBITDA (as defined below) for purposes of our compensation plans was approximately \$647.3 million for 2020 compared with approximately \$594.8 million for 2019. For purposes of our 2020 non-equity incentive awards, our target level Adjusted EBITDA was \$620.6 million.
- During 2020 we added 460 beds to our operations in the United States through organic growth, consisting of 240 beds added at existing facilities and 220 beds at two joint venture facilities, ending the year with over 18,100 beds in 572 facilities in 40 states, the United Kingdom and Puerto Rico. During 2020 we also opened six comprehensive treatment centers in the United States.
- Our one-year total stockholder return (“TSR”) for 2020 was approximately 51%. Our three-year TSR for compensation plan purposes for 2018 through 2020 was approximately 48%.

A reconciliation of non-GAAP financial measures can be found beginning on page 60 of this Proxy Statement.

Pay for Performance

Compensation paid to executive officers for 2020 reflects the alignment of pay with the Company’s performance, as more fully described in this Compensation Discussion and Analysis:

- **Above Target Payment of 2020 Non-Equity Incentive Compensation.** The Adjusted EBITDA, Adjusted EPS and revenue measures set forth in our non-equity incentive compensation plan for 2020 were achieved at 104.3%, 122.2% and 96.7% of target, respectively, resulting in the payment of above-target cash bonuses to our Named Executive Officers as described below in the section entitled “Components of Executive Compensation – Annual Non-Equity Incentive Compensation.”
- **Vesting of 2020 Equity Awards at Maximum Level.** Based on actual 2020 Adjusted EPS performance in relation to targets, the first tranche of the performance vesting restricted stock units granted in 2020 were earned at the maximum level. As further described in the section below entitled

“Components of Executive Compensation – Equity-Based Compensation,” 200% of the first tranche of the 2020 restricted stock unit annual award, the second tranche of the 2019 restricted stock unit annual award and the third tranche of the 2018 restricted stock unit annual award was earned, subject to the applicable TSR modifier.

Stockholder Approval of Executive Compensation on an Advisory Basis

At our 2020 Annual Meeting of Stockholders in May 2020, we held an advisory vote to approve the compensation of our Named Executive Officers as disclosed in our Proxy Statement dated March 25, 2020 related to the annual meeting. Stockholders of the Company expressed strong support for the compensation of our Named Executive Officers, with approximately 94% of the votes cast supporting the Company’s executive compensation. Given the strong support of the stockholders, the Compensation Committee’s approach to compensation programs for 2021 has remained relatively consistent with 2020.

Executive Compensation Highlights

Following review and discussions with our independent compensation consultant, Pay Governance LLC (“Pay Governance”), about our executive compensation program and that of our peer companies, our executive compensation program included the following features for 2020:

- **Modest Increases to Total Direct Compensation for our Named Executive Officers** — Modest 2% raises to the base salary of each of our Named Executive Officers for 2020, except for Mr. Howard whose base salary increased 4% for 2020, which resulted in corresponding increases in their total direct compensation.
- **Re-affirm our Approach of Allocating the Majority of Equity Value to Performance-Based Awards** — 75% of overall long-term incentive value for each Named Executive Officer is delivered as performance vesting restricted stock units and 25% as time-vesting restricted stock awards.
- **Re-affirm our Approach of Using Relative TSR to Performance-Based Equity Incentive Awards** — Continued to apply an additional performance metric under performance vesting restricted stock unit awards, in the form of a modifier based on our three-year TSR relative to the companies listed in the S&P Composite 1500 Index within the GICS Healthcare Providers and Services Industry Group, plus any companies in the Company’s compensation peer group that are not S&P 1500 constituents (collectively, the “TSR Peer Group”).
- **Three-Year Performance Period for Restricted Stock Units** — The performance-based restricted stock units will vest only after the three-year performance period and only if the Company meets or exceeds established Adjusted EPS goals, with shares earned based on Adjusted EPS performance to be adjusted up or down based on our three-year TSR relative to the TSR Peer Group.
- **Re-affirm our Approach of Using Revenue as Component of Annual Non-Equity Incentive Awards** — Continued to use revenue as a financial measure for determining annual cash incentive awards, strengthening our focus on continued strong growth and reducing the weight of Adjusted EPS in the calculation. The Compensation Committee reviewed the relationship between performance in each of our three primary incentive plan metrics (revenue, Adjusted EPS and Adjusted EBITDA) and long-term stockholder value creation and found each to be strongly correlated to long-term stockholder value.

See “EXECUTIVE COMPENSATION – Summary Compensation Table” for more information about the compensation paid to our Named Executive Officers.

Compensation Process and Philosophy

The Compensation Committee is responsible for discharging our Board of Directors’ responsibilities relating to the oversight, administration and approval of our compensation plans, policies and programs for our

executive officers and directors. The primary responsibilities and duties of the Compensation Committee are described above in the section entitled “CORPORATE GOVERNANCE – Committees of the Board of Directors – Compensation Committee.”

Our executive compensation program seeks to:

- Link the interests of management with those of our stockholders by encouraging stock ownership and aligning performance equity awards with stockholder returns;
- Attract and retain superior executives by providing them with the opportunity to earn total compensation packages that are competitive within the healthcare industry;
- Recognize and reward senior management’s individual and collective efforts relating to the financial performance of the Company and creation of stockholder value through salary, annual cash incentives and long-term stock-based incentives; and
- Manage compensation based on the individual’s level of skill, knowledge, effort and responsibility.

The Compensation Committee believes that the compensation of our executive officers should provide a competitive level of total compensation necessary to attract and retain talented and experienced executives, and motivate them to contribute to our success. The Compensation Committee has a pay-for-performance philosophy that works to align the interests of management with the interests of stockholders through the use of incentive compensation and an approach that puts a majority of the compensation of our Named Executive Officers at risk if the Company does not perform.

Our Compensation Committee reviews and approves, in advance, employment and similar arrangements or payments to be made to any executive officer. Historically, our Chief Executive Officer provided the Compensation Committee with input regarding the performance of and compensation recommendations for other executive officers based on her direct knowledge of their contributions during the year. Our Chief Executive Officer does not play any role with respect to the deliberations and determinations about her own compensation. Our Chief Executive Officer considers internal pay equity issues, individual contribution and performance, competitive pressures and our financial performance in making her recommendations to the Compensation Committee.

Our Compensation Committee believes that our executive compensation program should be internally consistent and equitable in order to achieve our compensation goals. The Compensation Committee relies on its collective judgment together with the information provided to it by management, the analyses and goals described above and the recommendations of our Chief Executive Officer. The Compensation Committee also considers the qualifications, length of service, experience, consistency of performance, position, responsibilities, individual performance and available competitive alternatives of our executives, their existing compensation and our financial resources, performance and prospects in determining appropriate levels of compensation for our executives.

Executive Compensation Practices

Highlighted below are some of the key elements of our compensation program that the Compensation Committee believes evidence strong corporate governance and alignment of our executive compensation with long-term stockholder interests.

What We Do

- ✓ Vast majority of pay is performance-based and not guaranteed
- ✓ Engage stockholders and seek feedback on our executive compensation program
- ✓ Apply stringent share ownership and share retention policies
- ✓ Use of peer market data for benchmarking and calibration
- ✓ Consult with an independent compensation consultant
- ✓ Prohibit hedging and short sales by officers and directors

- ✓ Prohibit officers and directors from pledging Company stock or holding Company stock in a margin account
- ✓ Utilize double trigger severance agreements upon a change in control
- ✓ Include clawback provisions in our key compensation programs
- ✓ Conduct an annual risk assessment of our compensation program
- ✓ Separate Chief Executive Officer and Chairman of the Board

What We Don't Do

- X No supplemental executive retirement plans
- X No stock option repricing or exchanges without stockholder approval
- X No single trigger vesting of equity or cash severance payments upon a change in control
- X No excessive perquisites
- X No tax gross-ups related to change in control or otherwise

Role of Compensation Consultant

Following the say-on-pay vote at our Annual Meeting of Stockholders in May 2017, our Compensation Committee interviewed various compensation consultants and retained Pay Governance to evaluate the Company's executive compensation program and advise it regarding potential changes for 2018. Pay Governance supported the Compensation Committee in its review of pay programs and practices in light of the 2017 say-on-pay vote and within the context of continuing and improving the alignment of executive pay with stockholders. The Compensation Committee used this information to make compensation decisions for 2018 and to implement certain changes. The Compensation Committee retained Pay Governance to advise it with respect to the Company's executive compensation program in each year since 2018.

Our Compensation Committee has considered the relationships that Pay Governance has had with the Company, the members of the Compensation Committee and our executive officers, and has taken into account the factors required by NASDAQ to be considered when assessing a consultant's independence. For 2020, after considering such relationships and factors, the Compensation Committee determined that the work of Pay Governance did not raise any conflicts of interest. Outside of their direct engagement by the Compensation Committee as independent compensation consultants to the Compensation Committee with respect to executive compensation matters, Pay Governance did not provide other services to the Company in 2020.

Peer Group Comparison

In October 2019, for purposes of reviewing 2019 compensation and setting 2020 compensation for our executive officers, Pay Governance assisted the Compensation Committee in establishing a peer group of publicly-traded healthcare companies generally similarly sized and with similar service offerings to us (the "2020 Peer Group"). The 2020 Peer Group consisted of the following companies:

- | | |
|--|---------------------------------------|
| • Amedisys, Inc. | • LHC Group, Inc. |
| • Brookdale Senior Living Inc. | • Magellan Health, Inc. |
| • Civitas Solutions, Inc. ⁽¹⁾ | • MEDNAX, Inc. |
| • DaVita Inc. | • Quest Diagnostics Incorporated |
| • Encompass Health Corporation | • Select Medical Holdings Corporation |
| • The Ensign Group, Inc. | • Universal Health Services, Inc. |
| • Laboratory Corporation of America Holdings | |

(1) Ceased to be a publicly traded company during 2019.

The 2020 Peer Group was established using similar criteria for selection of the prior year's peer group selected by our Compensation Committee, specifically: industry, market capitalization, revenue and revenue growth, and adjusting for mergers and acquisition activity among peers.

In late 2020, for purposes of reviewing 2020 compensation and setting 2021 compensation for our executive officers, Pay Governance assisted the Compensation Committee in establishing a peer group for 2021 (the

“2021 Peer Group”). The 2021 Peer Group consisted of all of the companies in the 2020 Peer Group with the addition of AMN Healthcare Services, Inc., Chemed Corporation and Healthcare Services Group, Inc. and the elimination of Civitas Solutions, Inc., Laboratory Corporation of America Holdings, Quest Diagnostics Incorporated and Universal Health Services, Inc.

Components of Executive Compensation

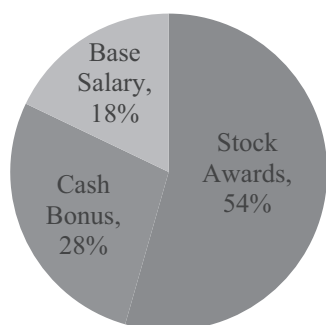
The components of our compensation program for executive officers include base salary, performance-based cash and equity incentive compensation, and time-based equity awards.

The following table summarizes the elements of our compensation program for our Named Executive Officers and provides information about each element:

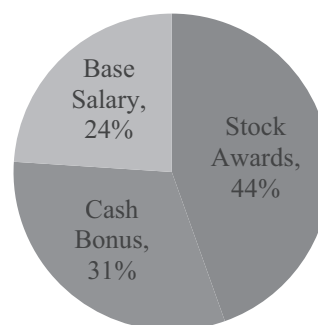
Category of Compensation	Elements of Compensation	Metrics Used	Rationale for Compensation
Base Compensation	Base Salary	N/A	<ul style="list-style-type: none"> Attract, retain, and motivate key executive talent Provide income security Recognizes different levels of responsibility
Short-Term Incentives	Annual Cash Payment	Adjusted EBITDA Adjusted EPS Revenue	<ul style="list-style-type: none"> Motivate and reward annual performance results Encourages focus on growth of Company
Long-Term Incentives	Time-Vesting and Performance-Based Equity Grants	Adjusted EPS	<ul style="list-style-type: none"> Attract, retain, and motivate key executive talent Align interests of executives and stockholders Motivate and reward long-term financial performance Encourage executive stock ownership
Benefits	Retirement Benefits Personal Benefits Severance & Change in Control Benefits	N/A	<ul style="list-style-type: none"> Attract and retain key executive talent Enhance executive productivity Provide opportunity for financial security in retirement

As illustrated in the charts below and consistent with our pay-for-performance philosophy, 82% of our Chief Executive Officer’s total direct compensation and, on average, 76% of the other Named Executive Officers’ total direct compensation for 2020 was performance-based pay, with a significant emphasis on long-term performance and stockholder value creation. For the purposes of these charts, total direct compensation includes base salary, actual non-equity incentive compensation and the grant date fair value of our annual equity grants made in 2020. The stock awards portion of these charts were determined using a Monte-Carlo simulation value and assume that target performance goals for performance vesting restricted stock units issued in 2020, 2019 and 2018, as applicable, are attained during the 2020 performance period in accordance with ASC 718. See “EXECUTIVE COMPENSATION – Summary Compensation Table” for more information about the compensation paid to our Named Executive Officers.

2020 Chief Executive Officer
Total Direct Compensation Mix



2020 All Other Named Executive Officers
Average Total Direct Compensation Mix



Base Salary

Our Compensation Committee generally meets on an annual basis to review each Named Executive Officer's base salary and to consider adjustments to each Named Executive Officer's base salary for the following year. The base salaries under the employment agreements for our Named Executive Officers are subject to an annual review and potential increase in the sole discretion of the Compensation Committee.

In setting base salaries for 2020 and 2021, the Compensation Committee reviewed the composition of the relevant peer group and discussed peer group information with the Compensation Committee's independent compensation consultants. For 2020, for Named Executive Officers other than herself, Ms. Osteen provided the Compensation Committee with an evaluation of the individual performance and roles and responsibilities of each executive officer. Given our financial performance for 2020 and other considerations deemed relevant by the Compensation Committee, the committee determined to provide Ms. Osteen with a 8.9% raise to her base salary and 3.0% raises to the base salary of each of our other Named Executive Officers for 2021.

The base salaries for the Named Executive Officers effective as of January 1, 2019 and 2020 were as follows:

Name	Base Salary As of January 1, 2019	Base Salary As of January 1, 2020	Percentage Increase
Debra K. Osteen	\$900,000	\$918,000	2.0%
David M. Duckworth	623,096	635,558	2.0%
Christopher L. Howard	559,215	581,584	4.0%
John S. Hollinsworth	585,000 ⁽¹⁾	596,700	2.0%
Laurence L. Harrod	555,000 ⁽²⁾	566,100	2.0%

(1) As of July 15, 2019, the effective date of his appointment as our Executive Vice President of Operations.

(2) As of August 12, 2019, the effective date of his appointment as our Executive Vice President of Finance.

The base salaries for the Named Executive Officers effective as of January 1, 2020 and 2021 were as follows:

Name	Base Salary As of January 1, 2020	Base Salary As of January 1, 2021	Percentage Increase
Debra K. Osteen	\$918,000	\$1,000,000	8.9%
David M. Duckworth	635,558	654,625	3.0%
Christopher L. Howard	581,584	599,032	3.0%
John S. Hollinsworth	596,700	614,601	3.0%
Laurence L. Harrod	566,100	583,083	3.0%

See “EXECUTIVE COMPENSATION – Summary Compensation Table” for more information about the base salaries paid to our Named Executive Officers.

Annual Non-Equity Incentive Compensation

Annual non-equity incentive awards paid to our Named Executive Officers are a reward for the realization of established performance objectives. Our Compensation Committee annually adopts a cash bonus plan pursuant to the Company’s Amended and Restated Incentive Compensation Plan (the “Incentive Plan”) for each Named Executive Officer. The Compensation Committee generally meets in February or March to review whether and the extent to which performance objectives have been achieved for the prior year. All non-equity incentive awards are subject to the review and approval of the Compensation Committee, which has the discretion to adjust any and all such awards.

2020 Awards

Annual non-equity incentive compensation payable to our Named Executive Officers for 2020 was based 100% on the Company-wide measures Adjusted EBITDA, Adjusted EPS and revenue, with Adjusted EBITDA determining 50% of the total incentive award, Adjusted EPS determining 30% of the total incentive award and revenue determining 20% of the total incentive award. The Compensation Committee used these measures for determining annual cash incentive awards because they are important measures of our performance and the performance of our management, they drive our success and growth and they are key criteria by which management plans and analyzes our business.

For purposes of determining 2020 non-equity incentive compensation, we define Adjusted EBITDA as the sum of the following: (a) net income from continuing operations, (b) interest expense, (c) income tax expense, (d) depreciation and amortization expense, (e) equity-based compensation expense, (f) transaction-related expenses (e.g. acquisition-related diligence and advisory costs, contract termination costs, etc.), (g) gain or loss on extinguishment of debt, (h) impairment and other non-cash gains and charges (e.g. gain or loss on disposal of property), (i) legal settlement costs, (j) severance and restructuring costs, and (k) gain or loss on foreign currency derivatives. Adjusted EPS is defined as (a) adjusted income from continuing operations attributable to the Company divided by (b) diluted weighted-average shares outstanding. Adjusted income from continuing operations attributable to the Company is defined as the sum of (a) net income attributable to the Company; (b) income or loss from discontinued operations; and (c) provision for income taxes; plus the sum of (d) transaction-related expenses (e.g. acquisition-related diligence and advisory costs, contract termination costs, etc.); (e) gain or loss on extinguishment of debt; (f) impairment and other non-cash gains and charges (e.g. gain or loss on disposal of property); (g) legal settlement costs; (h) severance and restructuring costs; and (i) gain or loss on foreign currency derivatives; minus (j) adjusted income tax provision, as disclosed in or derived from the Company’s Annual Report on Form 10-K, press releases or other financial records, as appropriate. Adjusted EBITDA and Adjusted EPS are calculated net of non-equity incentive payments and excluding the impact of gains or losses as a result of foreign currency conversions or fluctuations in foreign currency exchange rates. Although the Company did not complete any applicable acquisitions during 2020, for purposes of determining whether 2020 performance objectives were met, our Adjusted EBITDA and revenue goals would have been adjusted to include 90% of earnings generated by acquisitions completed during 2020, while Adjusted EPS would have been adjusted to include 50% of earnings generated by acquisitions completed during 2020, in order to incentivize management to pursue accretive acquisitions that will benefit the Company without inequitably adjusting performance objectives.

The Compensation Committee did not make any adjustments, whether for the COVID-19 pandemic or otherwise, in determining Adjusted EBITDA, Adjusted EPS and revenue goals for 2020 compensation plan purposes. Despite various challenges relating to the COVID-19 pandemic, the Company produced solid operating results in 2020. Based on those results, our executive officers realized above target payouts under cash and equity incentive programs.

The table below sets forth the threshold, target and maximum cash incentive award for 2020 (as a percentage of base salary) for each of the applicable Named Executive Officers.

Name	Threshold ⁽¹⁾	Target	Maximum
Debra K. Osteen	50.0%	100%	200%
David M. Duckworth	42.5%	85%	170%
Christopher L. Howard	42.5%	85%	170%
John S. Hollinsworth	42.5%	85%	170%
Laurence L. Harrod	42.5%	85%	170%

(1) As described below, Named Executive Officers may receive an aggregate of less than the threshold percentage of their base salary listed above if performance exceeds the threshold level of one or more, but not all, of the applicable performance measures.

These target and maximum percentages are no less than the target and maximum percentages that each executive is eligible to earn (as a percentage of base salary) pursuant to the employment agreements entered into with each applicable executive.

The table below summarizes the performance measures and actual results applicable to our 2020 non-equity incentive awards. Straight-line interpolation is used to determine awards for performance between goal levels.

	<u>Weighting</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual</u>	<u>% of Target</u>
	(amounts in millions, other than EPS)					
Performance Metric						
Adjusted EBITDA	50%	\$574.1	\$620.6	\$667.1	\$647.3	104.3%
Adjusted EPS	30%	\$2.13	\$2.30	\$2.47	\$2.81	122.2%
Revenue	20%	\$3,069.1	\$3,317.9	\$3,566.7	\$3,209.7	96.7%
Performance Range		92.5%	100.0%	107.5%		
Payout Range (CEO)		50.0%	100.0%	200.0%		
Payout Range (other NEOs)		42.5%	85.0%	170.0%		

In February 2021, the Compensation Committee evaluated whether and the extent to which the performance goals for the 2020 annual non-equity incentive awards had been achieved. As a result of 2020 performance, the Named Executive Officers listed below received the following cash incentive payments with respect to 2020. The resulting payout for our applicable Named Executive Officers as a percentage of target was 154.4%.

Name	EBITDA Component	EPS Component	Revenue Component	Total Cash Incentive Payment
Debra K. Osteen	\$722,685	\$550,800	\$143,683	\$1,417,168
David M. Duckworth	425,285	324,134	84,554	833,974
Christopher L. Howard	389,168	296,608	77,374	763,150
John S. Hollinsworth	399,283	304,317	79,385	782,985
Laurence L. Harrod	378,807	288,711	75,314	742,832

Equity-Based Compensation

Our Compensation Committee believes that time vesting restricted stock and performance vesting restricted stock units are a key component to the compensation of our executive officers, and providing a mix of different types of equity awards is consistent with market practice for executive officers in our peer group. The Compensation Committee believes that restricted stock and restricted stock units provide a substantial incentive to our Named Executive Officers by allowing them to directly participate in any increase in our long-term value. These incentives are intended to reward, motivate and retain the services of our Named Executive Officers. The Compensation Committee believes that a mix of equity awards aligns the interests of our Named Executive Officers with those of our stockholders and is consistent with our pay-for-performance philosophy. Equity-based awards are typically granted under the Incentive Plan in March of each year.

2020 Annual Awards

The Compensation Committee has maintained Adjusted EPS as the core long-term metric for purposes of performance vesting equity awards and continues to believe that a substantial portion of equity awards should be performance based (with 75% of awards being performance vesting restricted stock units and 25% of awards being time vesting restricted stock). In addition, awards of equity-based compensation are subject to the following parameters:

- Financial performance is measured annually, with Adjusted EPS goals for each of the three years in the performance period set at the beginning of each year of the three-year term of the award.
- Application of a TSR modifier that measures the Company's TSR performance relative to a group of industry comparators over the full three-year performance period.
- Shares earned annually based on Adjusted EPS results are accumulated and released at the end of the three-year term of the award, subject to adjustment based on the relative TSR modifier described below. The Compensation Committee believes that release of shares at the end of the three-year term in combination with the application of a three-year relative TSR modifier increases the long-term orientation of the compensation program.
- The number of shares accumulated during the term are increased or decreased by up to 25% at the end of the three-year term based on our three-year TSR relative to that of the TSR Peer Group. If our absolute TSR is negative, the TSR modifier is capped at 100% and cannot increase the share payout. Further, our TSR modifier schedule requires 55th percentile achievement or greater for positive (i.e., 100% or greater) increase to shares accumulated.
- The Adjusted EPS performance range is 92.5% to 107.5%. This range recognizes potential business volatility over a three-year term and is consistent with the approach taken by our peers.
- Given the longer three-year payout, an executive whose employment is terminated during the three-year performance period due to death, disability, retirement, or without cause or for good reason will vest at the end of the three-year performance period, subject to the Company's achievement of the performance goals.

Effective March 24, 2020, the Compensation Committee approved annual grants of the following number of performance vesting restricted stock units (subject to the achievement of certain performance goals and continued employment) and shares of time vesting restricted stock under the Incentive Plan to our Named Executive Officers.

Name	Performance	
	Restricted Stock Units	Restricted Stock
Debra K. Osteen	254,669	84,890
David M. Duckworth	80,928	26,976
Christopher L. Howard	83,313	27,771
John S. Hollinsworth	85,478	28,493
Laurence L. Harrod	79,292	26,431

The allocation among performance vesting restricted stock units (75% of the total equity award) and restricted stock (25% of the total equity award) is not based on a formula approach but reflects the Compensation Committee’s view that most equity-based incentives should be performance-based and at risk. The Named Executive Officers must be employed by the Company at the time the restricted stock units and/or restricted stock vest in order to receive the shares of Common Stock underlying each award, except in the case of certain terminations of employment as discussed under the heading “EXECUTIVE COMPENSATION – Potential Payments Upon Termination or Change in Control under the Employment Agreements.”

The 2020 annual awards of performance vesting restricted stock units reflect the features described above and include the following TSR modifier:

Relative TSR Achieved (compared to TSR Peer Group)	% of Target Awarded ⁽¹⁾⁽²⁾
75 th percentile or greater	125%
55 th percentile	100%
30 th percentile or less	75%

(1) Interpolated for performance between percentiles.

(2) TSR modifier capped at 100% if the Company’s TSR is negative, regardless of applicable Adjusted EPS amount.

Restricted Stock Units. The performance vesting restricted stock units granted effective March 24, 2020 are earned in three equal annual installments based upon the achievement of specified performance levels of Adjusted EPS for 2020, 2021 and 2022, and adjusted before vesting at the end of the full three-year period in accordance with the three-year TSR modifier. The Compensation Committee established, on the grant date, the performance objectives for 2020 for purposes of the vesting of restricted stock units. The performance objectives for 2021 and 2022 are determined by the Compensation Committee subsequent to December 31, 2020 and December 31, 2021, respectively. The Compensation Committee believes that Adjusted EPS provides the best incentive to senior management and is the appropriate financial measure for determining vesting of restricted stock unit awards because it is an important measure of our performance and the performance of our management, it drives our success and growth and it is a key criterion by which management plans and analyzes our business.

The number of shares of Common Stock that may be issued upon vesting of the restricted stock units ranges from 0% to 200% of the total number of units set forth above in accordance with a formula based on our Adjusted EPS, and adjusted in accordance with the TSR modifier. None of the performance vesting restricted stock units will vest for performance below 92.5% of the specified Adjusted EPS. Unearned performance awards in each performance period are forfeited.

For 2020, the threshold award (as a percentage of the number of restricted stock units eligible for vesting based on 2020 performance) for each applicable Named Executive Officer was 50%, the target award was 100% and the maximum award was 200%. Subject to remaining vesting and the three-year TSR modifier, the actual number of shares of Common Stock earned each year is based on performance relative to the specified Adjusted EPS for the corresponding year.

For purposes of our 2020 awards of performance vesting restricted stock units, our target level Adjusted EPS was \$2.30. The table below sets forth the number of shares of Common Stock that each Named Executive Officer was eligible to earn for 2020 (as a percentage of the number of restricted stock units eligible for vesting

based on 2020 performance), subject to continued employment throughout the performance period, based upon the Company's actual Adjusted EPS for 2020. For example, if our actual Adjusted EPS for 2020 was \$2.30, each Named Executive Officer would earn the number of shares of Common Stock equal to 100% of the number of restricted stock units that may be earned based on 2020 performance, or one-third of the 2020 target grant. The remaining two-thirds remain subject to 2021 and 2022 performance standards. All shares earned are subject to adjustment at the end of the three-year term based on the TSR modifier.

Adjusted EPS of \$2.13 - \$2.30	Adjusted EPS of \$2.30 - \$2.47	Adjusted EPS of \$2.47 or Greater
50% - 100%	100% - 200%	200%

In February 2021, the Compensation Committee evaluated whether and the extent to which the performance goals for the 2020 restricted stock unit awards had been achieved. The Compensation Committee determined that actual Adjusted EPS for 2020 was \$2.81, resulting in 200% of the first tranche of the 2020 restricted stock unit annual award being earned as reflected in the table below, subject to remaining vesting and the three-year TSR modifier:

Name	2020 Restricted Stock Unit Grant	Target Shares Subject to 2020 Performance ⁽¹⁾	Shares Earned Under 2020 Restricted Stock Unit Grant ⁽²⁾
Debra K. Osteen	254,669	84,889	169,778
David M. Duckworth	80,928	26,976	53,952
Christopher L. Howard	83,313	27,771	55,542
John S. Hollinsworth	85,478	28,492	56,984
Laurence L. Harrod	79,292	26,430	52,860

(1) Amounts reflect one-third of the grant.

(2) Amounts reflect one-third of the grant multiplied by 200%.

Restricted Stock. The time vesting restricted stock granted in 2020 vests 25% per year on the four successive anniversaries of the date of grant.

2019 and 2018 Restricted Stock Unit Awards Earned

On May 2, 2019 and March 2, 2018, the Compensation Committee approved grants of the following number of performance vesting restricted stock units under the Incentive Plan to our Named Executive Officers listed below:

Name	2019 Performance Restricted Stock Units	2018 Performance Restricted Stock Units
Debra K. Osteen	74,143	—
David M. Duckworth	28,874	21,183
Christopher L. Howard	29,153	24,443
John S. Hollinsworth	34,017	—
Laurence L. Harrod	31,556	—

The restricted stock units granted in 2019 and 2018 are earned in three equal annual installments based upon the achievement of specified performance levels of Adjusted EPS. The number of shares of Common Stock that may be issued upon vesting of the restricted stock units ranges from 0% to 200% of the total number of units set forth above in accordance with a formula based on our Adjusted EPS. None of the performance vesting restricted stock units granted in 2019 and 2018 will vest for performance below 92.5% of the specified Adjusted EPS.

One-third of each of the target amounts for the 2019 and 2018 awards are subject to 2020 Adjusted EPS performance. For 2020 performance under the 2019 and 2018 restricted stock unit awards, the threshold award (as a percentage of the number of restricted stock units eligible for vesting based on 2020 performance) for each

applicable Named Executive Officer was 50%, the target award was 100% and the maximum award was 200%. The actual number of shares of Common Stock to be issued upon vesting of the restricted stock units each year is based on the Company's actual Adjusted EPS relative to the specified Adjusted EPS for the corresponding year.

For purposes of our 2019 and 2018 awards of performance vesting restricted stock units, our target level Adjusted EPS for 2020 was \$2.30. The tables below set forth the number of shares of Common Stock that each applicable Named Executive Officer was eligible to earn for 2020 performance under the 2019 and 2018 restricted stock unit awards (as a percentage of the number of restricted stock units eligible for vesting based on 2020 performance), subject to continued employment throughout the performance period, based upon the Company's actual Adjusted EPS for 2020. For example, for the 2019 restricted stock unit awards, if our Adjusted EPS for 2020 was \$2.30, each Named Executive Officer would earn the number of shares of Common Stock equal to 100% of the number of restricted stock units that may vest based on 2020 performance, or one-third of the 2019 target grant. The remaining one-third remains subject to 2021 performance standards.

2019 Restricted Stock Units

Adjusted EPS of \$2.13 - \$2.30	Adjusted EPS of \$2.30 - \$2.47	Adjusted EPS of \$2.47 or Greater
50% - 100%	100% - 200%	200%

For the 2018 restricted stock unit awards, if our Adjusted EPS for 2020 was \$2.30, each applicable Named Executive Officer would earn the number of shares of Common Stock equal to 100% of the number of restricted stock units that may vest based on 2020 performance, or one-third of the 2018 target grant.

2018 Restricted Stock Units

Adjusted EPS of \$2.13 - \$2.30	Adjusted EPS of \$2.30 - \$2.47	Adjusted EPS of \$2.47 or Greater
50% - 100%	100% - 200%	200%

In February 2021, the Compensation Committee evaluated whether and the extent to which the 2020 performance goals for the 2019 and 2018 restricted stock unit awards had been achieved. The Compensation Committee determined that actual Adjusted EPS for 2020 was \$2.81. As a result, the following number of shares of Common Stock were earned by the Named Executive Officers listed below for 2020 pursuant to the 2019 restricted stock unit awards and the 2018 restricted stock unit awards, respectively, subject to the three-year TSR modifier:

2019 Restricted Stock Units

Name	2019 Restricted Stock Unit Grant	Target Shares Subject to 2020 Performance ⁽¹⁾	Shares Earned Under 2019 Restricted Stock Unit Grant ⁽²⁾
Debra K. Osteen	74,143	24,714	49,428
David M. Duckworth	28,874	9,624	19,248
Christopher L. Howard	29,153	9,717	19,434
John S. Hollinsworth	34,017	11,339	22,678
Laurence L. Harrod	31,556	10,518	21,036

(1) Amounts reflect one-third of the grant.

(2) Amounts reflect one-third of the grant multiplied by 200%.

2018 Restricted Stock Units

Name	2018 Restricted Stock Unit Grant	Target Shares Subject to 2020 Performance ⁽¹⁾	Shares Earned Under 2018 Restricted Stock Unit Grant ⁽²⁾
David M. Duckworth	21,183	7,061	14,122
Christopher L. Howard	24,443	8,148	16,296

(1) Amounts reflect one-third of the grant.

(2) Amounts reflect one-third of the grant multiplied by 200%.

On February 26, 2021, following review of materials prepared by our independent compensation consultant, the Compensation Committee confirmed the three-year TSR results for the 2018 restricted stock unit awards. The Compensation Committee determined that the Company’s three-year TSR was 47.6%, which placed the Company at the 49.7% percentile of the TSR Peer Group during that period. Under the terms of the award, that ranking resulted in the application of a three-year TSR modifier of 94.7% to the shares earned, as reflected in the table below:

Name	2018 Annual Restricted Stock Unit Grant	Shares Earned in 2018 ⁽¹⁾	Shares Earned in 2019 ⁽²⁾	Shares Earned in 2020	Subtotal	Shares Issued ⁽³⁾
David M. Duckworth	21,183	5,917	3,640	14,122	23,679	22,424
Christopher L. Howard	24,443	6,827	4,200	16,296	27,323	25,875

(1) See the section in our Proxy Statement dated March 21, 2019 entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2018 Annual Awards” for more information.

(2) See the section in our Proxy Statement dated March 25, 2020 entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2018 and 2017 Restricted Stock Unit Awards Earned” for more information.

(3) Amounts reflect application of three-year TSR modifier of 94.7%.

Perquisites and other Benefits

We provide our Named Executive Officers with modest perquisites (less than \$10,000 on an annual basis) that our Compensation Committee believes are reasonable and consistent with our overall executive compensation program. Our Compensation Committee believes that such perquisites help us to retain our executive personnel and allows them to operate more effectively.

Our Named Executive Officers are eligible for health and welfare benefits available to eligible Company employees during active employment under the same terms and conditions. These benefits include medical, dental, vision, short-term and long-term disability and group-term life insurance coverage. The Named Executive Officers also participate in a separate insurance plan that provides long term care benefits to the executives and their spouses. Our general policies applicable to all employees govern paid vacation and other time off for our Named Executive Officers.

Compensation Clawback Policy

If the Company is required to restate its financial statements as a result of misconduct, Section 304 of the Sarbanes-Oxley Act requires the Chief Executive Officer and the Chief Financial Officer to reimburse the Company for: (i) any bonus or other incentive-based or equity-based compensation received during the 12 months following the public issuance of the financial statements; and (ii) any profits realized from the sale of Company securities during those 12 months. On February 26, 2015, the Compensation Committee adopted and approved a compensation clawback policy applicable to performance-based equity awards issued to executive officers during and after 2015.

Under the clawback policy, if a Named Executive Officer is determined by the Board to have engaged in fraud or misconduct contributing to restatement of the Company's financial statements, the Board shall take appropriate action to address such events, including requiring (i) reimbursement of any equity securities that vested during the preceding three year period, including any proceeds from the sale of such securities, and (ii) cancellation of all unvested equity securities during such three-year period.

Section 954 of the Dodd-Frank Act directs the SEC to promulgate additional rules requiring companies listed on stock exchanges to adopt policies regarding the recovery of executive compensation from executive officers for accounting restatements resulting from material noncompliance with any financial reporting requirement under the securities laws. In accordance with Section 954 of the Dodd-Frank Act, the SEC issued proposed rules in 2015 regarding the adoption of clawback policies. Upon the SEC's adoption and publication of final rules implementing these requirements, the Compensation Committee will review and, if necessary, revise the Company's clawback policy to conform with such rules.

Deferred Compensation Plan

On February 28, 2013, our Board adopted and approved the Acadia Healthcare Company, Inc. Deferred Compensation Plan, effective February 1, 2013 (the "Deferred Compensation Plan"). The Deferred Compensation Plan is designed to provide tax-deferred compensation for our eligible employees, including executive officers. Deferred compensation plans are common in our industry and help in the recruitment and retention of top executive talent.

Under the Deferred Compensation Plan, participants may defer up to 50% of their annual base compensation and up to 100% of any performance-based compensation. Participants are fully vested in their deferral accounts as to amounts they elect to defer. No employer matching contributions are made to the Deferred Compensation Plan. Participants will be able to select from several fund choices and their deferred compensation account will increase or decrease in value in accordance with the performance of the funds selected. Participants may receive a distribution from the Deferred Compensation Plan upon a qualifying distribution event such as separation from service, disability, death, change in control or an unforeseeable emergency. Following a participant's separation from the Company for any reason, the participant's vested interest in the account is paid to the participant (or the participant's beneficiary in the event of the participant's death) either in a lump sum or up to ten annual installments, as elected by the participant. The Deferred Compensation Plan is intended to be an unfunded plan administered and maintained by the Company primarily for the purpose of providing deferred compensation benefits to participants.

Risk Assessment

In addition to overseeing the Company's executive compensation program, the Compensation Committee considers the risk profile of the Company's compensation policies and practices for all employees. The Compensation Committee has concluded that the Company's compensation program does not encourage excessive or inappropriate risk taking and determined that such program is not reasonably likely to have a material adverse impact on the Company. See "CORPORATE GOVERNANCE – Risk Oversight" for more information about the Board's role in our risk management process.

Internal Revenue Code Section 162(m)

Code Section 162(m) limits the deductibility of compensation in excess of \$1 million paid to certain "covered employees" of a publicly held corporation. For taxable years ending December 31, 2017 and earlier, "covered employees" generally referred to the company's Chief Executive Officer and its next three most highly compensated executive officers (excluding the Chief Financial Officer) in the year that the compensation is paid. This limitation does not apply to compensation that is considered "qualified performance-based compensation" under the rules of Section 162(m). The exemption from Section 162(m)'s deduction limitation for "qualified performance-based compensation" was repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of \$1 million is not deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017. In addition, beginning with taxable years beginning after December 31, 2017, "covered employees" generally was expanded to

include the Company’s chief financial officer; also, each individual who is a covered employee for any taxable year beginning after December 31, 2016 will remain a covered employee for all future years.

Stock Ownership Guidelines, Insider Trading Policy, Hedging and Pledging

In March 2012, the Board of Directors adopted stock ownership guidelines for non-management directors. The guidelines require that each non-management director hold an investment position in our Common Stock equal in value to five times the annual cash retainer (exclusive of any Board committee retainers) paid to non-management directors. The guidelines provide for a five-year transition period during which directors can attain the required ownership. As of December 31, 2020, all of our non-management directors not in a transition period satisfied the applicable stock ownership guidelines.

In December 2014, the Board of Directors adopted stock ownership guidelines for certain designated officers. The guidelines require that the Named Executive Officers hold an investment position in our Common Stock equal to the following multiples of annual base salary:

<u>Position</u>	<u>Fair Market Value of Stock Holdings as a Multiple of Base Salary</u>
Chief Executive Officer	5x
Other Named Executive Officers	3x

The guidelines provide for a five-year transition period during which executive officers can attain the required ownership. If an executive officer becomes subject to a greater ownership threshold due to an increase in the amount of his or her annual base salary, the executive officer must satisfy the greater ownership threshold within the later of the original five-year transition period or two years from the effective date of the increase in annual base salary. As of December 31, 2020, all of our Named Executive Officers satisfied the applicable stock ownership guidelines.

Pursuant to the stock ownership guidelines applicable to non-management directors and executive officers, ownership of the following shares of Common Stock (“Qualified Shares”) are counted toward the satisfaction of the applicable ownership requirements: (i) shares owned directly by the non-management director or the executive officer; (ii) shares owned indirectly (e.g. by a spouse or in trust); (iii) restricted shares, including restricted shares that have been granted but that have not vested; (iv) shares issuable upon the settlement of vested restricted stock units; and (v) shares obtained through stock option exercises. For the avoidance of doubt, shares that underlie unexercised options, whether or not vested, will not be deemed to be Qualified Shares.

We maintain an insider trading policy that governs transactions in our securities by directors, officers and other employees. Among other provisions, the policy prohibits “short-selling” of any equity security of the Company and any hedging transactions. Directors and officers are also prohibited from holding our securities in a margin account or otherwise pledging our securities as collateral for a loan.

Termination and Change-in-Control Arrangements

Under the terms of the compensation plans and employment agreements with the Named Executive Officers, the Named Executive Officers are entitled to payments and benefits upon the occurrence of specified events including termination of employment. The specific terms of these arrangements are discussed under the heading “EXECUTIVE COMPENSATION – Potential Payments Upon Termination or Change in Control under the Employment Agreements.” The Compensation Committee believes that these arrangements are appropriate and necessary to attract and retain talented senior executives. The Compensation Committee believes that the potential payments and benefits provide security and encourage retention in the event of an actual or potential change in control, such as a sale or “hostile” takeover. The absence of such arrangements could impact our ability to hire talented executives and an executive’s willingness to work through a merger or sale transaction which could be beneficial to our stockholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by SEC Regulation S-K, Item 402(b) with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE:

Wade D. Miquelon, Chairman
Michael J. Fucci
Vicky B. Gregg
William M. Petrie, M.D.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following summary compensation table reflects the compensation paid or accrued by us with respect to each of the Named Executive Officers:

Name and Principal Position	Year	Salary	Bonus	Stock Awards ⁽¹⁾	Option Awards ⁽²⁾	Non-Equity Incentive Plan Compensation ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
Debra K. Osteen ⁽⁵⁾ <i>Chief Executive Officer</i>	2020	\$ 918,000	\$ –	\$ 2,789,779	\$ –	\$ 1,417,168	\$ 6,448	\$ 5,131,395
	2019	900,000	2,500,000 ⁽⁶⁾	3,672,558 ⁽⁷⁾	–	568,927	81,116	7,722,601
	2018	37,500	350,000 ⁽⁸⁾	–	–	–	–	387,500
David M. Duckworth <i>Chief Financial Officer</i>	2020	635,558	–	1,248,999	–	833,974	21,185	2,739,716
	2019	623,096	–	1,179,746	–	334,802	16,240	2,153,884
	2018	610,878	–	788,848	–	323,095	16,241	1,739,062
Christopher L. Howard <i>Executive Vice President, General Counsel and Secretary</i>	2020	581,584	–	1,316,121	–	763,150	5,337	2,666,192
	2019	559,215	–	1,266,389	–	300,477	5,461	2,131,542
	2018	548,250	–	910,274	–	328,633	5,502	1,792,659
John S. Hollinsworth ⁽⁹⁾ <i>Executive Vice President of Operations</i>	2020	596,700	–	986,564	–	782,985	6,121	2,424,620
	2019	480,288	120,000 ⁽¹⁰⁾	1,242,959	52,250	146,401	35,301	2,197,199
Laurence L. Harrod ⁽¹¹⁾ <i>Executive Vice President of Finance</i>	2020	566,100	410,000 ⁽¹²⁾	915,185	–	742,832	5,306	2,639,423
	2019	202,789	200,000 ⁽¹³⁾	628,900	–	116,017	153	1,147,859

- (1) Reflects the aggregate grant date fair value of restricted stock and restricted stock units granted to each applicable Named Executive Officer pursuant to the Incentive Plan, determined using a Monte-Carlo simulation value and computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, “Stock Compensation,” or ASC 718. The awards are described in more detail in the Grants of Plan-Based Awards section below. See Note 13 to the Consolidated Financial Statements contained in the Company’s 2020 Annual Report on Form 10-K for assumptions relevant to the valuation of stock awards. With respect to annual grants of restricted stock units, the units vest over three years and the amounts for a given year assume that the performance goals are attained during a respective annual performance period in accordance with ASC 718.

The amounts relating to restricted stock unit awards for 2020 represent the sum of the grant date fair value of the target number of shares that may be earned based on 2020 performance pursuant to (a) the first tranche of the 2020 restricted stock unit award, (b) the second tranche of the 2019 restricted stock unit award and (c) the third tranche of the 2018 restricted stock unit award, as applicable to each Named Executive Officer.

The amounts relating to restricted stock unit awards for 2019 represent the sum of the grant date fair value of the target number of shares that may be earned based on 2019 performance pursuant to (a) the first tranche of the 2019 restricted stock unit award, (b) the second tranche of the 2018 annual restricted stock unit award and (c) the second tranche of the 2018 transition restricted stock unit award, as applicable to each Named Executive Officer.

The amounts relating to restricted stock unit awards for 2018 represent the sum of the grant date fair value of the target number of shares that may be earned based on 2018 performance pursuant to (a) the first tranche of the 2018 annual restricted stock unit award and (b) the first tranche of the 2018 transition restricted stock unit award, as applicable to each Named Executive Officer.

Assuming that the maximum performance goals are attained during a respective annual performance period in accordance with ASC 718 for the applicable tranche of the restricted stock units granted in 2020, 2019 and 2018, (i) the aggregate grant date fair value of the annual grants of restricted stock units would have been, and (ii) the aggregate grant date fair value of the total stock awards (including awards of both restricted stock and restricted stock units) would have been:

Name	Year	2020 RSU Awards	2019 RSU Awards	2018 RSU Awards	Total RSU Awards	Total Stock Awards
Debra K. Osteen	2020	\$ 1,779,647	\$ 1,779,902	\$ –	\$ 3,579,549	\$ 4,579,553
	2019	–	1,779,902	–	1,779,902	4,562,510
David M. Duckworth	2020	571,891	693,193	597,361	1,862,444	2,180,222
	2019	–	1,139,010	597,361	1,736,370	2,047,932
	2018	–	–	1,043,178	1,043,178	1,310,347
Christopher L. Howard	2020	588,745	699,890	689,321	1,977,956	2,305,099
	2019	–	1,214,314	689,321	1,903,635	2,218,207
	2018	–	–	1,203,745	1,203,745	1,512,147
John S. Hollinsworth	2020	604,030	697,802	–	1,301,832	1,637,480
	2019	–	697,802	–	697,802	1,591,860
Laurence L. Harrod	2020	560,316	647,339	–	1,207,655	1,519,012
	2019	–	647,278	–	647,278	952,539

See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation” for more information about the restricted stock and restricted stock units.

- (2) Reflects the grant date fair value of stock options granted to Mr. Hollinsworth pursuant to the Incentive Plan, computed in accordance with ASC 718. See Note 13 to the Consolidated Financial Statements contained in the Company’s 2020 Annual Report on Form 10-K regarding assumptions underlying valuation of the stock options. Mr. Hollinsworth received 5,000 non-qualified, time-vesting stock options on March 7, 2019 related to his former role as the Company’s Eastern Group President.
- (3) Reflects cash awards earned during the years indicated under the Incentive Plan. See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Annual Non-Equity Incentive Compensation” for more information.
- (4) Represents certain long term care insurance benefits and 401(k) plan matching contributions by the Company to each Named Executive Officer. Ms. Osteen was not enrolled in the Company’s benefit plans in 2018. For Ms. Osteen and Mr. Hollinsworth, amounts for 2019 include relocation benefits of \$75,570 and \$30,000, respectively.
- (5) Ms. Osteen was appointed Chief Executive Officer effective December 16, 2018.
- (6) Reflects Ms. Osteen’s one-time make-whole bonus.
- (7) Includes 72,464 shares of restricted stock granted to Ms. Osteen on February 1, 2019. Ms. Osteen initially was granted 240,942 shares of restricted stock on February 1, 2019, which grant was subsequently reduced pursuant to the terms of her employment agreement to 72,464 shares on May 31, 2019 based on the final value of equity awards issued to Ms. Osteen by her former employer.
- (8) Reflects Ms. Osteen’s one-time cash sign-on bonus.
- (9) Mr. Hollinsworth was appointed Executive Vice President of Operations effective July 15, 2019.
- (10) Bonus related to Mr. Hollingsworth’s former role as the Company’s Eastern Group President from January 28, 2019 to July 15, 2019.
- (11) Mr. Harrod was appointed Executive Vice President of Finance effective August 12, 2019.
- (12) Reflects Mr. Harrod’s first anniversary retention bonus pursuant to the terms of his Employment Agreement.
- (13) Reflects Mr. Harrod’s one-time cash sign-on bonus pursuant to the terms of his Employment Agreement.

Grants of Plan-Based Awards

The following table sets forth certain information regarding plan-based awards granted to the Named Executive Officers during 2020:

Name	Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
			Threshold	Target	Maximum	Threshold	Target	Maximum		
Debra K. Osteen	Bonus	N/A	\$ 459,000	\$ 918,000	\$ 1,836,000	–	–	–	–	\$ –
	RSA	3/24/20	–	–	–	–	–	–	84,890	1,000,004
	2020 RSU	3/24/20	–	–	–	42,445	84,889	169,778	–	899,823 ⁽⁵⁾
	2019 RSU	3/24/20	–	–	–	12,357	24,714	49,428	–	889,951 ⁽⁶⁾
David M. Duckworth	Bonus	N/A	270,112	540,224	1,080,449	–	–	–	–	–
	RSA	3/24/20	–	–	–	–	–	–	26,976	317,777
	2020 RSU	3/24/20	–	–	–	13,488	26,976	53,952	–	285,946 ⁽⁵⁾
	2019 RSU	3/24/20	–	–	–	4,813	9,625	19,250	–	346,596 ⁽⁶⁾
Christopher L. Howard	2018 RSU	3/24/20	–	–	–	3,531	7,061	14,122	–	298,680 ⁽⁷⁾
	Bonus	N/A	247,173	494,346	988,693	–	–	–	–	–
	RSA	3/24/20	–	–	–	–	–	–	27,771	327,142
	2020 RSU	3/24/20	–	–	–	13,886	27,771	55,542	–	294,373 ⁽⁵⁾
John S. Hollinsworth	2019 RSU	3/24/20	–	–	–	4,859	9,718	19,436	–	349,945 ⁽⁶⁾
	2018 RSU	3/24/20	–	–	–	4,074	8,148	16,296	–	344,660 ⁽⁷⁾
	Bonus	N/A	253,598	507,195	1,014,390	–	–	–	–	–
	RSA	3/24/20	–	–	–	–	–	–	28,493	335,648
Laurence L. Harrod	2020 RSU	3/24/20	–	–	–	14,246	28,492	56,984	–	302,015 ⁽⁵⁾
	2019 RSU	3/24/20	–	–	–	5,670	11,339	22,678	–	348,901 ⁽⁶⁾
	Bonus	N/A	240,593	481,185	962,370	–	–	–	–	–
Laurence L. Harrod	RSA	3/24/20	–	–	–	–	–	–	26,431	311,357
	2020 RSU	3/24/20	–	–	–	13,215	26,430	52,860	–	280,158 ⁽⁵⁾
	2019 RSU	3/24/20	–	–	–	5,260	10,519	21,038	–	323,670 ⁽⁶⁾

- (1) The estimated payouts shown reflect non-equity incentive awards granted under the Incentive Plan, where receipt is contingent upon the achievement of specified performance goals. The amounts in the “Threshold” column assume threshold performance for all of the specified performance goals. See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Annual Non-Equity Incentive Compensation” for more information about the awards.
- (2) Reflects the number of shares of Common Stock issuable upon vesting of restricted stock units granted under the Incentive Plan, subject to adjustment based on the TSR modifier. Each of the first tranche of restricted stock units granted March 24, 2020, the second tranche of restricted stock units granted May 2, 2019, and the third tranche of restricted stock units granted March 2, 2018 is earned based upon the achievement of certain performance goals in 2020 and continued employment. See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation” for more information about the restricted stock units.
- (3) Reflects shares of restricted stock granted under the Incentive Plan, which will vest in four equal annual installments commencing one year after the date of grant.
- (4) Reflects the aggregate grant date fair value computed in accordance with ASC 718.
- (5) The amounts shown were determined using a Monte-Carlo simulation value and reflect the grant date fair value of the target number of shares subject to the first tranche of the 2020 annual award of restricted stock units assuming that target performance goals are attained during the initial year of the performance period in accordance with ASC 718, continued employment throughout the performance period, and no adjustment as a result of the TSR modifier. For additional information, see the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2020 Annual Awards.”
- (6) The amounts shown were determined using a Monte-Carlo simulation value and reflect the grant date fair value of the target number of shares subject to the second tranche of the 2019 annual award of restricted stock units assuming that target performance goals are attained during the second year of the performance period in accordance with ASC 718, continued employment throughout the performance period, and no adjustment as a result of the TSR modifier. For additional information, see the section entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2019 Annual Awards” in our Proxy Statement dated March 25, 2020.
- (7) The amounts shown were determined using a Monte-Carlo simulation value and reflect the grant date fair value of the target number of shares subject to the third tranche of the 2018 annual award of restricted stock units assuming that target performance goals are attained during the third year of the performance period in accordance with ASC 718, continued employment throughout the performance period, and no adjustment as a result of the TSR modifier. For additional information, see the section entitled

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information with respect to the applicable Named Executive Officers regarding outstanding equity awards as of December 31, 2020 that represent potential amounts that may be realized in the future:

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options ⁽¹⁾		Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock Held that Have Not Vested ⁽²⁾	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽²⁾
	(Exercisable)	(Unexercisable)						
Debra K. Osteen	–	–	\$ –	–	18,536 ⁽³⁾	\$ 931,619	–	\$ –
	–	–	–	–	–	–	74,143 ⁽⁵⁾	3,726,427
	–	–	–	–	84,890 ⁽⁴⁾	4,266,571	–	–
	–	–	–	–	–	–	254,669 ⁽⁶⁾	12,799,664
David M. Duckworth	875	–	9.40	11/16/21	–	–	–	–
	814	–	15.96	3/19/22	–	–	–	–
	7,591	–	16.60	8/2/22	–	–	–	–
	9,500	–	29.39	3/29/23	–	–	–	–
	3,897	–	50.75	2/27/24	–	–	–	–
	–	–	–	–	1,505 ⁽⁷⁾	75,641	–	–
	–	–	–	–	3,531 ⁽⁸⁾	177,468	–	–
	–	–	–	–	–	–	21,183 ⁽⁹⁾	1,064,658
	–	–	–	–	7,219 ⁽³⁾	362,827	–	–
	–	–	–	–	–	–	28,874 ⁽⁵⁾	1,451,207
Christopher L. Howard	–	–	–	–	26,976 ⁽⁴⁾	1,355,814	–	–
	–	–	–	–	–	–	80,928 ⁽⁶⁾	4,067,441
	6,466	–	15.96	3/19/22	–	–	–	–
	9,500	–	29.39	3/29/23	–	–	–	–
	6,137	–	50.75	2/27/24	–	–	–	–
	–	–	–	–	1,734 ⁽⁷⁾	87,151	–	–
	–	–	–	–	4,074 ⁽⁸⁾	204,759	–	–
	–	–	–	–	–	–	24,443 ⁽⁹⁾	1,228,505
	–	–	–	–	7,289 ⁽³⁾	366,345	–	–
	–	–	–	–	–	–	29,153 ⁽⁵⁾	1,465,230
John S. Hollinsworth	–	–	–	–	27,771 ⁽⁴⁾	1,395,770	–	–
	–	–	–	–	–	–	83,313 ⁽⁶⁾	4,187,311
	1,250	3,750 ⁽¹⁰⁾	28.25	3/7/29	–	–	–	–
	–	–	–	–	15,000 ⁽¹¹⁾	753,900	–	–
	–	–	–	–	8,505 ⁽¹²⁾	427,461	–	–
Laurence L. Harrod	–	–	–	–	–	–	34,017 ⁽⁵⁾	1,709,684
	–	–	–	–	28,493 ⁽⁴⁾	1,432,058	–	–
	–	–	–	–	–	–	85,478 ⁽⁶⁾	4,296,124
	–	–	–	–	7,890 ⁽¹²⁾	396,551	–	–
	–	–	–	–	–	–	31,556 ⁽⁵⁾	1,586,005
Laurence L. Harrod	–	–	–	–	26,431 ⁽⁴⁾	1,328,422	–	–
	–	–	–	–	–	–	79,292 ⁽⁶⁾	3,985,216

(1) The amounts shown reflect stock options granted under the Incentive Plan.

(2) Based on the closing sales price of our Common Stock of \$50.26 on The NASDAQ Global Select Market on December 31, 2020.

(3) One-third of these shares of restricted stock vest on each of May 2, 2021, May 2, 2022 and May 2, 2023.

- (4) One-fourth of these shares of restricted stock vest on each of March 24, 2021, March 24, 2022, March 24, 2023 and March 24, 2024.
- (5) Reflects the aggregate target number of shares that will vest upon the achievement of certain performance goals established for the annual award of restricted stock units granted in 2019 under the Incentive Plan and continued employment. See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2019 and 2018 Restricted Stock Unit Awards Earned” for more information about the restricted stock units.
- (6) Reflects the aggregate target number of shares that will vest upon the achievement of certain performance goals established for the annual award of restricted stock units granted in 2020 under the Incentive Plan and continued employment. See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2020 Annual Awards” for more information about the restricted stock units.
- (7) These shares of restricted stock vest on March 29, 2021.
- (8) One-half of these shares of restricted stock vest on each of March 2, 2021 and March 2, 2022.
- (9) Reflects the aggregate target number of shares that will vest upon the achievement of certain performance goals established for the annual award of restricted stock units granted in 2018 under the Incentive Plan and continued employment. See the section above entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2019 and 2018 Restricted Stock Unit Awards Earned” for more information about the restricted stock units.
- (10) One-third of these stock options will become exercisable on each of March 7, 2021, March 7, 2022 and March 7, 2023.
- (11) One-third of these shares of restricted stock vest on each of March 7, 2021, March 7, 2022 and March 7, 2023.
- (12) One-third of these shares of restricted stock vest on each of August 14, 2021, August 14, 2022 and August 14, 2023.

Option Exercises and Stock Vested

The Named Executive Officers did not exercise options during 2020. The following table shows the amounts received by the Named Executive Officers upon vesting of restricted stock and restricted stock units during 2020:

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
Debra K. Osteen	36,232	\$ 1,810,151 ⁽¹⁾
	6,178	138,820 ⁽²⁾
David M. Duckworth	5,892	182,534 ⁽³⁾
	2,406	54,063 ⁽²⁾
	1,765	52,826 ⁽⁴⁾
	1,502	27,081 ⁽⁵⁾
	973	33,101 ⁽⁶⁾
Christopher L. Howard	6,799	210,633 ⁽³⁾
	2,429	54,580 ⁽²⁾
	2,037	60,967 ⁽⁴⁾
	1,734	31,264 ⁽⁵⁾
	1,241	42,219 ⁽⁶⁾
John S. Hollinsworth	5,000	147,400 ⁽⁷⁾
	2,834	63,680 ⁽²⁾
Laurence L. Harrod	2,629	59,074 ⁽²⁾

- (1) Based on the closing sales price of our Common Stock of \$49.96 on The NASDAQ Global Select Market on December 17, 2020, the date that the shares of restricted stock vested.
- (2) Based on the closing sales price of our Common Stock of \$22.47 on The NASDAQ Global Select Market on May 1, 2020, the first business day immediately prior to the date that the shares of restricted stock vested.
- (3) Based on the closing sales price of our Common Stock of \$30.98 on The NASDAQ Global Select Market on March 4, 2020, the date that the restricted stock units vested. See the section entitled “COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation – 2018 Transition Awards” in our Proxy Statement dated March 25, 2020 for more information about the restricted stock units.

- (4) Based on the closing sales price of our Common Stock of \$29.93 on The NASDAQ Global Select Market on March 2, 2020, the first business day immediately prior to the date that the shares of restricted stock vested.
- (5) Based on the closing sales price of our Common Stock of \$18.03 on The NASDAQ Global Select Market on March 27, 2020, the first business day immediately prior to the date that the shares of restricted stock vested.
- (6) Based on the closing sales price of our Common Stock of \$34.02 on The NASDAQ Global Select Market on February 5, 2020, the date that the shares of restricted stock vested.
- (7) Based on the closing sales price of our Common Stock of \$29.48 on The NASDAQ Global Select Market on March 6, 2020, the first business day immediately prior to the date that the shares of restricted stock vested.

Nonqualified Deferred Compensation

The following table shows the activity during 2020 and the aggregate balances held by each of our Named Executive Officers at December 31, 2020 under the Deferred Compensation Plan.

Name	Executive Contributions in 2020(\$) ⁽¹⁾	Company Contributions in 2020(\$)	Aggregate Earnings in 2020(\$)	Aggregate Withdrawals / Distributions(\$)	Aggregate Balance at December 31, 2020(\$) ⁽²⁾
Debra K. Osteen	\$ –	\$ –	\$ –	\$ –	\$ –
David M. Duckworth	84,205	–	203,490	(23,978)	1,481,425
Christopher L. Howard	122,159	–	536,279	–	2,324,304
John S. Hollinsworth	5,964	–	1,060	–	7,024
Laurence L. Harrod	45,264	–	6,391	–	51,656

- (1) These amounts are included in the Summary Compensation Table above.
- (2) All amounts other than 2020 earnings are included in the Summary Compensation Table above.

Under the plan, participants may defer up to 50% of their annual base compensation and up to 100% of any performance-based compensation. Participants are fully vested in their deferral accounts as to amounts they elect to defer. No employer matching contributions are made to the Deferred Compensation Plan. Participants will be able to select from several fund choices and their deferred compensation account will increase or decrease in value in accordance with the performance of the funds selected. Participants may receive a distribution from the Deferred Compensation Plan upon a qualifying distribution event such as separation from service, disability, death, change in control or an unforeseeable emergency or on a specified date selected by a participant. Following a participant's separation from the Company for any reason, the participant's vested interest in the account is paid to the participant (or the participant's beneficiary in the event of the participant's death) either in a lump sum or up to ten annual installments, as elected by the participant. The Deferred Compensation Plan is intended to be an unfunded plan administered and maintained by the Company primarily for the purpose of providing deferred compensation benefits to participants.

Potential Payments Upon Termination or Change in Control under the Employment Agreements

In December 2018, we entered into an employment agreement with Ms. Osteen (the "Osteen Agreement"). In July and August 2019, we entered into employment agreements with Messrs. Hollinsworth and Harrod, respectively (the "EVP 2019 Agreements"). In April 2014, we entered into an amended and restated employment agreement with Mr. Howard, and an employment agreement with Mr. Duckworth (collectively with the Osteen Agreement and the EVP 2019 Agreements, the "Employment Agreements"). A summary of the Employment Agreements is provided below.

Compensation and Benefits

The base salaries under the Employment Agreements are subject to an annual increase in the sole discretion of our Board. In addition to base salary, under the Employment Agreements the executives are entitled to participate, in their sole discretion, in all of our employee benefit programs for which senior executive employees are generally eligible. Each executive is also reimbursed for reasonable expenses incurred in connection with services performed under each executive's Employment Agreement.

Non-Competition and Non-Solicitation

During the term of each Employment Agreement and for 12 months thereafter (in the case of Ms. Osteen and Messrs. Duckworth, Harrod and Hollinsworth) or 24 months thereafter (in the case of Mr. Howard), each such executive is prohibited from (i) directly or indirectly managing, controlling, consulting, rendering services for or participating, engaging or owning an interest in any business which derives 25% of its gross revenue from the business of providing behavioral healthcare and/or related services and (ii) directly or indirectly managing, controlling, rendering services for or participating or consulting with any unit, division, segment or subsidiary of any other business that engages in or otherwise competes with (or was organized for the purpose of engaging in or competing with) the business of providing behavioral healthcare and/or related services (subject to certain exceptions), in each case within any geographical area in which we engage in such businesses. During the term of each Employment Agreement and for 12 months thereafter (in the case of Ms. Osteen and Messrs. Duckworth, Harrod and Hollinsworth) or 24 months thereafter (in the case of Mr. Howard), each such executive is prohibited from directly or indirectly soliciting or hiring any employee or independent contractor of ours or directly or indirectly soliciting any customer, supplier, licensee, licensor or other business relation of ours. In addition, the executives are subject to customary confidentiality and non-disparagement obligations both during and following their employment with the Company.

Severance

Under the Employment Agreements for Messrs. Duckworth and Howard, if the executive is terminated without "Cause" or resigns with "Good Reason," such executive is generally entitled to receive (subject to the satisfaction of certain conditions):

- Such executive's base salary through the termination date;
- A prorated bonus amount for the calendar year in which the termination occurs;
- An amount equal to a multiple of the target annual cash bonus amount to which such executive would be entitled with respect to the calendar year in which the termination date occurs, determined as if all of the performance objectives for such year have been achieved at the target level;
- An amount equal to a multiple of such executive's base salary as in effect on the termination date;
- Any unused and unpaid time off and sick pay accrued through the termination date and any incurred but unreimbursed business expenses as of the termination date;
- An amount equal to the cost of the premiums for continued health and dental insurance for the executive and/or his dependents in accordance with COBRA for a specified period;
- Full and immediate vesting of such executive's stock options, restricted stock and other equity-based awards that are not intended to be performance-based compensation under Code Section 162(m); and
- Delay of vesting and forfeiture of such executive's restricted stock and other equity-based awards that are intended to be performance-based compensation under Code Section 162(m) until the Company certifies the applicable performance goals have been met (collectively, the "Old Termination Payments").

Under the Employment Agreements for Ms. Osteen and Messrs. Harrod and Hollinsworth, if the executive is terminated without “Cause” or resigns with “Good Reason,” such executive is generally entitled to receive (subject to the satisfaction of certain conditions):

- Such executive’s base salary through the termination date;
- Any accrued but unpaid cash bonus with respect to a completed performance period;
- Any unused and unpaid time off and sick pay accrued through the termination date, any incurred but unreimbursed business expenses as of the termination date, and all other payments, benefits or fringe benefits pursuant to any applicable compensation arrangement as of the termination date;
- An amount equal to two (2) times such executive’s base salary as in effect on the termination date
- A prorated cash bonus amount for the calendar year in which the termination occurs, determined as if all of the subjective performance objectives for such year have been achieved at the target level;
- An amount equal to the after-tax cost of the premiums for continued health and dental insurance for the executive and/or his or her dependents in accordance with COBRA for a specified period;
- For Ms. Osteen, full and immediate vesting of the time-vesting components of her annual equity and equity-based awards granted in 2019 and 2020 (the “2019 and 2020 Awards”), and delay of vesting and forfeiture of the 2019 and 2020 Awards that are subject to performance-based vesting (collectively, the “New Termination Payments”).

“Cause” (as defined in the Employment Agreements for Messrs. Duckworth and Howard) means the occurrence of one or more of the following with respect to the applicable executive:

- The conviction of or plea of nolo contendere to a felony or other crime involving moral turpitude or the conviction of any crime involving misappropriation, embezzlement or fraud with respect to the Company or any of its subsidiaries or any of their customers, suppliers or other business relations;
- Conduct outside the scope of such executive’s duties and responsibilities under his Employment Agreement that causes the Company or any of its subsidiaries substantial public disgrace or disrepute or economic harm;
- Repeated failure to perform duties consistent with such Employment Agreement as reasonably directed by our Board;
- Any act or knowing omission aiding or abetting a competitor, supplier or customer of ours to our disadvantage or detriment;
- Breach of fiduciary duty, gross negligence or willful misconduct with respect to us;
- An administrative or other proceeding resulting in the suspension or debarment of such executive from participation in any contracts with, or programs of, the United States or any individual state or any agency or department thereof; or
- Any other material breach by such executive of his Employment Agreement or any other agreement between such executive and us, which is not cured to the reasonable satisfaction of our Board within 30 days after written notice thereof to such executive.

“Cause” (as defined in the Employment Agreements for Ms. Osteen and Messrs. Harrod and Hollinsworth) means the occurrence of one or more of the following with respect to such executive; provided that no determination

of “Cause” may be made until such executive has been given written notice detailing the specific Cause event and a period of fifteen (15) business days following receipt of such notice to cure such event:

- The conviction of or plea of nolo contendere to a felony or the conviction of any crime involving misappropriation, embezzlement or fraud with respect to the Company or any of its subsidiaries or any of their customers, suppliers or other business relations;
- Willful conduct outside the scope of such executive’s duties and responsibilities under their Employment Agreement that causes the Company or any of its subsidiaries substantial public disgrace or disrepute or demonstrable economic harm;
- Repeated failure to perform duties consistent with such Employment Agreement as reasonably directed by our Board;
- Any willful act or knowing omission of aiding or abetting a competitor of ours to our disadvantage or detriment;
- Material breach of fiduciary duty, gross negligence or willful misconduct with respect to us;
- An administrative or other proceeding arising as a result of such executive’s actions that results in the suspension or debarment of such executive from participation in any contracts with, or programs of, the United States or any individual state or any agency or department thereof, or any finding of a governmental agency that such executive personally has engaged in misconduct in connection with her employment by the Company or any predecessor employer; or
- Any other material breach by such executive of their Employment Agreement or any other agreement between such executive and us.

“Good Reason” (as defined in the Employment Agreements) means if the applicable executive resigns his or her employment with the Company as a result of one or more of the following actions (in each case taken without the executive’s written consent): (i) a reduction in such executive’s base salary (other than, for Messrs. Duckworth and Howard, as part of an across-the-board reduction that (A) results in a 10% or less reduction of such executive’s base salary as in effect on the date of any such reduction or (B) is approved by our Chief Executive Officer); (ii) a material diminution of such executive’s job duties or responsibilities inconsistent with the executive’s position; (iii) any other material breach by us of such Employment Agreement; or (iv) a relocation of our principal executive offices and corporate headquarters outside of a 30-mile radius of Nashville, Tennessee following relocation thereto in accordance with such Employment Agreement; provided that, none of the events described in clauses (i) through (iv) shall constitute Good Reason unless such executive shall have notified us in writing describing the event which constitutes Good Reason within 90 days after the occurrence of such event and then only if we shall have failed to cure such event within 30 days after our receipt of such written notice and such executive elects to terminate his or her employment as a result at the end of such 30 day period.

If an executive that is party to an Employment Agreement dies or becomes disabled, such executive is entitled to the Old Termination Payments (other than the amount equal to a multiple of the target annual cash bonus amount and the amount equal to a multiple of such executive’s base salary as in effect on the termination date) or New Termination Payments, as applicable. In the event that an executive becomes disabled not due to death, such executive is entitled to receive continued installment payments of such executive’s base salary as in effect on the termination date for a specified period of time.

If we terminate an executive under an Employment Agreement for Cause or if any such executive resigns without Good Reason, such executive is only entitled to receive his or her unpaid base salary through the termination date and any bonus amount to which such executive is entitled by reference to the calendar year that ended on or prior to the termination date, and in the case of Ms. Osteen and Messrs. Harrod and Hollinsworth, all other payments, benefits or fringe benefits pursuant to any applicable compensation arrangement as of the termination date. Upon any termination of employment under an Employment Agreement, whether voluntary or

otherwise, such executive has the option to elect to continue health insurance coverage until the earlier of (A) such time as the executive is eligible to participate in another health plan or (B) the executive becomes eligible for Medicare.

The tables below show the amounts that each Named Executive Officer would have received assuming that the Named Executive Officer's employment was terminated or he or she died or became disabled effective December 31, 2020. As of December 31, 2020, none of the Named Executive Officers were entitled to any compensation or benefits for resignation or retirement. Furthermore, the Employment Agreements do not distinguish a termination following a change in control from a termination in another context. Therefore, a termination following a change in control will entitle a Named Executive Officer to severance benefits only if the Named Executive Officer's employment is otherwise terminated without Cause by the Company or by the Named Executive Officer for Good Reason.

Ms. Osteen

Executive Benefits and Payments upon Termination	Involuntary Termination without Cause ⁽¹⁾	Death or Disability
Base Salary	\$1,836,000 ⁽²⁾	\$459,000 ⁽³⁾
Non-Equity Incentive Plan Compensation ⁽⁴⁾	1,836,000	1,836,000
Restricted Stock (unvested) ⁽⁵⁾	5,198,191	5,198,191
Insurance Benefits	41,112 ⁽⁶⁾	13,704 ⁽⁷⁾
Accrued Vacation ⁽⁸⁾	70,616	70,616

Mr. Duckworth

Executive Benefits and Payments upon Termination	Involuntary Termination without Cause ⁽¹⁾	Death or Disability
Base Salary	\$635,558 ⁽²⁾	\$ 317,779 ⁽³⁾
Non-Equity Incentive Plan Compensation ⁽⁴⁾	1,080,449	1,080,449
Restricted Stock (unvested) ⁽⁵⁾	1,971,750	1,971,750
Insurance Benefits	27,408 ⁽⁶⁾	13,704 ⁽⁷⁾
Accrued Vacation ⁽⁸⁾	48,890	48,890

Mr. Howard

Executive Benefits and Payments upon Termination	Involuntary Termination without Cause ⁽¹⁾	Death or Disability
Base Salary	\$1,163,168 ⁽²⁾	\$ 290,792 ⁽³⁾
Non-Equity Incentive Plan Compensation ⁽⁴⁾	988,693	988,693
Restricted Stock (unvested) ⁽⁵⁾	2,054,026	2,054,026
Insurance Benefits	53,352 ⁽⁶⁾	13,338 ⁽⁷⁾
Accrued Vacation ⁽⁸⁾	44,738	44,738

Mr. Hollinsworth

Executive Benefits and Payments upon Termination	Involuntary Termination without Cause ⁽¹⁾	Death or Disability
Base Salary	\$1,193,400 ⁽²⁾	\$ 298,350 ⁽³⁾
Non-Equity Incentive Plan Compensation ⁽⁴⁾	1,014,390	1,014,390
Restricted Stock (unvested) ⁽⁵⁾	2,613,419	2,613,419
Insurance Benefits	28,188 ⁽⁶⁾	9,396 ⁽⁷⁾
Accrued Vacation ⁽⁸⁾	44,753	44,753

Mr. Harrod

Executive Benefits and Payments upon Termination	Involuntary Termination without Cause ⁽¹⁾	Death or Disability
Base Salary	\$1,132,200 ⁽²⁾	\$ 283,050 ⁽³⁾
Non-Equity Incentive Plan Compensation ⁽⁴⁾	962,370	962,370
Restricted Stock (unvested) ⁽⁵⁾	1,724,973	1,724,973
Insurance Benefits	30,132 ⁽⁶⁾	10,044 ⁽⁷⁾
Accrued Vacation ⁽⁸⁾	38,581	38,581

- (1) The amounts shown would have been payable if we terminated the Named Executive Officer's employment without Cause (as defined in his or her Employment Agreement) or if the Named Executive Officer resigned his or her employment for Good Reason (as defined in his or her Employment Agreement), provided that the Named Executive Officer had not breached the non-competition, non-solicitation, confidentiality and proprietary information provisions of his or her Employment Agreement.
- (2) The amount shown reflects the product of two times the Named Executive Officer's base salary (except for Mr. Duckworth, which amount reflects twelve months of his base salary) as in effect on December 31, 2020 pursuant to the terms of his or her Employment Agreement (assuming that he or she is not in violation of the restrictive covenants set forth in his or her Employment Agreement or his or her General Release, if applicable). Pursuant to the Employment Agreements, base salary amounts are payable in regular installments over the course of the applicable severance period.
- (3) The amount shown reflects the Named Executive Officer's base salary as in effect on December 31, 2020 payable for a period of six months in the event of disability pursuant to the terms of his or her Employment Agreement.
- (4) The amount shown reflects the cash incentive award for 2020 of 100% of the base salary for Ms. Osteen, two times 85% of the base salary for Messrs. Duckworth, Harrod, Hollinsworth and Howard, assuming achievement of the performance goals at the target level, pursuant to the terms of their non-equity incentive compensation plans for 2020.
- (5) The amount shown reflects the value of all unvested restricted stock not intended to qualify as performance-based compensation for each Named Executive Officer, which will immediately vest pursuant to the terms of his or her Employment Agreement, based on a market value of \$50.26 per share as of December 31, 2020. See "EXECUTIVE COMPENSATION – Outstanding Equity Awards at Fiscal Year-End." Pursuant to each Named Executive Officer's Employment Agreement, unvested restricted stock unit awards intended to qualify as performance-based compensation are not immediately forfeited at termination but remain subject to forfeiture restrictions related to pre-established performance goals until the results of the related goals have been satisfied. As of December 31, 2020, all unvested restricted stock units of each Named Executive Officer would remain subject to pre-established performance goals and would vest in future years based on future performance. See "EXECUTIVE COMPENSATION – Outstanding Equity Awards at Fiscal Year-End" for potential amounts that may be realized in the future with respect to each Named Executive Officer's unvested restricted stock units as of December 31, 2020.
- (6) The amount shown reflects the cost of the premiums for continued health and dental insurance for the Named Executive Officer or his or her dependents, in accordance with COBRA, for a period of 24 months for Mr. Howard, 18 months for Ms. Osteen and for Messrs. Harrod and Hollinsworth, and 12 months for Mr. Duckworth, pursuant to the terms of the Employment Agreements.
- (7) The amount shown reflects the cost of the premiums for continued health and dental insurance for the Named Executive Officer or his or her dependents, in accordance with COBRA, for a period of six months pursuant to the terms of his or her Employment Agreement.
- (8) The amount shown reflects unused paid time off, pursuant to the terms of the Named Executive Officer's Employment Agreement and our paid time off policies.

In January 2021, we entered into a new employment agreement with Ms. Osteen effective as of January 1, 2021 (the "New Osteen Agreement"). The New Osteen Agreement contains substantially similar terms as the Osteen Agreement applicable through December 31, 2020, other than the following material changes: (i) Ms. Osteen's 2021 long-term incentive equity awards will consist entirely of performance vesting restricted stock units (rather than including a portion of time vesting restricted stock) with a one-year performance period (rather than three years), (ii) in the event of a termination without Cause or by Ms. Osteen with Good Reason, she will be entitled to her base salary through December 31, 2021 rather than two (2) times her base salary for the twelve (12) month period following the

termination date, and (iii) the non-compete period was extended from twelve (12) months to twenty-four months following termination of Ms. Osteen's employment.

2019, 2020 and 2021 Performance Vesting Equity Awards

As described in "COMPENSATION DISCUSSION AND ANALYSIS – Components of Executive Compensation – Equity-Based Compensation," shares earned annually under performance vesting restricted stock unit awards made in 2019, 2020 and 2021 are accumulated and released at the end of the three-year term of the award, subject to adjustment based on the relative TSR modifier. Given the longer payout for such awards, awards of an executive whose employment is terminated during the performance period due to death, disability, retirement, or without cause or for good reason will vest at the end of the performance period, subject to the Company's achievement of the performance goals.

Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Ms. Osteen, our Chief Executive Officer:

- the median of the annual total compensation of all employees of the Company (other than our Chief Executive Officer) was \$27,333; and
- the annual total compensation of our Chief Executive Officer, as reported in the Summary Compensation Table included elsewhere in this Proxy Statement, was \$5,131,395.

Based on this information, for 2020, the ratio of the annual total compensation of Ms. Osteen, our Chief Executive Officer, to the median of the annual total compensation of all employees was 188 to 1.

For purposes of the foregoing pay ratio disclosure, we were required to identify the median employee of all employees of the Company, without regard to their location, compensation arrangements or employment status (full-time versus part-time) and then determine the annual total compensation that "median employee" earned during 2020. To identify the median of the annual total compensation of all our employees, as well as to determine the annual total compensation of our median employee in 2020, we took the following steps:

Pursuant to applicable regulations, we are required to identify our median employee only once every three years. Accordingly, for purposes of determining the median annual total compensation of employees and the resulting pay ratio for 2020, we have used the 2020 compensation of the median employee that we identified as of December 31, 2019. We determined that, as of December 31, 2019, our employee population consisted of approximately 42,800 individuals working at the Company and its consolidated subsidiaries, with approximately 21,900 of these individuals located in the United States and Puerto Rico and approximately 21,900 located in the United Kingdom (as reported in Item 1, *Business*, in our Annual Report on Form 10-K for the year ended December 31, 2019). This population consisted of our full-time, part-time and temporary employees. The inclusion of part-time and temporary employees substantially reduces the median of the annual total compensation of all of our employees.

We prepared a list of employees at December 31, 2019 from our payroll records and evaluated total compensation. Total compensation includes salary, stock awards and non-equity incentive plan compensation. Compensation for full-time and part-time employees who commenced employment after January 1, 2019 was annualized. Compensation for temporary employees was not annualized. We used the exchange rate for the year ended December 31, 2019 of 1.28 British pounds to U.S. dollars to calculate total compensation for our employees located in the United Kingdom.

The median employee determined as of December 19, 2019 was still employed by the Company as of December 31, 2020 and the compensation of such employee for 2020 was fairly consistent with the compensation of such employee for 2019.

The SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies, including those within our peer group and industry.

DIRECTOR COMPENSATION

The table below sets forth the 2020 compensation earned by or paid to our non-management directors. Ms. Osteen does not receive any additional compensation for her service as a director.

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾	Total
Jason R. Bernhard	\$ 102,000	\$ 320,005	\$ 422,005
E. Perot Bissell	357,750	160,004	517,754
Michael J. Fucci ⁽³⁾	—	160,007	160,007
Vicky B. Gregg	197,000	160,004	357,004
William F. Grieco	350,750	160,004	510,754
Wade D. Miquelon	175,750	160,004	335,754
William M. Petrie, M.D.	122,000	160,004	282,004
Reeve B. Waud	442,000	160,004	602,004

- (1) Includes annual retainers and fees associated with serving on a Board committee. Includes pro-rated annual cash retainer amounts of \$8,750 for Messrs. Bissell, Grieco and Miquelon, and \$17,500 for Mr. Waud, related to their service on the Finance Committee from October 2018 through May 2019, which amounts were paid in 2020. In addition, includes cash compensation of \$60,000, \$210,000, \$187,500, \$37,500 and \$247,500 for Ms. Gregg and Messrs. Bissell, Grieco, Miquelon and Waud, respectively, for extraordinary time and effort relating to service on the Finance Committee from October 2018 through February 2020, particularly relating to our Chief Executive Officer transition and the sale of our U.K. operations, which amounts were paid in 2020.
- (2) This column reflects the grant date fair value of restricted stock awards granted to directors calculated in accordance with ASC 718. The grants include the following:
- (a) On February 25, 2020, Mr. Bernhard received an award of 4,745 shares of restricted stock. The calculation of grant date fair value for those shares is based on the closing market price of our Common Stock on the date immediately preceding the date of grant (\$33.72).
 - (b) On May 7, 2020, each non-management director elected or continuing to serve as a member of the Board received an award of 6,609 shares of restricted stock. The grant date fair value of restricted stock awards is computed by multiplying the total number of shares subject to the award by the closing market price of our Common Stock on the date immediately preceding the date of grant (\$24.21).
 - (c) On October 28, 2020, Mr. Fucci received an award of 5,293 shares of restricted stock following his election to the Board. The calculation of grant date fair value for those shares is based on the closing market price of our Common Stock on the date immediately preceding the date of grant (\$30.23).

As of December 31, 2020, each of the non-management directors (other than Mr. Bernhard and Mr. Fucci) held 11,280 shares of restricted stock.

- (3) Mr. Fucci was appointed as a member of the Board effective October 22, 2020.

Our Board of Directors adopted a compensation plan for non-management directors effective January 1, 2013, as amended in 2016, 2019 and 2020 (the “Directors Plan”), which provides:

- An annual cash retainer of \$87,000;
- An annual cash retainer of \$15,000 for each member of the Audit and Risk Committee and \$30,000 for the chair of the Audit and Risk Committee;
- An annual cash retainer of \$12,500 for each member of the Compensation Committee and \$27,500 for the chair of the Compensation Committee;
- An annual cash retainer of \$10,000 for each member of the Nominating Committee and \$22,000 for the chair of the Nominating Committee;
- An annual cash retainer of \$12,500 for each member of the Compliance Committee and \$27,500 for the chair of the Compliance Committee;
- An annual cash retainer of \$15,000 for each member of the Finance Committee and \$30,000 for the chair of the Finance Committee;
- An annual cash retainer of \$45,000 for the Lead Director (if applicable) and \$45,000 for the Chairman of the Board (if held by a non-management director);
- Additional cash compensation to be approved by the Chairman of the Board and Chairman of the Compensation Committee for each director who, at the discretion of the Chairman of the Board and Chairman of the Compensation Committee, devotes extraordinary time and effort to the Company;
- An initial grant of restricted stock having a value equal to \$160,000;
- An annual grant of restricted stock having a value equal to \$160,000; and
- An annual director compensation limit of \$600,000 earned in a given year, including both cash compensation and awards of restricted stock.

In addition to the compensation described above, we also reimburse our directors for travel and out-of-pocket expenses in connection with their attendance at meetings of our Board of Directors.

Under the Directors Plan, all annual retainers shall be paid on the date of our annual meeting of stockholders (the “Annual Meeting Date”). Each year as of the Annual Meeting Date, each non-management member of our Board who is re-elected or who otherwise continues to be a member of the Board immediately thereafter is automatically granted under the Directors Plan, without further action by us, our Board of Directors, the Compensation Committee or our stockholders, shares of our restricted stock having a value equal to \$160,000. The value of the restricted shares shall be based on the closing trading price of our Common Stock on the trading day immediately preceding the Annual Meeting Date. All restricted shares issued to non-management directors shall vest over three years with such shares to vest 33⅓% per year on the three successive anniversary dates of the grant of restricted stock beginning on the first anniversary of the grant date.

Each of our directors is a party to an Indemnification Agreement with the Company pursuant to which we have agreed to indemnify and advance expenses to such director in connection with his or her service as our director, officer or agent to the fullest extent permitted by law and as set forth in each such agreement and, to the extent applicable, to maintain insurance coverage for each such director under our policies of directors’ and officers’ liability insurance.

AUDIT AND RISK COMMITTEE REPORT

Our management has primary responsibility for preparing our financial statements and implementing internal controls over financial reporting. Our independent registered public accounting firm, Ernst & Young LLP, is responsible for expressing an opinion on the conformity of our audited financial statements with accounting principles generally accepted in the United States and the effectiveness of our internal control over financial reporting.

The role and responsibilities of the Audit and Risk Committee are set forth in a written charter adopted by our Board of Directors. The charter is available on our website, www.acadiahealthcare.com, under the webpage “Investors – Corporate Governance.” The Audit and Risk Committee reviews and reassesses the adequacy of the charter annually or more often as necessary and recommends any proposed changes to the Board. The Audit and Risk Committee acted in accordance with its charter in 2020. In fulfilling its responsibilities for fiscal year 2020, the Audit and Risk Committee:

- Pre-approved all auditing and non-auditing services of Ernst & Young LLP;
- Reviewed and discussed with management our unaudited quarterly financial statements during 2020 and our audited financial statements for the fiscal year ended December 31, 2020, including a discussion of critical accounting policies used in such financial statements;
- Reviewed and discussed with the internal auditor the quality and appropriateness of our internal controls and reporting procedures;
- Discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 1301, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, both with and without management present; and
- Received the written disclosures and the letter from Ernst & Young LLP as required by the applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP’s communications with the Audit and Risk Committee concerning independence and discussed with Ernst & Young LLP their independence from us and management.

Based on the Audit and Risk Committee’s review of the audited financial statements and discussions with management and Ernst & Young LLP as described above, and in reliance thereon, the Audit and Risk Committee recommended to our Board of Directors that the audited financial statements for the fiscal year ended December 31, 2020 be included in our Annual Report on Form 10-K for filing with the SEC.

AUDIT AND RISK COMMITTEE:

William F. Grieco, Chairman
E. Perot Bissell
Michael J. Fucci
Reeve B. Waud

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

None.

GENERAL INFORMATION

Stockholder Proposals for 2022 Annual Meeting

Pursuant to Rule 14a-8 under the Exchange Act, proper stockholder proposals intended to be presented at our 2022 annual meeting of stockholders must be received by us at our principal executive offices at 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067 no later than November 24, 2021 for the proposals to be included in the Proxy Statement and form of proxy card for that meeting.

If a stockholder desires to bring a matter before our annual meeting of stockholders and the matter is submitted outside the process of Rule 14a-8, including with respect to nominations for election as directors, the stockholder must follow the procedures set forth in our Bylaws. Our Bylaws provide generally that stockholder proposals and director nominations to be considered at an annual meeting of stockholders may be made by a stockholder only if (1) the stockholder is a stockholder of record and is entitled to vote at the meeting, and (2) the stockholder gives timely written notice of the matter to our corporate secretary. To be timely, a stockholder's notice must be received at our principal executive offices no later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of stockholders. However, in the event that our annual meeting is more than 30 days before or more than 70 days after the date of first anniversary of the preceding year's annual meeting of stockholders, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Company. Under our Bylaws, notice with respect to the 2022 annual meeting of stockholders must be received at our principal executive offices between the close of business on January 6, 2022 and the close of business on February 5, 2022, unless the 2022 annual meeting is called for a date that is more than 30 days before or more than 70 days after May 6, 2022. The notice must set forth the information required by the provisions of our Bylaws dealing with stockholder proposals and nominations of directors.

Annual Report on Form 10-K

As indicated in the Notice of Internet Availability of Proxy Materials, a copy of this Proxy Statement and our 2020 Annual Report to Stockholders has been posted on the website www.proxyvote.com. **Upon the written request of any stockholder entitled to vote at the Annual Meeting, we will furnish, without charge, a copy of our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC. Requests should be directed to Acadia Healthcare Company, Inc., 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067, Attention: Christopher L. Howard, Esq., Executive Vice President, General Counsel and Secretary, (615) 851-6000.** Our Annual Report to Stockholders and Annual Report on Form 10-K are not proxy soliciting materials.

Delivery of Documents to Stockholders Sharing an Address

Householding is a program adopted by the SEC that permits companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for annual reports, proxy statements and the Notices of Internet Availability of proxy materials sent to multiple stockholders of record who have the same address by delivering a single annual report, proxy statement or Notice of Internet Availability of Proxy Materials to that address. Householding is designed to reduce a company's printing costs and postage fees. Brokers with account holders who are stockholders of the Company may be householding the Company's proxy materials. If your household participates in the householding program, you will receive one Notice of Internet Availability of Proxy Materials. If you are a beneficial holder, you can request information about householding from your broker, bank or other nominee. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, annual report or Notice of Internet Availability of Proxy Materials, please notify your broker if your shares are held

in a brokerage account or us if you are a stockholder of record. You can notify us by sending a written request to our General Counsel and Secretary at 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067, or by calling (615) 861-6000. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report, proxy statement and Notice of Internet Availability of Proxy Materials to a stockholder at a shared address to which a single copy of the documents was delivered.

If you receive more than one Notice of Internet Availability of Proxy Materials, this means that you have multiple accounts holding Common Stock with brokers and/or the Company's transfer agent. Please vote all of your shares by following the instructions included on each Notice of Internet Availability of Proxy Materials. Additionally, to avoid receiving multiple sets of proxy materials in the future, the Company recommends that you contact Broadridge Financial Services, Inc. at www.proxyvote.com or (800) 579-1639 to consolidate as many accounts as possible under the same name and address. If you are a beneficial holder, please call your broker for instructions.

Electronic Access to Proxy Statement and Annual Report to Stockholders

We have elected to provide this Proxy Statement and our 2020 Annual Report to Stockholders over the Internet through a "notice and access" model. The Notice of Internet Availability of Proxy Materials provides instructions on how you may access this Proxy Statement and our 2020 Annual Report to Stockholders on the Internet at www.proxyvote.com or request a printed copy at no charge. In addition, the Notice of Internet Availability of Proxy Materials provides instructions on how you may request to receive, at no charge, all future proxy materials in printed form by mail or electronically by email. Your election to receive proxy materials by mail or email will remain in effect until you revoke it. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to stockholders and will reduce the impact of our annual meetings on the environment.

ACADIA HEALTHCARE COMPANY, INC.



Debra K. Osteen
Chief Executive Officer and Director

March 24, 2021

**Reconciliation of Adjusted EBITDA for Purposes of Compensation Plans
(Unaudited)**

(in thousands)	2020	2019
Net (loss) income attributable to Acadia Healthcare Company, Inc.	\$(672,132)	\$108,923
Net income attributable to noncontrolling interests	2,933	1,199
Loss (income) from discontinued operations, net of taxes	812,390	(56,812)
Provision for income taxes	40,606	25,085
Interest expense, net	158,105	187,325
Depreciation and amortization	95,256	87,923
Continuing operations EBITDA	437,158	353,643
Adjustments:		
Equity-based compensation expense (a)	22,504	17,307
Transaction-related expenses (b)	11,720	21,157
Debt extinguishment costs (c)	7,233	—
Loss on impairment (d)	4,751	27,217
Continuing operations adjusted EBITDA, as reported	\$483,366	\$419,324
Discontinued operations adjusted EBITDA, as reported	\$160,776	\$166,559
Combined adjusted EBITDA, as reported	\$644,142	\$585,883
Foreign currency translation adjustment (e)	—	3,097
Facility closures (f)	—	3,466
Natural disasters (g)	—	774
Severance and restructuring costs (h)	2,431	2,201
Other non-cash gains and charges (i)	766	(576)
Adjusted EBITDA for purposes of compensation plans	<u>\$647,339</u>	<u>\$594,845</u>

**Reconciliation of Adjusted EPS for Purposes of Compensation Plans
(Unaudited)**

(in thousands)	2020	2019
Net (loss) income attributable to Acadia Healthcare Company, Inc.	\$(672,132)	\$108,923
Loss (income) from discontinued operations, net of taxes	812,390	(56,812)
Adjustments to income:		
Transaction related expenses (b)	11,720	21,157
Debt extinguishment costs (c)	7,233	—
Loss on impairment (d)	4,751	27,217
Provision for income taxes	40,606	25,085
Adjusted income from continuing operations before income taxes attributable to Acadia Healthcare Company, Inc.	204,568	125,570
Adjusted income from discontinued operations before income taxes	86,258	90,669
Adjusted income before income taxes attributable to Acadia Healthcare Company, Inc.	290,826	216,239
Adjustments to income for purposes of compensation plans:		
Foreign currency translation adjustment (e)	—	1,723
Facility closures (f)	—	1,751
Natural disasters (g)	—	774
Severance and restructuring costs (h)	2,431	2,201
Other non-cash gains and charges (i)	766	(576)
Income tax effect of adjustments to income (j)	(44,986)	(38,114)
Adjusted income attributable to Acadia Healthcare Company, Inc. for purposes of compensation plans	\$249,037	\$183,998
Weighted-average shares outstanding - diluted	88,595	87,816
Adjusted EPS for purposes of compensation plans	\$2.81	\$2.10

- (a) Represents the equity-based compensation expense of Acadia.
- (b) Represents transaction-related expenses incurred by Acadia primarily related to termination, restructuring, strategic review, management transition and other similar costs.
- (c) Represents debt extinguishment costs recorded in connection with the repayment of the 6.125% Senior Notes and 5.125% Senior Notes in June 2020, issuance of the 5.000% Senior Notes in October 2020 and the Fourth Repricing Facilities Amendment to the Amended and Restated Credit Facility in November 2020.
- (d) Represents non-cash long-lived asset impairment charges related to certain facility closures.
- (e) Represents the impact of foreign earnings translation based on the difference in the actual exchange rate for the year ended December 31, 2019 and the exchange rate used to establish Adjusted EBITDA and Adjusted EPS targets.
- (f) Represents the impact of closing four U.S. facilities.
- (g) Represents the impact of certain natural disasters.
- (h) Represents severance and restructuring costs not included in transaction costs.
- (i) Represents non-cash gains and charges such as gain or loss on disposal of assets and other one-time charges.
- (j) Represents the income tax effect of adjustments to income based on tax rates of 15.3% and 17.2% for the year ended December 31, 2020 and 2019, respectively.

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APPENDIX A

Second Amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan

This Amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the “Plan”) is adopted by Acadia Healthcare Company, Inc. (the “Company”), effective as of May 6, 2021.

WHEREAS, the Company has established the Plan through which the Company may grant awards of stock options, stock appreciation rights, restricted stock and other stock-based and cash-based awards to directors, officers and other employees of the Company and its subsidiaries, as well as other persons performing consulting or advisory services for the Company; and

WHEREAS, the Company desires to amend the Plan to increase the total number of shares that may be granted pursuant to the Plan by 4,500,000 shares, resulting in a total of 12,700,000 shares that may be granted under the Plan, (ii) specifically prohibit certain share recycling and (iii) prohibit payment of dividends on unvested awards unless conditioned on vesting.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. By deleting Section 4.1(a) in its entirety and inserting the following in its place and stead:

“4.1 Shares.

(a) (a) The aggregate number of shares of Common Stock that may be issued or used for reference purposes or with respect to which Awards may be granted under the Plan shall not exceed 12,700,000 shares (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company or both. The maximum number of shares of Common Stock with respect to which Incentive Stock Options may be granted under the Plan shall be 12,700,000 shares. Notwithstanding any provision of the Plan to the contrary, the following shares of Common Stock shall not be added to the shares authorized for grant under Section 4.1(a) and the individual share limitations of Section 4.1(b) and shall not be available for future grants of Awards: (i) shares of Common Stock tendered by a Participant or withheld by the Company in payment of the exercise price of an Option, (ii) shares of Common Stock tendered by a Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award, (iii) shares of Common Stock subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof and (iv) shares of Common Stock purchased by the Company with the cash proceeds from the exercise of Options. If any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of shares of Common Stock underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock shall again be available for purposes of Awards under the Plan. If a Tandem Stock Appreciation Right or a Limited Stock Appreciation Right is granted in tandem with an Option, such grant shall only apply once against the maximum number of shares of Common Stock which may be issued under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations. Notwithstanding any provision of the Plan to the contrary, in no event will dividends or dividend equivalents be granted with respect to unvested Awards, except that the Committee may provide in the applicable Award Agreement at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, vesting of the Award.”

2. By deleting Section 8.3(b) in its entirety and inserting the following in its place and stead:

“(b) Rights as a Stockholder. Except as provided in Section 8.3(a) with respect to the Restriction Period and this Section 8.3(b) with respect to dividends or as otherwise provided by the Committee in the applicable Award Agreement at the time of grant, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company, including, without limitation, the right to vote such shares and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares. Notwithstanding the foregoing and any provision of the Plan to the contrary, in no event will dividends or dividend equivalents be granted with respect to unvested shares of Restricted Stock, except that the Committee may provide in the applicable Award Agreement at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, vesting of the shares of Restricted Stock.”

3. By deleting Section 9.2(d) in its entirety and inserting the following in its place and stead:

“(d) Dividends. Amounts equal to dividends declared during the Performance Period with respect to the number of shares of Common Stock covered by a Performance Award will not be paid to the Participant, except that the Committee may provide in the applicable Award Agreement at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, vesting of the Performance Award.”

4. By deleting Section 10.2(b) in its entirety and inserting the following in its place and stead:

“(b) Dividends. The recipient of an Award under this Article X shall not be entitled to receive dividends or dividend equivalents in respect of the number of shares of Common Stock covered by the Award, except that the Committee may provide in the applicable Award Agreement at the time of grant that the payment of dividends shall be deferred until, and conditioned upon, vesting of the Award.”

[signature page follows]

IN WITNESS WHEREOF, this Amendment is hereby executed by the undersigned officer of the Company, to be effective as of the date first written above.

Acadia Healthcare Company, Inc.

By: _____
Name: Christopher L. Howard
Title: Executive Vice President, General Counsel
and Secretary

APPENDIX B

First Amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan

This Amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the “Plan”) is adopted by Acadia Healthcare Company, Inc. (the “Company”), effective as of May 19, 2016.

WHEREAS, the Company has established the Plan through which the Company may grant awards of stock options, stock appreciation rights, restricted stock and other stock-based and cash-based awards to directors, officers and other employees of the Company and its subsidiaries, as well as other persons performing consulting or advisory services for the Company; and

WHEREAS, the Company desires to amend the Plan to increase the total number of shares that may be granted pursuant to the Plan by 3,500,000 shares, resulting in a total of 8,200,000 shares that may be granted under the Plan, and to clarify the provisions limiting cash buyouts and share re-pricing for options and stock appreciation rights.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. By deleting Section 4.1(a) in its entirety and inserting the following in its place and stead:

“4.1 Shares.

(a) The aggregate number of shares of Common Stock that may be issued or used for reference purposes or with respect to which Awards may be granted under the Plan shall not exceed 8,200,000 shares (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company or both. The maximum number of shares of Common Stock with respect to which Incentive Stock Options may be granted under the Plan shall be 8,200,000 shares. With respect to Stock Appreciation Rights settled in Common Stock, upon settlement, only the number of shares of Common Stock delivered to a Participant (based on the difference between the Fair Market Value of the shares of Common Stock subject to such Stock Appreciation Right on the date such Stock Appreciation Right is exercised and the exercise price of each Stock Appreciation Right on the date such Stock Appreciation Right was awarded) shall count against the aggregate and individual share limitations set forth under Sections 4.1(a) and 4.1(b). If any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of shares of Common Stock underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock shall again be available for purposes of Awards under the Plan. If a Tandem Stock Appreciation Right or a Limited Stock Appreciation Right is granted in tandem with an Option, such grant shall only apply once against the maximum number of shares of Common Stock which may be issued under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations.”

2. By deleting Section 6.4(l) in its entirety and inserting the following in its place and stead:

“(l) Form of Stock Options; No Re-Pricing. Subject to the terms and conditions and within the limitations of the Plan, Stock Options shall be evidenced by such form of agreement or grant as is approved by the Committee. Except as provided in Section 4.2 or Article XII, without stockholder approval the Committee shall not be permitted to (i) amend an outstanding Stock Option to lower or reduce the exercise price thereof; (ii) cancel an outstanding Stock Option when the

exercise price per share exceeds the Fair Market Value of the underlying shares in exchange for cash or another Award for the purpose of re-pricing the Stock Option; or (iii) cancel or accept the surrender of an outstanding Stock Option in exchange for a Stock Option with an exercise price that is less than the exercise price of the cancelled or surrendered Award.”

3. By deleting Section 7.7 in its entirety and inserting the following in its place and stead:

“7.7 **Other Terms and Conditions.** The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Stock Appreciation Right on a cashless basis on the last day of the term of such Stock Appreciation Right if the Participant has failed to exercise the Stock Appreciation Right as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Stock Appreciation Right exceeds the exercise price of such Stock Appreciation Right on the date of expiration of such Stock Appreciation Right, subject to Section 14.4. Stock Appreciation Rights may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate. Except as provided in Section 4.2 or Article XII, and notwithstanding any other provision, without stockholder approval the Committee shall not be permitted to (i) amend an outstanding Stock Appreciation Right to lower or reduce the exercise price thereof; (ii) cancel an outstanding Stock Appreciation Right when the exercise price per share exceeds the Fair Market Value of the underlying shares in exchange for cash or another Award for the purpose of re-pricing the Stock Appreciation Right; or (iii) cancel or accept the surrender of an outstanding Stock Appreciation Right in exchange for a Stock Appreciation Right with an exercise price that is less than the exercise price of the cancelled or surrendered Award.”

IN WITNESS WHEREOF, this Amendment is hereby executed by the undersigned officer of the Company, to be effective as of the date first written above.

Acadia Healthcare Company, Inc.

By: /s/ Christopher L. Howard
Name: Christopher L. Howard
Title: Executive Vice President, General Counsel
and Secretary

Acadia Healthcare Company, Inc.
Incentive Compensation Plan

Article I
PURPOSE

Acadia Healthcare Company, Inc. hereby amends and restates the 2011 Incentive Compensation Plan, as the Acadia Healthcare Company, Inc. Incentive Compensation Plan, effective as of the date set forth in Article XV to enhance the profitability and value of the Company for the benefit of its stockholders by enabling the Company to offer Eligible Individuals cash and stock-based incentives in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's stockholders.

Article II
DEFINITIONS

For purposes of the Plan, the following terms shall have the following meanings:

2.1 “**Acquisition Event**” has the meaning set forth in Section 4.2(d).

2.2 “**Affiliate**” means each of the following: (a) any Subsidiary; (b) any Parent; (c) any corporation, trade or business (including, without limitation, a partnership or limited liability company) which is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its Affiliates; (d) any trade or business (including, without limitation, a partnership or limited liability company) which directly or indirectly controls 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) of the Company; and (e) any other entity in which the Company or any of its Affiliates has a material equity interest and which is designated as an “Affiliate” by resolution of the Committee; provided that, unless otherwise determined by the Committee, the Common Stock subject to any Award constitutes “service recipient stock” for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code.

2.3 “**Award**” means any award under the Plan of any Stock Option, Stock Appreciation Right, Restricted Stock, Performance Award, Other Stock-Based Award or Other Cash-Based Award. All Awards shall be granted by, confirmed by, and subject to the terms of, a written agreement executed by the Company and the Participant.

2.4 “**Award Agreement**” means the written or electronic agreement setting forth the terms and conditions applicable to an Award.

2.5 “**Board**” means the Board of Directors of the Company.

2.6 “**Cause**” means, unless otherwise provided by the Committee in the applicable Award Agreement, with respect to a Participant's Termination of Employment or Termination of Consultancy, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define “cause” (or words of like import)), termination due to a (i) willful or serious misconduct or gross negligence in the performance of the Participant's duties to the Company; (ii) willful or repeated failure to satisfactorily perform the Participant's duties to the Company or to follow the lawful directives of the Board or any executive or supervisor to which the Participant reports (other than as a result of death or due to Disability); (iii) commission of, indictment for, conviction of, or pleading of guilty or nolo contendere to, a felony or any crime involving moral turpitude; (iv) performance of any act of theft, embezzlement, fraud, malfeasance, dishonesty or misappropriation of the Company's property; or (v) breach of, or failure to comply with, any material agreement with the Company, or a violation of the Company's code of conduct or other written policy; or (b) in the case where there is an employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate and the Participant at the time of the grant of the Award that defines “cause” (or words of like import), “cause” as defined under such agreement;

provided, however, that with regard to any agreement under which the definition of “cause” only applies on occurrence of a change in control, such definition of “cause” shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant’s Termination of Directorship, “cause” means an act or failure to act that constitutes cause for removal of a director under applicable Delaware law.

2.7 “**Change in Control**” has the meaning set forth in 11.2.

2.8 “**Change in Control Price**” has the meaning set forth in Section 11.1.

2.9 “**Code**” means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any treasury regulation promulgated thereunder.

2.10 “**Committee**” means any committee of the Board duly authorized by the Board to administer the Plan. If no committee is duly authorized by the Board to administer the Plan, the term “Committee” shall be deemed to refer to the Board for all purposes under the Plan.

2.11 “**Common Stock**” means the common stock, \$0.01 par value per share, of the Company.

2.12 “**Company**” means Acadia Healthcare Company, Inc., a Delaware corporation, and its successors by operation of law.

2.13 “**Consultant**” means any Person who is an advisor or consultant to the Company or its Affiliates.

2.14 “**Disability**” means, unless otherwise provided by the Committee in the applicable Award Agreement, with respect to a Participant’s Termination, a permanent and total disability as defined in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.15 “**Effective Date**” means the effective date of the Plan as defined in Article XV.

2.16 “**Eligible Employees**” means each employee of the Company or an Affiliate.

2.17 “**Eligible Individual**” means any Eligible Employee, Non-Employee Director or Consultant.

2.18 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the Exchange Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.19 “**Fair Market Value**” means, for purposes of the Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date and except as provided below, the last sales price reported for the Common Stock on the applicable date: (a) as reported on the principal national securities exchange in the United States on which it is then traded or (b) if the Common Stock is not traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the requirements of Section 409A of the Code. For purposes of the grant of any Award, the applicable date shall be the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or, if not a day on which the applicable market is open, the next day that it is open.

2.20 “**Family Member**” means “family member” as defined in Section A.1.(a)(5) of the general instructions of Form S-8.

2.21 “**Incentive Stock Option**” means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parents (if any) under the Plan intended to be and designated as an “Incentive Stock Option” within the meaning of Section 422 of the Code.

2.22 “**Non-Employee Director**” means a director or a member of the Board of the Company or any Affiliate who is not an active employee of the Company or any Affiliate.

2.23 “**Non-Qualified Stock Option**” means any Stock Option awarded under the Plan that is not an Incentive Stock Option.

2.24 “**Non-Tandem Stock Appreciation Right**” shall mean the right to receive an amount in cash and/or stock equal to the difference between (x) the Fair Market Value of a share of Common Stock on the date such right is exercised, and (y) the aggregate exercise price of such right, otherwise than on surrender of a Stock Option.

2.25 “**Other Cash-Based Award**” means an Award granted pursuant to Section 10.3 of the Plan and payable in cash at such time or times and subject to such terms and conditions as provided by the Committee in the applicable Award Agreement.

2.26 “**Other Stock-Based Award**” means an Award under Article X of the Plan that is valued in whole or in part by reference to, or is payable in or otherwise based on, Common Stock, including, without limitation, an Award valued by reference to an Affiliate.

2.27 “**Parent**” means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.28 “**Participant**” means an Eligible Individual to whom an Award has been granted pursuant to the Plan.

2.29 “**Performance Award**” means an Award granted to a Participant pursuant to Article IX hereof contingent upon achieving certain Performance Goals.

2.30 “**Performance Goals**” means goals established by the Committee as contingencies for Awards to vest and/or become exercisable or distributable based on one or more of the performance goals set forth in Exhibit A hereto.

2.31 “**Performance Period**” means the period designated during which the Performance Goals must be satisfied with respect to the Award to which the Performance Goals relate.

2.32 “**Person**” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a government or any branch, department, agency, political subdivision or official thereof.

2.33 “**Plan**” means this Incentive Compensation Plan, as an amendment and restatement of the 2011 Incentive Compensation Plan and as amended from time to time.

2.34 “**Reference Stock Option**” has the meaning set forth in Section 7.1.

2.35 “**Registration Date**” means the date on which the Company sells its Common Stock in a bona fide, firm commitment underwriting pursuant to a registration statement under the Securities Act.

2.36 “**Restricted Stock**” means an Award of shares of Common Stock under the Plan that is subject to restrictions under Article VIII.

2.37 “**Restriction Period**” has the meaning set forth in Section 8.3(a) with respect to Restricted Stock.

2.38 “**Rule 16b-3**” means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.

2.39 “**Section 162(m) of the Code**” means the exception for performance-based compensation under Section 162(m) of the Code and any applicable treasury regulations thereunder.

2.40 “**Section 409A of the Code**” means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable treasury regulations and other official guidance thereunder.

2.41 “**Securities Act**” means the Securities Act of 1933, as amended and all rules and regulations promulgated thereunder. Reference to a specific section of the Securities Act or regulation thereunder shall include such section or regulation, any valid regulation or interpretation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

2.42 “**Stock Appreciation Right**” shall mean the right pursuant to an Award granted under Article VII.

2.43 “**Stock Option**” or “**Option**” means any option to purchase shares of Common Stock granted to Eligible Individuals granted pursuant to Article VI.

2.44 “**Subsidiary**” means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.45 “**Tandem Stock Appreciation Right**” shall mean the right to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount in cash and/or stock equal to the difference between (i) the Fair Market Value on the date such Stock Option (or such portion thereof) is surrendered, of the Common Stock covered by such Stock Option (or such portion thereof), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof).

2.46 “**Ten Percent Stockholder**” means a Person owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.

2.47 “**Termination**” means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

2.48 “**Termination of Consultancy**” means: (a) that the Consultant is no longer acting as a consultant to the Company or an Affiliate; or (b) when an entity which is retaining a Participant as a Consultant ceases to be an Affiliate unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of such Consultant’s consultancy, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Consultancy in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter, provided that any such change to the definition of the term “Termination of Consultancy” does not subject the applicable Award to Section 409A of the Code.

2.49 “**Termination of Directorship**” means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of such Non-Employee Director’s directorship, such Non-Employee Director’s ceasing to be a

director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

2.50 “**Termination of Employment**” means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity which is employing a Participant ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate at the time the entity ceases to be an Affiliate. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of such Eligible Employee’s employment, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may otherwise define Termination of Employment in the Award Agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter, provided that any such change to the definition of the term “Termination of Employment” does not subject the applicable Award to Section 409A of the Code.

2.51 “**Transfer**” means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in any entity), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in any entity) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). “Transferred” and “Transferable” shall have a correlative meaning.

2.52 “**Transition Period**” means the period beginning with the Registration Date and ending as of the earlier of: (i) the date of the first annual meeting of stockholders of the Company at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the Registration Date occurs; and (ii) the expiration of the “reliance period” under Treasury Regulation Section 1.162-27(f)(2).

Article III ADMINISTRATION

3.1 **The Committee.** The Plan shall be administered and interpreted by the Committee. To the extent required by applicable law, rule or regulation, it is intended that each member of the Committee shall qualify as (a) a “non-employee director” under Rule 16b-3, (b) an “outside director” under Section 162(m) of the Code and (c) an “independent director” under the rules of any national securities exchange or national securities association, as applicable. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify.

3.2 **Grants of Awards.** The Committee shall have full authority to grant, pursuant to the terms of the Plan, to Eligible Individuals: (i) Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; (iv) Performance Awards; (v) Other Stock-Based Awards; and (vi) Other Cash-Based Awards. In particular, the Committee shall have the authority:

(a) to select the Eligible Individuals to whom Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Awards, or any combination thereof, are to be granted hereunder to one or more Eligible Individuals;

(c) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver

thereof, regarding any Award and the shares of Common Stock relating thereto, based on such factors, if any, as the Committee shall determine);

- (e) to determine the amount of cash to be covered by each Award granted hereunder;
- (f) to determine whether, to what extent and under what circumstances grants of Options and other Awards under the Plan are to operate on a tandem basis and/or in conjunction with or apart from other awards made by the Company outside of the Plan;
- (g) to determine whether and under what circumstances a Stock Option may be settled in cash, Common Stock and/or Restricted Stock under Section 6.4(d);
- (h) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option;
- (i) to determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Award for a period of time as determined by the Committee following the date of the acquisition or exercise of such Award;
- (j) to modify, extend or renew an Award, subject to Article XII and Section 6.4(l), provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Participant; and
- (k) solely to the extent permitted by applicable law, to determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Options under the Plan.

3.3 Guidelines. Subject to Article XII hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special guidelines and provisions for Persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. Notwithstanding the foregoing, no action of the Committee under this Section 3.3 shall impair the rights of any Participant without the Participant's consent. To the extent applicable, the Plan is intended to comply with the applicable requirements of Rule 16b-3, and with respect to Awards intended to be "performance-based," the applicable provisions of Section 162(m) of the Code, and the Plan shall be limited, construed and interpreted in a manner so as to comply therewith.

3.4 Decisions Final. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with the Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns.

3.5 Procedures. If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the By-Laws of the Company, at such times and places as it shall deem advisable, including, without limitation, by telephone conference or by written consent to the extent permitted by applicable law. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all of the Committee members in accordance with the By-Laws of the Company, shall be fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep

minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

3.6 Designation of Consultants/Liability.

(a) The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan and (to the extent permitted by applicable law and applicable exchange rules) may grant authority to officers to grant Awards and/or execute agreements or other documents on behalf of the Committee. In the event of any designation of authority hereunder, subject to applicable law, applicable stock exchange rules and any limitations imposed by the Committee in connection with such designation, such designee or designees shall have the power and authority to take such actions, exercise such powers and make such determinations that are otherwise specifically designated to the Committee hereunder.

(b) The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any Person designated pursuant to sub-section (a) above shall not be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it.

3.7 Indemnification. To the maximum extent permitted by applicable law and the Certificate of Incorporation and By-Laws of the Company and to the extent not covered by insurance directly insuring such person, each officer or employee of the Company or any Affiliate and member or former member of the Committee or the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Committee) or liability (including any sum paid in settlement of a claim with the approval of the Committee), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of the Plan, except to the extent arising out of such officer's, employee's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any right of indemnification the employees, officers, directors or members or former officers, directors or members may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or any Affiliate. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to such individual under the Plan.

Article IV SHARE LIMITATION

4.1 Shares.

(a) The aggregate number of shares of Common Stock that may be issued or used for reference purposes or with respect to which Awards may be granted under the Plan shall not exceed 4,700,000 shares (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company or both. The maximum number of shares of Common Stock with respect to which Incentive Stock Options may be granted under the Plan shall be 4,700,000 shares. With respect to Stock Appreciation Rights settled in Common Stock, upon settlement, only the number of shares of Common Stock delivered to a Participant (based on the difference between the Fair Market Value of the shares of Common Stock subject to such Stock Appreciation Right on the date such Stock Appreciation Right is exercised and the exercise price of each Stock Appreciation Right on the date such Stock Appreciation Right was awarded) shall count against the aggregate and individual share limitations set forth under Sections 4.1(a) and 4.1(b). If any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of shares of

Common Stock underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in shares of Common Stock shall again be available for purposes of Awards under the Plan. If a Tandem Stock Appreciation Right or a Limited Stock Appreciation Right is granted in tandem with an Option, such grant shall only apply once against the maximum number of shares of Common Stock which may be issued under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations.

(b) Individual Participant Limitations. To the extent required by Section 162(m) of the Code for Awards under the Plan to qualify as “performance-based compensation,” the following individual Participant limitations shall only apply after the expiration of the Transition Period:

(i) The maximum number of shares of Common Stock subject to any Award of Stock Options, or Stock Appreciation Rights, or shares of Restricted Stock, or Other Stock-Based Awards for which the grant of such Award or the lapse of the relevant Restriction Period is subject to the attainment of Performance Goals in accordance with Section 8.3(a)(ii) which may be granted under the Plan during any fiscal year of the Company to any Participant shall be 750,000 shares per type of Award (which shall be subject to any further increase or decrease pursuant to Section 4.2), provided that the maximum number of shares of Common Stock for all types of Awards does not exceed 1,500,000 shares (which shall be subject to any further increase or decrease pursuant to Section 4.2) during any fiscal year of the Company. If a Tandem Stock Appreciation Right is granted or a Limited Stock Appreciation Right is granted in tandem with a Stock Option, it shall apply against the Participant’s individual share limitations for both Stock Appreciation Rights and Stock Options.

(ii) There are no annual individual share limitations applicable to Participants on Restricted Stock or Other Stock-Based Awards for which the grant, vesting or payment (as applicable) of any such Award is not subject to the attainment of Performance Goals.

(iii) The maximum number of shares of Common Stock subject to any Performance Award which may be granted under the Plan during any fiscal year of the Company to any Participant shall be 750,000 shares (which shall be subject to any further increase or decrease pursuant to Section 4.2) with respect to any fiscal year of the Company.

(iv) The maximum value of a cash payment made under a Performance Award which may be granted under the Plan with respect to any fiscal year of the Company to any Participant shall be \$10,000,000.

(v) The individual Participant limitations set forth in this Section 4.1(b) (other than Section 4.1(b)(iii)) shall be cumulative; that is, to the extent that shares of Common Stock for which Awards are permitted to be granted to a Participant during a fiscal year are not covered by an Award to such Participant in a fiscal year, the number of shares of Common Stock available for Awards to such Participant shall automatically increase in the subsequent fiscal years during the term of the Plan until used.

4.2 Changes.

(a) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company’s capital structure or its business, (ii) any merger or consolidation of the Company or any Affiliate, (iii) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock, (iv) the dissolution or liquidation of the Company or any Affiliate, (v) any sale or transfer of all or part of the assets or business of the Company or any Affiliate or (vi) any other corporate act or proceeding.

(b) Subject to the provisions of Section 4.2(d), if there shall occur any such change in the capital structure of the Company by reason of any stock split, reverse stock split, stock dividend, subdivision, combination or reclassification of shares that may be issued under the Plan, any recapitalization, any merger, any consolidation, any spin off, any reorganization or any partial or complete liquidation, or any other corporate transaction or event having an effect similar to any of the foregoing (a “Section 4.2 Event”), then (i) the aggregate number and/or kind of shares that thereafter may be issued under the Plan, (ii) the number and/or kind of shares or other property (including cash) to be issued upon exercise of an outstanding Award granted under the Plan, and/or (iii) the purchase price thereof, shall be appropriately adjusted. In addition, subject to Section 4.2(d), if there shall occur any change in the capital structure or the business of the Company that is not a Section 4.2 Event (an “Other Extraordinary Event”), including by reason of any extraordinary dividend (whether cash or stock), any conversion, any adjustment, any issuance of any class of securities convertible or exercisable into, or exercisable for, any class of stock, or any sale or transfer of all or substantially all of the Company’s assets or business, then the Committee, in its sole discretion, may adjust any Award and make such other adjustments to the Plan. Any adjustment pursuant to this Section 4.2 shall be consistent with the applicable Section 4.2 Event or the applicable Other Extraordinary Event, as the case may be, and in such manner as the Committee may, in its sole discretion, deem appropriate and equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under the Plan. Any such adjustment determined by the Committee shall be final, binding and conclusive on the Company and all Participants and their respective heirs, executors, administrators, successors and permitted assigns. Except as expressly provided in this Section 4.2 or in the applicable Award Agreement, a Participant shall have no rights by reason of any Section 4.2 Event or any Other Extraordinary Event.

(c) Fractional shares of Common Stock resulting from any adjustment in Awards pursuant to Section 4.2(a) or 4.2(b) shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half. No cash settlements shall be made with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(d) In the event of a merger or consolidation in which the Company is not the surviving entity or in the event of any transaction that results in the acquisition of substantially all of the Company’s outstanding Common Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all or substantially all of the Company’s assets (all of the foregoing being referred to as an “Acquisition Event”), then the Committee may, in its sole discretion, terminate all outstanding and unexercised Stock Options, Stock Appreciation Rights, or any Other Stock-Based Award that provides for a Participant elected exercise, effective as of the date of the Acquisition Event, by (i) cashing-out such Awards upon the date of consummation of the Acquisition Event, or (ii) delivering notice of termination to each Participant at least 20 days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise in full all of such Participant’s Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Award Agreements), but any such exercise shall be contingent on the occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void.

If an Acquisition Event occurs but the Committee does not terminate the outstanding Awards pursuant to this Section 4.2(d), then the provisions of Section 4.2(b) and Article XI shall apply.

4.3 Minimum Purchase Price. Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued shares of Common Stock are issued under the Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law.

Article V ELIGIBILITY

5.1 General Eligibility. All current and prospective Eligible Individuals are eligible to be granted Awards. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee.

5.2 Incentive Stock Options. Notwithstanding the foregoing, only Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of an Incentive Stock Option and actual participation in the Plan shall be determined by the Committee.

5.3 General Requirement. The vesting and exercise of Awards granted to a prospective Eligible Individual are conditioned upon such individual actually becoming an Eligible Employee, Consultant or Non-Employee Director, respectively.

Article VI STOCK OPTIONS

6.1 Options. Stock Options may be granted alone or in addition to other Awards granted under the Plan. Each Stock Option granted under the Plan shall be of one of two types: (a) an Incentive Stock Option or (b) a Non-Qualified Stock Option.

6.2 Grants. The Committee shall have the authority to grant to any Eligible Employee one or more Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options. The Committee shall have the authority to grant any Consultant or Non-Employee Director one or more Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not so qualify shall constitute a separate Non-Qualified Stock Option.

6.3 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Stock Option under such Section 422.

6.4 Terms of Options. Options granted under the Plan shall be subject to the following terms and conditions and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) **Exercise Price.** The exercise price per share of Common Stock subject to a Stock Option shall be provided by the Committee in the applicable Award Agreement at the time of grant, provided that the per share exercise price of a Stock Option shall not be less than 100% (or, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, 110%) of the Fair Market Value of the Common Stock at the time of grant.

(b) **Stock Option Term.** The term of each Stock Option shall be fixed by the Committee, provided that no Stock Option shall be exercisable more than 10 years after the date the Option is granted; and provided further that the term of an Incentive Stock Option granted to a Ten Percent Stockholder shall not exceed five years.

(c) **Exercisability.** Unless otherwise provided by the Committee in accordance with the provisions of this Section 6.4, Stock Options granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be provided by the Committee in the applicable Award Agreement at the time of grant. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations (including, without limitation, that such Stock Option is exercisable only in installments or within certain time periods), the Committee may waive such limitations

on the exercisability at any time at or after the time of grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such Stock Option may be exercised), based on such factors, if any, as the Committee shall determine.

(d) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under Section 6.4(c), to the extent vested, Stock Options may be exercised in whole or in part at any time during the Option term, by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased. Such notice shall be accompanied by payment in full of the purchase price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Common Stock is traded on a national securities exchange, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the purchase price; or (iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, having the Company withhold shares of Common Stock issuable upon exercise of the Stock Option, or by payment in full or in part in the form of Common Stock owned by the Participant, based on the Fair Market Value of the Common Stock on the payment date as determined by the Committee). No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) Non-Transferability of Options. No Stock Option shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Notwithstanding the foregoing, the Committee may provide in the applicable Award Agreement at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section is Transferable to a Family Member or such other Person or entity in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. A Non-Qualified Stock Option that is Transferred to a Family Member or such other Person or entity pursuant to the preceding sentence (i) may not be subsequently Transferred other than by will or by the laws of descent and distribution and (ii) remains subject to the terms of the Plan and the applicable Award Agreement. Any shares of Common Stock acquired upon the exercise of a Non-Qualified Stock Option by a permissible transferee of a Non-Qualified Stock Option or a permissible transferee pursuant to a Transfer after the exercise of the Non-Qualified Stock Option shall be subject to the terms of the Plan and the applicable Award Agreement.

(f) Termination by Death and Disability. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is by reason of death or Disability, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of one year from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options; provided, however, that, following a termination by reason of Disability, if the Participant dies within such exercise period, all unexercised Stock Options held by such Participant shall thereafter be exercisable, to the extent to which they were exercisable at the time of death, for a period of one year from the date of such death, but in no event beyond the expiration of the stated term of such Stock Options.

(g) Involuntary Termination Without Cause. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is by involuntary termination by the Company without Cause, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of 90 days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(h) Voluntary Termination. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination is voluntary (other than a voluntary termination described in Section 6.4(i)(y) hereof), all Stock Options that are held by such Participant that are vested and exercisable at the time of the

Participant's Termination may be exercised by the Participant at any time within a period of 30 days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(i) Termination for Cause. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, or if no rights of the Participant are reduced, thereafter, if a Participant's Termination (x) is for Cause or (y) is a voluntary Termination (as provided in Section 6.4(h)) after the occurrence of an event that would be grounds for a Termination for Cause, all Stock Options, whether vested or not vested, that are held by such Participant shall thereupon terminate and expire as of the date of such Termination.

(j) Unvested Stock Options. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, or if no rights of the Participant are reduced, thereafter, Stock Options that are not vested as of the date of a Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

(k) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under the Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options. Should any provision of the Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(l) Form, Modification, Extension and Renewal of Stock Options. Subject to the terms and conditions and within the limitations of the Plan, Stock Options shall be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may (i) modify, extend or renew outstanding Stock Options granted under the Plan (provided that the rights of a Participant are not reduced without such Participant's consent and provided further that such action does not subject the Stock Options to Section 409A of the Code without the consent of the Participant), and (ii) accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised). Notwithstanding anything herein to the contrary, the exercise price with respect to a Stock Option cannot be lowered, and a Stock Option cannot be replaced (including replacement with cash) or regranted to the affected Participant through cancellation without stockholder approval.

(m) Deferred Delivery of Common Shares. The Committee may in its discretion permit Participants to defer delivery of Common Stock acquired pursuant to a Participant's exercise of an Option in accordance with the terms and conditions established by the Committee in the applicable Award Agreement, which shall be intended to comply with the requirements of Section 409A of the Code.

(n) Early Exercise. The Committee may provide that a Stock Option include a provision whereby the Participant may elect at any time before the Participant's Termination to exercise the Stock Option as to any part or all of the shares of Common Stock subject to the Stock Option prior to the full vesting of the Stock Option and such shares shall be subject to the provisions of Article VIII and be treated as Restricted Stock. Unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Committee determines to be appropriate.

(o) Cashing-Out of Stock Options. Unless otherwise provided in the Award Agreement, on receipt of written notice of exercise, the Committee may elect to cash-out all or part of the portion of the shares for which an Option is being exercised by paying the optionee an amount, in cash or shares of Common Stock, equal to the excess of the Fair Market Value of the shares of Common Stock over the exercise price multiplied by the number of shares of Common Stock for which the Option is being exercised on the effective date of such cash-out.

(p) Other Terms and Conditions. The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Non-Qualified Stock Option on a cashless basis on the last day of the term of such Option if the Participant has failed to exercise the Non-Qualified Stock Option as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Non-Qualified Stock Option exceeds the exercise price of such Non-Qualified Stock Option on the date of expiration of such Option, subject to Section 14.4. Stock Options may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate.

Article VII STOCK APPRECIATION RIGHTS

7.1 Tandem Stock Appreciation Rights. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option (a "Reference Stock Option") granted under the Plan ("Tandem Stock Appreciation Rights"). In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Reference Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Reference Stock Option.

7.2 Terms and Conditions of Tandem Stock Appreciation Rights. Tandem Stock Appreciation Rights granted hereunder shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be provided by the Committee in the applicable Award Agreement at the time of grant, and the following:

(a) Exercise Price. The exercise price per share of Common Stock subject to a Tandem Stock Appreciation Right shall be provided by the Committee in the applicable Award Agreement at the time of grant, provided that the per share exercise price of a Tandem Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b) Term. A Tandem Stock Appreciation Right or applicable portion thereof granted with respect to a Reference Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the Reference Stock Option, except that, unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, a Tandem Stock Appreciation Right granted with respect to less than the full number of shares covered by the Reference Stock Option shall not be reduced until, and then only to the extent that the exercise or termination of the Reference Stock Option causes, the number of shares covered by the Tandem Stock Appreciation Right to exceed the number of shares remaining available and unexercised under the Reference Stock Option.

(c) Exercisability. Tandem Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Reference Stock Options to which they relate shall be exercisable in accordance with the provisions of Article VI, and shall be subject to the provisions of Section 6.4(c).

(d) Method of Exercise. A Tandem Stock Appreciation Right may be exercised by the Participant by surrendering the applicable portion of the Reference Stock Option. Upon such exercise and surrender, the Participant shall be entitled to receive an amount determined in the manner prescribed in this Section 7.2. Stock Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent that the related Tandem Stock Appreciation Rights have been exercised.

(e) Payment. Upon the exercise of a Tandem Stock Appreciation Right, a Participant shall be entitled to receive up to, but no more than, an amount in cash and/or Common Stock (as chosen by the Committee) equal in value to the excess of the Fair Market Value of one share of Common Stock over the Option exercise price per share specified in the Reference Stock Option agreement multiplied by the number of shares of Common Stock in respect of which the Tandem Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

(f) Deemed Exercise of Reference Stock Option. Upon the exercise of a Tandem Stock Appreciation Right, the Reference Stock Option or part thereof to which such Stock Appreciation Right is

related shall be deemed to have been exercised for the purpose of the limitation set forth in Article IV of the Plan on the number of shares of Common Stock to be issued under the Plan.

(g) Non-Transferability. Tandem Stock Appreciation Rights shall be Transferable only when and to the extent that the underlying Stock Option would be Transferable under Section 6.4(e) of the Plan.

7.3 Non-Tandem Stock Appreciation Rights. Non-Tandem Stock Appreciation Rights may also be granted without reference to any Stock Options granted under the Plan.

7.4 Terms and Conditions of Non-Tandem Stock Appreciation Rights. Non-Tandem Stock Appreciation Rights granted hereunder shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be provided by the Committee in the applicable Award Agreement at the time of grant, and the following:

(a) Exercise Price. The exercise price per share of Common Stock subject to a Non-Tandem Stock Appreciation Right shall be provided by the Committee in the applicable Award Agreement at the time of grant, provided that the per share exercise price of a Non-Tandem Stock Appreciation Right shall not be less than 100% of the Fair Market Value of the Common Stock at the time of grant.

(b) Term. The term of each Non-Tandem Stock Appreciation Right shall be fixed by the Committee, but shall not be greater than 10 years after the date the right is granted.

(c) Exercisability. In accordance with the provisions of this Section 7.4, Non-Tandem Stock Appreciation Rights granted under the Plan shall be exercisable at such time or times and subject to such terms and conditions as shall be provided by the Committee in the applicable Award Agreement at the time of grant. If the Committee provides, in its discretion, that any such right is exercisable subject to certain limitations (including, without limitation, that it is exercisable only in installments or within certain time periods), the Committee may waive such limitations on the exercisability at any time at or after grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such right may be exercised), based on such factors, if any, as the Committee shall determine.

(d) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under Section 7.4(c), Non-Tandem Stock Appreciation Rights may be exercised in whole or in part at any time in accordance with the applicable Award Agreement, by giving written notice of exercise to the Company specifying the number of Non-Tandem Stock Appreciation Rights to be exercised.

(e) Payment. Upon the exercise of a Non-Tandem Stock Appreciation Right a Participant shall be entitled to receive, for each right exercised, up to, but no more than, an amount in cash and/or Common Stock (as chosen by the Committee) equal in value to the excess of the Fair Market Value of one share of Common Stock on the date that the right is exercised over the Fair Market Value of one share of Common Stock on the date that the right was awarded to the Participant.

(f) Termination. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant or, if no rights of the Participant are reduced, thereafter, subject to the provisions of the applicable Award Agreement and the Plan, upon a Participant's Termination for any reason, Non-Tandem Stock Appreciation Rights will remain exercisable following a Participant's Termination on the same basis as Stock Options would be exercisable following a Participant's Termination in accordance with the provisions of Sections 6.4(f) through 6.4(j).

(g) Non-Transferability. No Non-Tandem Stock Appreciation Rights shall be Transferable by the Participant other than by will or by the laws of descent and distribution, and all such rights shall be exercisable, during the Participant's lifetime, only by the Participant.

7.5 Limited Stock Appreciation Rights. The Committee may grant Tandem and Non-Tandem Stock Appreciation Rights either as a general Stock Appreciation Right or as a Limited Stock Appreciation Right. Limited

Stock Appreciation Rights may be exercised only upon the occurrence of a Change in Control or such other event as the Committee may designate at the time of grant or thereafter. Upon the exercise of Limited Stock Appreciation Rights, except as otherwise provided in an Award Agreement, the Participant shall receive in cash and/or Common Stock, an amount equal to the amount (i) set forth in Section 7.2(e) with respect to Tandem Stock Appreciation Rights, or (ii) set forth in Section 7.4(e) with respect to Non-Tandem Stock Appreciation Rights.

7.6 Cashing-Out of SARs. Unless otherwise provided in the Award Agreement, on receipt of written notice of exercise, the Committee may elect to cash-out all or part of the portion of the shares underlying a SAR by paying the holder an amount, in cash or shares of Common Stock, equal to the excess of the Fair Market Value of the shares of Common Stock over the base price multiplied by the number of shares of Common Stock for which the SAR is being exercised on the effective date of such cash-out.

7.7 Other Terms and Conditions. The Committee may include a provision in an Award Agreement providing for the automatic exercise of a Stock Appreciation Right on a cashless basis on the last day of the term of such Stock Appreciation Right if the Participant has failed to exercise the Stock Appreciation Right as of such date, with respect to which the Fair Market Value of the shares of Common Stock underlying the Stock Appreciation Right exceeds the exercise price of such Stock Appreciation Right on the date of expiration of such Stock Appreciation Right, subject to Section 14.4. Stock Appreciation Rights may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall deem appropriate. Notwithstanding anything herein to the contrary, the exercise price with respect to a Stock Option, or base price with respect to a Stock Appreciation Right, cannot be lowered, and neither a Stock Option nor a Stock Appreciation Right can be replaced (including replacement with cash) or regraded to the affected Participant through cancellation without stockholder approval.

Article VIII RESTRICTED STOCK

8.1 Awards of Restricted Stock. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall determine the Eligible Individuals, to whom, and the time or times at which, grants of Restricted Stock shall be made, the number of shares to be awarded, the price (if any) to be paid by the Participant (subject to Section 8.2), the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards.

The Committee may condition the grant or vesting of Restricted Stock upon the attainment of specified performance targets (including, the Performance Goals) or such other factor as the Committee may determine, including to comply with the requirements of Section 162(m) of the Code.

Restricted Stock for which the grant is conditioned on Performance Goals or other factors may be referred to as “Restricted Stock Units.”

8.2 Awards and Certificates. Eligible Individuals selected to receive Restricted Stock shall not have any right with respect to such Award, unless and until such Participant has delivered a fully executed copy of the agreement evidencing the Award to the Company, to the extent required by the Committee, and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) **Purchase Price.** The purchase price of Restricted Stock shall be fixed by the Committee. Subject to Section 4.3, the purchase price for shares of Restricted Stock may be zero to the extent permitted by applicable law, and, to the extent not so permitted, such purchase price may not be less than par value.

(b) **Acceptance.** Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing a Restricted Stock agreement and by paying whatever price (if any) the Committee has designated thereunder.

(c) Legend. Each Participant receiving Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall, in addition to such legends required by applicable securities laws, bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

“The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Acadia Healthcare Company, Inc. (the “Company”) Incentive Compensation Plan (the “Plan”) and an Agreement entered into between the registered owner and the Company dated _____. Copies of such Plan and Agreement are on file at the principal office of the Company.”

(d) Custody. If stock certificates are issued in respect of shares of Restricted Stock, the Committee may require that any stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares subject to the Restricted Stock Award in the event that such Award is forfeited in whole or part.

8.3 Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(a) Restriction Period.

(i) The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under the Plan during the period or periods set by the Committee (the “Restriction Period”) commencing on the date of such Award, as set forth in the Restricted Stock Award Agreement and such agreement shall set forth a vesting schedule and any event that would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service, attainment of Performance Goals pursuant to Section 8.3(a)(ii) and/or such other factors or criteria as the Committee may determine, the Committee may condition the grant or provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of any Restricted Stock Award.

(ii) If the grant of shares of Restricted Stock or the lapse of restrictions is based on the attainment of Performance Goals, the Committee shall establish the objective Performance Goals and the applicable vesting percentage of the Restricted Stock applicable to each Participant or class of Participants in writing prior to the beginning of the applicable fiscal year or at such later date as otherwise determined by the Committee and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. With regard to a Restricted Stock Award that is intended to comply with Section 162(m) of the Code, to the extent that any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect.

(b) Rights as a Stockholder. Except as provided in Section 8.3(a) and this Section 8.3(b) or as otherwise provided by the Committee in the applicable Award Agreement at the time of grant, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company, including, without limitation, the right to receive dividends, the right to vote such shares and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares. The Committee may provide in the applicable Award Agreement at the time of

grant that the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period.

(c) Termination. Unless otherwise provided by the Committee in the applicable Award Agreement at grant or, if no rights of the Participant are reduced, thereafter, subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's Termination for any reason during the relevant Restriction Period, all Restricted Stock still subject to restriction will be forfeited in accordance with the terms and conditions established by the Committee at grant or thereafter.

(d) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the certificates for such shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant, except as otherwise required by applicable law or other limitations imposed by the Committee.

Article IX PERFORMANCE AWARDS

9.1 Performance Awards. The Committee may grant a Performance Award to a Participant payable upon the attainment of specific Performance Goals. The Committee may grant Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, as well as Performance Awards that are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code. If the Performance Award is payable in shares of Restricted Stock, such shares shall be transferable to the Participant only upon attainment of the relevant Performance Goal in accordance with Article VIII. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant Performance Goals either in cash or in shares of Restricted Stock (based on the then current Fair Market Value of such shares), as provided by the Committee in the applicable Award Agreement at the time of grant. Each Performance Award shall be evidenced by an Award Agreement in such form that is not inconsistent with the Plan and that the Committee may from time to time approve.

With respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall condition the right to payment of any Performance Award upon the attainment of objective Performance Goals established pursuant to Section 9.2(c).

9.2 Terms and Conditions. Performance Awards awarded pursuant to this Article IX shall be subject to the following terms and conditions:

(a) Earning of Performance Award. At the expiration of the applicable Performance Period, the Committee shall determine the extent to which the Performance Goals established pursuant to Section 9.2(c) are achieved and the percentage of each Performance Award that has been earned.

(b) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, Performance Awards may not be Transferred during the Performance Period.

(c) Objective Performance Goals, Formulae or Standards. With respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall establish the objective Performance Goals for the earning of Performance Awards based on a Performance Period applicable to each Participant or class of Participants in writing prior to the beginning of the applicable Performance Period or at such later date as permitted under Section 162(m) of the Code and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate, if and only to the extent permitted under Section 162(m) of the Code, provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. To the extent that any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect, with respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

(d) Dividends. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, amounts equal to dividends declared during the Performance Period with respect to the number of shares of Common Stock covered by a Performance Award will not be paid to the Participant. Notwithstanding anything herein to the contrary, no dividends or dividend equivalents will be granted with respect to unearned Performance Awards.

(e) Payment. Following the Committee's determination in accordance with Section 9.2(a), the Company shall settle Performance Awards, in such form (including, without limitation, in shares of Common Stock or in cash) as determined by the Committee, in an amount equal to such Participant's earned Performance Awards. With respect to any Award that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall be precluded from having discretion to increase the amount of compensation payable under the terms of such Award.

(f) Termination. Subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's Termination for any reason during the Performance Period for a given Performance Award, the Performance Award in question will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant.

(g) Accelerated Vesting. Based on service, performance and/or such other factors or criteria, if any, as the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any part of any Performance Award.

Article X OTHER STOCK-BASED AND CASH-BASED AWARDS

10.1 Other Stock-Based Awards. The Committee is authorized to grant to Eligible Individuals Other Stock-Based Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock, including but not limited to, shares of Common Stock awarded purely as a bonus and not subject to restrictions or conditions, shares of Common Stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by the Company or an Affiliate, stock equivalent units, restricted stock units, and Awards valued by reference to book value of shares of Common Stock. Other Stock-Based Awards may be granted either alone or in addition to or in tandem with other Awards granted under the Plan.

Subject to the provisions of the Plan, the Committee shall have authority to determine the Eligible Individuals, to whom, and the time or times at which, such Awards shall be made, the number of shares of Common Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Common Stock under such Awards upon the completion of a specified Performance Period.

The Committee may condition the grant or vesting of Other Stock-Based Awards upon the attainment of specified Performance Goals as the Committee may determine; provided that to the extent that such Other Stock-Based Awards are intended to comply with Section 162(m) of the Code, the Committee shall establish the objective Performance Goals for the grant or vesting of such Other Stock-Based Awards based on a Performance Period applicable to each Participant or class of Participants in writing prior to the beginning of the applicable Performance Period or at such later date as permitted under Section 162(m) of the Code and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate, if and only to the extent permitted under Section 162(m) of the Code, provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. To the extent that any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect, with respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

10.2 Terms and Conditions. Other Stock-Based Awards made pursuant to this Article X shall be subject to the following terms and conditions:

(a) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, shares of Common Stock subject to Awards made under this Article X may not be Transferred prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(b) Dividends. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant, subject to the provisions of the Award Agreement and the Plan, the recipient of an Award under this Article X shall not be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents in respect of the number of shares of Common Stock covered by the Award.

(c) Vesting. Any Award under this Article X and any Common Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement.

(d) Price. Common Stock issued on a bonus basis under this Article X may be issued for no cash consideration. Common Stock purchased pursuant to a purchase right awarded under this Article X shall be priced, as determined by the Committee.

10.3 Other Cash-Based Awards. The Committee is authorized to grant to Eligible Individuals Other Cash-Based Awards in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law. Other Cash-Based Awards may be granted subject to the satisfaction of vesting conditions or may be awarded purely as a bonus and not subject to restrictions or conditions, and if subject to vesting conditions, the Committee may accelerate the vesting of such Awards at any time. The grant of an Other Cash-Based Award shall not require a segregation of any of the Company's assets for satisfaction of the Company's payment obligation thereunder.

Subject to the provisions of the Plan, the Committee shall have authority to determine the Eligible Individuals, to whom, and the time or times at which, such Other Cash-Based Awards shall be made, the amounts to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Cash-Based Awards upon the completion of a specified Performance Period.

The Committee may condition the grant or vesting of Other Cash-Based Awards upon the attainment of specified Performance Goals as the Committee may determine; provided that to the extent that such Other Cash-Based Awards are intended to comply with Section 162(m) of the Code, the Committee shall establish the objective Performance Goals for the grant or vesting of such Other Cash-Based Awards based on a Performance Period applicable to each Participant or class of Participants in writing prior to the beginning of the applicable Performance Period or at such later date as permitted under Section 162(m) of the Code and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate, if and only to the extent permitted under Section 162(m) of the Code, provisions for disregarding (or adjusting for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances. To the extent that any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect, with respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

Article XI CHANGE IN CONTROL PROVISIONS

11.1 Benefits. In the event of a Change in Control of the Company (as defined below), and except as otherwise provided by the Committee in an Award Agreement, a Participant's unvested Award shall not vest automatically and a Participant's Award shall be treated in accordance with one of the following methods as determined by the Committee:

(a) Awards, whether or not then vested, shall be continued, assumed, have new rights substituted therefor or be treated in accordance with Section 4.2(d) hereof, as determined by the Committee, and restrictions to which shares of Restricted Stock or any other Award granted prior to the Change in Control are subject shall not lapse upon a Change in Control and the Restricted Stock or other Award shall, where appropriate in the sole discretion of the Committee, receive the same distribution as other Common Stock on such terms as determined by the Committee; provided that the Committee may decide to award additional Restricted Stock or other Awards in lieu of any cash distribution. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Stock Option shall comply with the requirements of Treasury Regulation Section 1.424-1 (and any amendment thereto).

(b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Company or an Affiliate for an amount of cash equal to the excess of the Change in Control Price (as defined below) of the shares of Common Stock covered by such Awards, over the aggregate exercise price of such Awards. For purposes of this Section 11.1, "Change in Control Price" shall mean the highest price per share of Common Stock paid in any transaction related to a Change in Control of the Company.

(c) Notwithstanding any other provision herein to the contrary, the Committee may, in its sole discretion, provide for accelerated vesting or lapse of restrictions, of an Award at any time.

11.2 Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement at the time of grant or other written agreement approved by the Committee, a "Change in Control" shall be deemed to occur if:

(a) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Common Stock of the Company), becoming the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;

(b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in paragraph (a), (c), or (d) of this Section 11.2 or a director whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board;

(c) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person (other than those covered by the exceptions in Section 11.2(a)) acquires more than 50% of the combined voting power of the Company's then outstanding securities shall not constitute a Change in Control of the Company; or

(d) a complete liquidation or dissolution of the Company or the consummation of a sale or disposition by the Company of all or substantially all of the Company's assets other than the sale or disposition of all or substantially all of the assets of the Company to a person or persons who beneficially

own, directly or indirectly, 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale.

Notwithstanding the foregoing, with respect to any Award that is characterized as “nonqualified deferred compensation” within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

11.3 Initial Public Offering not a Change in Control. Notwithstanding the foregoing, for purposes of the Plan, the occurrence of the Registration Date or any change in the composition of the Board within one year following the Registration Date shall not be considered a Change in Control.

Article XII TERMINATION OR AMENDMENT OF PLAN

12.1 Termination or Amendment. Notwithstanding any other provision of the Plan, the Board may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XIV or Section 409A of the Code), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that, unless otherwise required by law or specifically provided herein, the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may not be impaired without the consent of such Participant and, provided further, that without the approval of the holders of the Company’s Common Stock entitled to vote in accordance with applicable law, no amendment may be made that would (i) increase the aggregate number of shares of Common Stock that may be issued under the Plan (except by operation of Section 4.2); (ii) increase the maximum individual Participant limitations for a fiscal year under Section 4.1(b) (except by operation of Section 4.2); (iii) change the classification of individuals eligible to receive Awards under the Plan; (iv) decrease the minimum option price of any Stock Option or Stock Appreciation Right; (v) extend the maximum option period under Section 6.4; (vi) alter the Performance Goals for Restricted Stock, Performance Awards, Other Stock-Based Awards or Other Cash-Based Awards as set forth in Exhibit A hereto; (vii) award any Stock Option or Stock Appreciation Right in replacement of a canceled Stock Option or Stock Appreciation Right with a higher exercise price than the replacement award, except in accordance with Section 6.4(l); or (viii) require stockholder approval in order for the Plan to continue to comply with the applicable provisions of Section 162(m) of the Code or, to the extent applicable to Incentive Stock Options, Section 422 of the Code. In no event may the Plan be amended without the approval of the stockholders of the Company in accordance with the applicable laws of the State of Delaware to increase the aggregate number of shares of Common Stock that may be issued under the Plan, decrease the minimum exercise price of any Award, or to make any other amendment that would require stockholder approval under Financial Industry Regulatory Authority (FINRA) rules and regulations or the rules of any exchange or system on which the Company’s securities are listed or traded at the request of the Company. Notwithstanding anything herein to the contrary, the Board may amend the Plan or any Award Agreement at any time without a Participant’s consent to comply with applicable law including Section 409A of the Code.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV or as otherwise specifically provided herein, no such amendment or other action by the Committee shall impair the rights of any holder without the holder’s consent.

Article XIII UNFUNDED STATUS OF PLAN

The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payment as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any right that is greater than those of a general unsecured creditor of the Company.

Article XIV GENERAL PROVISIONS

14.1 Legend. The Committee may require each Person receiving shares of Common Stock pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by the Plan, the certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on Transfer. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national securities exchange system upon whose system the Common Stock is then quoted, any applicable federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14.2 Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

14.3 No Right to Employment/Directorship/Consultancy. Neither the Plan nor the grant of any Option or other Award hereunder shall give any Participant or other employee, Consultant or Non-Employee Director any right with respect to continuance of employment, consultancy or directorship by the Company or any Affiliate, nor shall there be a limitation in any way on the right of the Company or any Affiliate by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate such employment, consultancy or directorship at any time.

14.4 Withholding of Taxes. The Company shall have the right to deduct from any payment to be made pursuant to the Plan, or to otherwise require, prior to the issuance or delivery of shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock (or other Award that is taxable upon vesting), or upon making an election under Section 83(b) of the Code, a Participant shall pay all required withholding to the Company. Any statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of shares of Common Stock otherwise deliverable or by delivering shares of Common Stock already owned. Any fraction of a share of Common Stock required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

14.5 No Assignment of Benefits. No Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any Person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such Person.

14.6 Listing and Other Conditions.

(a) Unless otherwise determined by the Committee, as long as the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issuance of shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Option or other Award with respect to such shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise,

with respect to shares of Common Stock or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 14.6, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Award.

(d) A Participant shall be required to supply the Company with certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

14.7 Stockholders Agreement and Other Requirements. Notwithstanding anything herein to the contrary, as a condition to the receipt of shares of Common Stock pursuant to an Award under the Plan, to the extent required by the Committee, the Participant shall execute and deliver a stockholder's agreement or such other documentation that shall set forth certain restrictions on transferability of the shares of Common Stock acquired upon exercise or purchase, and such other terms as the Board or Committee shall from time to time establish. Such stockholder's agreement or other documentation shall apply to the Common Stock acquired under the Plan and covered by such stockholder's agreement or other documentation. The Company may require, as a condition of exercise, the Participant to become a party to any other existing stockholder agreement (or other agreement).

14.8 Governing Law. The Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

14.9 Jurisdiction; Waiver of Jury Trial. Any suit, action or proceeding with respect to the Plan or any Award Agreement, or any judgment entered by any court of competent jurisdiction in respect of any thereof, shall be resolved only in the courts of the State of Delaware or the United States District Court for the District of Delaware and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, the Company and each Participant shall irrevocably and unconditionally (a) submit in any proceeding relating to the Plan or any Award Agreement, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding"), to the exclusive jurisdiction of the courts of the State of Delaware, the court of the United States of America for the District of Delaware, and appellate courts having jurisdiction of appeals from any of the foregoing, and agree that all claims in respect of any such Proceeding shall be heard and determined in such Delaware State court or, to the extent permitted by law, in such federal court, (b) consent that any such Proceeding may and shall be brought in such courts and waives any objection that the Company and each Participant may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agree not to plead or claim the same, (c) waive all right to trial by jury in any Proceeding (whether based on contract, tort or otherwise) arising out of or relating to the Plan or any Award Agreement, (d) agree that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Participant, at the Participant's address shown in the books and records of the Company or, in the case of the Company, at the Company's principal offices, attention General Counsel, and (e) agree that nothing in the Plan shall affect the right to effect service of process in any other manner permitted by the laws of the State of Delaware.

14.10 Construction. Wherever any words are used in the Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

14.11 Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

14.12 Costs. The Company shall bear all expenses associated with administering the Plan, including expenses of issuing Common Stock pursuant to Awards hereunder.

14.13 No Right to Same Benefits. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

14.14 Death/Disability. The Committee may in its discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of the Plan.

14.15 Section 16(b) of the Exchange Act. All elections and transactions under the Plan by Persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

14.16 Section 409A of the Code. The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void. The Company shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee or the Company and, in the event that any amount or benefit under the Plan becomes subject to penalties under Section 409A of the Code, responsibility for payment of such penalties shall rest solely with the affected Participants and not with the Company. Notwithstanding any contrary provision in the Plan or Award Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A of the Code) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period.

14.17 Successor and Assigns. The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.

14.18 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

14.19 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipt thereof shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

14.20 Agreement. As a condition to the grant of an Award, if requested by the Company and the lead underwriter of any public offering of the Common Stock (the "Lead Underwriter"), a Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of, any interest in any Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for, or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the "Lock-Up Period"). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter to effect the foregoing and agree that the Company may impose stop-transfer instructions with respect to Common Stock acquired pursuant to an Award until the end of such Lock-Up Period.

14.21 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

14.22 Section 162(m) of the Code. Notwithstanding any other provision of the Plan to the contrary, (i) prior to the Registration Date and during the Transition Period, the provisions of the Plan requiring compliance with Section 162(m) of the Code for Awards intended to qualify as "performance-based compensation" shall only apply to the extent required by Section 162(m) of the Code, and (ii) the provisions of the Plan requiring compliance with Section 162(m) of the Code shall not apply to Awards granted under the Plan that are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

14.23 Post-Transition Period. Following the Transition Period, any Award granted under the Plan that is intended to be "performance-based compensation" under Section 162(m) of the Code, shall be subject to the approval of the material terms of the Plan by a majority of the stockholders of the Company in accordance with Section 162(m) of the Code and the treasury regulations promulgated thereunder.

14.24 Company Recoupment of Awards. A Participant's rights with respect to any Award hereunder shall in all events be subject to (i) any right that the Company may have under any Company recoupment policy or other agreement or arrangement with a Participant, or (ii) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission.

Article XV EFFECTIVE DATE OF PLAN

The Plan originally became effective on September 7, 2011, which is the date of its adoption by the Board, subject to the approval of the Plan by the stockholders of the Company in accordance with the requirements of the laws of the State of Delaware. Following its adoption by the Committee, this amendment and restatement of the Plan shall become effective as of May 23, 2013 upon receipt of the requisite approval of the stockholders of the Company at the 2013 Annual Meeting of Stockholders. In the absence of such stockholder approval, any outstanding Awards for which the terms have been established under this amended and restated Plan and subject to such stockholder approval shall be null and void.

Article XVI
TERM OF PLAN

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the earlier of the date that this amended and restated Plan is adopted or the date of stockholder approval, but Awards granted prior to such tenth anniversary may extend beyond that date; provided that no Award (other than a Stock Option or Stock Appreciation Right) that is intended to be “performance-based compensation” under Section 162(m) of the Code shall be granted on or after the fifth anniversary of the stockholder approval of the Plan unless the Performance Goals are re-approved (or other designated Performance Goals are approved) by the stockholders no later than the first stockholder meeting that occurs in the fifth year following the year in which stockholders approve the Performance Goals.

EXHIBIT A
PERFORMANCE GOALS

To the extent permitted under Section 162(m) of the Code, performance goals established for purposes of Awards intended to be “performance-based compensation” under Section 162(m) of the Code, shall be based on the attainment of certain target levels of, or a specified increase or decrease (as applicable) in one or more of the following performance goals:

- earnings per share;
- operating income;
- gross income;
- net income (before or after taxes);
- cash flow;
- gross profit;
- gross profit return on investment;
- gross margin return on investment;
- gross margin;
- operating margin;
- working capital;
- earnings before interest and taxes;
- earnings before interest, tax, depreciation and amortization;
- return on equity;
- return on assets;
- return on capital;
- return on invested capital;
- net revenues;
- gross revenues;
- revenue growth, as to either gross or net revenues;
- annual recurring net or gross revenues;
- recurring net or gross revenues;
- license revenues;
- sales or market share;
- total stockholder return;
- economic value added;
- specified objectives with regard to limiting the level of increase in all or a portion of the Company’s bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee;
- the fair market value of a share of Common Stock;
- the growth in the value of an investment in the Common Stock assuming the reinvestment of dividends;
- reduction in operating expenses; or
- other objective criteria determined by the Committee.

With respect to Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, to the extent permitted under Section 162(m) of the Code, the Committee may, in its sole discretion, also exclude, or adjust to reflect, the impact of an event or occurrence that the Committee determines should be appropriately excluded or adjusted, including:

(a) restructurings, discontinued operations, extraordinary items or events, and other unusual or non-recurring charges as described in Accounting Standards Codification 225-20, “Extraordinary and Unusual Items,” and/or management’s discussion and analysis of financial condition and results of operations appearing or incorporated by reference in the Company’s Form 10-K for the applicable year;

(b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company’s management; or

- (c) a change in tax law or accounting standards required by generally accepted accounting principles.

Performance goals may also be based upon individual participant performance goals, as determined by the Committee. In addition, Awards that are not intended to qualify as “performance-based compensation” under Section 162(m) of the Code may be based on the performance goals set forth herein or on such other performance goals as determined by the Committee in its sole discretion.

In addition, such performance goals may be based upon the attainment of specified levels of Company (or subsidiary, division, other operational unit, administrative department or product category of the Company) performance under one or more of the measures described above relative to the performance of other corporations. With respect to Awards that are intended to qualify as “performance-based compensation” under Section 162(m) of the Code, to the extent permitted under Section 162(m) of the Code, but only to the extent permitted under Section 162(m) of the Code (including, without limitation, compliance with any requirements for stockholder approval), the Committee may also:

- (a) designate additional business criteria on which the performance goals may be based; or
- (b) adjust, modify or amend the aforementioned business criteria.

