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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from _____ to _____

Commission File Number: 001-35331

ACADIA HEALTHCARE COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2492228
(I.R.S. Employer
Identification No.)

830 Crescent Centre Drive, Suite 610
Franklin, Tennessee 37067
(Address, including zip code, of registrant's principal executive offices)

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

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of April 29, 2015, there were 66,435,037 shares of the registrant’s common stock outstanding.

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QUARTERLY REPORT ON FORM 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2015	December 31, 2014
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,032	\$ 94,040
Accounts receivable, net of allowance for doubtful accounts of \$24,096 and \$22,449, respectively	172,938	118,378
Deferred tax assets	36,812	20,155
Other current assets	77,596	41,570
Total current assets	<u>325,378</u>	<u>274,143</u>
Property and equipment, net	1,229,677	1,069,700
Goodwill	1,904,055	802,986
Intangible assets, net	58,508	21,636
Deferred tax assets – noncurrent	40,494	13,141
Other assets	69,033	41,984
Total assets	<u>\$ 3,627,145</u>	<u>\$ 2,223,590</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 35,309	\$ 26,965
Accounts payable	64,918	48,696
Accrued salaries and benefits	68,711	59,317
Other accrued liabilities	61,722	30,956
Total current liabilities	<u>230,660</u>	<u>165,934</u>
Long-term debt	2,018,681	1,069,305
Deferred tax liabilities – noncurrent	46,635	63,880
Other liabilities	81,382	43,506
Total liabilities	<u>2,377,358</u>	<u>1,342,625</u>
Equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, no shares issued	—	—
Common stock, \$0.01 par value; 90,000,000 shares authorized; 65,357,218 and 59,211,859 issued and outstanding as of March 31, 2015 and December 31, 2014	654	592
Additional paid-in capital	1,230,856	847,301
Accumulated other comprehensive loss	(97,759)	(68,370)
Retained earnings	116,036	101,442
Total equity	<u>1,249,787</u>	<u>880,965</u>
Total liabilities and equity	<u>\$ 3,627,145</u>	<u>\$ 2,223,590</u>

See accompanying notes.

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

	Three Months Ended	
	March 31,	
	2015	2014
	(In thousands, except per share amounts)	
Revenue before provision for doubtful accounts	\$ 374,158	\$ 206,119
Provision for doubtful accounts	(8,375)	(4,701)
Revenue	365,783	201,418
Salaries, wages and benefits (including equity-based compensation expense of \$3,894 and \$1,764, respectively)	205,871	117,575
Professional fees	22,427	10,382
Supplies	16,254	10,064
Rents and leases	5,886	2,769
Other operating expenses	40,527	23,110
Depreciation and amortization	13,104	5,436
Interest expense, net	22,146	9,707
Gain on foreign currency derivatives	(53)	—
Transaction-related expenses	18,416	1,579
Total expenses	344,578	180,622
Income from continuing operations before income taxes	21,205	20,796
Provision for income taxes	6,613	7,775
Income from continuing operations	14,592	13,021
Income from discontinued operations, net of income taxes	2	37
Net income	\$ 14,594	\$ 13,058
Basic earnings per share:		
Income from continuing operations	\$ 0.23	\$ 0.26
Income from discontinued operations	—	—
Net income	\$ 0.23	\$ 0.26
Diluted earnings per share:		
Income from continuing operations	\$ 0.23	\$ 0.26
Income from discontinued operations	—	—
Net income	\$ 0.23	\$ 0.26
Weighted-average shares outstanding:		
Basic	62,530	50,120
Diluted	62,894	50,486

See accompanying notes.

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

	Three Months Ended	
	March 31,	
	2015	2014
	(In thousands)	
Net income	\$ 14,594	\$13,058
Other comprehensive loss:		
Foreign currency translation loss	(29,389)	—
Other comprehensive loss	(29,389)	—
Comprehensive (loss) income	<u>\$ (14,795)</u>	<u>\$13,058</u>

See accompanying notes.

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

	<u>Common Stock</u>		<u>Additional Paid- in Capital</u>	<u>Other Comprehensive Loss</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at December 31, 2014	59,212	\$ 592	\$ 847,301	\$ (68,370)	\$ 101,442	\$ 880,965
Common stock issued under stock incentive plans	170	2	(2)	—	—	—
Common stock withheld for minimum statutory taxes	—	—	(5,110)	—	—	(5,110)
Equity-based compensation expense	—	—	3,894	—	—	3,894
Excess tax benefit from equity awards	—	—	4,310	—	—	4,310
Issuance of common stock, net	5,975	60	380,150	—	—	380,210
Other	—	—	313	—	—	313
Other comprehensive loss	—	—	—	(29,389)	—	(29,389)
Net income	—	—	—	—	14,594	14,594
Balance at March 31, 2015	<u>65,357</u>	<u>\$ 654</u>	<u>\$ 1,230,856</u>	<u>\$ (97,759)</u>	<u>\$ 116,036</u>	<u>\$ 1,249,787</u>

See accompanying notes.

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

	Three Months Ended	
	March 31,	
	2015	2014
	(In thousands)	
Operating activities:		
Net income	\$ 14,594	\$ 13,058
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation and amortization	13,104	5,436
Amortization of debt issuance costs	1,468	644
Equity-based compensation expense	3,894	1,764
Deferred income tax expense	19,224	2,231
Income from discontinued operations, net of taxes	(2)	(37)
Gain on foreign currency derivatives	(53)	—
Other	378	13
Change in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, net	(6,957)	(8,694)
Other current assets	(23,758)	952
Other assets	(636)	(1,576)
Accounts payable and other accrued liabilities	1,274	(1,839)
Accrued salaries and benefits	(5,022)	(5,407)
Other liabilities	580	770
Net cash provided by continuing operating activities	18,088	7,315
Net cash provided by discontinued operating activities	134	31
Net cash provided by operating activities	18,222	7,346
Investing activities:		
Cash paid for acquisitions, net of cash acquired	(49,618)	(10,000)
Cash paid for capital expenditures	(52,879)	(21,649)
Cash paid for real estate acquisitions	(1,722)	(16,097)
Other	(383)	(178)
Net cash used in investing activities	(104,602)	(47,924)
Financing activities:		
Borrowings on long-term debt	875,000	7,500
Borrowings on revolving credit facility	93,000	40,500
Principal payments on long-term debt	(7,938)	(1,875)
Repayment of assumed CRC debt	(904,467)	—
Payment of debt issuance costs	(22,191)	(3,491)
Common stock withheld for minimum statutory taxes, net	(5,110)	(2,112)
Excess tax benefit from equity awards	4,310	2,730
Net cash provided by financing activities	32,604	43,252
Effect of exchange rate changes on cash	(2,232)	—
Net (decrease) increase in cash and cash equivalents	(56,008)	2,674
Cash and cash equivalents at beginning of the period	94,040	4,569
Cash and cash equivalents at end of the period	<u>\$ 38,032</u>	<u>\$ 7,243</u>
Effect of acquisitions:		
Assets acquired, excluding cash	\$ 1,428,566	\$ 10,500
Liabilities assumed	(998,738)	—
Issuance of common stock in connection with acquisition	(380,210)	—
Prior year deposits paid for acquisitions	—	(500)
Cash paid for acquisitions, net of cash acquired	<u>\$ 49,618</u>	<u>\$ 10,000</u>

See accompanying notes.

Acadia Healthcare Company, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2015
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

Acadia Healthcare Company, Inc. (the “Company”) develops and operates inpatient psychiatric facilities, residential treatment centers, group homes, substance abuse facilities and facilities providing outpatient behavioral healthcare services to serve the behavioral health and recovery needs of communities throughout the United States, the United Kingdom and Puerto Rico. At March 31, 2015, the Company operated 203 behavioral healthcare facilities with over 8,400 beds in 37 states, the United Kingdom and Puerto Rico. On February 11, 2015, the Company completed its acquisition of CRC Health Group, Inc. (“CRC”) for total consideration of approximately \$1.3 billion. CRC is a leading provider of treatment services related to substance abuse and other addiction and behavioral disorders. At the acquisition date, CRC operated 35 inpatient facilities with over 2,400 beds and 81 comprehensive treatment centers located in 30 states.

Basis of Presentation

The business of the Company is conducted through limited liability companies, partnerships and C-corporations, each of which is a direct or indirect wholly-owned subsidiary of the Company. The Company’s consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, all of which are 100% owned. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation of our financial position and results of operations have been included. The Company’s fiscal year ends on December 31 and interim results are not necessarily indicative of results for a full year or any other interim period. The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements as of that date. The information contained in these condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the fiscal year ended December 31, 2014 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2015. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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

2. Earnings Per Share

Basic and diluted earnings per share are calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 260, “*Earnings Per Share*,” based on the weighted-average number of shares outstanding in each period and dilutive stock options, unvested shares and warrants, to the extent such securities have a dilutive effect on earnings per share.

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The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2015 and 2014 (in thousands except per share amounts):

	Three Months Ended March 31,	
	2015	2014
Numerator:		
Basic and diluted earnings per share:		
Income from continuing operations	\$14,592	\$13,021
Income from discontinued operations	2	37
Net income	<u>\$14,594</u>	<u>\$13,058</u>
Denominator:		
Weighted average shares outstanding for basic earnings per share	62,530	50,120
Effect of dilutive instruments	364	366
Shares used in computing diluted earnings per common share	<u>62,894</u>	<u>50,486</u>
Basic earnings per share:		
Income from continuing operations	\$ 0.23	\$ 0.26
Income from discontinued operations	—	—
Net income	<u>\$ 0.23</u>	<u>\$ 0.26</u>
Diluted earnings per share:		
Income from continuing operations	\$ 0.23	\$ 0.26
Income from discontinued operations	—	—
Net income	<u>\$ 0.23</u>	<u>\$ 0.26</u>

Approximately 0.9 million and 0.5 million shares of common stock issuable upon exercise of outstanding stock option awards were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2015 and 2014, respectively, because their effect would have been anti-dilutive.

3. Acquisitions

CRC

On February 11, 2015, the Company completed its acquisition of CRC Health Group, Inc. (“CRC”) for total consideration of approximately \$1.3 billion. As consideration for the acquisition, the Company issued 5,975,326 shares of its common stock to certain holders of CRC common stock and repaid CRC’s outstanding indebtedness of \$904.5 million. CRC is a leading provider of treatment services related to substance abuse and other addiction and behavioral disorders. At the acquisition date, CRC operated 35 inpatient facilities with over 2,400 beds and 81 comprehensive treatment centers located in 30 states.

QAM

On March 1, 2015, the Company acquired the stock of Quality Addiction Management, Inc. (“QAM”) for total consideration of approximately \$54.6 million. QAM operates seven comprehensive treatment centers located in Wisconsin.

2014 Acquisitions

On December 1, 2014, the Company acquired the assets of Croxton Warwick Lodge (“Croxton”), an inpatient psychiatric facility with 24 beds located in Melton Mowbray, Leicestershire, England, for cash consideration of \$15.6 million. On December 31, 2014, the Company completed the acquisition of Skyway House (“Skyway”), a substance abuse facility with 28 beds located in Chico, California, for cash consideration of \$0.3 million. On September 3, 2014, the Company completed the acquisition of McCallum Place (“McCallum”), an eating disorder treatment facility with 85 beds offering residential, partial hospitalization and intensive outpatient treatment programs located in St. Louis, Missouri, and Austin, Texas, for total consideration of \$37.4 million. On July 1, 2014, the Company acquired Partnerships in Care for cash consideration of \$661.7 million, which was net of cash acquired of \$12.0 million and the gain on settlement of the foreign currency derivatives of \$15.3 million. Partnerships in Care is the second largest independent provider of inpatient behavioral healthcare services in the United Kingdom, operating 23 inpatient behavioral healthcare facilities with over 1,200 beds at the acquisition date. On January 1, 2014, the Company acquired the assets of Pacific Grove Hospital (“Pacific Grove”), an inpatient psychiatric facility with 68 beds located in Riverside, California, for cash consideration of \$10.5 million.

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Summary of Acquisitions

The Company selectively seeks opportunities to expand and diversify its base of operations by acquiring additional facilities. Approximately \$175.8 million of the goodwill associated with domestic acquisitions completed in 2015 and 2014 is deductible for federal income tax purposes. The fair values assigned to certain assets and liabilities assumed by the Company have been estimated on a preliminary basis and are subject to change as new facts and circumstances emerge that were present at the date of acquisition. Specifically, the Company is further assessing the valuation of certain tax matters as well as certain receivables and assumed liabilities of QAM, CRC, McCallum and Partnerships in Care and the valuation of real property and intangible assets of QAM and CRC.

The preliminary fair values of assets acquired and liabilities assumed, at the corresponding acquisition dates, during the three months ended March 31, 2015 in connection with the 2015 acquisitions were as follows (in thousands):

	<u>CRC</u>	<u>Other</u>	<u>Total</u>
Cash	\$ 19,600	\$ —	\$ 19,600
Accounts receivable	47,095	877	47,972
Prepaid expenses and other current assets	25,832	—	25,832
Property and equipment	139,478	1,550	141,028
Goodwill	1,052,047	53,521	1,105,568
Intangible assets	37,000	—	37,000
Deferred tax assets – noncurrent	64,688	—	64,688
Other assets	6,478	—	6,478
Total assets acquired	<u>1,392,218</u>	<u>55,948</u>	<u>1,448,166</u>
Accounts payable	5,301	96	5,397
Accrued salaries and benefits	14,860	—	14,860
Other accrued expenses	37,473	—	37,473
Long-term debt	904,467	—	904,467
Other liabilities	36,541	—	36,541
Total liabilities assumed	<u>998,642</u>	<u>96</u>	<u>998,738</u>
Net assets acquired	<u>\$ 393,576</u>	<u>\$55,852</u>	<u>\$ 449,428</u>

The preliminary fair values of assets acquired and liabilities assumed, at the corresponding acquisition dates, during the year ended December 31, 2014 in connection with the 2014 acquisitions were as follows (in thousands):

	<u>Partnerships in Care</u>	<u>Other</u>	<u>Total</u>
Cash	\$ 11,674	\$ —	\$ 11,674
Accounts receivable	7,684	1,849	9,533
Prepaid expenses and other current assets	8,828	186	9,014
Property and equipment	610,477	27,203	637,680
Goodwill	120,839	31,951	152,790
Intangible assets	651	204	855
Other assets	6,897	3,224	10,121
Total assets acquired	<u>767,050</u>	<u>64,617</u>	<u>831,667</u>
Accounts payable	3,958	93	4,051
Accrued salaries and benefits	10,422	—	10,422
Other accrued expenses	7,165	732	7,897
Deferred tax liabilities – noncurrent	49,250	—	49,250
Other liabilities	7,704	—	7,704
Total liabilities assumed	<u>78,499</u>	<u>825</u>	<u>79,324</u>
Net assets acquired	<u>\$ 688,551</u>	<u>\$63,792</u>	<u>\$752,343</u>

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Other

The qualitative factors comprising the goodwill acquired in the Pacific Grove, Partnerships in Care, McCallum, Croxton, Skyway, CRC and QAM acquisitions (collectively the “2014 and 2015 Acquisitions”) include efficiencies derived through synergies expected by the elimination of certain redundant corporate functions and expenses, the ability to leverage call center referrals to a broader provider base, coordination of services provided across the combined network of facilities, achievement of operating efficiencies by benchmarking performance, and applying best practices throughout the combined companies.

Transaction-related expenses comprised the following costs for the three months ended March 31, 2015 and 2014 (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Advisory and financing commitment fees	\$ 10,337	\$ —
Legal, accounting and other costs	3,819	1,120
Severance and contract termination costs	4,260	459
	<u>\$ 18,416</u>	<u>\$ 1,579</u>

Pro Forma Information

The condensed consolidated statements of income for the three months ended March 31, 2015 include revenue of \$147.6 million and income from continuing operations before income taxes of \$20.5 million related to the 2014 and 2015 Acquisitions. The condensed consolidated statements of income for the three months ended March 31, 2014 include revenue of \$1.3 million and loss from continuing operations before income taxes of \$0.2 million related to acquisitions completed in 2014.

The following table provides certain pro forma financial information for the Company as if the 2014 and 2015 Acquisitions occurred as of January 1, 2014 (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Revenue	\$ 421,418	\$ 380,505
Income (loss) from continuing operations, before income taxes	\$ (13,881)	\$ (6,718)

4. Other Intangible Assets

Other identifiable intangible assets and related accumulated amortization consisted of the following as of March 31, 2015 and December 31, 2014 (in thousands):

	<u>Gross Carrying Amount</u>		<u>Accumulated Amortization</u>	
	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Intangible assets subject to amortization:				
Contract intangible assets	\$ 2,100	\$ 2,100	\$ (1,435)	\$ (1,330)
Non-compete agreements	1,247	1,247	(1,184)	(1,155)
	<u>3,347</u>	<u>3,347</u>	<u>(2,619)</u>	<u>(2,485)</u>
Intangible assets not subject to amortization:				
Licenses and accreditations	10,258	9,184	—	—
Trade names	37,800	3,000	—	—
Certificates of need	9,722	8,590	—	—
	<u>57,780</u>	<u>20,774</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 61,127</u>	<u>\$ 24,121</u>	<u>\$ (2,619)</u>	<u>\$ (2,485)</u>

In connection with the CRC acquisition, the Company acquired license and accreditation intangible assets with a fair value of \$1.1 million, trade name intangible assets with a fair value of \$34.8 million and certificate of need intangible assets with a fair value of \$1.1 million.

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Amortization expense related to definite-lived intangible assets was \$0.1 million for both the three months ended March 31, 2015 and 2014, respectively. Estimated amortization expense for the years ending December 31, 2015, 2016, 2017, 2018 and 2019 is \$0.5 million, \$0.4 million, \$0, \$0 and \$0, respectively. The Company's licenses and accreditations, trade names and certificate of need intangible assets have indefinite lives and are, therefore, not subject to amortization.

5. Property and Equipment

Property and equipment consists of the following as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015	December 31, 2014
Land	\$ 167,749	\$ 132,406
Building and improvements	936,929	858,055
Equipment	102,452	73,584
Construction in progress	95,086	66,268
	<u>1,302,216</u>	<u>1,130,313</u>
Less accumulated depreciation	(72,539)	(60,613)
Property and equipment, net	<u>\$ 1,229,677</u>	<u>\$ 1,069,700</u>

6. Long-Term Debt

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

	March 31, 2015	December 31, 2014
Amended and Restated Senior Credit Facility:		
Senior Secured Term A Loans (net of discount of \$1,755 and \$1,924, respectively)	\$ 519,058	\$ 525,576
Senior Secured Term B Loans (net of discount of \$2,457)	496,293	—
Senior Secured Revolving Line of Credit	93,000	—
12.875% Senior Notes due 2018 (net of discount of \$1,025 and \$1,080, respectively)	96,475	96,420
6.125% Senior Notes due 2021	150,000	150,000
5.125% Senior Notes due 2022	300,000	300,000
5.625% Senior Notes due 2023	375,000	—
9.0% and 9.5% Revenue Bonds (net of premium of \$1,539 and \$1,649, respectively)	24,164	24,274
	<u>2,053,990</u>	<u>1,096,270</u>
Less: current portion	(35,309)	(26,965)
Long-term debt	<u>\$ 2,018,681</u>	<u>\$ 1,069,305</u>

Amended and Restated Senior Credit Facility

The Company entered into a senior secured credit facility (the "Senior Secured Credit Facility") on April 1, 2011. On December 31, 2012, the Company entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") which amended and restated the Senior Secured Credit Facility ("Amended and Restated Senior Credit Facility").

On February 13, 2014, the Company entered into a Fourth Amendment (the "Fourth Amendment") to the Amended and Restated Credit Agreement, to increase the size of the Amended and Restated Senior Credit Facility and extend the maturity date thereof, which resulted in the Company having a revolving line of credit of up to \$300.0 million and term loans of \$300.0 million. The Fourth Amendment also reduced the interest rates applicable to the Amended and Restated Senior Credit Facility and provided increased flexibility to the Company in terms of the financial and other restrictive covenants. The Fourth Amendment also provides for a \$150.0 million incremental credit facility, with the potential for unlimited additional incremental amounts, provided the Company meets certain financial ratios, in each case subject to customary conditions precedent to borrowing.

On June 16, 2014, the Company entered into a Fifth Amendment (the "Fifth Amendment") to the Amended and Restated Credit Agreement. The Fifth Amendment specifically permitted the Company's acquisition of Partnerships in Care, gave the Company the ability to incur a tranche of term loan B debt in the future through its incremental credit facility, and modified certain of the restrictive

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covenants on miscellaneous investments and incurrence of miscellaneous liens. The restrictive covenants on investments in joint ventures and foreign subsidiaries were also amended such that the Company may now invest, in any given fiscal year, up to five percent (5%) of its total assets in both joint ventures and foreign subsidiaries, respectively; provided that the aggregate amount of investments in both joint ventures and foreign subsidiaries, respectively, may not exceed ten percent (10%) of its total assets over the life of the Amended and Restated Senior Credit Facility; provided further that the aggregate amount of investments made in both joint ventures and foreign subsidiaries collectively pursuant to the foregoing may not exceed fifteen percent (15%) of its total assets. Finally, the Fifth Amendment provided increased flexibility to the Company in terms of its financial covenants.

On December 15, 2014, the Company entered into a Sixth Amendment (the “Sixth Amendment”) to our Amended and Restated Credit Agreement. Pursuant to the Sixth Amendment, we incurred \$235.0 million of additional term loans. A portion of the additional term loan advance was used to prepay our outstanding revolving loans, and a portion of the additional term loan advance is being held as cash on the consolidated balance sheet. The Sixth Amendment also specifically permitted the acquisition of CRC. In connection with the acquisition of CRC, the Sixth Amendment (i) imposed a temporary reserve on the Company’s revolving credit facility in the amount of \$110.0 million in order to preserve such reserved amounts for later borrowings to partially fund the consideration for the acquisition of CRC (subject to limited conditionality provisions) (the reserve is no longer in effect due to the acquisition of CRC), (ii) permitted the incurrence of an additional incremental term loan facility under the Amended and Restated Credit Agreement partially to fund the consideration for the acquisition of CRC (subject to limited conditionality provisions) and (iii) permitted the issuance of additional senior unsecured indebtedness or senior unsecured bridge indebtedness partially to fund the consideration for the acquisition of CRC.

On February 6, 2015, the Company entered into a Seventh Amendment (the “Seventh Amendment”) to our Amended and Restated Credit Agreement. The Seventh Amendment added Citibank, N.A. as an “L/C Issuer” under the Amended and Restated Credit Agreement in order to permit the rollover of CRC’s existing letters of credit into the Amended and Restated Credit Agreement and increased both the Company’s Letter of Credit Sublimit and Swing Line Sublimit to \$20.0 million.

On February 11, 2015, the Company entered into a First Incremental Facility Amendment (the “First Incremental Amendment”) to our Amended and Restated Credit Agreement. The First Incremental Amendment activated a new \$500.0 million incremental Term Loan B facility (the “TLB Facility”) that was added to our Amended and Restated Senior Credit Facility, subject to limited conditionality provisions. Borrowings under the TLB Facility were used to fund a portion of the purchase price for the acquisition of CRC.

On April 22, 2015, the Company entered into an Eighth Amendment (the “Eighth Amendment”) to our Amended and Restated Credit Agreement. The Eighth Amendment changed the definition of “Change of Control” in part to remove a provision whose purpose was, when calculating whether a majority of incumbent directors have approved new directors, that any incumbent director that became a director as a result of a threatened or actual proxy contest was not counted in such calculation.

The Company had \$198.1 million of availability under the revolving line of credit as of March 31, 2015. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our outstanding term loan A loans (“TLA Facility”) of \$6.7 million for March 31, 2015 to December 31, 2015, \$10.0 million for March 31, 2016 to December 31, 2016, \$13.4 million for March 31, 2017 to December 31, 2017, and \$16.7 million for March 31, 2018 to December 31, 2018, with the remaining principal balance of the TLA Facility due on the maturity date of February 13, 2019. On December 15, 2014, prior to the execution of the Sixth Amendment, the Company prepaid the December 31, 2014 quarterly term loan principal payment of \$1.9 million. The Company is required to repay the TLB Facility in equal quarterly installments of \$1.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the TLB Facility due on February 11, 2022.

Borrowings under the Amended and Restated Senior Credit Facility are guaranteed by each of the Company’s wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of the assets of the Company and such subsidiaries. Borrowings with respect to the TLA Facility and the Company’s revolving credit facility (collectively, “Pro Rata Facilities”) under the Amended and Restated Credit Agreement bear interest at a rate tied to Acadia’s Consolidated Leverage Ratio (defined as consolidated funded debt net of up to \$40.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 3.25% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 2.25% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at March 31, 2015. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As of March 31, 2015, the Pro Rata Facilities bore interest at a rate of LIBOR plus 3.25%. In addition, we are required to pay a commitment fee on undrawn amounts under the revolving line of credit. We paid a commitment fee

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of 0.50% for undrawn amounts for the period from January 1, 2013 through February 12, 2014 and 0.40% for undrawn amounts for the period from February 13, 2014 through December 15, 2014. Borrowings under the Pro Rata Facilities mature on February 13, 2019.

The Amended and Restated Credit Agreement requires the Company and its subsidiaries to comply with customary affirmative, negative and financial covenants, including a fixed charge coverage ratio, consolidated leverage ratio and senior secured leverage ratio. The Company may be required to pay all of its indebtedness immediately if it defaults on any of the numerous financial or other restrictive covenants contained in any of its material debt agreements. As of March 31, 2015, the Company was in compliance with such covenants.

12.875% Senior Notes due 2018

On November 1, 2011, the Company issued \$150.0 million of 12.875% Senior Notes due 2018 (the “12.875% Senior Notes”) at 98.323% of the aggregate principal amount of \$150.0 million, a discount of \$2.5 million. The notes bear interest at a rate of 12.875% per annum. The Company pays interest on the notes semi-annually, in arrears, on November 1 and May 1 of each year.

The indenture governing the 12.875% Senior Notes contains covenants that, among other things, limit the Company’s ability and the ability of its restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of the Company’s assets; and (vii) create liens on assets.

The 12.875% Senior Notes issued by the Company are guaranteed by each of the Company’s subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

On March 12, 2013, the Company redeemed \$52.5 million in principal amount of the 12.875% Senior Notes using a portion of the net proceeds of its December 2012 equity offering pursuant to the provision in the indenture permitting an optional redemption with equity proceeds of up to 35% of the principal amount of 12.875% Senior Notes. The 12.875% Senior Notes were redeemed at a redemption price of 112.875% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date in accordance with the provisions of the indenture governing the 12.875% Senior Notes. As part of the redemption of 35% of the 12.875% Senior Notes, the Company recorded a debt extinguishment charge of \$9.4 million, including the premium and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the consolidated statements of income.

6.125% Senior Notes due 2021

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

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

The 6.125% Senior Notes issued by the Company are guaranteed by each of the Company’s subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

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The Company may redeem the 6.125% Senior Notes at its option, in whole or part, at any time prior to March 15, 2016, at a price equal to 100% of the principal amount of the 6.125% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. The Company may redeem the 6.125% Senior Notes, in whole or in part, on or after March 15, 2016, at the redemption prices set forth in the indenture governing the 6.125% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before March 15, 2016, the Company may elect to redeem up to 35% of the aggregate principal amount of the 6.125% Senior Notes at a redemption price equal to 106.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

5.125% Senior Notes due 2022

On July 1, 2014, the Company issued \$300.0 million of 5.125% Senior Notes (the “5.125% Senior Notes”). The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2015.

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

The 5.125% Senior Notes issued by the Company are guaranteed by each of the Company’s subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

The Company may redeem the 5.125% Senior Notes at its option, in whole or part, at any time prior to July 1, 2017, at a price equal to 100% of the principal amount of the 5.125% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. The Company may redeem the 5.125% Senior Notes, in whole or in part, on or after July 1, 2017, at the redemption prices set forth in the indenture governing the 5.125% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before July 1, 2017, the Company may elect to redeem up to 35% of the aggregate principal amount of the 5.125% Senior Notes at a redemption price equal to 105.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

5.625% Senior Notes due 2023

On February 11, 2015, the Company issued \$375.0 million of 5.625% Senior Notes due 2023 (the “5.625% Senior Notes”). The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2015.

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

The 5.625% Senior Notes issued by the Company are guaranteed by each of the Company’s subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

The Company may redeem the 5.625% Senior Notes at its option, in whole or part, at any time prior to February 15, 2018, at a price equal to 100% of the principal amount of the 5.625% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. We may redeem the 5.625% Senior Notes, in whole or in part, on or after February 15, 2018, at the redemption prices set forth in the indenture governing the 5.625% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before February 15, 2018, the Company may elect to redeem up to 35% of the aggregate principal amount of the 5.625% Senior Notes at a redemption price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

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9.0% and 9.5% Revenue Bonds

On November 11, 2012, in connection with the acquisition of Park Royal, the Company assumed debt of \$23.0 million. The fair market value of the debt assumed was \$25.6 million and resulted in a debt premium balance being recorded as of the acquisition date. The debt consisted of \$7.5 million and \$15.5 million of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5% ("9.0% and 9.5% Revenue Bonds"), respectively. The 9.0% bonds in the amount of \$7.5 million have a maturity date of December 1, 2030 and require yearly principal payments beginning in 2013. The 9.5% bonds in the amount of \$15.5 million have a maturity date of December 1, 2040 and require yearly principal payments beginning in 2031. The principal payments establish a bond sinking fund to be held with the trustee and shall be sufficient to redeem the principal amounts of the 9.0% and 9.5% Revenue Bonds on their respective maturity dates. As of March 31, 2015 and December 31, 2014, \$2.3 million was recorded within other assets on the balance sheet related to the debt service reserve fund requirements. The yearly principal payments, which establish a bond sinking fund, will increase the debt service reserve fund requirements. The bond premium amount of \$2.6 million is amortized as a reduction of interest expense over the life of the revenue bonds using the effective interest method.

7. Equity Offerings

On June 17, 2014, the Company completed the offering of 8,881,794 shares of common stock (including shares sold pursuant to the exercise of the over-allotment option that the Company granted to the underwriters as part of the offering) at a price of \$44.00 per share. The net proceeds to the Company from the sale of the shares, after deducting the underwriting discount of \$15.6 million and additional offering-related expenses of \$0.8 million, were \$374.4 million. The Company used the net offering proceeds to fund a portion of the consideration for the acquisition of Partnerships in Care.

On February 11, 2015, the Company completed its acquisition of CRC for total consideration of approximately \$1.3 billion. As consideration for the acquisition, the Company issued 5,975,326 shares of its common stock to certain holders of CRC common stock and repaid CRC's outstanding indebtedness.

8. Equity-Based Compensation

Equity Incentive Plans

The Company issues stock-based awards, including stock options, restricted stock and restricted stock units, to certain officers, employees and non-employee directors under the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the "Equity Incentive Plan"). As of March 31, 2015, a maximum of 4,700,000 shares of the Company's common stock were authorized for issuance as stock options, restricted stock and restricted stock units or other share-based compensation under the Equity Incentive Plan, of which 1,841,011 were available for future grant. Stock options may be granted for terms of up to ten years. The Company recognizes expense on all share-based awards on a straight-line basis over the requisite service period of the entire award. Grants to employees generally vest in annual increments of 25% each year, commencing one year after the date of grant. The exercise prices of stock options are equal to the most recent closing price of the Company's common stock on the date of grant.

The Company recognized \$3.9 million and \$1.8 million in equity-based compensation expense for the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, there was \$60.8 million of unrecognized compensation expense related to unvested options, restricted stock and restricted stock units, which is expected to be recognized over the remaining weighted average vesting period of 1.6 years. As of March 31, 2015, there were no warrants outstanding. The Company recognized a deferred income tax benefit of \$1.6 million and \$0.7 million for the three months ended March 31, 2015 and 2014, respectively, related to equity-based compensation expense. The actual tax benefit realized from stock options exercised during the three months ended March 31, 2015 and 2014 was \$4.3 million and \$2.7 million, respectively.

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Stock option activity during 2014 and 2015 was as follows (aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2014	798,809	\$ 21.93	8.20	\$ 10,700
Options granted	226,663	49.80	9.25	209
Options exercised	(210,199)	14.93	N/A	4,994
Options cancelled	(77,851)	27.85	N/A	N/A
Options outstanding at December 31, 2014	737,422	32.19	8.09	14,512
Options granted	177,500	61.65	9.91	440
Options exercised	(28,435)	20.59	N/A	986
Options cancelled	(1,600)	47.24	N/A	N/A
Options outstanding at March 31, 2015	884,887	\$ 38.38	8.25	\$ 23,790
Options exercisable at December 31, 2014	91,947	\$ 28.87	6.30	\$ 3,326
Options exercisable at March 31, 2015	241,723	\$ 35.52	7.19	\$ 9,478

Restricted stock activity during 2014 and 2015 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2014	461,697	\$ 24.96
Granted	468,484	48.99
Cancelled	(75,369)	36.36
Vested	(132,784)	22.81
Unvested at December 31, 2014	722,028	\$ 39.77
Granted	450,216	61.65
Cancelled	(2,400)	47.24
Vested	(121,236)	33.03
Unvested at March 31, 2015	1,048,608	\$ 49.83

Restricted stock unit activity during 2014 and 2015 was as follows:

	Number of Units	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2014	95,751	\$ 23.05
Granted	108,449	50.75
Cancelled	—	—
Vested	(79,087)	21.81
Unvested at December 31, 2014	125,113	\$ 38.73
Granted	217,994	61.77
Cancelled	—	—
Vested	(125,023)	32.38
Unvested at March 31, 2015	218,084	\$ 55.02

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The grant-date fair value of the Company's stock options is estimated using the Black-Scholes option pricing model. The following table summarizes the grant-date fair value of options and the assumptions used to develop the fair value estimates for options granted during the three months ended March 31, 2015 and year ended December 31, 2014:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Weighted average grant-date fair value of options	\$ 21.39	\$ 17.14
Risk-free interest rate	1.5%	1.7%
Expected volatility	35%	36%
Expected life (in years)	5.5	5.5

The Company's estimate of expected volatility for stock options is based upon the volatility of guideline companies given the lack of sufficient historical trading experience of the Company's common stock. The risk-free interest rate is the approximate yield on United States Treasury Strips having a life equal to the expected option life on the date of grant. The expected life is an estimate of the number of years an option will be held before it is exercised.

9. Income Taxes

The provision for income taxes for continuing operations for the three months ended March 31, 2015 and 2014 reflects effective tax rates of 31.2% and 37.4%, respectively. The decrease in the tax rate for the three months ended March 31, 2015 was primarily attributable to the acquisition of Partnerships in Care, which is located in a lower taxing jurisdiction and for which earnings are permanently reinvested.

10. Derivatives

The Company entered into foreign currency forward contracts in March 2015 in connection with acquisitions in the United Kingdom. The foreign currency forward contracts limited the economic risk of changes in the foreign exchange rate between US Dollars ("USD") and British Pounds ("GBP") associated with the payment of the purchase price in GBP in April 2015. These foreign currency forward contracts did not meet the hedge accounting criteria under Accounting Standards Codification 815, *Derivatives and Hedging*. As such, gains associated with changes in fair value of \$0.1 million for the three months ended March 31, 2015, respectively, have been recorded in the consolidated statements of income. The final fair value of the foreign currency forward contracts settled in April 2015.

11. Fair Value Measurements

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

The carrying amounts and fair values of the Company's Amended and Restated Senior Credit Facility, 12.875% Senior Notes, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 9.0% and 9.5% Revenue Bonds, contingent consideration liabilities and foreign currency derivatives as of March 31, 2015 and December 31, 2014 were as follows (in thousands):

	<u>Carrying Amount</u>		<u>Fair Value</u>	
	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Amended and Restated Senior Credit Facility	\$ 1,108,351	\$ 525,576	\$ 1,108,351	\$ 525,576
12.875% Senior Notes due 2018	\$ 96,475	\$ 96,420	\$ 109,200	\$ 109,688
6.125% Senior Notes due 2021	\$ 150,000	\$ 150,000	\$ 155,625	\$ 153,000
5.125% Senior Notes due 2022	\$ 300,000	\$ 300,000	\$ 300,375	\$ 295,500
5.625% Senior Notes due 2023	\$ 375,000	—	\$ 375,488	—
9.0% and 9.5% Revenue Bonds	\$ 24,164	\$ 24,274	\$ 24,164	\$ 24,274
Contingent consideration liabilities	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Foreign currency derivatives	\$ 53	—	\$ 53	—

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The Company's Amended and Restated Senior Credit Facility, 12.875% Senior Notes, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 9.0% and 9.5% Revenue Bonds were categorized as Level 2 in the GAAP fair value hierarchy. Fair values were based on trading activity among the Company's lenders and the average bid and ask price as determined using published rates.

The fair value of the contingent consideration liabilities were categorized as Level 3 in the GAAP fair value hierarchy. The contingent consideration liabilities were valued using a probability-weighted discounted cash flow method. This analysis reflected the contractual terms of the purchase agreements and utilized assumptions with regard to future earnings, probabilities of achieving such future earnings and a discount rate. Significant increases with respect to assumptions as to future earnings and probabilities of achieving such future earnings would result in higher fair value measurement while an increase in the discount rate would result in a lower fair value measurement. During the three months ended March 31, 2014, the Company changed its projections of the timing of future payments for the Park Royal contingent consideration liability. This change resulted in a \$0.5 million increase in the fair value of the contingent consideration liability, which was recorded in transaction-related expenses in the consolidated statements of income. During the year ended December 31, 2014, the Company paid \$5.0 million of the estimated \$7.0 million Park Royal contingent consideration liability as a result of the facility achieving certain earnings targets. The Company may make an earn-out payment of up to \$6.0 million, contingent upon achievement by McCallum of certain operating performance targets for the one-year period ending December 31, 2015.

The fair value of the foreign currency forward contracts at March 31, 2015 was categorized as Level 2 in the GAAP fair value hierarchy. The foreign currency forward contracts' fair market value was calculated using the published foreign exchange rate between the USD and GBP as of March 31, 2015 compared to the exchange rate at the dates of the contracts.

12. Commitments and Contingencies

The Company is, from time to time, subject to various claims and legal actions that arise in the ordinary course of the Company's business, including claims for damages for personal injuries, medical malpractice, breach of contract, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In the opinion of management, the Company is not currently a party to any proceeding that would individually or in the aggregate have a material adverse effect on the Company's business, financial condition or results of operations.

13. Segment Information

The Company operates in one line of business, which is operating acute inpatient psychiatric facilities, specialty treatment facilities, residential treatment centers and facilities providing outpatient behavioral healthcare services. As management reviews the operating results of its facilities in the United States (the "U.S. Facilities") and its facilities in the United Kingdom (the "U.K. Facilities") separately to assess performance and make decisions, the Company's operating segments include its U.S. Facilities and U.K. Facilities. At March 31, 2015, the U.S. Facilities included 179 behavioral healthcare facilities with approximately 7,100 beds in 37 states and Puerto Rico, and the U.K. Facilities included 24 behavioral healthcare facilities with approximately 1,300 beds in the United Kingdom.

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

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Revenue:		
U.S. Facilities	\$ 290,507	\$ 200,564
U.K. Facilities	73,315	—
Corporate and Other	1,961	854
	<u>\$ 365,783</u>	<u>\$ 201,418</u>
Segment EBITDA (1):		
U.S. Facilities	\$ 76,364	\$ 47,533
U.K. Facilities	18,811	—
Corporate and Other	(16,463)	(8,251)
	<u>\$ 78,712</u>	<u>\$ 39,282</u>

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Segment EBITDA (1)	\$ 78,712	\$ 39,282
Plus (less):		
Equity-based compensation expense	(3,894)	(1,764)
Gain on foreign currency derivatives	53	—
Transaction-related expenses	(18,416)	(1,579)
Interest expense, net	(22,146)	(9,707)
Depreciation and amortization	(13,104)	(5,436)
Income from continuing operations before income taxes	<u>\$ 21,205</u>	<u>\$ 20,796</u>

	<u>U.S. Facilities</u>	<u>U.K. Facilities</u>	<u>Corporate and Other</u>	<u>Consolidated</u>
Goodwill:				
Balance at January 1, 2015	\$ 693,945	\$ 109,041	\$ —	\$ 802,986
Increase from 2015 acquisitions	1,105,240	328	—	1,105,568
Foreign currency translation loss	—	(4,974)	—	(4,974)
Other	475	—	—	475
Balance at March 31, 2015	<u>\$ 1,799,660</u>	<u>104,395</u>	<u>\$ —</u>	<u>\$ 1,904,055</u>

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Assets (2):		
U.S. Facilities	\$ 2,686,615	\$ 1,327,563
U.K. Facilities	707,603	726,693
Corporate and Other	232,927	169,334
	<u>\$ 3,627,145</u>	<u>\$ 2,223,590</u>

- (1) Segment EBITDA is defined as income from continuing operations before provision for income taxes, equity-based compensation expense, gain on foreign currency derivatives, transaction-related expenses, interest expense and depreciation and amortization. The Company uses Segment EBITDA as an analytical indicator to measure the performance of the Company's segments and to develop strategic objectives and operating plans for those segments. Segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from Segment EBITDA are significant components in understanding and assessing financial performance. Because Segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, Segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.
- (2) Assets include property and equipment for the U.S. Facilities of \$625.1 million, U.K. Facilities of \$560.3 million and corporate and other of \$44.3 million at March 31, 2015. Assets include property and equipment for the U.S. Facilities of \$478.1 million, U.K. Facilities of \$578.6 million and corporate and other of \$13.0 million at December 31, 2014.

14. Recently Issued Accounting Standards

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2015-03, "Interest-Imputation of Interest (Subtopic 835-30)" ("ASU 2015-05"). ASU 2015-03 simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, and the new guidance should be applied retrospectively. Management is evaluating the impact of ASU 2015-03 on the Company's consolidated financial statements.

15. Subsequent Events

On April 1, 2015, the Company completed the acquisitions of (i) two facilities from Choice Lifestyles ("Choice") for approximately \$37.8 million, (ii) Pastoral Care Group ("Pastoral") for approximately \$34.5 million and (iii) Mildmay Oaks f/k/a Vista Independent Hospital ("Mildmay Oaks") for approximately \$15.5 million. The two inpatient psychiatric facilities acquired from Choice have an aggregate of 48 beds and are located in England. Pastoral operates two inpatient psychiatric facilities with an aggregate of 65 beds located in Wales. Mildmay Oaks is an inpatient psychiatric facility with 67 beds located in England.

16. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. The 12.875% Senior Notes, 6.125% Senior Notes, 5.125% Senior Notes and 5.625% Senior Notes are jointly and severally guaranteed on an unsecured senior basis by all of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. Presented below is condensed consolidating financial information for the Company and its subsidiaries as of March 31, 2015 and December 31, 2014, and for the three months ended March 31, 2015 and 2014. The information segregates the parent company (Acadia Healthcare Company, Inc.), the combined wholly-owned subsidiary guarantors, the combined non-guarantor subsidiaries and eliminations.

Acadia Healthcare Company, Inc.
Condensed Consolidating Balance Sheets
March 31, 2015
(In thousands)

	<u>Parent</u>	<u>Combined Subsidiary Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Consolidating Adjustments</u>	<u>Total Consolidated Amounts</u>
Current assets:					
Cash and cash equivalents	\$ —	\$ 14,822	\$ 23,210	\$ —	\$ 38,032
Accounts receivable, net	—	157,034	15,904	—	172,938
Deferred tax assets	—	34,861	1,951	—	36,812
Other current assets	—	72,708	4,888	—	77,596
Total current assets	—	279,425	45,953	—	325,378
Property and equipment, net	—	626,095	603,582	—	1,229,677
Goodwill	—	1,701,850	202,205	—	1,904,055
Intangible assets, net	—	55,956	2,552	—	58,508
Deferred tax assets – noncurrent	3,917	22,907	13,670	—	40,494
Investment in subsidiaries	3,069,802	—	—	(3,069,802)	—
Other assets	221,093	27,393	2,321	(181,774)	69,033
Total assets	<u>\$3,294,812</u>	<u>\$2,713,626</u>	<u>\$ 870,283</u>	<u>\$(3,251,576)</u>	<u>\$3,627,145</u>
Current liabilities:					
Current portion of long-term debt	\$ 35,094	\$ —	\$ 215	\$ —	\$ 35,309
Accounts payable	—	56,335	8,583	—	64,918
Accrued salaries and benefits	—	58,017	10,694	—	68,711
Other accrued liabilities	15,199	31,683	14,840	—	61,722
Total current liabilities	50,293	146,035	34,332	—	230,660
Long-term debt	1,994,732	—	205,723	(181,774)	2,018,681
Deferred tax liabilities – noncurrent	—	—	46,635	—	46,635
Other liabilities	—	71,825	9,557	—	81,382
Total liabilities	<u>2,045,025</u>	<u>217,860</u>	<u>296,247</u>	<u>(181,774)</u>	<u>2,377,358</u>
Total equity	1,249,787	2,495,766	574,036	(3,069,802)	1,249,787
Total liabilities and equity	<u>\$3,294,812</u>	<u>\$2,713,626</u>	<u>\$ 870,283</u>	<u>\$(3,251,576)</u>	<u>\$3,627,145</u>

Acadia Healthcare Company, Inc.
Condensed Consolidating Balance Sheets
December 31, 2014
(In thousands)

	<u>Parent</u>	<u>Combined Subsidiary Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Consolidating Adjustments</u>	<u>Total Consolidated Amounts</u>
Current assets:					
Cash and cash equivalents	\$ —	\$ 76,685	\$ 17,355	\$ —	\$ 94,040
Accounts receivable, net	—	100,797	17,581	—	118,378
Deferred tax assets	—	18,395	1,760	—	20,155
Other current assets	—	36,049	5,521	—	41,570
Total current assets	—	231,926	42,217	—	274,143
Property and equipment, net	—	451,943	617,757	—	1,069,700
Goodwill	—	596,611	206,375	—	802,986
Intangible assets, net	—	19,057	2,579	—	21,636
Deferred tax assets – noncurrent	4,563	—	14,244	(5,666)	13,141
Investment in subsidiaries	1,759,337	—	—	(1,759,337)	—
Other assets	202,708	18,727	2,323	(181,774)	41,984
Total assets	<u>\$1,966,608</u>	<u>\$1,318,264</u>	<u>\$ 885,495</u>	<u>\$(1,946,777)</u>	<u>\$2,223,590</u>
Current liabilities:					
Current portion of long-term debt	\$ 26,750	\$ —	\$ 215	\$ —	\$ 26,965
Accounts payable	—	39,486	9,210	—	48,696
Accrued salaries and benefits	—	47,597	11,720	—	59,317
Other accrued liabilities	13,647	7,688	9,621	—	30,956
Total current liabilities	40,397	94,771	30,766	—	165,934
Long-term debt	1,045,246	—	205,833	(181,774)	1,069,305
Deferred tax liabilities – noncurrent	—	21,027	48,519	(5,666)	63,880
Other liabilities	—	33,321	10,185	—	43,506
Total liabilities	<u>1,085,643</u>	<u>149,119</u>	<u>295,303</u>	<u>(187,440)</u>	<u>1,342,625</u>
Total equity	880,965	1,169,145	590,192	(1,759,337)	880,965
Total liabilities and equity	<u>\$1,966,608</u>	<u>\$1,318,264</u>	<u>\$ 885,495</u>	<u>\$(1,946,777)</u>	<u>\$2,223,590</u>

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Comprehensive Income
Three Months Ended March 31, 2015
(In thousands)

	<u>Parent</u>	<u>Combined Subsidiary Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Consolidating Adjustments</u>	<u>Total Consolidated Amounts</u>
Revenue before provision for doubtful accounts	\$ —	\$ 287,765	\$ 86,393	\$ —	\$ 374,158
Provision for doubtful accounts	—	(7,419)	(956)	—	(8,375)
Revenue	—	280,346	85,437	—	365,783
Salaries, wages and benefits	3,894	155,699	46,278	—	205,871
Professional fees	—	16,485	5,942	—	22,427
Supplies	—	13,009	3,245	—	16,254
Rents and leases	—	5,117	769	—	5,886
Other operating expenses	—	25,115	15,412	—	40,527
Depreciation and amortization	—	8,711	4,393	—	13,104
Interest expense, net	12,948	5,721	3,477	—	22,146
Gain on foreign currency derivatives	(53)	—	—	—	(53)
Transaction-related expenses	—	18,416	—	—	18,416
Total expenses	16,789	248,273	79,516	—	344,578
(Loss) income from continuing operations before income taxes	(16,789)	32,073	5,921	—	21,205
Equity in earnings of subsidiaries	25,987	—	—	(25,987)	—
(Benefit from) provision for income taxes	(5,396)	10,497	1,512	—	6,613
Income (loss) from continuing operations	14,594	21,576	4,409	(25,987)	14,592
Loss from discontinued operations, net of income taxes	—	2	—	—	2
Net income (loss)	<u>\$ 14,594</u>	<u>\$ 21,578</u>	<u>\$ 4,409</u>	<u>\$ (25,987)</u>	<u>\$ 14,594</u>
Other comprehensive loss:					
Foreign currency translation loss	—	—	(29,389)	—	(29,389)
Other comprehensive loss	—	—	(29,389)	—	(29,389)
Comprehensive income (loss)	<u>\$ 14,594</u>	<u>\$ 21,578</u>	<u>\$ (24,980)</u>	<u>\$ (25,987)</u>	<u>\$ (14,795)</u>

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Comprehensive Income
Three Months Ended March 31, 2014
(In thousands)

	<u>Parent</u>	<u>Combined Subsidiary Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Consolidating Adjustments</u>	<u>Total Consolidated Amounts</u>
Revenue before provision for doubtful accounts	\$ —	\$ 193,282	\$ 12,837	\$ —	\$ 206,119
Provision for doubtful accounts	—	(4,510)	(191)	—	(4,701)
Revenue	—	188,772	12,646	—	201,418
Salaries, wages and benefits	1,764	110,653	5,158	—	117,575
Professional fees	—	9,253	1,129	—	10,382
Supplies	—	9,385	679	—	10,064
Rents and leases	—	2,495	274	—	2,769
Other operating expenses	—	21,079	2,031	—	23,110
Depreciation and amortization	—	5,085	351	—	5,436
Interest expense, net	9,111	—	596	—	9,707
Transaction-related expenses	—	1,579	—	—	1,579
Total expenses	10,875	159,529	10,218	—	180,622
(Loss) income from continuing operations before income taxes	(10,875)	29,243	2,428	—	20,796
Equity in earnings of subsidiaries	19,867	—	—	(19,867)	—
(Benefit from) provision for income taxes	(4,066)	10,934	907	—	7,775
Income (loss) from continuing operations	13,058	18,309	1,521	(19,867)	13,021
Income from discontinued operations, net of income taxes	—	37	—	—	37
Net income (loss)	<u>\$ 13,058</u>	<u>\$ 18,346</u>	<u>\$ 1,521</u>	<u>\$ (19,867)</u>	<u>\$ 13,058</u>
Comprehensive income (loss)	<u>\$ 13,058</u>	<u>\$ 18,346</u>	<u>\$ 1,521</u>	<u>\$ (19,867)</u>	<u>\$ 13,058</u>

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2015
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non- Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net income (loss)	\$ 14,594	\$ 21,578	\$ 4,409	\$ (25,987)	\$ 14,594
Adjustments to reconcile net income (loss) to net cash (used in) provided by continuing operating activities:					
Equity in earnings of subsidiaries	(25,987)	—	—	25,987	—
Depreciation and amortization	—	8,711	4,393	—	13,104
Amortization of debt issuance costs	1,578	—	(110)	—	1,468
Equity-based compensation expense	3,894	—	—	—	3,894
Deferred income tax (benefit) expense	646	18,354	224	—	19,224
Loss from discontinued operations, net of taxes	—	(2)	—	—	(2)
Gain on foreign currency derivatives	(53)	—	—	—	(53)
Other	—	364	14	—	378
Change in operating assets and liabilities, net of effect of acquisitions:				—	
Accounts receivable, net	—	(8,265)	1,308	—	(6,957)
Other current assets	—	(24,182)	424	—	(23,758)
Other assets	—	(638)	2	—	(636)
Accounts payable and other accrued liabilities	—	6,645	(5,371)	—	1,274
Accrued salaries and benefits	—	(4,440)	(582)	—	(5,022)
Other liabilities	—	762	(182)	—	580
Net cash (used in) provided by continuing operating activities	(5,328)	18,887	4,529	—	18,088
Net cash provided by discontinued operating activities	—	134	—	—	134
Net cash (used in) provided by operating activities	(5,328)	19,021	4,529	—	18,222
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(48,317)	(1,301)	—	(49,618)
Cash paid for capital expenditures	—	(41,426)	(11,453)	—	(52,879)
Cash paid for real estate acquisitions	—	(1,722)	—	—	(1,722)
Other	—	(383)	—	—	(383)
Net cash used in investing activities	—	(91,848)	(12,754)	—	(104,602)
Financing activities:					
Borrowings on long-term debt	875,000	—	—	—	875,000
Borrowings on revolving credit facility	93,000	—	—	—	93,000
Principal payments on long-term debt	(7,938)	—	—	—	(7,938)
Repayment of assumed CRC debt	(904,467)	—	—	—	(904,467)
Payment of debt issuance costs	(22,191)	—	—	—	(22,191)
Common stock withheld for minimum statutory taxes, net	(5,110)	—	—	—	(5,110)
Excess tax benefit from equity awards	4,310	—	—	—	4,310
Cash (used in) provided by intercompany activity	(27,276)	10,964	16,312	—	—
Net cash provided by financing activities	5,328	10,964	16,312	—	32,604
Effect of exchange rate changes on cash	—	—	(2,232)	—	(2,232)
Net increase in cash and cash equivalents	—	(61,863)	5,855	—	(56,008)
Cash and cash equivalents at beginning of the period	—	76,685	17,355	—	94,040
Cash and cash equivalents at end of the period	\$ —	\$ 14,822	\$ 23,210	\$ —	\$ 38,032

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Three Months Ended March 31, 2014
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non- Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net income (loss)	\$ 13,058	\$ 18,346	\$ 1,521	\$ (19,867)	\$ 13,058
Adjustments to reconcile net income (loss) to net cash (used in) provided					
by continuing operating activities:					
Equity in earnings of subsidiaries	(19,867)	—	—	19,867	—
Depreciation and amortization	—	5,085	351	—	5,436
Amortization of debt issuance costs	757	—	(113)	—	644
Equity-based compensation expense	1,764	—	—	—	1,764
Deferred income tax expense	429	1,604	198	—	2,231
Income from discontinued operations, net of taxes	—	(37)	—	—	(37)
Other	—	13	—	—	13
Change in operating assets and liabilities, net of effect of acquisitions:					
Accounts receivable, net	—	(9,134)	440	—	(8,694)
Other current assets	—	919	33	—	952
Other assets	114	(1,576)	—	(114)	(1,576)
Accounts payable and other accrued liabilities	—	(2,302)	463	—	(1,839)
Accrued salaries and benefits	—	(5,356)	(51)	—	(5,407)
Other liabilities	—	770	—	—	770
Net cash (used in) provided by continuing operating activities	(3,745)	8,332	2,842	(114)	7,315
Net cash provided by discontinued operating activities	—	31	—	—	31
Net cash (used in) provided by operating activities	(3,745)	8,363	2,842	(114)	7,346
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(10,000)	—	—	(10,000)
Cash paid for capital expenditures	—	(20,714)	(935)	—	(21,649)
Cash paid for real estate acquisitions	—	(16,097)	—	—	(16,097)
Other	—	(178)	—	—	(178)
Net cash used in investing activities	—	(46,989)	(935)	—	(47,924)
Financing activities:					
Borrowings on long-term debt	7,500	—	—	—	7,500
Borrowings on revolving credit facility	40,500	—	—	—	40,500
Principal payments on long-term debt	(1,875)	—	(114)	114	(1,875)
Payment of debt issuance costs	(3,491)	—	—	—	(3,491)
Common stock withheld for minimum statutory taxes, net	(2,112)	—	—	—	(2,112)
Excess tax benefit from equity awards	2,730	—	—	—	2,730
Cash (used in) provided by intercompany activity	(39,507)	41,600	(4,018)	1,925	—
Net cash provided by (used in) financing activities	3,745	41,600	(4,132)	2,039	43,252
Net increase (decrease) in cash and cash equivalents	—	2,974	(2,225)	1,925	2,674
Cash and cash equivalents at beginning of the period	—	—	6,494	(1,925)	4,569
Cash and cash equivalents at end of the period	\$ —	\$ 2,974	\$ 4,269	\$ —	\$ 7,243

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

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

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

- our significant indebtedness, our ability to meet our debt obligations, and our ability to incur substantially more debt;
- difficulties in successfully integrating the operations of acquired facilities, including those acquired in the CRC and Partnerships in Care acquisitions, or realizing the potential benefits and synergies of our acquisitions;
- our ability to implement our business strategies in the United Kingdom and adapt to the regulatory and business environment in the United Kingdom;
- the impact of payments received from the government and third-party payors on our revenues and results of operations including the significant dependence of the Partnerships in Care facilities on payments received from the National Health Service in the United Kingdom (“NHS”);
- the occurrence of patient incidents, which could result in negative media coverage, adversely affect the price of our securities and result in incremental regulatory burdens and governmental investigations;
- our future cash flow and earnings;
- our restrictive covenants, which may restrict our business and financing activities;
- our ability to make payments on our financing arrangements;
- the impact of the economic and employment conditions in the United States and the United Kingdom on our business and future results of operations;
- compliance with laws and government regulations;
- the impact of claims brought against our facilities;
- the impact of governmental investigations, regulatory actions and whistleblower lawsuits;
- the impact of healthcare reform in the United States and abroad;
- the impact of our highly competitive industry on patient volumes;
- our ability to recruit and retain quality psychiatrists and other physicians;
- the impact of competition for staffing on our labor costs and profitability;
- our dependence on key management personnel, key executives and local facility management personnel;
- our acquisition strategy, which exposes us to a variety of operational and financial risks, as well as legal and regulatory risks (e.g., exposure to the new regulatory regimes such as the United Kingdom for Partnerships in Care and various investigations relating to CRC);
- the impact of state efforts to regulate the construction or expansion of healthcare facilities (including those from CRC and Partnerships in Care) on our ability to operate and expand our operations;
- our potential inability to extend leases at expiration;
- the impact of controls designed to reduce inpatient services on our revenues;
- the impact of different interpretations of accounting principles on our results of operations or financial condition;
- the impact of environmental, health and safety laws and regulations, especially in states where we have concentrated operations;
- the impact of an increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients on our results of operations;
- the risk of a cyber-security incident and any resulting violation of laws and regulations regarding information privacy or other negative impact;
- the impact of laws and regulations relating to privacy and security of patient health information and standards for electronic transactions;

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- the impact of a change in the mix of our earnings, and changes in tax rates and laws generally;
- failure to maintain effective internal control over financial reporting;
- the impact of fluctuations in our operating results, quarter to quarter earnings and other factors on the price of our securities;
- the impact of the trend for insurance companies and managed care organizations to enter into sole source contracts on our ability to obtain patients;
- the impact of fluctuations in foreign exchange rates; and
- those risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission.

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

Overview

Our business strategy is to acquire and develop behavioral healthcare facilities and improve our operating results within our facilities and our other behavioral healthcare operations. We strive to improve the operating results of our facilities by providing high-quality services, expanding referral networks and marketing initiatives while meeting the increased demand for behavioral healthcare services through expansion of our current locations as well as developing new services within existing locations. At March 31, 2015, we operated 203 behavioral healthcare facilities with over 8,400 beds in 37 states, the United Kingdom and Puerto Rico. During the three months ended March 31, 2015, we acquired 123 facilities and added 185 new beds to our existing facilities. For the year ending December 31, 2015, we expect to add approximately 500 total beds to facilities we owned as of December 31, 2014.

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

Acquisitions

On February 11, 2015, we completed the acquisition of CRC for total consideration of approximately \$1.3 billion. As consideration for the acquisition, we issued 5,975,326 shares of our common stock to certain holders of CRC common stock and repaid CRC's outstanding indebtedness. CRC is a leading provider of treatment services related to substance abuse and other addiction and behavioral disorders. CRC operated 35 inpatient facilities with over 2,400 beds and 81 comprehensive treatment centers located in 30 states at the acquisition date.

On March 1, 2015, we acquired the stock of QAM for total consideration of approximately \$54.6 million. QAM operates seven comprehensive treatment centers located in Wisconsin.

On April 1, 2015, we completed the acquisitions of (i) two facilities from Choice for approximately \$37.8 million, (ii) Pastoral for approximately \$34.5 million and (iii) Mildmay Oaks for approximately \$15.5 million. The two inpatient psychiatric facilities acquired from Choice have an aggregate of 48 beds and are located in England. Pastoral operates two inpatient psychiatric facilities with an aggregate of 65 beds located in Wales. Mildmay Oaks is an inpatient psychiatric facility with 67 beds located in England.

Revenue

Our revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and adolescent residential treatment. We receive payments from the following sources for services rendered in our facilities: (i) state governments under their respective Medicaid and other programs; (ii) commercial insurers; (iii) the federal government under the Medicare program administered by CMS; (iv) NHS in the United Kingdom; and (v) individual patients and clients. Revenue is recorded in the period in which services are provided at established billing rates less contractual adjustments based on amounts reimbursable by Medicare or Medicaid under provisions of cost or prospective reimbursement formulas or amounts due from other third-party payors at contractually determined rates.

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The following table presents revenue by payor type and as a percentage of revenue before provision for doubtful accounts for the three months ended March 31, 2015 and 2014 (dollars in thousands):

	Three Months Ended March 31,			
	2015		2014	
	Amount	%	Amount	%
Commercial	\$ 83,474	22.3%	\$ 56,185	27.3%
Medicare	49,145	13.1%	45,686	22.2%
Medicaid	126,324	33.8%	91,770	44.4%
NHS	72,566	19.4%	—	— %
Self-Pay	29,728	7.9%	7,007	3.4%
Other	12,921	3.5%	5,471	2.7%
Revenue before provision for doubtful accounts	374,158	100.0%	206,119	100.0%
Provision for doubtful accounts	(8,375)		(4,701)	
Revenue	<u>\$365,783</u>		<u>\$201,418</u>	

The following tables present a summary of our aging of accounts receivable as of March 31, 2015 and December 31, 2014:

March 31, 2015

	Current	30-90	90-150	>150	Total
Commercial	18.8%	9.0%	2.5%	2.1%	32.4%
Medicare	12.6%	2.4%	1.1%	2.5%	18.6%
Medicaid	24.2%	8.0%	1.7%	2.5%	36.4%
NHS	1.4%	0.9%	— %	— %	2.3%
Self-Pay	1.4%	2.2%	1.6%	4.3%	9.5%
Other	0.3%	0.1%	0.1%	0.3%	0.8%
Total	<u>58.7%</u>	<u>22.6%</u>	<u>7.0%</u>	<u>11.7%</u>	<u>100.0%</u>

December 31, 2014

	Current	30-90	90-150	>150	Total
Commercial	14.5%	6.7%	2.6%	3.1%	26.9%
Medicare	15.8%	3.4%	1.7%	3.7%	24.6%
Medicaid	22.2%	4.9%	2.3%	2.8%	32.2%
NHS	2.1%	1.8%	0.1%	— %	4.0%
Self-Pay	1.1%	1.8%	2.2%	6.2%	11.3%
Other	0.3%	0.2%	0.2%	0.3%	1.0%
Total	<u>56.0%</u>	<u>18.8%</u>	<u>9.1%</u>	<u>16.1%</u>	<u>100.0%</u>

Results of Operations

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

	Three Months Ended March 31,			
	2015		2014	
	Amount	%	Amount	%
Revenue before provision for doubtful accounts	\$374,158		\$206,119	
Provision for doubtful accounts	(8,375)		(4,701)	
Revenue	365,783	100.0%	201,418	100.0%
Salaries, wages and benefits	205,871	56.3%	117,575	58.4%
Professional fees	22,427	6.1%	10,382	5.1%
Supplies	16,254	4.4%	10,064	5.0%
Rents and leases	5,886	1.6%	2,769	1.4%
Other operating expenses	40,527	11.1%	23,110	11.5%
Depreciation and amortization	13,104	3.6%	5,436	2.7%
Interest expense	22,146	6.1%	9,707	4.8%
Gain on foreign currency derivatives	(53)	— %	—	— %
Transaction-related expenses	18,416	5.0%	1,579	0.8%
Total expenses	344,578	96.7%	180,622	89.7%
Income from continuing operations before income taxes	21,205	3.3%	20,796	10.3%
Provision for income taxes	6,613	1.0%	7,775	3.8%
Income from continuing operations	<u>\$ 14,592</u>	2.3%	<u>\$ 13,021</u>	6.5%

Three months ended March 31, 2015 compared to the three months ended March 31, 2014

Revenue before provision for doubtful accounts. Revenue before provision for doubtful accounts increased \$168.0 million, or 81.5%, to \$374.2 million for the three months ended March 31, 2015 from \$206.1 million for the three months ended March 31, 2014. The increase related primarily to revenue generated during the three months ended March 31, 2015 from the facilities acquired in our 2014 and 2015 Acquisitions, particularly the acquisitions of Partnerships in Care and CRC. Same-facility revenue before provision for doubtful accounts increased by \$19.5 million, or 9.5%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014, resulting from same-facility growth in patient days of 9.9% and a decrease in same-facility revenue per day of 1.2%. Consistent with the same-facility patient day growth in 2014, the growth in same-facility patient days for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 resulted from the addition of beds to our existing facilities and ongoing demand for our services.

Provision for doubtful accounts. The provision for doubtful accounts was \$8.4 million for the three months ended March 31, 2015, or 2.2% of revenue before provision for doubtful accounts, compared to \$4.7 million for the three months ended March 31, 2014, or 2.3% of revenue before provision for doubtful accounts.

Salaries, wages and benefits. Salaries, wages and benefits (“SWB”) expense was \$205.9 million for the three months ended March 31, 2015 compared to \$117.6 million for the three months ended March 31, 2014, an increase of \$88.3 million. SWB expense included \$3.9 million and \$1.8 million of equity-based compensation expense for the three months ended March 31, 2015 and 2014, respectively. Excluding equity-based compensation expense, SWB expense was \$202.0 million, or 55.2% of revenue, for the three months ended March 31, 2015, compared to \$115.8 million, or 57.5% of revenue, for the three months ended March 31, 2014. The \$86.2 million increase in SWB expense, excluding equity-based compensation expense, was primarily attributable to SWB expense incurred by the facilities acquired in our 2014 and 2015 Acquisitions, particularly the acquisitions of Partnerships in Care and CRC. Same-facility SWB expense was \$116.3 million for the three months ended March 31, 2015, or 53.4% of revenue, compared to \$108.4 million for the three months ended March 31, 2014, or 54.1% of revenue.

Professional fees. Professional fees were \$22.4 million for the three months ended March 31, 2015, or 6.1% of revenue, compared to \$10.4 million for the three months ended March 31, 2014, or 5.1% of revenue. The \$12.0 million increase was primarily attributable to professional fees incurred by the facilities acquired in our 2014 and 2015 Acquisitions, particularly the acquisitions of Partnerships in Care and CRC. Same-facility professional fees were \$10.3 million for the three months ended March 31, 2015, or 4.8% of revenue, compared to \$9.1 million, for the three months ended March 31, 2014, or 4.5% of revenue.

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Supplies. Supplies expense was \$16.3 million for the three months ended March 31, 2015, or 4.4% of revenue, compared to \$10.1 million for the three months ended March 31, 2014, or 5.0% of revenue. The \$6.2 million increase was primarily attributable to supplies expense incurred by the facilities acquired in our 2014 and 2015 Acquisitions, particularly the acquisitions of Partnerships in Care and CRC. Same-facility supplies expense was \$10.2 million for the three months ended March 31, 2015, or 4.7% of revenue, compared to \$10.0 million for the three months ended March 31, 2014, or 5.0% of revenue.

Rents and leases. Rents and leases were \$5.9 million for the three months ended March 31, 2015, or 1.6% of revenue, compared to \$2.8 million for the three months ended March 31, 2014, or 1.4% of revenue. The \$3.1 million increase was primarily attributable to rents and leases incurred by the facilities acquired in our 2014 and 2015 Acquisitions, particularly the acquisitions of Partnerships in Care and CRC. Same-facility rents and leases were \$2.5 million for the three months ended March 31, 2015, or 1.1% of revenue, compared to \$2.7 million for the three months ended March 31, 2014, or 1.3% of revenue.

Other operating expenses. Other operating expenses consisted primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were \$40.5 million for the three months ended March 31, 2015, or 11.1% of revenue, compared to \$23.1 million for the three months ended March 31, 2014, or 11.5% of revenue. The \$17.4 million increase was primarily attributable to other operating expenses incurred by the facilities acquired in our 2014 and 2015 Acquisitions, particularly the acquisitions of Partnerships in Care and CRC. Same-facility other operating expenses were \$25.7 million for the three months ended March 31, 2015, or 11.8% of revenue, compared to \$22.9 million for the three months ended March 31, 2014, or 11.4% of revenue.

Depreciation and amortization. Depreciation and amortization expense was \$13.1 million for the three months ended March 31, 2015, or 3.6% of revenue, compared to \$5.4 million for the three months ended March 31, 2014, or 2.7% of revenue. The increase in depreciation and amortization was attributable to depreciation associated with capital expenditures during 2014 and 2015 and real estate acquired as part of the 2014 and 2015 Acquisitions, particularly the acquisition of Partnerships in Care.

Interest expense. Interest expense was \$22.1 million for the three months ended March 31, 2015 compared to \$9.7 million for the three months ended March 31, 2014. The increase in interest expense was primarily a result of borrowings under the Amended and Restated Senior Credit Facility, the issuance of the 5.125% Senior Notes on July 1, 2014 and the issuance of the 5.625% Senior Notes on February 11, 2015.

Gain on foreign currency derivatives. In connection with acquisitions in the United Kingdom, the Company entered into foreign currency forward contracts in March 2015 in order to fix the exchange rate applicable to the payment of acquisition purchase prices in April 2015. Favorable exchange rate changes resulted in an increase in the fair value of the forward contracts and a gain on foreign currency derivatives of \$0.1 million for the three months ended March 31, 2015.

Transaction-related expenses. Transaction-related expenses were \$18.4 million for the three months ended March 31, 2015 compared to \$1.6 million for the three months ended March 31, 2014. Transaction-related expenses represent costs incurred in the respective periods, primarily related to the 2014 and 2015 Acquisitions, as summarized below (in thousands):

	Three Months Ended March 31,	
	2015	2014
Advisory and financing commitment fees	\$ 10,337	\$ —
Legal, accounting and other costs	3,819	1,120
Severance and contract termination costs	4,260	459
	<u>\$ 18,416</u>	<u>\$ 1,579</u>

Provision for income taxes. For the three months ended March 31, 2015, the provision for income taxes was \$6.6 million, reflecting an effective tax rate of 31.2%, compared to \$7.8 million, reflecting an effective tax rate of 37.4%, for the three months ended March 31, 2014. The decrease in the tax rate for the three months ended March 31, 2015 was primarily attributable to the acquisition of Partnerships in Care, which is located in a lower taxing jurisdiction and for which earnings are permanently reinvested.

Liquidity and Capital Resources

Cash provided by continuing operating activities for the three months ended March 31, 2015 was \$18.1 million compared to \$7.3 million for the three months ended March 31, 2014. The increase in cash provided by continuing operating activities was primarily attributable to cash provided by continuing operating activities from the 2014 and 2015 Acquisitions and the growth in same-facility operations. Days sales outstanding was 37 at both March 31, 2015 and December 31, 2014. As of March 31, 2015 and December 31, 2014, we had working capital of \$94.7 million and \$108.2 million, respectively.

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Cash used in investing activities for the three months ended March 31, 2015 was \$104.6 million compared to \$47.9 million for the three months ended March 31, 2014. Cash used in investing activities for the three months ended March 31, 2015 primarily consisted of \$49.6 million of cash paid for acquisitions. Cash paid for capital expenditures for the three months ended March 31, 2015 was \$52.9 million, consisting of \$9.0 million of routine capital expenditures and \$43.9 million of expansion capital expenditures. We define expansion capital expenditures as those that increase the capacity of our facilities or otherwise enhance revenue. Routine or maintenance capital expenditures were 2.5% of revenue for the three months ended March 31, 2015. Cash paid for real estate acquisitions was \$1.7 million for the three months ended March 31, 2015. Cash used in investing activities for the three months ended March 31, 2014 primarily consisted of \$10.0 million of cash paid for acquisitions, \$21.6 million of cash paid for capital expenditures and \$16.1 million of cash paid for real estate acquisitions.

Cash provided by financing activities for the three months ended March 31, 2015 was \$32.6 million compared to \$43.3 million for the three months ended March 31, 2014. Cash provided by financing activities for the three months ended March 31, 2015 primarily consisted of borrowings on long-term debt instruments of \$875.0 million, borrowings on our revolving credit facility of \$93.0 million and an excess tax benefit from equity awards of \$4.3 million, partially offset by repayment of assumed CRC debt of \$904.5 million, payment of debt issuance costs of \$22.2 million, principal payments on long-term debt of \$7.9 million and common stock withheld for minimum statutory taxes of \$5.1 million. Cash provided by financing activities for the three months ended March 31, 2014 primarily consisted of long-term debt borrowings of \$7.5 million, borrowings on our revolving credit facility of \$40.5 million and an excess tax benefit from equity awards of \$2.7 million, partially offset by payment of debt issuance costs of \$3.5 million, common stock withheld for minimum statutory taxes of \$2.1 million and principal payments on long-term debt of \$1.9 million.

We had total available cash and cash equivalents of \$38.0 million and \$94.0 million as of March 31, 2015 and December 31, 2014, respectively, of which approximately \$23.2 million and \$17.4 million was held by our foreign subsidiaries, respectively. Our strategic plan does not require the repatriation of foreign cash in order to fund our operations in the U.S., and it is our current intention to permanently reinvest our foreign cash and cash equivalents outside of the U.S. If we were to repatriate foreign cash to the U.S., we would be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation.

Amended and Restated Senior Credit Facility

We entered into the Senior Secured Credit Facility on April 1, 2011. On December 31, 2012, the Company entered into the Amended and Restated Credit Agreement which amended and restated the Senior Secured Credit Facility.

On February 13, 2014, we entered into the Fourth Amendment to the Amended and Restated Credit Agreement, to increase the size of the Amended and Restated Senior Credit Facility and extend the maturity date thereof, which resulted in the Company having a revolving line of credit of up to \$300.0 million and term loans of \$300.0 million. The Fourth Amendment also reduced the interest rates applicable to the Amended and Restated Senior Credit Facility and provided increased flexibility to the Company in terms of the financial and other restrictive covenants. The Fourth Amendment also provides for a \$150.0 million incremental credit facility, with the potential for unlimited additional incremental amounts, provided the Company meets certain financial ratios, in each case subject to customary conditions precedent to borrowing.

On June 16, 2014, we entered into the Fifth Amendment to the Amended and Restated Senior Credit Facility. The Fifth Amendment specifically permitted the acquisition of Partnerships in Care, gave us the ability to incur a tranche of term loan B debt in the future through its incremental credit facility, and modified certain of the restrictive covenants on miscellaneous investments and incurrence of miscellaneous liens. The restrictive covenants on investments in joint ventures and foreign subsidiaries were also amended such that we may now invest, in any given fiscal year, up to five percent (5%) of our total assets in both joint ventures and foreign subsidiaries, respectively; provided that the aggregate amount of investments in both joint ventures and foreign subsidiaries, respectively, may not exceed ten percent (10%) of its total assets over the life of the Amended and Restated Senior Credit Facility; provided further that the aggregate amount of investments made in both joint ventures and foreign subsidiaries collectively pursuant to the foregoing may not exceed fifteen percent (15%) of our total assets. Finally, the Fifth Amendment provided increased flexibility to the Company in terms of our financial covenants.

On December 15, 2014, we entered into a Sixth Amendment to our Amended and Restated Credit Agreement. Pursuant to the Sixth Amendment, we incurred \$235.0 million of additional term loans. A portion of the additional term loan advance was used to prepay our outstanding revolving loans, and a portion of the additional term loan advance was held as cash on our consolidated balance sheet. The Sixth Amendment also specifically permitted the acquisition of CRC. In connection with the acquisition of CRC, the Sixth Amendment (i) imposed a temporary reserve on our revolving credit facility in the amount of \$110.0 million in order to preserve such reserved amounts for later borrowings to partially fund the consideration for the acquisition of CRC (subject to limited conditionality provisions) (the reserve is no longer in effect due to the acquisition of CRC), (ii) permitted the incurrence of an additional incremental term loan facility under the Amended and Restated Credit Agreement partially to fund the consideration for the acquisition of CRC (subject to limited conditionality provisions) and (iii) permitted our issuance of additional senior unsecured indebtedness or senior unsecured bridge indebtedness partially to fund the consideration for the acquisition of CRC.

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On February 6, 2015, we entered into the Seventh Amendment to our Amended and Restated Credit Agreement. The Seventh Amendment added Citibank, N.A. as an “L/C Issuer” under the Amended and Restated Credit Agreement in order to permit the rollover of CRC’s existing letters of credit into the Amended and Restated Credit Agreement and increased both the Company’s Letter of Credit Sublimit and Swing Line Sublimit to \$20.0 million.

On February 11, 2015, we entered into the First Incremental Amendment to our Amended and Restated Credit Agreement. The First Incremental Amendment activated a new \$500.0 million incremental TLB Facility that was added to the Amended and Restated Senior Secured Credit Facility, subject to limited conditionality provisions. Borrowings under the TLB Facility were used to fund a portion of the purchase price for our acquisition of CRC.

On April 22, 2015, we entered into an Eighth Amendment to our Amended and Restated Credit Agreement. The Eighth Amendment changed the definition of “Change of Control” in part to remove a provision whose purpose was, when calculating whether a majority of incumbent directors have approved new directors, that any incumbent director that became a director as a result of a threatened or actual proxy contest was not counted in such calculation.

We had \$198.1 million of availability under the revolving line of credit as of March 31, 2015. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our outstanding term loan A loans (“TLA Facility”) of \$6.7 million for March 31, 2015 to December 31, 2015, \$10.0 million for March 31, 2016 to December 31, 2016, \$13.4 million for March 31, 2017 to December 31, 2017, and \$16.7 million for March 31, 2018 to December 31, 2018, with the remaining principal balance of the TLA Facility due on the maturity date of February 13, 2019. On December 15, 2014, prior to the execution of the Sixth Amendment, we prepaid the December 31, 2014 quarterly TLA Facility principal payment of \$1.9 million. We are required to repay the TLB Facility in equal quarterly installments of \$1.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the TLB Facility due on February 11, 2022.

Borrowings under the Amended and Restated Credit Agreement are guaranteed by each of our wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of our and such subsidiaries’ assets. Borrowings with respect to the TLA Facility and our revolving credit facility (collectively, “Pro Rata Facilities”) under the Amended and Restated Credit Agreement bear interest at a rate tied to Acadia’s Consolidated Leverage Ratio (defined as consolidated funded debt net of up to \$40.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 3.25% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 2.25% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at March 31, 2015. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As of March 31, 2015, the Pro Rata Facilities bore interest at a rate of LIBOR plus 3.25%. In addition, we are required to pay a commitment fee on undrawn amounts under our revolving credit facility. We paid a commitment fee of 0.50% for undrawn amounts for the period from January 1, 2013 through February 12, 2014 and 0.40% for undrawn amounts for the period from February 13, 2014 through December 15, 2014. Borrowings under the Pro Rata Facilities mature on February 13, 2019.

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

<u>Pricing Tier</u>	<u>Consolidated Leverage Ratio</u>	<u>Eurodollar Rate Loans</u>	<u>Base Rate Loans</u>	<u>Commitment Fee</u>
1	< 3.50:1.0	2.25%	1.25%	0.30%
2	3.50:1.0 but < 4.00:1.0	2.50%	1.50%	0.35%
3	4.00:1.0 but < 4.50:1.0	2.75%	1.75%	0.40%
4	4.50:1.0 but < 5.25:1.0	3.00%	2.00%	0.45%
5	5.25:1.0	3.25%	2.25%	0.50%

Eurodollar Rate Loans with respect to the TLB Facility bear interest at the TLB Applicable Rate (as defined below) plus the Eurodollar Rate (subject to a floor of 0.75% and based upon the LIBOR Rate prior to commencement of the interest rate period). Base Rate Loans bear interest at the TLB Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As used herein, the term “TLB Applicable Rate” means, with respect to Eurodollar Rate Loans, 3.50%, and with respect to Base Rate Loans, 2.50%.

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

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

- a) the affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of taxes; (v) lender inspection rights; (vi) compliance with laws; (vii) use of proceeds; (viii) further assurances; and (ix) additional collateral and guarantor requirements.
- b) the negative covenants include limitations on the following: (i) liens; (ii) debt (including guaranties); (iii) investments; (iv) fundamental changes (including mergers, consolidations and liquidations); (v) dispositions; (vi) sale leasebacks; (vii) affiliate transactions; (viii) burdensome agreements; (ix) restricted payments; (x) use of proceeds; (xi) ownership of subsidiaries; (xii) changes to line of business; (xiii) changes to organizational documents, legal name, state of formation, form of entity and fiscal year; (xiv) prepayment or redemption of certain senior unsecured debt; and (xv) amendments to certain material agreements. The Company is generally not permitted to issue dividends or distributions other than with respect to the following: (w) certain tax distributions; (x) the repurchase of equity held by employees, officers or directors upon the occurrence of death, disability or termination subject to cap of \$500,000 in any fiscal year and compliance with certain other conditions; (y) in the form of capital stock; and (z) scheduled payments of deferred purchase price, working capital adjustments and similar payments pursuant to the merger agreement or any permitted acquisition.
- c) The financial covenants include maintenance of the following:
 - the fixed charge coverage ratio may not be less than 1.25:1.00 as of the end of any fiscal quarter;
 - the total leverage ratio may not be greater than the following levels as of the end of each fiscal quarter listed below:

	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
2014	N/A	N/A	5.75x	5.50x
2015	6.75x	6.75x	6.50x	6.00x
2016	6.00x	6.00x	6.00x	5.50x
2017	5.50x	5.50x	5.50x	5.00x
2018	5.00x	5.00x	5.00x	4.50x

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

June 30, 2014 - September 30, 2015	3.75x
December 31, 2015 and each fiscal quarter thereafter	3.50x

As of March 31, 2015, the Company was in compliance with all of the above covenants.

12.875% Senior Notes due 2018

On November 1, 2011, we issued \$150.0 million of 12.875% Senior Notes due 2018 at 98.323% of the aggregate principal amount of \$150.0 million, a discount of \$2.5 million. The notes bear interest at a rate of 12.875% per annum. We pay interest on the notes semi-annually, in arrears, on November 1 and May 1 of each year.

The indenture governing the 12.875% Senior Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of the Company's assets; and (vii) create liens on assets.

The 12.875% Senior Notes issued by the Company are guaranteed by each of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

On March 12, 2013, we redeemed \$52.5 million in principal amount of the 12.875% Senior Notes using a portion of the net proceeds of our December 2012 equity offering pursuant to the provision in the indenture permitting an optional redemption with equity proceeds of up to 35% of the principal amount of 12.875% Senior Notes. The 12.875% Senior Notes were redeemed at a redemption price of 112.875% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date in accordance with the provisions of the indenture governing the 12.875% Senior Notes. As part of the redemption of 35% of the 12.875% Senior Notes, the Company recorded a debt extinguishment charge of \$9.4 million, including the premium and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the consolidated statements of income.

6.125% Senior Notes Due 2021

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

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

The 6.125% Senior Notes issued by the Company are guaranteed by each of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

We may redeem the 6.125% Senior Notes at our option, in whole or part, at any time prior to March 15, 2016, at a price equal to 100% of the principal amount of the 6.125% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. We may redeem the 6.125% Senior Notes, in whole or in part, on or after March 15, 2016, at the redemption prices set forth in the indenture governing the 6.125% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before March 15, 2016, we may elect to redeem up to 35% of the aggregate principal amount of the 6.125% Senior Notes at a redemption price equal to 106.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

5.125% Senior Notes due 2022

On July 1, 2014, we issued \$300.0 million of 5.125% Senior Notes due 2022. The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2015.

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

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The 5.125% Senior Notes issued by the Company are guaranteed by each of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

We may redeem the 5.125% Senior Notes at its option, in whole or part, at any time prior to July 1, 2017, at a price equal to 100% of the principal amount of the 5.125% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. We may redeem the 5.125% Senior Notes, in whole or in part, on or after July 1, 2017, at the redemption prices set forth in the indenture governing the 5.125% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before July 1, 2017, the Company may elect to redeem up to 35% of the aggregate principal amount of the 5.125% Senior Notes at a redemption price equal to 105.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

5.625% Senior Notes due 2023

On February 11, 2015, we issued \$375.0 million of 5.625% Senior Notes due 2023. The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on August 15, 2015.

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

The 5.625% Senior Notes issued by the Company are guaranteed by each of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

We may redeem the 5.625% Senior Notes at its option, in whole or part, at any time prior to February 15, 2018, at a price equal to 100% of the principal amount of the 5.625% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. We may redeem the 5.625% Senior Notes, in whole or in part, on or after February 15, 2018, at the redemption prices set forth in the indenture governing the 5.625% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before February 15, 2018, the Company may elect to redeem up to 35% of the aggregate principal amount of the 5.625% Senior Notes at a redemption price equal to 105.625% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

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9.0% and 9.5% Revenue Bonds

On November 11, 2012, in connection with the acquisition of Park Royal, we assumed debt of \$23.0 million. The fair market value of the debt assumed was \$25.6 million and resulted in a debt premium balance being recorded as of the acquisition date. The debt consisted of \$7.5 million and \$15.5 million of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5%, respectively. The 9.0% bonds in the amount of \$7.5 million have a maturity date of December 1, 2030 and require yearly principal payments beginning in 2013. The 9.5% bonds in the amount of \$15.5 million have a maturity date of December 1, 2040 and require yearly principal payments beginning in 2031. The principal payments establish a bond-sinking fund to be held with the trustee and shall be sufficient to redeem the principal amounts of the 9.0% and 9.5% Revenue Bonds on their respective maturity dates. As of March 31, 2015 and December 31, 2014, \$2.3 million was recorded within other assets on the balance sheet related to the debt service reserve fund requirements. The yearly principal payments, which establish a bond sinking fund, will increase the debt service reserve fund requirements. The bond premium amount of \$2.6 million is amortized as a reduction of interest expense over the life of the 9.0% and 9.5% Revenue Bonds using the effective interest method.

Contractual Obligations

The following table presents a summary of contractual obligations as of March 31, 2015 (dollars in thousands):

	Payments Due by Period				Total
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	
Long-term debt (a)	\$132,999	\$301,738	\$544,846	\$1,646,493	\$2,626,076
Operating leases	26,854	39,966	18,640	33,450	118,910
Purchase and other obligations (b)	3,926	2,362	2,495	29,808	38,591
Total obligations and commitments	<u>\$163,779</u>	<u>\$344,066</u>	<u>\$565,981</u>	<u>\$1,709,751</u>	<u>\$2,783,577</u>

- (a) Amounts include required principal and interest payments. The projected interest payments reflect an interest rate of 3.25% per annum for our variable-rate debt based on the rate in place as of December 31, 2014.
- (b) Amounts relate to purchase obligations, including capital lease payments and contingent payments related to the acquisition of Park Royal in November 2012 that we may make depending upon achievements of certain financial targets over the four-year period ending December 31, 2016 and related to the acquisition of McCallum in September 2014 that we may make depending upon achievements of certain financial targets over the one-year period ending December 31, 2015.

Off-Balance Sheet Arrangements

As of March 31, 2015, we had standby letters of credit outstanding of \$8.9 million related to security for the payment of claims as required by our workers' compensation insurance program.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our interest expense is sensitive to changes in market interest rates. With respect to our interest-bearing liabilities, our long-term debt outstanding at March 31, 2015 was composed of \$0.9 billion of fixed-rate debt and \$1.1 billion of variable-rate debt with interest based on LIBOR plus an applicable margin. A hypothetical 10% increase in interest rates would decrease our net income and cash flows by \$4.0 million on an annual basis based upon our borrowing level at March 31, 2015.

The functional currency for our U.K. facilities is the British pound ("GBP"). Our revenue and earnings are sensitive to changes in the GBP to USD exchange rate. As a result, our future earnings could be affected by fluctuations in the exchange rate between the U.S. dollar and GBPs. Based upon the level of our U.K. operations relative to the Company as a whole, a hypothetical 10% change in this exchange rate would cause a change in our net income of \$1.3 million for the three months ended March 31, 2015.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management conducted an evaluation, with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that

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information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, subject to various claims and legal actions that arise in the ordinary course of our business, including claims for damages for personal injuries, medical malpractice, breach of contract, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In the opinion of management, we are not currently a party to any proceeding that would have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, an investor should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The risks, as described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems immaterial also may materially, adversely affect the Company’s business, financial condition, operating results or cash flows.

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

During the three months ended March 31, 2015, the Company withheld shares of Company common stock to satisfy employee minimum statutory tax withholding obligations payable upon the vesting of restricted stock, as follows:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
January 1 – January 31	285	\$ 59.98	—	—
February 1 – February 28	15,017	63.13	—	—
March 1 – March 31	24,752	70.82	—	—
Total	<u>40,054</u>			

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
3.1	Amended and Restated Certificate of Incorporation, as filed on October 28, 2011 with the Secretary of State of the State of Delaware. (1)
3.2	Amended and Restated Bylaws of Acadia Healthcare Company, Inc. (the “Company”). (1)
4.1	Indenture, dated February 11, 2015, by and among the Company, the guarantors party thereto and U.S. Bank National Association, as Trustee. (2)
4.2	Form of 5.625% Senior Note due 2023 (Included in Exhibit 4.1).
4.3	Registration Rights Agreement, dated February 11, 2015, by and among the Company, the guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Jefferies LLC, as Representatives of the Initial Purchasers. (2)
4.4	Amendment, dated February 11, 2015, to the Second Amended and Restated Registration Rights Agreement dated as of October 29, 2014, by and among the Company and each of the parties named therein. (2)
10.1	Seventh Amendment, dated February 6, 2015, to the Amended and Restated Credit Agreement. (2)
10.2	First Incremental Facility Amendment, dated February 11, 2015, to the Amended and Restated Credit Agreement. (2)
10.3*	Eighth Amendment, dated April 22, 2015, to the Amended and Restated Credit Agreement.
10.4	Purchase Agreement, dated February 5, 2015, by and among the Company, the guarantors, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Jefferies LLC as representatives of the initial purchasers named therein. (3)
31.1*	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Labels Linkbase Document.
101.PRE**	XBRL Taxonomy Presentation Linkbase Document.

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-
- (1) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed November 1, 2011 (File No. 001-35331).
 - (2) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed February 12, 2015 (File No. 001-35331).
 - (3) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed February 6, 2015 (File No. 001-35331).
- * Filed herewith.
- ** The XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

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

Acadia Healthcare Company, Inc.

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

Dated: April 29, 2015

EXHIBIT INDEX

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* Filed herewith.

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EIGHTH AMENDMENT

THIS EIGHTH AMENDMENT (this "Amendment") dated as of April 22, 2015 to the Credit Agreement referenced below is by and among ACADIA HEALTHCARE COMPANY, INC., a Delaware corporation (the "Borrower"), the Guarantors identified on the signature pages hereto, the Lenders identified on the signature pages hereto and BANK OF AMERICA, N.A., in its capacity as Administrative Agent (in such capacity, the "Administrative Agent").

WITNESSETH

WHEREAS, revolving credit and term loan facilities have been extended to the Borrower pursuant to that certain Amended and Restated Credit Agreement dated as of December 31, 2012 (as amended, modified, supplemented, increased and extended from time to time, the "Credit Agreement") by and among the Borrower, the Guarantors identified therein, the Lenders identified therein and the Administrative Agent; and

WHEREAS, the Borrower has requested certain modifications to the Credit Agreement and the Required Lenders have agreed to such modifications to the Credit Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Credit Agreement.

2. Amendment to the Credit Agreement. The following definition in Section 1.01 of the Credit Agreement is amended and restated in its entirety to read as follows:

"Change of Control" means an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding (i) any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan and (ii) the Sponsor and its Controlled Investment Affiliates) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all Equity Interests that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of thirty-five percent (35%) or more of the Equity Interests of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right); or

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election

or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or

(c) the occurrence of a “Change of Control” (or any comparable term) under, and as defined in, any agreement, document or instrument governing or otherwise relating to any Senior Unsecured Indebtedness.

3. Conditions Precedent. This Amendment shall become effective as of the date hereof upon receipt by the Administrative Agent of executed counterparts of this Amendment properly executed by a Responsible Officer of each Loan Party, the Required Lenders and the Administrative Agent.
4. Amendment is a “Loan Document”. This Amendment is a Loan Document and all references to a “Loan Document” in the Credit Agreement and the other Loan Documents (including, without limitation, all such references in the representations and warranties in the Credit Agreement and the other Loan Documents) shall be deemed to include this Amendment.
5. Representations and Warranties; No Default. Each Loan Party represents and warrants to the Administrative Agent and each Lender that after giving effect to this Amendment (a) the representations and warranties of each Loan Party contained in the Credit Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection with the Credit Agreement or any other Loan Document are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date, and (b) no Default exists.
6. Reaffirmation of Obligations. Each Loan Party (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment does not operate to reduce or discharge such Loan Party’s obligations under the Loan Documents.
7. Reaffirmation of Security Interests. Each Loan Party (a) affirms that each of the Liens granted in or pursuant to the Loan Documents are valid and subsisting and (b) agrees that this Amendment does not in any manner impair or otherwise adversely affect any of the Liens granted in or pursuant to the Loan Documents.
8. FATCA. Borrower hereby certifies to the Administrative Agent and the Lenders that the obligations of the Borrower set forth in the Credit Agreement, as modified by this Amendment, qualify as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i). From and after the effective date of the Amendment, the Borrower shall indemnify the Administrative Agent, and hold it harmless from, any and all losses, claims, damages, liabilities and related interest, penalties and expenses, including, without limitation, Taxes and the fees, charges and disbursements of any counsel for any of the foregoing, arising in connection with the Administrative Agent’s treating, for purposes of determining withholding Taxes imposed under FATCA, the Loans as qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i). Notwithstanding the foregoing, the Borrower and the Administrative Agent shall treat the Tranche B Term Loan as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i). The Borrower’s obligations hereunder shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all of the Obligations.

9. No Other Changes. Except as modified hereby, all of the terms and provisions of the Loan Documents shall remain in full force and effect.

10. Counterparts; Delivery. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of this Amendment by facsimile or other electronic imaging means shall be effective as an original.

11. Governing Law. This Amendment shall be deemed to be a contract made under, and for all purposes shall be construed in accordance with, the laws of the State of New York.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Eighth Amendment to be duly executed and delivered as of the date first above written.

BORROWER: ACADIA HEALTHCARE COMPANY, INC., a Delaware corporation

By: /s/ Brent Turner
Name: Brent Turner
Title: President

GUARANTORS: ABILENE BEHAVIORAL HEALTH, LLC,
a Delaware limited liability company
ABILENE HOLDING COMPANY, LLC, a Delaware limited liability company
ACADIA MANAGEMENT COMPANY, LLC,
a Delaware limited liability company
ACADIA MERGER SUB, LLC, a Delaware limited liability company
ACADIANA ADDICTION CENTER, LLC,
a Delaware limited liability company
ADVANCED TREATMENT SYSTEMS, INC., a Virginia corporation
ASCENT ACQUISITION, LLC, an Arkansas limited liability company
ASCENT ACQUISITION—CYPDC, LLC, an Arkansas limited liability company
ASCENT ACQUISITION—PSC, LLC, an Arkansas limited liability company
ASPEN EDUCATION GROUP, INC., a California corporation
ASPEN YOUTH, INC., a California corporation
ATS OF CECIL COUNTY, INC., a California corporation
ATS OF DELAWARE, INC., a Virginia corporation
ATS OF NORTH CAROLINA, INC., a Virginia corporation
AUSTIN BEHAVIORAL HOSPITAL, LLC,
a Delaware limited liability company
AUSTIN EATING DISORDERS PARTNERS, LLC, a Missouri limited liability company
BATON ROUGE TREATMENT CENTER, INC., a Louisiana corporation
BAYSIDE MARIN, INC., a Delaware corporation
BCA OF DETROIT, LLC, a Delaware limited liability company
BECKLEY TREATMENT CENTER, LLC, a West Virginia limited liability company
BEHAVIORAL CENTERS OF AMERICA, LLC,
a Delaware limited liability company
BGI OF BRANDYWINE, INC., a Virginia corporation
BOWLING GREEN INN OF PENSACOLA, INC., a Virginia corporation
BOWLING GREEN INN OF SOUTH DAKOTA, INC., a Virginia corporation
CALIFORNIA TREATMENT SERVICES, a California general partnership
CAPS OF VIRGINIA, INC., a Virginia corporation
CARTERSVILLE CENTER, INC., a Georgia corporation

By: /s/ Brent Turner
Name: Brent Turner
Title: Vice President and Assistant Secretary

[SIGNATURE PAGES CONTINUE]

CASCADE BEHAVIORAL HOLDING COMPANY, LLC,
a Delaware limited liability company
CASCADE BEHAVIORAL HOSPITAL, LLC,
a Delaware limited liability company
CENTERPOINTE COMMUNITY BASED SERVICES, LLC,
an Indiana limited liability company
CHARLESTON TREATMENT CENTER, LLC, a West Virginia limited liability company
CLARKSBURG TREATMENT CENTER, LLC, a West Virginia limited
liability company
COMMODORE ACQUISITION SUB, LLC,
a Delaware limited liability company
COMPREHENSIVE ADDICTION PROGRAMS, INC., a Delaware corporation
CORAL HEALTH SERVICES, INC., a Wisconsin corporation
CRC ED TREATMENT, INC., a Delaware corporation
CRC HEALTH CORPORATION, a Delaware corporation
CRC HEALTH GROUP, INC., a Delaware corporation
CRC HEALTH OREGON, INC., an Oregon corporation
CRC HEALTH TENNESSEE, INC., a Tennessee corporation
CRC HOLDINGS, LLC, a Delaware corporation
CRC RECOVERY, INC., a Delaware corporation
CRC WEIGHT MANAGEMENT, INC., a Delaware corporation
CRC WISCONSIN RD, LLC, a Wisconsin limited liability company
CROSSROADS REGIONAL HOSPITAL, LLC,
a Delaware limited liability company
DELTA MEDICAL SERVICES, LLC, a Tennessee limited liability company
DETROIT BEHAVIORAL INSTITUTE, INC., a Massachusetts corporation
DMC-MEMPHIS, LLC, a Tennessee limited liability company
EAST INDIANA TREATMENT CENTER, LLC, an Indiana limited liability company
EVANSVILLE TREATMENT CENTER, LLC, an Indiana limited liability company
FOUR CIRCLES RECOVERY CENTER, LLC, a Delaware limited liability company
GALAX TREATMENT CENTER, INC., a Virginia corporation
GENERATIONS BH, LLC,
an Ohio limited liability company
GREENLEAF CENTER, LLC, a Delaware limited liability company
HABILITATION CENTER, LLC, an Arkansas limited liability company
HABIT HOLDINGS, INC., a Delaware corporation
HABIT OPCO, INC., a Delaware corporation
HERMITAGE BEHAVIORAL, LLC, a Delaware limited liability company
HMIH CEDAR CREST, LLC, a Delaware limited liability company

By: /s/ Brent Turner
Name: Brent Turner
Title: Vice President and Assistant Secretary

[SIGNATURE PAGES CONTINUE]

HUNTINGTON TREATMENT CENTER, LLC, a West Virginia limited liability company
INDIANAPOLIS TREATMENT CENTER, LLC, an Indiana limited liability company
JAYCO ADMINISTRATION, INC., a Nevada corporation
KIDS BEHAVIORAL HEALTH OF MONTANA, INC., a Montana corporation
LAKELAND HOSPITAL ACQUISITION, LLC,
a Georgia limited liability company
MCCALLUM GROUP, LLC, a Missouri limited liability company
MCCALLUM PROPERTIES, LLC, a Missouri limited liability company
MILLCREEK SCHOOL OF ARKANSAS, LLC, an Arkansas limited liability company
MILLCREEK SCHOOLS, LLC, a Mississippi limited liability company
MILWAUKEE HEALTH SERVICES SYSTEM, a California general partnership
NATIONAL SPECIALITY CLINICS, LLC, a Delaware limited liability company
NORTHEAST BEHAVIORAL HEALTH, LLC,
a Delaware limited liability company
OHIO HOSPITAL FOR PSYCHIATRY, LLC,
an Ohio limited liability company
OPTIONS TREATMENT CENTER ACQUISITION CORPORATION,
an Indiana corporation
PARKERSBURG TREATMENT CENTER, LLC, a West Virginia limited
liability company
PARK ROYAL FEE OWNER, LLC, a Delaware limited liability company
PHC MEADOWWOOD, LLC, a Delaware limited liability company
PHC OF MICHIGAN, INC., a Massachusetts corporation
PHC OF NEVADA, INC., a Massachusetts corporation
PHC OF UTAH, INC., a Massachusetts corporation
PHC OF VIRGINIA, LLC, a Massachusetts limited liability company
PINEY RIDGE TREATMENT CENTER, LLC,
a Delaware limited liability company
PSYCHIATRIC RESOURCE PARTNERS, LLC,
a Delaware limited liability company
QUALITY ADDICTION MANAGEMENT, INC., a Wisconsin corporation
REBOUND BEHAVIORAL HEALTH, LLC,
a South Carolina limited liability company
RED RIVER HOLDING COMPANY, LLC,
a Delaware limited liability company
RED RIVER HOSPITAL, LLC, a Delaware limited liability company
REHABILITATION CENTERS, LLC, a Mississippi limited liability company
RESOLUTE ACQUISITION CORPORATION, an Indiana corporation

By: /s/ Brent Turner
Name: Brent Turner
Title: Vice President and Assistant Secretary

[SIGNATURE PAGES CONTINUE]

RICHMOND TREATMENT CENTER, LLC, an Indiana limited liability company
RIVERVIEW BEHAVIORAL HEALTH, LLC,
a Texas limited liability company
RIVERWOODS BEHAVIORAL HEALTH, LLC,
a Delaware limited liability company
ROLLING HILLS HOSPITAL, LLC, an Oklahoma limited liability company
RTC RESOURCE ACQUISITION CORPORATION, an Indiana corporation
SAN DIEGO HEALTH ALLIANCE, a California corporation
SAN DIEGO TREATMENT SERVICES, a California general partnership
SEVEN HILLS HOSPITAL, INC., a Delaware corporation
SHAKER CLINIC, LLC, an Ohio limited liability company
SHELTERED LIVING INCORPORATED, a Texas corporation
SIERRA TUCSON INC., a Delaware corporation
SKYWAY HOUSE, LLC, a Delaware limited liability company
SOBER LIVING BY THE SEA, INC., a California corporation
SONORA BEHAVIORAL HEALTH HOSPITAL, LLC,
a Delaware limited liability company
SOUTHERN INDIANA TREATMENT CENTER, LLC, an Indiana limited liability company
SOUTHWESTERN CHILDREN'S HEALTH SERVICES, INC.,
an Arizona corporation
SOUTHWOOD PSYCHIATRIC HOSPITAL, LLC,
a Pennsylvania limited liability company
STRUCTURE HOUSE, LLC, a Delaware limited liability company
SUCCESS ACQUISITION, LLC,
an Indiana limited liability company
SUWS OF THE CAROLINAS, INC., a Delaware corporation
TALISMAN ACADEMY, LLC, a Delaware corporation
TEN LAKES CENTER, LLC, an Ohio limited liability company
TEXARKANA BEHAVIORAL ASSOCIATES, L.C.,
a Texas limited liability company
THE CAMP RECOVERY CENTERS, L.P., a California limited partnership
TK BEHAVIORAL, LLC, a Delaware limited liability company
TK BEHAVIORAL HOLDING COMPANY, LLC,
a Delaware limited liability company
TRANSCULTURAL HEALTH DEVELOPMENT, INC., a California corporation
TREATMENT ASSOCIATES, INC., a California corporation
VALLEY BEHAVIORAL HEALTH SYSTEM, LLC,
a Delaware limited liability company
VERMILION HOSPITAL, LLC, a Delaware limited liability company
VILLAGE BEHAVIORAL HEALTH, LLC,
a Delaware limited liability company

By: /s/ Brent Turner
Name: Brent Turner
Title: Vice President and Assistant Secretary

[SIGNATURE PAGES CONTINUE]

VIRGINIA TREATMENT CENTER, INC., a Virginia corporation
VISTA BEHAVIORAL HOLDING COMPANY, LLC, a Delaware limited liability company
VISTA BEHAVIORAL HOSPITAL, LLC, a Delaware limited liability company
VOLUNTEER TREATMENT CENTER, INC., a Tennessee corporation
WCHS, INC., a California corporation
WEBSTER WELLNESS PROFESSIONALS, LLC, a Missouri limited liability company
WELLPLACE, INC., a Massachusetts corporation
WHEELING TREATMENT CENTER, LLC, a West Virginia limited liability company
WHITE DEER REALTY, LTD., a Pennsylvania corporation
WHITE DEER RUN, INC., a Pennsylvania corporation
WICHITA TREATMENT CENTER INC., a Kansas corporation
WILLIAMSON TREATMENT CENTER, LLC, a West Virginia limited liability company
WILMINGTON TREATMENT CENTER, INC., a Virginia corporation
YOUTH AND FAMILY CENTERED SERVICES OF NEW MEXICO, INC.,
a New Mexico corporation
YOUTH CARE OF UTAH, INC., a Delaware corporation

By: /s/ Brent Turner
Name: Brent Turner
Title: Vice President and Assistant Secretary

TEN BROECK TAMPA, LLC, a Florida limited liability company
THE REFUGE, A HEALING PLACE, LLC, a Florida limited liability company

By: /s/ Brent Turner
Name: Brent Turner
Title: President

[SIGNATURE PAGES CONTINUE]

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Linda Lov
Name: Linda Lov
Title: AVP

LENDERS:

BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swing Line Lender

By: /s/ Suzanne B. Smith
Name: Suzanne B. Smith
Title: SVP

FIFTH THIRD BANK

By: /s/ Thomas Avery
Name: Thomas Avery
Title: Relationship Manager

CITIBANK, N.A.

By: /s/ Alvaro De Velasco
Name: Alvaro De Velasco
Title: Vice President

ROYAL BANK OF CANADA

By: /s/ Diana Lee
Name: Diana Lee
Title: Authorized Signatory

REGIONS BANK

By: /s/ Peter D. Little
Name: Peter D. Little
Title: Vice President

[SIGNATURE PAGES CONTINUE]

By: /s/ Jeff Ferrell
Name: Jeff Ferrell
Title: Managing Director

By: /s/ Amy Trapp
Name: Amy Trapp
Title: Managing Director

MUFG UNION BANK, N.A.

By: /s/ Sarah Willett
Name: Sarah Willett
Title: Director

UBS AG, STAMFORD BRANCH

By: /s/ Kenneth Chin
Name: Kenneth Chin
Title: Director

By: /s/ Housseem Daly
Name: Housseem Daly
Title: Associate Director

RAYMOND JAMES BANK, N.A.

By: /s/ Alexander L. Rody
Name: Alexander L. Rody
Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Danielle Katz
Name: Danielle Katz
Title: Duly Authorized Signatory

GE CAPITAL BANK (f/k/a GE CAPITAL FINANCIAL INC.)

By: /s/ Paul Sleet
Name: Paul Sleet
Title: Duly Authorized Signatory

CADENCE BANK, N.A.

By: /s/ William H. Crawford
Name: William H. Crawford
Title: EVP

[SIGNATURE PAGES CONTINUE]

CAPITAL ONE, N.A.

By: /s/ Ali Zaidi
Name: Ali Zaidi
Title: Authorized Signatory

BANK OF MONTREAL

By: _____
Name:
Title:

PINNACLE BANK

By: /s/ Allison H. Jones
Name: Allison H. Jones
Title: Senior Vice President

FIRST TENNESSEE BANK

By: /s/ Cathy Wind
Name: Cathy Wind
Title: SVP

CAPITAL BANK N.A.

By: /s/ Nathan Hall
Name: Nathan Hall
Title: VP

CAPSTAR BANK

By: /s/ Timothy B. Fouts
Name: Timothy B. Fouts
Title: SVP

DEUTSCHE BANK AG NEW YORK BRANCH

By: _____
Name:
Title:

AVENUE BANK

By: /s/ Carol S. Titus
Name: Carol S. Titus
Title: Senior Vice President

[SIGNATURE PAGES CONTINUE]

WELLS FARGO PRINCIPAL LENDING, LLC

By: _____
Name:
Title:

JEFFERIES FINANCE LLC

By: /s/ J. Paul McDonnell
Name: J. Paul McDonnell
Title: Managing Director

JFIN CLO 2007 LTD.

BY: Apex Credit Partners, as Collateral Manager

By: /s/ Stephen Goetschius
Name: Stephen Goetschius
Title: Managing Director

JFIN CLO 2014-II LTD.

BY: Apex Credit Partners, as Portfolio Manager

By: /s/ Stephen Goetschius
Name: Stephen Goetschius
Title: Managing Director

JFIN CLO 2014 LTD.

BY: Apex Credit Partners, as Portfolio Manager

By: /s/ Stephen Goetschius
Name: Stephen Goetschius
Title: Managing Director

JFIN CLO 2012 LTD.

BY: Apex Credit Partners, as Portfolio Manager

By: /s/ Stephen Goetschius
Name: Stephen Goetschius
Title: Managing Director

[SIGNATURE PAGES CONTINUE]

JFIN FUND IV 2014 LLC

BY: Apex Credit Partners, as Portfolio Manager

By: /s/ Stephen Goetschius
Name: Stephen Goetschius
Title: Managing Director

JFIN CLO 2013 LTD.

BY: Apex Credit Partners, as Portfolio Manager

By: /s/ Stephen Goetschius
Name: Stephen Goetschius
Title: Managing Director

Venture XVII CLO Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann
Name: Kenneth Ostmann
Title: Managing Director

Venture XVIII CLO, Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann
Name: Kenneth Ostmann
Title: Managing Director

Venture XIV CLO, Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann
Name: Kenneth Ostmann
Title: Managing Director

Venture XVI CLO, Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann
Name: Kenneth Ostmann
Title: Managing Director

[SIGNATURE PAGES CONTINUE]

Venture XIX CLO, Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann

Name: Kenneth Ostmann

Title: Managing Director

Venture XX CLO, Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann

Name: Kenneth Ostmann

Title: Managing Director

Venture XV CLO, Limited

BY: its investment advisor, MJX Asset Management, LLC

By: /s/ Kenneth Ostmann

Name: Kenneth Ostmann

Title: Managing Director

FirstEnergy System Master Retirement Trust

BY: Sankaty Advisors, LLC as Investment Adviser and Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Sr. Vice President of Operations

Google Inc.

BY: Sankaty Advisors, LLC as Investment Adviser and Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Sr. Vice President of Operations

Race Point IX CLO, Limited

BY: Sankaty Advisors, LLC as Portfolio Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Document Control Team

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Race Point VII CLO, Limited

BY: Sankaty Advisors, LLC as Portfolio Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Sr. Vice President of Operations

Race Point VIII CLO, Limited

BY: Sankaty Advisors, LLC as Portfolio Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Sr. Vice President of Operations

San Francisco City and County Employees' Retirement System

BY: Sankaty Advisors, LLC as Investment Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Sr. Vice President of Operations

Sunsuper Pooled Superannuation Trust

BY: Sankaty Advisors, LLC, Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Sr. Vice President of Operations

ICG US CLO 2014-3, Ltd.

By: /s/ Seth Katzenstein

Name: Seth Katzenstein

Title: Authorized Signatory

ICG US CLO 2014-2, Ltd

By: /s/ Seth Katzenstein

Name: Seth Katzenstein

Title: Authorized Signatory

[SIGNATURE PAGES CONTINUE]

THL Credit Wind River 2014-3 CLO Ltd.

BY: THL Credit Senior Loan Strategies LLC, as Manager

By: /s/ Kathleen Zarn
Name: Kathleen Zarn
Title: Managing Director

OHA Credit Partners XI, LTD.

BY: Oak Hill Advisors, L.P., as Warehouse Portfolio Manager

By: /s/ Glenn August
Name: Glenn August
Title: M

OHA Credit Partners VI, LTD.

BY: Oak Hill Advisors, L.P., as its portfolio manager

By: /s/ Glenn August
Name: Glenn August
Title: Authorized Signatory

OHA Credit Partners VII, LTD.

BY: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August
Name: Glenn August
Title: Authorized Signatory

OHA Credit Partners X, LTD.

BY: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August
Name: Glenn August
Title: Authorized Signatory

OHA Loan Funding 2014-1, LLC

BY: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August
Name: Glenn August
Title: Authorized Signatory

[SIGNATURE PAGES CONTINUE]

OHA Loan Funding 2015-1, LTD.

BY: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August
Name: Glenn August
Title: Authorized Signatory

OZLM XI, Ltd.

BY: Och-Ziff Loan Management LP, its collateral manager

BY: Och-Ziff Loan Management LLC, its general partner

By: /s/ Joel Frank
Name: Joel Frank
Title: Chief Financial Officer

OZLM XII, Ltd.

BY: Och-Ziff Loan Management LP, its collateral manager

BY: Och-Ziff Loan Management LLC, its general partner

By: /s/ Joel Frank
Name: Joel Frank
Title: Chief Financial Officer

OZLM Funding, Ltd.

BY: Och-Ziff Loan Management LP, its collateral manager

BY: Och-Ziff Loan Management LLC, its general partner

By: /s/ Joel Frank
Name: Joel Frank
Title: Chief Financial Officer

OZLM Funding II, Ltd.

BY: Och-Ziff Loan Management LP, its collateral manager

BY: Och-Ziff Loan Management LLC, its general partner

By: /s/ Joel Frank
Name: Joel Frank
Title: Chief Financial Officer

[SIGNATURE PAGES CONTINUE]

Mountain View CLO 2014-1 Ltd.

BY: Seiz Investment Advisors LLC, as Collateral Manager

By: /s/ George Goudelias
Name: George Goudelias
Title: Managing Director

Castle Hill IV CLO, Limited

By: /s/ Andrew Viens
Name: Andrew Viens
Title: Document Control Team

Avery Point II CLO, Limited

BY: Sankaty Advisors, LLC, as Portfolio Manager

By: /s/ Andrew S. Viens
Name: Andrew S. Viens
Title: Sr. Vice President of Operations

Aon Hewitt Group Trust—High Yield Plus Bond Fund

BY: Sankaty Advisors, LLC as Manager

By: /s/ Andrew Viens
Name: Andrew Viens
Title: Sr. Vice President of Operations

Lake Loan Funding LLC

BY: Citibank, N.A.

By: /s/ Lauri Pool
Name: Lauri Pool
Title: Associate Director

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

I, Joey A. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2015

/s/ Joey A. Jacobs

Joey A. Jacobs

Chairman of the Board and Chief Executive Officer

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

I, David M. Duckworth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2015

/s/ David M. Duckworth

David M. Duckworth
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc. (the "Company") for the quarterly period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joey A. Jacobs, Chief Executive Officer of the Company, and I, David M. Duckworth, Chief Financial Officer of the Company, each certify, for the purpose of complying with 18 U.S.C. Section 1350 and Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: April 29, 2015

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

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