Acadia Healthcare Company, Inc.
Form 10-Q
April 29, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **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	**45-2492228**
(State or other jurisdiction of incorporation or organization)	**(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 x 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 x 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 x	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 x

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

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ACADIA HEALTHCARE COMPANY, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Acadia Healthcare Company, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	March 31, 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	325,378	274,143
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	$ 3,627,145	$ 2,223,590
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	230,660	165,934
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	2,377,358	1,342,625
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		1,249,787		880,965
Total liabilities and equity	$	3,627,145	$	2,223,590

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended March 31, 2015		Three Months Ended March 31, 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.

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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	$ (14,795)	$ 13,058

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statement of Equity

(Unaudited)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Total
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	65,357	$ 654	$ 1,230,856	$ (97,759)	$ 116,036	$ 1,249,787

See accompanying notes.

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Acadia Healthcare Company, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 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	$ 38,032	$ 7,243
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	$ 49,618	$ 10,000

See accompanying notes.

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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	Three Months Ended March 31, 2014
Numerator:		
Basic and diluted earnings per share:		
Income from continuing operations	$ 14,592	$ 13,021
Income from discontinued operations	2	37
Net income	$ 14,594	$ 13,058
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	62,894	50,486
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

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):

	CRC	Other	Total
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	1,392,218	55,948	1,448,166
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	998,642	96	998,738
Net assets acquired	$ 393,576	$ 55,852	$ 449,428

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):

	Partnerships in Care	Other	Total
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	767,050	64,617	831,667
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	78,499	825	79,324
Net assets acquired	$ 688,551	$ 63,792	$ 752,343

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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):

	Three Months Ended March 31, 2015	Three Months Ended March 31, 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
	$ 18,416	$ 1,579

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):

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
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):

	Gross Carrying Amount		Accumulated Amortization	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
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)
	3,347	3,347	(2,619)	(2,485)
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		
	57,780	20,774		
Total	$ 61,127	$ 24,121	$ (2,619)	$ (2,485)

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
	1,302,216	1,130,313
Less accumulated depreciation	(72,539)	(60,613)
Property and equipment, net	$ 1,229,677	$ 1,069,700

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	
	24,164	24,274

9.0% and 9.5% Revenue Bonds (net of premium of $1,539 and $1,649, respectively)				
		2,053,990		1,096,270
Less: current portion		(35,309)		(26,965)
Long-term debt	$	2,018,681	$	1,069,305

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 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 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.

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.

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:

	March 31, 2015	December 31, 2014
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):

	Carrying Amount		Fair Value	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
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	

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):

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

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	Three Months Ended March 31, 2015	2014
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	$ 21,205	$ 20,796

	U.S. Facilities	U.K. Facilities	Corporate and Other	Consolidated
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	$ 1,799,660	104,395	$	$ 1,904,055

	March 31, 2015	December 31, 2014
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
	$ 3,627,145	$ 2,223,590

(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)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
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	$ 3,294,812	$ 2,713,626	$ 870,283	$ (3,251,576)	$ 3,627,145
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	2,045,025	217,860	296,247	(181,774)	2,377,358
Total equity	1,249,787	2,495,766	574,036	(3,069,802)	1,249,787
Total liabilities and equity	$ 3,294,812	$ 2,713,626	$ 870,283	$ (3,251,576)	$ 3,627,145

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Acadia Healthcare Company, Inc.

Condensed Consolidating Balance Sheets

December 31, 2014

(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
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	$ 1,966,608	$ 1,318,264	$ 885,495	$ (1,946,777)	$ 2,223,590
Current liabilities:					
Current portion of long-term debt	$ 26,750	$	$ 215	$	$ 26,965
Accounts payable		39,486	9,210		48,696