

Acadia Healthcare Company, Inc.

Form DEF 14A

April 08, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) and Rule 14a-12

ACADIA HEALTHCARE COMPANY, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date Filed:

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6100 TOWER CIRCLE, SUITE 1000

FRANKLIN, TENNESSEE 37067

April 8, 2016

TO OUR STOCKHOLDERS:

You are cordially invited to attend the 2016 Annual Meeting of Stockholders (the Annual Meeting) of Acadia Healthcare Company, Inc., to be held on Thursday, May 19, 2016, at 9:30 a.m. (Central Time), at our executive offices located at 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067. The matters to be acted upon at the Annual Meeting are more fully described in the accompanying Proxy Statement and related materials.

In accordance with rules adopted by the Securities and Exchange Commission, we are mailing to many of our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of the Proxy Statement and our 2015 Annual Report to Stockholders. The Notice of Internet Availability of Proxy Materials contains instructions on how stockholders can access the proxy documents over the internet as well as how stockholders can receive a paper copy of our proxy materials, including the Proxy Statement, the 2015 Annual Report to Stockholders and a form of proxy card.

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

We look forward to seeing you at the Annual Meeting.

Sincerely,

Joey A. Jacobs
*Chairman, Director and Chief Executive
Officer*

YOUR VOTE IS IMPORTANT.

PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD

AS PROMPTLY AS POSSIBLE.

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6100 TOWER CIRCLE, SUITE 1000

FRANKLIN, TENNESSEE 37067

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 19, 2016

TO OUR STOCKHOLDERS:

The 2016 Annual Meeting of Stockholders (the Annual Meeting) of Acadia Healthcare Company, Inc. will be held on Thursday, May 19, 2016, at 9:30 a.m. (Central Time), at our executive offices located at 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067, for the following purposes:

- (1) To elect three nominees as Class II directors;
- (2) To approve an amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan;
- (3) To approve, on a non-binding advisory basis, the compensation of our named executive officers;
- (4) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;
- (5) To consider and act on a stockholder proposal to adopt a majority voting standard in uncontested director elections, if properly presented at the meeting;
- (6) To consider and act on a stockholder proposal relating to sustainability reporting, if properly presented at the meeting; and
- (7) To transact any other business that properly comes before the Annual Meeting or any adjournments or postponements thereof.

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

The Board of Directors has fixed the close of business on March 24, 2016 as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof.

Dated: April 8, 2016

By order of the Board of Directors,

Joey A. Jacobs

Chairman, Director and Chief Executive Officer

IMPORTANT

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

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6100 TOWER CIRCLE, SUITE 1000

FRANKLIN, TENNESSEE 37067

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the Board or Board of Directors) of Acadia Healthcare Company, Inc. (the Company) of proxies to be voted at the 2016 Annual Meeting of Stockholders (the Annual Meeting), to be held at our executive offices located at 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067, on Thursday, May 19, 2016, at 9:30 a.m. (Central Time), for the purposes set forth in the accompanying notice, and at any adjournments or postponements thereof. This Proxy Statement and the accompanying proxy are first being mailed or made available to stockholders on or about April 8, 2016.

INFORMATION CONCERNING SOLICITATION AND VOTING

Record Date

The close of business on March 24, 2016 has been fixed as the record date for the determination of stockholders entitled to vote at the Annual Meeting. As of such date, we had 180,000,000 authorized shares of common stock, \$0.01 par value per share (Common Stock), of which 87,450,218 shares were outstanding and entitled to vote, and 10,000,000 authorized shares of preferred stock, \$0.01 par value per share, of which no shares were outstanding. Common Stock is our only outstanding class of voting stock. Each share of Common Stock will have one vote on each matter to be voted upon at the Annual Meeting.

Quorum Requirements

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

Voting Procedures

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

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

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

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FOR the approval of an amendment to the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the Incentive Plan);

FOR the approval, on a non-binding advisory basis, of the compensation of our executive officers named in the section below entitled EXECUTIVE COMPENSATION Summary Compensation Table (the Named Executive Officers);

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;

AGAINST the stockholder proposal relating to the adoption of a majority voting standard in uncontested director elections;

AGAINST the stockholder proposal relating to sustainability reporting; and

In accordance with the recommendation of the Board on any other proposal that may properly come before the Annual Meeting or any adjournment thereof.

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

Without your instructions, your broker or nominee is permitted to use its own discretion and vote your shares on certain routine matters (such as Proposal 4), but is not permitted to use its discretion and vote your shares on non-routine matters (such as Proposals 1, 2, 3, 5 and 6). We urge you to give voting instructions to your broker or nominee on all proposals. Shares that are not permitted to be voted by your broker or nominee are called broker non-votes. Broker non-votes are not considered votes for or against a proposal and, therefore, will have no direct impact on any proposal.

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

Miscellaneous

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

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

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PROPOSAL 1: ELECTION OF DIRECTORS

Introduction

Our Amended and Restated Certificate of Incorporation provides that our Board of Directors shall be divided into three classes. All classes of directors have three-year terms. The terms of our Class II directors expire at the Annual Meeting.

In connection with the consummation of our acquisition of PHC, Inc. (PHC) on November 1, 2011, we entered into a stockholders agreement (the Former Stockholders Agreement) with certain members of our current and former management and Waud Capital Partners, L.L.C. and certain of its affiliates (collectively, WCP). Certain of our directors were designated in accordance with the Former Stockholders Agreement. See CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS Stockholders Agreement for additional information.

In connection with our acquisition of CRC Health Group, Inc. (CRC), we entered into an amended and restated stockholders agreement (the New Stockholders Agreement) with certain members of our current and former management (the Management Investors), WCP and investment funds affiliated with Bain Capital Partners, LLC (collectively, Bain Capital). The New Stockholders Agreement amended and replaced the Former Stockholders Agreement and became effective on February 11, 2015 in connection with the closing of our acquisition of CRC.

The New Stockholders Agreement grants WCP the right to designate, following the expiration of the current term of the Class II directors designated by WCP at the Annual Meeting, one nominee for election to our Board of Directors for one additional three-year term. See CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS Stockholders Agreement for additional information. The merger agreement related to our acquisition of CRC (the CRC Merger Agreement) provided that Christopher R. Gordon, a designee of Bain Capital, be appointed to our Board of Directors as a Class III director at the effective time of the merger.

Our Board of Directors has nominated the individuals named below under the caption Class II Nominees for election as directors to serve until the annual meeting of stockholders in 2019 and their successors have been elected and take office or until their earlier death, resignation or removal. Each nominee has consented to be a candidate and to serve if elected. Proxies cannot be voted for a greater number of persons than the nominees named. In connection with the expiration of the current term of the Class II directors and WCP's right to designate one director following the Annual Meeting, we plan to reduce the size of the Board from ten to nine members effective at the Annual Meeting.

Qualification of Directors

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

Table of Contents**Class II Nominees**

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

Name	Age	Principal Occupation/Other Directorships	Director Since
William F. Grieco	62	Since 2008, Mr. Grieco has served as the Managing Director of Arcadia Strategies, LLC, a legal and business consulting organization servicing healthcare, science and technology companies. From 2003 to 2008, he served as Senior Vice President and General Counsel of American Science and Engineering, Inc., an x-ray inspection technology company. From 2001 to 2002, he served as Senior Vice President and General Counsel of IDX Systems Corporation, a healthcare information technology company. Previously, from 1995 to 1999, he was Senior Vice President and General Counsel for Fresenius Medical Care North America, a dialysis service and products company. Prior to that, Mr. Grieco was a partner in the Healthcare Department at Choate, Hall & Stewart, a general service law firm. Mr. Grieco previously served on the board of directors of PHC. Our Board believes that Mr. Grieco is qualified to serve as a director because of, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. Mr. Grieco was previously designated as a director by Bruce A. Shear.	2011
Joey A. Jacobs	62	Mr. Jacobs serves as the Chairman of our Board and as our Chief Executive Officer. Mr. Jacobs has extensive experience in the behavioral health industry. Prior to joining the Company in 2011, he co-founded Psychiatric Solutions, Inc., a behavioral healthcare company (PSI) and served as Chairman, President and Chief Executive Officer of PSI from April 1997 to November 2010. Prior to founding PSI, Mr. Jacobs served for 21 years in various capacities with Hospital Corporation of America (HCA), most recently as President of the Tennessee Division. Mr. Jacobs serves on the board of directors of AmSurg Corp. (NASDAQ: AMSG), Cumberland Pharmaceuticals, Inc. (NASDAQ: CPIX) and Mental Health Management, Inc. Our Board believes that Mr. Jacobs is qualified to serve as a director because of, among other things, his 39 years of experience in the healthcare industry and his general business and financial acumen.	2011
Reeve B. Waud	52	Mr. Waud formed WCP in 1993 and has served as the Managing Partner of WCP since that time. Prior to founding WCP, Mr. Waud was an investment professional at Golder, Thoma, Cressey, Rauner, Inc. (GTCR), a private equity investment group based in Chicago. Before joining GTCR, Mr. Waud was in the Corporate Finance Group of Salomon	2005

Brothers Inc and was a founding member of its Venture Capital Group. He serves on the board of directors of Northwestern Memorial Foundation, which provides philanthropic support for Northwestern Memorial HealthCare (NMHC) through fundraising and grant-making. He is also a member of the NMHC Finance Committee. He is a trustee of St. Paul s School in Concord, New Hampshire and is a member of the Executive Committee and chairman of the Audit Committee of the John G. Shedd Aquarium. He serves on the Board of Directors of The Economic Club of Chicago, and he is a member of the Commonwealth Club of Chicago and the

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Name	Age	Principal Occupation/Other Directorships	Director Since
		Chicago Crime Commission. In addition, he is a member of the Illinois State Police Merit Board which has oversight responsibility for the Illinois State Police. Our Board believes that Mr. Waud is qualified to serve as a director because of, among other things, his extensive knowledge of and experience in the healthcare industry and his general business and financial acumen. Mr. Waud was designated as a director by WCP and currently serves as the Lead Director of the Board.	

Required Vote

Directors are elected by a plurality of the votes cast by the holders of the shares of Common Stock entitled to vote in the election at a meeting at which a quorum is present. Our Amended and Restated Certificate of Incorporation does not provide for cumulative voting, and, accordingly, the stockholders do not have cumulative voting rights with respect to the election of directors. Consequently, each stockholder may cast one vote per share of Common Stock held of record for each nominee. An abstention may not be specified with respect to the election of Class II nominees. Broker non-votes will have no effect on the outcome of the election. Unless a proxy specifies otherwise, or results in a broker non-vote because of the failure to execute or return the proxy to a broker with instructions, the persons named in the proxy will vote the shares covered thereby FOR the nominees designated by our Board of Directors. If a nominee becomes unavailable for election, shares covered by a proxy will be voted for a substitute nominee selected by our Board of Directors.

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

Table of Contents**Continuing Directors**

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

Name	Age	Principal Occupation/Other Directorships	Director Since
Class III			
Term Expiring in 2017			
Christopher R. Gordon	43	Mr. Gordon has been a Managing Director of Bain Capital Partners, LLC (BCP) since 2009. Prior to joining BCP, Mr. Gordon was a consultant at Bain & Company, Inc. Mr. Gordon currently serves as a director of Air Medical Group Holdings, Inc., Beacon Health Options, Physio Control, Inc., Quintiles Transnational Corporation and <i>Grupo Notre Dame Intermedica</i> . Mr. Gordon also serves on the board of directors for Year Up Boston, the Boston Medical Center Foundation Board, the Boston Medical Center Health Plan Board and serves as a Trustee of the Dana Farber Cancer Center. Our Board believes that Mr. Gordon is qualified to serve as a director due to, among other things, his experience in the healthcare industry and his general business and financial acumen. Mr. Gordon was designated as a director by Bain Capital.	2015
Wade D. Miquelon	51	Mr. Miquelon is the Chief Executive Officer and founder of WadeIn, a business advisory and investment holding company. He previously served as Chief Financial Officer, Executive Vice President and President International for Walgreen Co. (Walgreens) from June 2008 to August of 2014. From 2006 to 2008, he was Executive Vice President and Chief Financial Officer at Tyson Foods, Inc. From 1989 to 2006, Mr. Miquelon served Procter and Gamble (P&G) in a number of positions of increasing responsibility, most recently for three years as Vice President of Finance, Western Europe based in Geneva, Switzerland. Prior to that, Mr. Miquelon was P&G s head of Finance and Accounting for AAI (ASEAN, Australasia and India) based out of Singapore. Mr. Miquelon had multiple other roles at P&G including Chief Financial Officer for Thailand and Indochina, co-founder of the corporate venture capital fund, and various roles in corporate treasury, mergers and acquisitions and line finance. Mr. Miquelon has founded multiple businesses including Emmperative, an enterprise software marketing company. He currently serves on the Board and audit committee of the John G. Shedd Aquarium in Chicago. Our Board believes that Mr. Miquelon is qualified to serve as	2012

a director because of, among other things, his extensive knowledge and background in public accounting and finance.

William M. Petrie, M.D.	69	Dr. Petrie is Professor of Clinical Psychiatry in the Department of Psychiatry at the Vanderbilt University School of Medicine, where he has served for more than 20 years. He is also Director, Vanderbilt Senior Assessment Clinic in the Department of Psychiatry at the Vanderbilt University School of Medicine. Previously, Dr. Petrie served as President and Co-Director of Research at Psychiatric	2012
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Name	Age	Principal Occupation/Other Directorships	Director Since
Bruce A. Shear	61	<p>Consultants, P.C., a leading psychiatry practice in Nashville, Tennessee, and Chairman, Department of Psychiatry, Parthenon Pavilion at Centennial Medical Center. Dr. Petrie served as a director for PSI from September 2004 until November 2010. Our Board believes that Dr. Petrie is qualified to serve as a director because of, among other things, his extensive healthcare experience, particularly in the psychiatric and behavioral healthcare fields.</p> <p>Mr. Shear serves as the Executive Vice Chairman of the Company. Prior to joining the Company in 2011, Mr. Shear served as President, Chief Executive Officer and a director of PHC beginning in 1980 and Treasurer of PHC from September 1993 until February 1996. From 1976 to 1980, he served as Vice President, Financial Affairs, of PHC. Our Board believes that Mr. Shear is qualified to serve as a director because of, among other things, his extensive knowledge of and experience in the healthcare industry and his knowledge of PHC.</p>	2011
Class I			
Term Expiring in 2018			
E. Perot Bissell	56	<p>Mr. Bissell is the Chairman and Chief Executive Officer of Next Generation Energy Logistics, LLC, an energy logistics development company. Mr. Bissell previously served as the Vice Chairman of Pilot Logistics Services, a provider of drilling and exploration support services, from September 2012 until July 2013. From 2006 to 2012, he served as Chief Executive Officer for Maxum Petroleum, Inc., an independent energy logistics company. Prior to that, Mr. Bissell was a Partner of Northwest Capital Appreciation, Inc., a merchant banking and private equity firm, and before that, the Co-Managing Partner and Chief Financial Officer of SLP Capital, a specialty finance company. Mr. Bissell also serves on a number of charitable boards. Our Board believes that Mr. Bissell is qualified to serve as a director because of, among other things, his extensive corporate finance background and his general business and financial acumen. Mr. Bissell was previously designated as a director by WCP.</p>	2013
Hartley R. Rogers	56	<p>Mr. Rogers is the Chairman of Hamilton Lane Advisors, a global private equity investment firm. Prior to joining Hamilton Lane in 2004, Mr. Rogers was a Managing Director in the Private Equity Division at Credit Suisse First Boston. In that capacity, he served as a senior partner and member of the Investment Committee of DLJ Merchant Banking Partners III, a private equity fund, and as a co-head of CSFB Equity Partners, a private equity fund. Prior to joining Credit Suisse in 1997, Mr. Rogers was a Managing Director at Morgan Stanley & Co., where he was the President of the General Partners of the Princes Gate Investors family of private equity funds and Head of the Morgan Stanley Bridge Fund. A</p>	2013

graduate of Harvard College and Harvard Business School, Mr. Rogers worked at Morgan Stanley at various times and in various capacities from 1981 to 1997. Mr. Rogers has served on the board of directors of various private companies including Hamilton Lane Advisors and currently serves on the board of the Green Vale School. Our Board believes that Mr. Rogers is qualified to serve as a director because of, among other things, his extensive finance background and his general business and financial acumen.

Table of Contents**PROPOSAL 2: APPROVAL OF AMENDMENT TO INCENTIVE COMPENSATION PLAN****Background**

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

As of March 24, 2016, there were outstanding under the Incentive Plan: (i) options to purchase 941,043 shares of Common Stock with a weighted-average exercise price of \$47.88 and a weighted-average remaining term of 8.2 years; (ii) 919,661 shares of unvested restricted stock and (iii) 273,599 unvested restricted stock units. As of March 24, 2016, there were 1,261,194 shares of our Common Stock available for issuance under the Incentive Plan.

As of March 24, 2016, there were also outstanding options to purchase 25,000 shares of Common Stock with a weighted-average exercise price of \$8.20 and a weighted-average remaining term of 2.7 years under the PHC, Inc. 2004 Non-Employee Director Stock Option Plan (the PHC Plan). On November 1, 2011, we issued options to purchase shares of our Common Stock as replacements for PHC, Inc. options. No additional shares are available for issuance under the PHC Plan. The Incentive Plan and the PHC Plan are the Company's only equity compensation plans.

A consolidated summary of information about all of the Company's equity compensation plans (consisting of the Incentive Plan and the PHC Plan) as of March 24, 2016 follows:

Total Stock Options Outstanding	966,043
Total Unvested Restricted Stock Outstanding	919,661
Total Unvested Restricted Stock Units Outstanding	273,599
Total Common Stock Outstanding	87,450,218
Weighted-Average Exercise Price of Stock Options Outstanding	\$ 46.85
Weighted-Average Remaining Duration of Stock Options Outstanding	8.1
Total Shares Available for Grant under All Equity Compensation Plans	1,261,194

The closing price of a share of our Common Stock on The NASDAQ Global Select Market on March 24, 2016 was \$53.56.

Proposal

In April 2016, the Compensation Committee and the Board of Directors approved and adopted an amendment to the Incentive Plan (the Amendment), subject to stockholder approval. If approved, the Amendment will increase the aggregate number of shares of our Common Stock which may be issued or used for purposes of awards granted under the Incentive Plan by 3,500,000 shares, which would increase the aggregate number of shares available for issuance or

use under the Incentive Plan from 4,700,000 shares to 8,200,000 shares. In addition, the Amendment includes revisions to clarify the Incentive Plan prohibitions on repricing of options and stock appreciation rights (SARs) (including the cash buyout of underwater options and SARs). The Incentive Plan is not being amended in any other respect. Stockholders are being asked to approve the Amendment at the Annual Meeting. The full text of the Amendment is included in *Appendix A* to this Proxy Statement.

Description of the Incentive Plan

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

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

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

Clarify, construe or resolve any ambiguity in any provision of the Incentive Plan or any award agreement;

Amend the terms of outstanding awards; and

Adopt such rules, forms, instruments and guidelines for administering the Incentive Plan as it deems necessary or proper.

Further, the Compensation Committee has full authority to:

Administer and interpret the Incentive Plan;

Make all other determinations in connection with the plan and the awards; and

Delegate authority under the plan to our executive officers.

Available Shares. On and after the effective date of the Amendment, the aggregate number of shares of our Common Stock which may be issued or used for reference purposes under the Incentive Plan or with respect to which awards may be granted may not exceed 8,200,000 shares. The number of shares available for issuance under the Incentive Plan may be subject to adjustment in the event of a reorganization, stock split, merger or similar change in the corporate structure or the number of outstanding shares of our Common Stock. In the event of any of these occurrences, we may make any adjustments we consider appropriate to, among other things, the number and kind of shares, options or other property available for issuance under the Incentive Plan or covered by grants previously made under the Incentive Plan. The shares available for issuance under the Incentive Plan may be either authorized and unissued shares of our Common Stock or shares of Common Stock held in or acquired for our treasury. In general, if awards under the Incentive Plan are for any reason cancelled, or expire or terminate unexercised, the shares covered by such awards may again be available for the grant of awards under the Incentive Plan.

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

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

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

Stock Options. The Compensation Committee may grant nonqualified stock options and incentive stock options to purchase shares of our Common Stock only to eligible employees. The Compensation Committee will determine the number of shares of our Common Stock subject to each option, the term of each option, which may not exceed ten years (or five years in the case of an incentive stock option granted to a 10% or greater stockholder), the exercise price, the vesting schedule (if any) and the other material terms of each option. No incentive stock

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option or nonqualified stock option may have an exercise price less than the fair market value of a share of our Common Stock at the time of grant or, in the case of an incentive stock option granted to a 10% or greater stockholder, 110% of such fair market value. Options will be exercisable at such time or times and subject to such terms and conditions as determined by the Compensation Committee at grant and the exercisability of such options may be accelerated by the Compensation Committee.

Stock Appreciation Rights. The Compensation Committee may grant SARs either with a stock option, which may be exercised only at such times and to the extent the related option is exercisable (a Tandem SAR), or independent of a stock option (a Non-Tandem SAR). A SAR is a right to receive a payment in shares of our Common Stock or cash, as determined by the Compensation Committee, equal in value to the excess of the fair market value of one share of our Common Stock on the date of exercise over the exercise price per share established in connection with the grant of the SAR. The term of each SAR may not exceed ten years. The exercise price per share covered by an SAR will be the exercise price per share of the related option in the case of a Tandem SAR and will be the fair market value of our Common Stock on the date of grant in the case of a Non-Tandem SAR. The Compensation Committee may also grant limited SARs, either as Tandem SARs or Non-Tandem SARs, which may become exercisable only upon the occurrence of a change in control, as defined in the Incentive Plan, or such other event as the Compensation Committee may designate at the time of grant or thereafter.

Restricted Stock. The Compensation Committee may award shares of restricted stock. Except as otherwise provided by the Compensation Committee upon the award of restricted stock, the recipient generally will have the rights of a stockholder with respect to the shares, including the right to receive dividends, the right to vote the shares of restricted stock and, conditioned upon full vesting of shares of restricted stock, the right to tender such shares, subject to the conditions and restrictions generally applicable to restricted stock or specifically set forth in the recipient's restricted stock agreement. The Compensation Committee may determine at the time of award that the payment of dividends, if any, will be deferred until the expiration of the applicable restriction period. Recipients of restricted stock will generally be required to enter into a restricted stock agreement with us that states the restrictions to which the shares are subject, which may include satisfaction of pre-established performance goals, and the criteria or date or dates on which such restrictions will lapse. If the grant of restricted stock or the lapse of the relevant restrictions is based on the attainment of performance goals, the Compensation Committee will establish for each recipient the applicable performance goals, formulae or standards and the applicable vesting percentages with reference to the attainment of such goals or satisfaction of such formulae or standards while the outcome of the performance goals are substantially uncertain. Such performance goals may incorporate provisions for disregarding, or adjusting for, changes in accounting methods, corporate transactions, including dispositions and acquisitions, and other similar events or circumstances. Because Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) requires that performance awards be based upon objective performance measures, the performance goals for performance-based restricted stock will be based on one or more of the business criteria set forth in the Incentive Plan.

Other Stock-Based Awards. The Compensation Committee may, subject to limitations under applicable law, make a grant of such other stock-based awards, including performance units, dividend equivalent units, stock equivalent units, restricted stock units and deferred stock units under the Incentive Plan that are payable in cash or denominated or payable in or valued by shares of our Common Stock or factors that influence the value of such shares. The Compensation Committee may determine the terms and conditions of any such other awards, which may include the achievement of certain minimum performance goals for purposes of compliance with Section 162(m) of the Code and a minimum vesting period. The performance goals for performance-based other stock-based awards will be based on one or more of the business criteria set forth in the Incentive Plan.

Other Cash-Based Awards. The Compensation Committee may grant awards payable in cash. Cash-based awards shall be in such form, and dependent on such conditions, as the Compensation Committee shall determine, including

being subject to the satisfaction of vesting conditions or awarded purely as a bonus and not subject to restrictions or conditions. If a cash-based award is subject to vesting conditions, the Compensation Committee may accelerate the vesting of such award in its discretion.

Performance Awards. The Compensation Committee may grant a performance award to a participant payable upon the attainment of specific performance goals. The Compensation Committee may grant performance awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code, as well as

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performance awards that are not intended to so qualify. If the performance award is payable in cash, it may be paid upon the attainment of the relevant performance goals either in cash or in shares of restricted stock, based on the then current fair market value of such shares, as determined by the Compensation Committee. Based on service, performance or other factors or criteria, the Compensation Committee may, at or after grant, accelerate the vesting of all or any part of any performance award.

Performance Goals. The Compensation Committee may grant awards of restricted stock, performance awards, and other stock-based awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code. To be performance-based compensation under Section 162(m), the payment or vesting of compensation must be conditioned on achievement of performance goals and must meet certain other conditions of Section 162(m). These awards may be granted, vest and be paid based on attainment of specified performance goals established by the Compensation Committee. These performance goals may be based on the attainment of a certain target level of, or a specified increase or decrease in, one or more of the following measures selected by the Compensation Committee:

Earnings per share;

Operating income;

Gross income;

Net income, before or after taxes;

Cash flow;

Gross profit;

Gross profit return on investment;

Gross margin return on investment;

Gross margin;

Operating margin;

Working capital;

Earnings before interest and taxes;

Earnings before interest, tax, depreciation and amortization;

Return on equity;

Return on assets;

Return on capital;

Return on invested capital;

Net revenues;

Gross revenues;

Revenue growth, as to either gross or net revenues;

Annual recurring net or gross revenues;

Recurring net or gross revenues;

License revenues;

Sales or market share;

Total stockholder return;

Economic value added;

The fair market value of a share of Common Stock;

Reduction in operating expenses;

Specified objectives with regard to limiting the level of increase in all or a portion of our bank debt or other long-term or short-term public or private debt or other similar financial obligations, which may be calculated net of cash balances and other offsets and adjustments as may be established by the Compensation Committee;

The growth in the value of an investment in the Common Stock assuming the reinvestment of dividends; or

Other objective criteria determined by the Compensation Committee.

To the extent permitted by law, the Compensation Committee may also exclude the impact of an event or occurrence which the Compensation Committee determines should be appropriately excluded, such as:

Restructurings, discontinued operations, extraordinary items and other unusual or non-recurring charges;

An event either not directly related to our operations or not within the reasonable control of management; or

A change in tax law or accounting standards required by generally accepted accounting principles. Performance goals may also be based on an individual participant's performance, as determined by the Compensation Committee. In addition, all performance goals may be based upon the attainment of specified levels of our performance, or the performance of a subsidiary, division or other operational unit, under one or more of the measures described above relative to the performance of other corporations. To the extent permitted under Section 162(m), the Compensation Committee may also designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria.

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

Assumed and continued or substituted in accordance with applicable law;

Purchased by us for an amount equal to the excess of the price of a share of our Common Stock paid in a change in control over the exercise price of the awards; or

Cancelled if the price of a share of our Common Stock paid in a change in control is less than the exercise price of the award.

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

Stockholder Rights. Except as otherwise provided in the applicable award agreement and with respect to an award of restricted stock, a participant will have no rights as a stockholder with respect to shares of our Common Stock covered by any award until the participant becomes the record holder of such shares.

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

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

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

Federal Income Tax Consequences

Under present federal income tax law, participants will generally realize ordinary income equal to the amount of a cash award under the Incentive Plan in the year of receipt. With respect to equity awards (other than options) under the Incentive Plan, participants will generally recognize ordinary income based on the market value of our Common Stock at the time it becomes vested or earned under an award; however, with respect to an award of restricted stock, participants can make an election under Section 83(b) of the Code to be taxed on the value of the Common Stock at the time the award is granted. In either case, the individual is also subject to capital gains treatment on the subsequent sale of the Common Stock acquired through an award. For this purpose, the individual's basis in the Common Stock is

its fair market value at the time the Common Stock subject to the award becomes vested. If an election under Section 83(b) is made, basis is determined at the time the Common Stock was transferred. With respect to nonqualified stock options, a participant will recognize ordinary income when the option is exercised, equal to the difference between the exercise price and the fair market value of our Common Stock at the time of exercise. A participant who exercises an incentive stock option generally will not recognize any ordinary income, provided the participant holds the Common Stock for at least two years.

We will generally be entitled to a corresponding federal income tax deduction at the time the participant recognizes ordinary income. However, Section 162(m) of the Code generally limits federal income tax deductions for compensation paid to a covered employee in any taxable year to \$1 million. Covered employees generally include our Named Executive Officers other than our Chief Financial Officer. Compensation that qualifies as

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performance-based compensation is excluded from this \$1 million limit. Awards under the Incentive Plan are intended to qualify as performance-based compensation, and be fully deductible, under Section 162(m) of the Code.

Required Vote

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

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2015 with respect to compensation plans (including individual compensation arrangements) under which shares of Common Stock are authorized for issuance:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans ⁽¹⁾
Equity Compensation Plans Approved by Stockholders ⁽²⁾	1,056,744 ⁽³⁾	\$ 42.52	1,921,673
Equity Compensation Plans Not Approved by Stockholders ⁽⁴⁾	30,000	\$ 8.24	
Total	1,086,744	\$ 41.57	1,921,673

- (1) Excludes shares to be issued upon exercise of outstanding options and vesting of outstanding restricted stock units.
- (2) Represents securities issued or available for issuance under the Incentive Plan.
- (3) Includes 392,000 shares that may be issued upon vesting of outstanding restricted stock units that vest over three years, assuming that maximum performance goals are attained in all three years.
- (4) Includes stock options issued pursuant to the PHC, Inc. 2004 Non-Employee Director Stock Option Plan. On November 1, 2011, we issued options to purchase shares of our Common Stock as replacements for PHC, Inc. options.

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PROPOSAL 3: NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

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

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

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

RESOLVED, that the Company's stockholders approve, on a non-binding advisory basis, the compensation of the Named Executive Officers as disclosed in the Company's Proxy Statement for the 2016 annual meeting of stockholders pursuant to Item 402 of Regulation S-K, including the sections entitled COMPENSATION DISCUSSION AND ANALYSIS and EXECUTIVE COMPENSATION.

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

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

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

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions. Although ratification is not required by our Bylaws or otherwise, our Board of Directors is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice.

Fees

The following table presents fees for professional services rendered by Ernst & Young LLP for the audit of our annual financial statements for the years ended December 31, 2015 and 2014, and fees incurred for other services rendered by Ernst & Young LLP for such years:

	2015	2014
Audit Fees ⁽¹⁾	\$ 3,529,064	\$ 2,120,234
Audit-Related Fees ⁽²⁾	61,995	379,909
Tax Fees ⁽³⁾	1,702,925	1,074,500
All Other Fees ⁽⁴⁾		40,000
Total Fees	\$ 5,293,984	\$ 3,614,643

- (1) Primarily for the audit of our annual financial statements and the review of our quarterly financial statements, services provided in connection with registration statements filed with the SEC and acquisition due diligence services.
- (2) Primarily for tax and financial due diligence related to acquisitions.
- (3) Primarily for tax compliance services and other tax planning and tax advice services.
- (4) Primarily for information technology internet security assessment services.

Pre-approval of Auditor Services

The charter of the Audit Committee provides that the Audit Committee must pre-approve all auditing and non-auditing services to be provided by our auditor. In addition, the Audit Committee shall have the sole authority to approve any compensation to our auditor for any approved audit or non-audit services. For 2015, all services provided by Ernst & Young LLP were pre-approved by the Audit Committee. All non-audit services were reviewed by the Audit Committee, and the Audit Committee concluded that the provision of such services by Ernst & Young LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

Required Vote

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter is needed to ratify the appointment of Ernst & Young

LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016. Under Delaware law, an abstention will have the same legal effect as a vote against the ratification of Ernst & Young LLP, and broker non-votes will have no effect on the outcome of the ratification of the independent registered public accounting firm. If the appointment is not ratified, the matter will be referred to the Audit Committee for further review.

The Audit Committee and the Board of Directors recommend that the stockholders vote FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016.

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PROPOSAL 5: STOCKHOLDER PROPOSAL TO ADOPT

A MAJORITY VOTING STANDARD IN UNCONTESTED DIRECTOR ELECTIONS

The Company has been advised that the California State Teachers' Retirement System, 100 Waterfront Place, MS-04, West Sacramento, California 95605-2807 (CalSTRS) a beneficial owner of shares of the Company's Common Stock having a market value in excess of \$2,000, intends to submit the proposal set forth below at the Annual Meeting. Following SEC rules, we have reprinted the proposal and its supporting statement as it was submitted by CalSTRS. The Company is not responsible for the contents of the proposal and recommends that you vote AGAINST the stockholder proposal for the reasons set forth below in Statement of the Board of Directors in Opposition to Stockholder Proposal.

BE IT RESOLVED:

That the shareholders of Acadia Healthcare Company, Inc. hereby request that the Board of Directors initiate the appropriate process to amend the Company's articles of incorporation and/or bylaws to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

SUPPORTING STATEMENT:

In order to provide shareholders a meaningful role in director elections, the Company's current director election standard should be changed from a plurality vote standard to a majority vote standard. The majority vote standard is the most appropriate voting standard for director elections where only board nominated candidates are on the ballot, and it will establish a challenging vote standard for board nominees to improve the performance of individual directors and entire boards. Under the Company's current voting system, a nominee for the board can be elected with as little as a single affirmative vote, because withheld votes have no legal effect. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be re-elected and continue to serve as a representative for the shareholders.

In response to strong shareholder support a substantial number of the nation's leading companies have adopted a majority vote standard in company bylaws or articles of incorporation. In fact, more than 94% of the companies in the S&P 500 have adopted majority voting for uncontested elections. We believe the Company needs to join the growing list of companies that have already adopted this standard.

CalSTRS is a long-term shareholder of the Company and we believe that accountability is of utmost importance. We believe the plurality vote standard currently in place at the Company completely disenfranchises shareholders and makes the shareholder's role in director elections meaningless. Majority voting in director elections will empower shareholders with the ability to remove poorly performing directors and increase the directors' accountability to the owners of the Company, its shareholders. In addition, those directors who receive the majority support from shareholders will know they have the backing of the very shareholders they represent. We therefore ask you to join us in requesting that the Board of directors promptly adopt the majority vote standard for director elections.

Please vote FOR this proposal.

Statement of the Board of Directors in Opposition to Stockholder Proposal

We remain committed to strong corporate governance, and it is our fiduciary duty to act in the best interests of our stockholders. The proponent makes a one-size-fits-all argument with respect to director elections that is neither necessary nor appropriate for the Company. After careful consideration, we have determined that this stockholder proposal would not enhance stockholder value and would not be in the best interests of the Company or our stockholders. We therefore recommend that you vote AGAINST this proposal.

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Our Current Process Elects Highly Qualified Directors

Adoption of a strict majority voting standard is unwarranted and unnecessary in our case because we have a strong corporate governance process designed to identify and propose director nominees who will best serve the interests of the Company and our stockholders. The Board of Directors maintains a Nominating and Governance Committee that consists entirely of independent directors, and all of the members of the Board of Directors, other than our Chairman and Chief Executive Officer and Executive Vice Chair, are independent. Under our policies, a stockholder can recommend to the Board a candidate for election to our Board of Directors. The Nominating and Governance Committee applies a rigorous set of criteria in identifying director nominees and has established procedures to consider and evaluate persons recommended by stockholders in the same manner as candidates recommended by our officers or directors.

As a result of governance practices, our stockholders have consistently elected, generally by strong majorities, highly qualified directors with a diverse set of experiences, qualifications, attributes and skills. Further, the proponent's characterization of plurality voting, particularly the statement that a director may be elected by a single vote even if a substantial majority of the votes cast are withheld, is improbable - especially in light of our past voting results as the Company's stockholders have a history of electing strong and independent directors.

The Board of Directors believes that a different voting standard would not enhance corporate governance or result in a more effective Board of Directors, because the Company is already proactive in improving our corporate governance and compensation policies. Specifically, the Company has taken the following actions:

Created the position of lead independent director;

Implemented stock ownership guidelines for the Board of Directors and executive officers;

Engaged a policy to prohibit hedging and pledging of the Company's Common Stock by employees and directors;

Maintained an insider trading policy; and

Adopted a compensation clawback policy for executive officers.

Because our stockholders have a history of electing highly-qualified and independent directors using our current voting system and the Board of Directors has already taken significant steps to enhance our corporate governance, a change in the director election process is not necessary or appropriate for the Company.

The Stockholder Proposal May Adversely Impact Us

The majority voting standard suggested by the proponent creates the potential for failed elections in an uncontested election where a nominee does not receive a majority of the votes cast. Under Delaware law, a director serves until his or her successor is elected. A failed election would either result in the existing director continuing to serve as a holdover director or creating a vacancy for the Board of Directors to fill. It is possible that the Board of Directors could be faced with a potentially large number of vacancies at one time, which could adversely affect our ability to

comply with applicable NASDAQ listing standards or federal securities law requirements regarding qualified Audit and Compensation Committees, the number of independent directors and financial experts. We do not believe such a result furthers stockholder democracy. By contrast, the plurality voting standard promotes stability in our governance processes by ensuring that a full slate of directors is elected at each annual meeting of stockholders and that we can remain in compliance with the applicable NASDAQ listing standards and federal securities laws.

The Board of Directors is also concerned that the majority voting standard sought by the proponent could result in undue influence of certain activist stockholders whose interests and agenda may differ from those of our stockholders generally. Implementation of majority voting provisions could empower special interest groups to promote vote no campaigns that are contrary to the best interests of all stockholders, forcing us to resort to expensive strategies to obtain the required vote. The end result would be increased spending for routine uncontested

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elections to the detriment of the majority of our stockholders. The potential for undue influence from activist stockholders is compounded by the NASDAQ's broker non-vote rule and its implication with respect to a majority voting standard. The NASDAQ's broker non-vote rule prohibits a broker from voting a customer's shares in a director election when the stockholder customer has not provided specific voting instructions to the broker. Broker non-votes are not included in the number of shares cast in favor of a vote, making it more difficult for directors to achieve the majority support needed for elections.

As a Board of Directors, we strongly believe that a stringent majority voting policy, and the potential distraction that ensues therefrom, does not enhance the ability of our directors to act in the long-term best interests of the Company and our stockholders.

The Stockholder Proposal Creates Uncertainty

The legal community, stockholder advocates, governance experts, public companies and other groups continue to evaluate the consequences of majority voting. The Company is governed by Delaware corporate law, and, unless otherwise specified in a corporation's charter, plurality voting in director elections is the Delaware standard. The rules governing plurality voting are well-established over many decades of experience and precedent, and we believe plurality voting is familiar to, and well understood by, stockholders. We do not believe that our interests, or our stockholders' interests, would be best served by adopting majority voting at this time and abandoning a director election process that has served the Company well to date. If the need arises in the future with respect to either a particular vote or a series of votes in which one or more directors receives a particularly low percentage of votes cast, the Board of Directors will, of course, consider all available facts and take action that is most appropriate given these facts.

Required Vote

Approval of this stockholder proposal requires the affirmative vote of a majority of the shares of our Common Stock present at the annual meeting in person or by proxy and entitled to vote. If stockholders return a validly executed proxy solicited by the Board of Directors, the shares represented by the proxy will be voted on this proposal in the manner specified by the stockholder. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the Board of Directors are to be voted on this proposal, such shares shall be counted as abstentions. Under Delaware law, abstentions will have the same effect as a vote against the proposal.

The Board of Directors recommends a vote AGAINST the adoption of this stockholder proposal.

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PROPOSAL 6: STOCKHOLDER PROPOSAL RELATING TO SUSTAINABILITY REPORTING

The Company has been advised that Calvert Investment Management, Inc., 4550 Montgomery Avenue, Bethesda, MD 20814 (Calvert) a beneficial owner of shares of the Company s Common Stock having a market value in excess of \$2,000, intends to submit the proposal set forth below at the Annual Meeting. Following SEC rules, we have reprinted the proposal and its supporting statement as it was submitted by Calvert. The Company is not responsible for the contents of the proposal and recommends that you vote AGAINST the stockholder proposal for the reasons set forth below in Statement of the Board of Directors in Opposition to Stockholder Proposal.

RESOLVED: Shareholders request that Acadia Healthcare Company prepare a sustainability report describing the company s environmental, social and governance (ESG) risks and opportunities including patient and worker safety, privacy and security, environmental management, including energy and waste minimization, and supply-chain risks. The report, prepared at reasonable cost and omitting proprietary information, should be published by October 31, 2016.

SUPPORTING STATEMENT:

We believe tracking and reporting on ESG business practices make a company more responsive to a transforming business environment characterized by finite natural resources, changing legislation, concerns over healthcare and safety, and heightened public expectations for corporate accountability. Reporting also helps companies better integrate and gain strategic value from existing sustainability efforts, identify gaps and opportunities in products and processes, develop company-wide communications, publicize innovative practices and receive feedback.

Mainstream financial companies are continuing to recognize the links between environmental, social and governance (ESG) performance and shareholder value. As such, the availability of ESG performance data is growing through a wide range of data providers, such as Bloomberg. Also, investment firms like Goldman Sachs and Deutsche Asset Management are increasingly incorporating corporate social and environmental practices into their investment decisions.

The United Nations Principles for Responsible Investment has nearly 1,400 signatories who seek the integration of ESG factors in investment decision making. They collectively hold \$59 trillion assets under management and require information on ESG factors to analyze fully the risks and opportunities associated with existing and potential investments.

We believe that disclosure of sustainability policies, programs and performance can help a company manage sustainability opportunities and risks and that such disclosure is increasingly becoming a competitive advantage. There are many opportunities to reduce the waste stream. Other high impact areas with opportunities for improvement include green cleaning, improving air quality for both staff and patients, water conservation and energy reduction, all of which offer further ways not only to improve sustainability but also cost saving measures. Patient safety, product marketing and quality of care, and quality of staff work life, are also areas of concern.

The report should include a company-wide review of policies, practices and metrics related to ESG performance using the GRI Index and checklist as a reference.

Statement of the Board of Directors in Opposition to Stockholder Proposal

We conduct our business in compliance with applicable law including environmental, health and safety regulations, and we work hard to be an exceptional employer, a good neighbor and a good citizen. The Board of Directors believes

that we currently have in place policies and practices concerning social, environmental and governance issues that underscore our commitment to being a good citizen and that make the preparation of a report of the type being requested in the proponent's resolution unnecessary. After careful consideration, we have determined that this stockholder proposal would not enhance stockholder value and we therefore recommend that you vote AGAINST this proposal.

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We maintain an active Compliance Program and Code of Conduct intended to promote ethics and integrity while completing the mission of helping our clients attain their full potential by delivering quality behavioral healthcare services in a caring, supportive and financially responsible environment. As a responsible member of our community, Acadia believes it is important to maintain a safe environment. As required by our Code of Conduct, each employee is responsible for ensuring that all waste products, hazardous materials and other regulated items are stored, handled and disposed of in compliance with applicable laws and regulations. Employees are to immediately report any unsafe storage or improper disposal or release of a hazardous or toxic substance to their supervisor or department head and to the environmental compliance officer responsible for the facility.

While sustainability matters are important to our company, we believe that to prepare and issue a formal report of the type sought by the proponent, which it recommends be prepared with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, would require significant time and expense and produce little added benefit to our stockholders. GRI is an international organization, based in Europe, with offices in the United States and several other countries around the globe. We believe the GRI Guidelines are primarily relevant to much larger corporations, especially those with significant operations in developing countries. While we strive to conduct our business in a socially responsible manner, we do not believe that a report of the type requested by the proponent would provide meaningful benefit to management or useful information to our stockholders.

Moreover, the Board of Directors has concluded that preparing the requested sustainability report would distract our personnel from their most critical mission – fulfilling our key business objectives. Rather than adding staff, hiring consultants and spending the time and financial resources to develop a report that lacks an immediate and tangible return for our stockholders, we believe that our stockholders would benefit most directly by the continued focus of our financial, personnel and other resources on the core elements of our business strategy which include:

creating a world-class organization that sets the standard of excellence in the treatment of specialty behavioral health and addiction disorders;

creating behavioral health centers where people receive individualized and quality care that enables them to regain hope in a supportive, caring environment;

offering an enviable internal culture and environment that encourages and supports both professional and personal growth that our employees are proud of; and

developing partnerships with physicians, professionals, and payers within the communities we serve through the delivery of high quality specialty behavioral health services at affordable costs while always putting the patient first.

The Board of Directors is responsible to the stockholders of the Company as a whole. In keeping with this mandate and for the reasons set forth above, we believe that preparing a sustainability report as requested by the proponent would not provide useful information to our stockholders and would not be an efficient use of our financial and human resources. As such, we urge our stockholders to vote against it.

Required Vote

Approval of this stockholder proposal requires the affirmative vote of a majority of the shares of our Common Stock present at the annual meeting in person or by proxy and entitled to vote. If stockholders return a validly executed proxy solicited by the Board, the shares represented by the proxy will be voted on this proposal in the manner specified by the stockholder. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the Board are to be voted on this proposal, such shares shall be counted as abstentions. Under Delaware law, abstentions will have the same effect as a vote against the proposal.

The Board of Directors recommends a vote AGAINST the adoption of this stockholder proposal.

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CORPORATE GOVERNANCE

Independence of the Board of Directors

Our Board annually reviews the independence of all of our directors and affirmatively makes a determination as to the independence of each director based on whether such director satisfies the definition of independent director as set forth in the applicable rules of The NASDAQ Stock Market. Our Board has determined that Messrs. Bissell, Gordon, Grieco, Miquelon, Rogers and Waud and Dr. Petrie are independent directors.

Code of Conduct and Code of Ethics for Senior Financial Officers

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

Committees of the Board of Directors

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

Compensation Committee

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

Reviewing and approving for the Chief Executive Officer and other executive officers (a) the annual base salary level, (b) bonus and other annual incentives, (c) equity compensation, (d) employment agreements, severance arrangements and change in control arrangements, and (e) any other benefits, compensation, compensation policies or arrangements;

Reviewing and making recommendations to the Board regarding the compensation policy for such other officers as directed by the Board;

Preparing a report to be included in the annual report or proxy statement that describes: (a) the criteria on which compensation paid to the Chief Executive Officer for the last completed fiscal year is based; (b) the relationship of such compensation to our performance; and (c) the Compensation Committee's executive compensation policies applicable to executive officers; and

Overseeing the administration and approval of our current equity-based compensation plans and making recommendations to our Board of Directors with respect to amendments to the plans, changes

in the number of shares reserved for issuance thereunder and other equity-based compensation plans proposed for adoption.

The Compensation Committee is currently composed of Mr. Miquelon and Dr. Petrie, with Mr. Miquelon serving as Chairman. During 2015, the Compensation Committee held four meetings and took action by written consent five times. The Compensation Committee has a written charter that is available on our website at www.acadiahealthcare.com under the webpage Investors Corporate Governance.

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Audit Committee

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

Appointing, retaining, evaluating and, when appropriate, replacing our independent registered public accounting firm, whose duty it is to audit our financial statements and our internal control over financial reporting for the fiscal year in which it is appointed;

Determining the compensation to be paid to our independent registered public accounting firm (subject to ratification by our stockholders) and, in its sole discretion, approving all audit and engagement fees and terms and pre-approve all auditing and non-auditing services of our independent registered public accounting firm;

Reviewing and discussing our system of internal control over financial reporting, audit procedures and the adequacy and effectiveness of our disclosure controls and procedures with management, our independent registered public accounting firm and our internal auditors;

Reviewing the internal audit function of the Company, including the independence of its reporting obligations and the adequacy of the internal audit budget and staffing;

Reviewing and discussing with management and our independent registered public accounting firm the audited financial statements to be included in our Annual Report on Form 10-K, the quarterly financial statements to be included in our Quarterly Reports on Form 10-Q, our disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations and the selection, application and disclosure of critical accounting policies used in our financial statements;

Reviewing and discussing with management the Company's major risk exposures with respect to the Company's accounting and financial reporting policies and procedures;

Reviewing and discussing with management all existing related-party transactions and approving any proposed related-party transactions to ensure that they are in our best interest;

Reviewing and discussing with management the quarterly earnings press releases and financial information and earnings guidance provided to analysts and rating agencies;

Establishing and overseeing procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

Reviewing and reassessing the performance of the Audit Committee and the adequacy of the Audit Committee charter adopted by our Board of Directors and recommending proposed changes to the Board.

The Audit Committee is currently composed of Messrs. Bissell, Grieco and Rogers, with Mr. Grieco serving as Chairman. Our Board of Directors has determined that each of Messrs. Bissell, Grieco and Rogers is an audit committee financial expert as defined in rules promulgated by the SEC under the Exchange Act, and that each member of the Audit Committee meets the financial literacy requirements under the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) and rules and regulations of NASDAQ and the SEC. Our Board has determined that each of Messrs. Bissell, Grieco and Rogers satisfies the independence requirements for audit committee members set forth in the applicable rules of The NASDAQ Stock Market. The Audit Committee held five meetings during 2015. The Audit Committee has a written charter available on our website, www.acadiahealthcare.com under the webpage Investors Corporate Governance.

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Nominating and Governance Committee

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

Identifying, recruiting and recommending individuals qualified to serve on the Board;

Reviewing the qualifications and performance of incumbent directors to determine whether to recommend them as nominees for re-election;

Reviewing and considering candidates who may be properly suggested by any director or executive office of the Company, or by any stockholder of the Company;

Periodically reviewing the composition of the Board, including size of the Board and the minimum qualifications for director nominees;

Reviewing the performance of members of the Board; and

Carrying out such other responsibilities delegated by the Board relating to the director nominations process and procedures.

The Nominating Committee is currently composed of Messrs. Bissell and Grieco and Dr. Petrie, with Mr. Bissell serving as Chairman. During 2015, the Nominating Committee held one meeting and took action by written consent one time. The Nominating Committee has a written charter available on our website, www.acadiahealthcare.com under the webpage *Investors Corporate Governance*.

Meetings of our Board of Directors and Committees

During 2015, our Board of Directors held a total of five meetings and took action by written consent six times. Each director attended 75% or more of the meetings of our Board and the committees of our Board of Directors on which such director served.

Nomination of Directors

Nominations By the Nominating Committee

Directors may be nominated by our Nominating Committee, Board, executive officers or by our stockholders in accordance with our Bylaws, Amended and Restated Certificate of Incorporation, New Stockholders Agreement, applicable laws and any guidelines developed by Nominating Committee or the Board. The Nominating Committee is responsible for identifying individuals qualified to become members of the Board and its committees, and recommending candidates for the Board's selection as director nominees for election at the annual or other properly convened meeting of the stockholders in accordance with our Bylaws and applicable laws and regulations. The

Nominating Committee meets to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board. The Nominating Committee considers each identified candidate's qualifications, which include the nominee's experience, business acumen, education, integrity, character, commitment, diligence, conflicts of interest and ability to exercise sound business judgment. While we have not established diversity standards for nominees, as a matter of practice, we generally seek nominees with a broad diversity of experience, professions, skills and backgrounds. We do not currently pay a fee to any third party to identify or assist in identifying or evaluating potential nominees.

Nominations By Our Stockholders

Our Bylaws govern stockholder nominations of directors. To make a director nomination at the 2017 annual meeting, a stockholder must deliver a written notice (containing certain information specified in our Bylaws

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as discussed below) to Christopher L. Howard, Esq., Executive Vice President, General Counsel and Secretary, at Acadia Healthcare Company, Inc., 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067 between the dates of January 19, 2017 and February 18, 2017. If the date of the 2017 annual meeting is more than 30 days before or more than 70 days after May 19, 2017, the stockholder's notice must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Company.

To make a director nomination to be voted on at a special meeting of stockholders called for the purpose of electing directors, a stockholder must deliver written notice to our secretary at the address above no earlier than the close of business on the 120th day prior to such special meeting and no later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which we first publicly announce the date of the special meeting and the nominees proposed by the Board to be elected at such meeting. These requirements are separate from and in addition to the SEC's requirements that a stockholder must meet to have a stockholder proposal included in the Proxy Statement, which requirements are described in the section below entitled "GENERAL INFORMATION - Stockholder Proposals for 2017 Annual Meeting."

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

Communicating with the Board

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

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

We encourage each member of our Board of Directors to attend the annual meeting of stockholders. Each director, other than Messrs. Gordon and Rogers, attended the 2015 annual meeting of stockholders.

Board Leadership Structure

The Board believes that our Chief Executive Officer is best situated to serve as Chairman of our Board of Directors because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent directors and management have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside our company and industry, while the Chief Executive Officer brings company-specific experience and expertise. Our Board of Directors believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the

Board, which are essential to effective governance. Mr. Waud currently serves as Lead Director of the Board, with such rights and responsibilities as may be designated by the Board from time to time.

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Risk Oversight

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

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

Non-Management Executive Sessions

We had eight independent directors in 2015, Messrs. Bissell, Gordon, Grieco, Lattner, Miquelon, Rogers and Waud and Dr. Petrie. During 2015, there were three executive sessions of the independent directors.

Compensation Committee Interlocks and Insider Participation

Since May 2014, the Compensation Committee has consisted of Mr. Miquelon and Dr. Petrie, neither of whom has at any time been one of our officers or employees. None of the members of the Compensation Committee had any relationship during 2015 requiring disclosure by us. None of our executive officers serves, or in the past year served, as a member of the board of directors or compensation committee of any entity that has or had one or more of its executive officers serving on our Board or Compensation Committee.

Policy on Reporting of Concerns Regarding Accounting Matters

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

Procedure for Approval of Transactions with Related Persons

We have established policies and other procedures regarding approval of transactions between the Company and any employee, officer, director, and certain of their family members and other related persons, including those required to be reported under Item 404 of Regulation S-K promulgated under the Securities Act of 1933, as amended (the Securities Act). These policies and procedures are generally not in writing, but are evidenced by principles set forth in our Code of Conduct or adhered to by our Board. As set forth in the Audit Committee Charter, the Audit Committee reviews and approves all related person transactions after reviewing such transaction for potential conflicts of interests

and improprieties. Accordingly, all such related person transactions are submitted to the Audit Committee for ongoing review and oversight. Generally speaking, we enter into related person transactions only on terms that we believe are at least as favorable to the Company as those that we could obtain from an unrelated third party. See the section below entitled **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS** for additional information.

Table of Contents**MANAGEMENT****Executive Officers**

Below are the names and ages (as of April 8, 2016) of our executive officers and a brief account of the business experience of the executive officers who are not members of our Board.

Name	Age	Title
Joey A. Jacobs	62	Chairman and Chief Executive Officer
Ronald M. Fincher	62	Chief Operating Officer
Brent Turner	50	President
Christopher L. Howard	49	Executive Vice President, General Counsel and Secretary
David M. Duckworth	36	Chief Financial Officer
Bruce A. Shear	61	Executive Vice Chairman

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

Ronald M. Fincher joined the Company in February 2011 and has served as our Chief Operating Officer since that time. Previously, Mr. Fincher served as PSI's Chief Operating Officer from October 2008 to November 2010. As Chief Operating Officer of PSI, Mr. Fincher oversaw hospital operations for 95 facilities. Mr. Fincher served as PSI's Division President from April 2003 to October 2008. As a Division President, Mr. Fincher was responsible for managing the operations of multiple inpatient behavioral healthcare facilities owned by PSI. Prior to joining PSI, Mr. Fincher served as a Regional Vice President of Universal Health Services, Inc. from 2000 until 2003.

Brent Turner joined the Company in February 2011 and served as Co-President from that time until April 2012, when he was named President. Previously, Mr. Turner served as the Executive Vice President, Finance and Administration of PSI from August 2005 to November 2010 and as the Vice President, Treasurer and Investor Relations of PSI from February 2003 to August 2005. From late 2008 through 2010, Mr. Turner also served as a Division President of PSI overseeing facilities in Texas, Illinois and Minnesota. From 1996 until January 2001, Mr. Turner was employed by Corrections Corporation of America, a prison operator, serving as Treasurer from 1998 to 2001. Mr. Turner serves on the board of directors of LHC Group, Inc. (NASDAQ: LHCG), Surgery Partners, Inc. (NASDAQ: SRGY) and the National Association of Psychiatric Health Systems (NAPHS).

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

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

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below sets forth information with respect to ownership of our Common Stock as of March 24, 2016, by:

Each person who we know to be the beneficial owner of more than 5% of the outstanding shares of Common Stock;

Each of our directors and nominees;

Each of our Named Executive Officers; and

All of our directors and executive officers as a group.

To our knowledge, unless otherwise indicated, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned. All computations are based on 87,450,218 shares of Common Stock outstanding on March 24, 2016, unless otherwise indicated.

Name of Beneficial Owner⁽¹⁾	Amount and Nature of Beneficial Ownership⁽²⁾	Percent of Class
Waud Capital Partners, L.L.C.	9,372,172 ⁽³⁾⁽⁴⁾	10.7%
Reeve B. Waud	9,372,172 ⁽³⁾⁽⁴⁾	10.7%
Bain Capital Investors, LLC and related funds ⁽⁵⁾	3,460,976	4.0%
T. Rowe Price Associates, Inc. ⁽⁶⁾	9,619,017	11.0%
Wells Fargo & Company ⁽⁷⁾	4,428,344	5.1%
Joey A. Jacobs ⁽⁸⁾	951,895	1.1%
Ronald M. Fincher ⁽⁹⁾	234,734	*
Brent Turner ⁽¹⁰⁾	289,798	*
Christopher L. Howard ⁽¹¹⁾	218,955	*
David M. Duckworth ⁽¹²⁾	37,341	*
Bruce A. Shear ⁽¹³⁾	7,501	*
William F. Grieco ⁽¹⁴⁾	63,421	*
Wade D. Miquelon ⁽¹³⁾	18,926	*
William M. Petrie, M.D. ⁽¹³⁾	10,647	*
E. Perot Bissell ⁽¹³⁾	6,858	*
Kyle D. Lattner ⁽³⁾⁽¹³⁾	4,001	*
Hartley R. Rogers ⁽¹³⁾	6,858	*
Christopher R. Gordon ⁽¹⁵⁾	3,453,813	3.9%
All directors and executive officers as a group (14 persons) ⁽¹⁶⁾	15,033,951	17.2%

* Less than 1%

- (1) Unless otherwise indicated, the address of each beneficial owner is c/o Acadia Healthcare Company, Inc., 6100 Tower Circle, Suite 1000, Franklin, Tennessee 37067.
- (2) Under SEC rules, the number of shares shown as beneficially owned includes shares of Common Stock subject to options that currently are exercisable or will be exercisable within 60 days of March 24, 2016. Such shares are deemed to be outstanding for the purpose of computing the percent of class for that individual, but are not deemed outstanding for the purpose of computing the percentage of any other person.
- (3) Information is based solely on the Schedule 13D/A filed by WCP with the SEC on August 18, 2015. The 9,372,172 shares of Common Stock are owned of record as follows: (i) 1,521,893 shares by Waud Capital Partners II, L.P. (WCP II); (ii) 2,782,263 shares by Waud Capital Partners QP II, L.P. (Waud QP II); (iii) 751,113 shares by the Reeve B. Waud 2011 Family Trust; (iv) 83,530 shares by Waud Family Partners, L.P. (WFP LP); (v) 424,622 shares by WCP FIF II (Acadia), L.P. (WCP FIF II); (vi) 434,886 shares by Waud Capital Affiliates II, L.L.C. (Waud Affiliates II); (vii) 223,184 shares by Waud Capital Affiliates III, L.L.C. (Waud Affiliates III); (viii) 606,228 shares by WCP FIF III (Acadia), L.P. (WCP FIF III); (ix) 1,381,335 shares by Waud Capital Partners QP III, L.P. (Waud QP III); (x) 244,274 shares by Waud

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Capital Partners III, L.P. (WCP III); (xi) 55,119 shares by Mr. Waud (includes 4,001 shares of restricted stock); (xii) 795,667 shares by Crystal Cove LP; (xiii) 33,333 shares by Melissa W. Waud, Mr. Waud's wife; (xiv) 30,724 shares by Waud Capital Partners, L.L.C.; and (xv) 4,001 shares of restricted stock by Kyle D. Lattner.

Waud Capital Partners Management II, L.P. (WCPM II), as the general partner of WCP II, Waud QP II and WCP FIF II and the manager of Waud Affiliates II, and Waud Capital Partners II, L.L.C. (Waud II LLC), as the general partner of WCPM II, may be deemed to share beneficial ownership of the shares held of record by such entities. Waud Capital Partners Management III, L.P. (WCPM III), as the general partner of WCP III, Waud QP III and WCP FIF III and the manager of Waud Affiliates III, and Waud Capital Partners III, L.L.C. (Waud III LLC), as the general partner of WCPM III, may be deemed to share beneficial ownership of the shares held of record by such entities. Mr. Waud may be deemed to beneficially own the shares of Common Stock held by each of the above entities by virtue of his (A) making decisions for the limited partner committee of each of WCPM II and WCPM III, (B) being the manager of Waud II LLC and Waud III LLC, (C) being the general partner of WFP LP and Crystal Cove LP, (D) being the investment advisor of the Reeve B. Waud 2011 Family Trust, (E) being married to Ms. Waud, and (F) being the sole manager of Waud Capital Partners, L.L.C.

The address for each of the entities named in this footnote is c/o Waud Capital Partners, L.L.C., 300 North LaSalle Street, Suite 4900, Chicago, Illinois 60654.

- (4) The parties to the Company's New Stockholders Agreement agreed to vote their shares in favor of a designee of WCP as directed by the holders of a majority of the stock held by WCP. As a result, WCPM II, WCPM III, Waud II LLC, Waud III LLC and Mr. Waud may be deemed to share beneficial ownership of the 2,059,407 shares held by the Management Investors and the 3,445,208 shares held by investment funds affiliated with Bain Capital Partners, LLC (collectively, Bain Capital). As a result, the following shares beneficially owned by the Management Investors are included in the shares reported by Waud Capital Partners, L.L.C. and Mr. Waud: (1) 384,246 shares by Mr. Jacobs, (2) 283,825 shares by the Jeremy Brent Jacobs GST Non-Exempt Trust u/a/d 04/26/2011 (the Jeremy Jacobs Trust), (3) 283,824 shares by the Scott Douglas Jacobs GST Non-Exempt Trust u/a/d 04/26/2011 (the Scott Jacobs Trust), (4) 83,546 shares by Mr. Turner, (5) 103,126 shares by the Elizabeth Grace Turner 2011 Vested Trust (the Elizabeth Turner Trust), (6) 103,126 shares by the William Jesse Turner 2011 Vested Trust (the William Turner Trust), (7) 148,599 shares by Mr. Fincher, (8) 28,712 shares by the Ras W. Fincher II Trust u/a/d 9/13/11 (the Ras Fincher Trust), (9) 28,711 shares by the Morgan M. Fincher Trust u/a/d 9/13/11 (the Morgan Fincher Trust), (10) 28,712 shares by the Cody C. Fincher Trust u/a/d 9/13/11 (the Cody Fincher Trust), (11) 124,629 shares by Jack E. Polson, (12) 51,084 shares by the Jack E. Polson Family 2013 Grantor Retained Annuity Trust, (13) 218,955 shares by Mr. Howard, (14) 48,384 shares by Danny Carpenter, (15) 74,630 shares by Robert Swinson, (16) 51,199 shares by Fred T. Dodd, Jr., and (17) 14,099 shares by Randall Goldberg. Information with respect to the shares held by Bain Capital is further described below. The shares beneficially owned by the Management Investors set forth above include 116,858 shares of restricted stock and options to purchase 98,197 shares of Common Stock.
- (5) Information is based solely on the Schedule 13D/A filed by Bain Capital with the SEC on August 17, 2015. The 3,460,976 shares of Common Stock are owned of record as follows: (i) 2,941,666 shares of Common Stock are held by Bain Capital Fund VIII, LLC (Fund VIII); (ii) 387,155 shares of Common Stock are held by Bain Capital VIII Coinvestment Fund, LLC (Coinvestment Fund VIII); (iii) 1,087 shares of Common Stock are held by BCIP Associates G (Associates G); (iv) 65,813 shares of Common Stock are held by BCIP Associates III, LLC (BCIP III); (v) 29,868 shares of Common Stock are held by BCIP T Associates III, LLC (BCIP T III); (vi) 9,010 shares of Common Stock are held by BCIP Associates III-B, LLC (BCIP III-B); (vii) 1,835 shares of Common Stock are

held by BCIP T Associates III-B, LLC (BCIP T III-B); (viii) 15,768 shares of Common Stock are held by Bain Capital (CR) L.P. (BCCR, and collectively with Fund VIII, Coinvestment Fund VIII, Associates G, BCIP III, BCIP T III, BCIP III-B and BCIP T III-B, the Bain Capital Entities); and (ix) 8,774 shares of Common Stock are held by RGIP, LP (RGIP). At noted above, the 3,445,208 shares beneficially owned by the Bain Capital Entities (other than Bain Capital (CR) L.P.) and RGIP are included in the shares reported by WCP and Mr. Waud. Bain Capital Investors, LLC (BCI) is the sole general partner of Bain Capital Partners VIII, L.P., which is the sole member of both (i) Bain Capital Fund VIII, L.P., the sole member of Fund VIII, and (ii) Bain

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Capital VIII Coinvestment Fund, L.P., the sole member of Coinvestment Fund VIII. BCI is also the managing partner of (i) Associates G, (ii) BCIP Associates III, which is the manager of both BCIP Associates and BCIP T Associates, and (iii) BCIP Associates III-B, which is the manager of both BCIP Associates III-B and BCIP T Associates III-B. BCI is also the general partner of Bain Capital (CR) L.P. RGIP GP, LLC is the general partner of RGIP, LP. The address for each of the Bain Capital Entities is c/o Bain Capital Investors, LLC, John Hancock Tower, 200 Clarendon Street, Boston, MA 02116. The address for RGIP is c/o Ropes & Gray LLP, Prudential Tower, 800 Boylston St., Boston, MA 02199.

- (6) Information is based solely on the Schedule 13G/A filed by T. Rowe Price Associates, Inc. (Price Associates) with the SEC on February 10, 2016. Price Associates reported that it possesses (i) sole voting power with respect to 1,896,016 shares, and (ii) sole dispositive power with respect to 9,619,017 shares. These securities are owned by various individual and institutional investors which Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be the beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The address for Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (7) Information is based solely on the Schedule 13G filed by Wells Fargo & Company (Wells Fargo) with the SEC on January 29, 2016. Wells Fargo reported that it possessed (i) sole voting power with respect to 4,451 shares, (ii) sole dispositive power with respect to 4,451 shares, and (iii) shared dispositive power with respect to 4,423,893 shares. The address for Wells Fargo is 420 Montgomery Street, San Francisco, CA 94104.
- (8) Includes 283,825 shares held by the Jeremy Jacobs Trust, 283,824 shares held by the Scott Jacobs Trust, 62,758 shares of restricted stock and options to purchase 43,796 shares of Common Stock.
- (9) Includes 28,712 shares held by the Ras Fincher Trust, 28,711 shares held by the Morgan Fincher Trust, 28,712 shares held by the Cody Fincher Trust, 15,782 shares of restricted stock and options to purchase 16,652 shares of Common Stock.
- (10) Includes 103,126 shares held by the Elizabeth Turner Trust, 103,126 shares held by the William Turner Trust, 14,915 shares of restricted stock and options to purchase 18,810 shares of Common Stock.
- (11) Includes 12,653 shares of restricted stock and options to purchase 13,261 shares of Common Stock.
- (12) Includes 12,299 shares of restricted stock and options to purchase 6,862 shares of Common Stock.
- (13) Includes 4,001 shares of restricted stock.

(14) Includes 4,001 shares of restricted stock and options to purchase 30,000 shares of Common Stock.

(15) Includes 1,611 shares of restricted stock. As Managing Director of BCI, Mr. Gordon may be deemed to share beneficial ownership of the 3,452,202 shares held of record by the Bain Capital Entities.

(16) Includes 152,026 shares of restricted stock and options to purchase 129,381 shares of Common Stock.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than 10% of our Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock. These officers, directors and greater than 10% stockholders are required by SEC rules to furnish us with copies of all Section 16(a) reports they file. There are specific due dates for these reports and we are required to report in this Proxy Statement any failure to file reports in a timely manner as required during 2015. Based upon a review of these filings and written representations from our directors and executive officers, we believe that all reports required to be filed with the SEC pursuant to Section 16(a) during 2015 were filed in a timely manner except:

Fred T. Dodd, Jr. filed a report on Form 4 on August 18, 2015 with respect to the net acquisition of Common Stock as of October 30, 2014, the net acquisition of Common Stock as of February 27, 2015, the net acquisition of Common Stock as of May 8, 2015, the disposition of Common Stock as of November 5, 2015, the disposition of Common Stock as of March 17, 2015 and the disposition of Common Stock as of May 15, 2015; on November 12, 2015 with respect to the disposition of Common Stock as of November 5, 2014; and on December 7, 2015 with respect to the disposition of Common Stock as of November 24, 2015;

David M. Duckworth filed a report on Form 4 on December 11, 2015 with respect to the disposition of Common Stock as of November 16, 2013, 2014 and 2015;

Randall Goldberg filed a report on Form 4 on May 22, 2015 with respect to the disposition of Common Stock as of May 13, 2015; and on August 18, 2015 with respect to the net acquisition of Common Stock as of May 1, 2014, the disposition of common stock as of May 2, 2014, the disposition of Common Stock as of March 2, 2015 and the net acquisition of Common Stock as of May 8, 2015; and

Bruce A. Shear filed a report on Form 4 on June 1, 2015 with respect to the disposition of Common Stock as of May 22, 2015 and May 23, 2015.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the compensation arrangements we have with our Named Executive Officers, as required under the rules of the SEC. Our Named Executive Officers for 2015 were:

Name	Title
Joey A. Jacobs	Chief Executive Officer
Ronald M. Fincher	Chief Operating Officer
Brent Turner	President
Christopher L. Howard	Executive Vice President, General Counsel and Secretary
David M. Duckworth	Chief Financial Officer

Executive Summary

Summary of 2015 Company Performance and Business Highlights

In 2015, Acadia experienced substantial profitable growth. The Company completed significant, accretive acquisitions and substantially improved same-facility performance. Highlights of the year include:

Revenue for 2015 increased 78.6% to \$1.8 billion from \$1.0 billion for 2014.

Income from continuing operations was \$119.4 million, or \$1.75 per diluted share, for 2015 compared with \$83.2 million, or \$1.50 per diluted share, for 2014.

Adjusted EBITDA for purposes of our compensation plans increased from approximately \$216.7 million for 2014 to approximately \$406.5 million for 2015 and Adjusted EPS increased from \$1.54 for 2014 to \$2.23 for 2015.

Market capitalization increased from approximately \$3.7 billion as of December 31, 2014 to approximately \$4.5 billion as of December 31, 2015.

Revenue growth for 2015 was primarily driven by the addition of approximately 4,120 beds to our operations through acquisitions and organic growth. The Company completed 17 acquisitions during 2015, including the acquisition of a leading U.S. provider of treatment services related to substance abuse and other addiction and behavioral disorders, as well as established facilities in the United States and the United Kingdom. The 2015 acquisitions brought 176 facilities and approximately 3,450 beds to Acadia.

We added 460 beds at existing facilities during 2015 (and another 210 beds at two de novo facilities), ending the year with over 9,900 beds in 258 facilities in 39 states, the United Kingdom and Puerto

Rico.

In addition to the growth our operations demonstrated in 2015, the Company signed a definitive agreement to acquire Priory Group No. 1 Limited (Priory) on December 31, 2015. The acquisition was completed in February 2016 and brings 327 facilities to Acadia with approximately 7,100 beds. Priory generated revenue of approximately \$865 million for the twelve months ended September 30, 2015 and management expects Priory to be meaningfully accretive to our financial results, while expanding our operations in the United Kingdom.

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Overview of 2015 Compensation Decisions and Results

Our Compensation Committee approves compensation arrangements with our executive officers. The committee's objective is to have an executive compensation program that will attract and retain the best possible executive talent, to tie annual and long-term cash and equity compensation to the achievement of measurable corporate and individual performance goals and objectives and to align executives' incentives with stockholder value creation. Reflecting the Company's 2015 performance, including the accomplishments summarized above, as well as the individual performance of our Named Executive Officers, 2015 compensation highlights for our Named Executive Officers include the following, as more fully described in this Compensation Discussion and Analysis:

The Compensation Committee increased the base salary of each of our Named Executive Officers effective January 1, 2016 to reflect market-based adjustments to align base compensation with peer companies and to recognize the additional demands on and responsibilities of the Named Executive Officers arising from the Company's rapid growth and expansion, as described below in the section entitled "Components of Executive Compensation - Base Salary."

The Adjusted EBITDA and Adjusted EPS (as such terms are defined below) measures set forth in our non-equity incentive compensation plan for 2015 were achieved at 102% and 118% of target, respectively, resulting in the payment of cash bonuses to our Named Executive Officers as described below in the section entitled "Components of Executive Compensation - Annual Non-Equity Incentive Compensation."

Long-term equity-based compensation awards to the Named Executive Officers consisting of time vesting restricted stock and performance vesting restricted stock units were granted to our Named Executive Officers, with annual performance vesting restricted stock units granted in 2013, 2014, and 2015 vesting at the applicable maximum levels as a result of the Company's 2015 Adjusted EPS performance, as described below in the section entitled "Components of Executive Compensation - Equity-Based Compensation."

The Compensation Committee made a special one-time award of performance vesting restricted stock units to the Named Executive Officers (other than Mr. Jacobs) in February 2015 to recognize the significant benefits to the Company of the Partnerships in Care acquisition in July 2014 and the CRC acquisition in early 2015, with the vesting of the restricted stock units dependent on the 2015 and 2016 revenue of the facilities acquired in such acquisitions, as described below in the section entitled "Components of Executive Compensation - Equity-Based Compensation - 2015 Special Awards." Actual 2015 revenue for Partnerships in Care and CRC was achieved at 115% and 113% of target, respectively, resulting in the vesting of 50% of the restricted stock units issued to the Named Executive Officers who received such awards.

To further align the interests of the Named Executive Officers with the Company's stockholders, the Compensation Committee adopted stock ownership guidelines for executive officers in December 2014 and adopted a clawback policy applicable to performance-based equity awards issued to the

Named Executive Officers during and after February 2015, as described below in the sections entitled Compensation Clawback Policy and Stock Ownership Guidelines, Insider Trading Policy, Hedging and Pledging, respectively.

Stockholder Approval of Executive Compensation on an Advisory Basis

At our 2015 Annual Meeting of Stockholders, we held an advisory vote to approve the compensation of our Named Executive Officers as disclosed in our Proxy Statement dated April 10, 2015 related to the annual meeting. Stockholders of the Company expressed overwhelming support for the compensation of our Named Executive Officers, with approximately 99% of the votes cast supporting the Company's executive compensation. The Compensation Committee believes that the vote reflected a very favorable view of the alignment between executive pay and company performance and has continued to apply the same principles and philosophy to compensation decisions since the 2015 annual meeting.

Compensation Process and Philosophy

The Compensation Committee is responsible for discharging our Board of Directors' responsibilities relating to the oversight, administration and approval of our compensation plans, policies and programs for our executive officers and directors. The primary responsibilities and duties of the Compensation Committee are described above in the section entitled CORPORATE GOVERNANCE Committees of the Board of Directors Compensation Committee.

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

Link the interests of management with those of our stockholders by encouraging stock ownership;

Attract and retain superior executives by providing them with the opportunity to earn total compensation packages that are competitive within the healthcare industry;

Recognize and reward individual performance through salary, annual cash incentives and long-term stock-based incentives; and

Manage compensation based on the individual's level of skill, knowledge, effort and responsibility.

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

Our Compensation Committee reviews and approves, in advance, employment and similar arrangements or payments to be made to any executive officer. Our Compensation Committee also relies on the input of our Chief Executive Officer concerning the performance of our executive officers in making its compensation decisions. Our Chief Executive Officer considers internal pay equity issues, individual contribution and performance, competitive pressures and our financial performance in making his recommendations to the Compensation Committee.

Our Compensation Committee believes that our executive compensation program should be internally consistent and equitable in order to achieve our compensation goals. The committee relies on its collective subjective judgment together with the information provided to it by management, the analyses and goals described above and the recommendations of our Chief Executive Officer. The committee also considers the qualifications, length of service, experience, consistency of performance, position, responsibilities, individual performance and available competitive alternatives of our executives, their existing compensation and our financial resources, performance and prospects in determining appropriate levels of compensation for our executives. Our Compensation Committee believes that the difference between the compensation of our Chief Executive Officer and the compensation of our other Named Executive Officers is appropriate given the range of compensation paid to the chief executive officers in our peer group, the greater responsibilities of Mr. Jacobs, the impact Mr. Jacobs has on our financial performance and the role Mr. Jacobs plays as the Chairman of our Board.

Role of Compensation Consultant

In 2015, our Compensation Committee retained an outside compensation consultant, Aon Hewitt, to advise it regarding market trends and practices in executive compensation and with respect to specific compensation decisions. To assist the Compensation Committee in evaluating 2014 compensation and setting compensation for 2015, Aon Hewitt provided to the Compensation Committee a detailed report assessing the competitiveness of the compensation amounts offered by us to our executive officers, including an examination of base salary, target total

cash consideration, long-term incentives and target total direct compensation, and a comparison of our financial performance with comparable healthcare companies.

Our Compensation Committee has considered the relationships that Aon Hewitt has had with the Company, the members of the Compensation Committee and our executive officers, and has taken into account the factors required by NASDAQ to be considered when assessing a consultant's independence. After considering such

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relationships and factors, the Compensation Committee determined that the work of Aon Hewitt in 2015 did not raise any conflicts of interest. Outside of its direct engagement by the Compensation Committee as an independent compensation consultant to the Compensation Committee with respect to executive compensation matters, Aon Hewitt did not provide other services to the Company in 2015.

2015 Peer Group

In order to compare our compensation to other healthcare companies in 2015, our Compensation Committee, in consultation with Aon Hewitt, selected a peer group of 17 publicly-traded healthcare companies generally with similar revenue and service offerings to us. The peer group includes companies with higher revenue given the anticipated rapid growth of the company at the time that the peer group was selected. The 2015 peer group consists of the following companies (the 2015 Peer Group):

Amsurg Corp.

Brookdale Senior Living Inc.

Envision Healthcare Holdings, Inc.*

ExamWorks Group, Inc.

HealthSouth Corp.

Kindred Healthcare, Inc.

Laboratory Corporation of America Holdings

LifePoint Hospitals, Inc.

Magellan Health, Inc.

* Not included in the 2014 Peer Group.
MEDNAX, Inc.

Molina Healthcare, Inc.*

Omnicare, Inc.

Quest Diagnostics Incorporated*

Select Medical Holdings Corporation

Team Health Holdings, Inc.

Universal Health Services Inc.*

VCA Inc.

The Compensation Committee used the same selection screens for the 2015 Peer Group as the prior year's peer group selected by our Compensation Committee (the 2014 Peer Group), specifically: industry, market capitalization, revenue and revenue growth. Based on changes to certain companies in our 2014 Peer Group and changes in our business, including our continued revenue and market capitalization growth due in part to acquisitions during the prior year, the Compensation Committee felt it was appropriate to make certain changes for the 2015 Peer Group. As a result, the 2015 Peer Group includes four companies that were not included in the 2014 Peer Group and does not include five companies that were previously included in the 2014 Peer Group.

Revenue for the twelve months ended December 31, 2014 for the 2015 Peer Group ranged from approximately \$776 million to \$9.4 billion. For purposes of comparison, our projected revenue at the time the 2015 Peer Group was selected placed us between the 25th and 50th percentiles of the 2015 Peer Group. Market capitalization for the 2015 Peer Group ranged from approximately \$1.5 billion to \$14.2 billion as of August 15, 2015, when the analysis of peer groups was conducted. Our market capitalization was approximately \$5.8 billion as of August 15, 2015, which placed us between the 50th and 75th percentiles of the 2015 Peer Group.

Components of Executive Compensation

The components of our compensation program for executive officers include base salary, performance-based cash and equity incentive compensation, and time-based equity awards. Of the total 2015 compensation of our Named Executive Officers, base salary represented approximately 12% to 25%, stock awards represented approximately 44% to 62% and non-equity incentive plan compensation represented approximately 23% to 31%. Consistent with our pay-for-performance philosophy, approximately 76% to 88% of each Named Executive Officer's total 2015 compensation was performance-based. See EXECUTIVE COMPENSATION Summary Compensation Table for more information about the compensation paid to our Named Executive Officers.

Base Salary

Our Compensation Committee generally meets on an annual basis to review each Named Executive Officer's base salary and to consider adjustments to each Named Executive Officer's base salary for the following year. In setting base salaries for 2015 and 2016, the committee reviewed the composition of the peer group and the market studies prepared by Aon Hewitt, discussed the peer group and the market studies with Aon Hewitt and Mr.

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Jacobs, evaluated the individual performance and roles and responsibilities of each executive officer (except his own) and considered our financial performance. After considering these factors, the committee approved the following base salaries for the Named Executive Officers effective as of January 1, 2015 and 2016:

Name	Base Salary	
	As of January 1, 2015	As of January 1, 2016
Joey A. Jacobs	\$ 1,020,000	\$ 1,071,000
Ronald M. Fincher	600,000	650,000
Brent Turner	550,000	600,000
Christopher L. Howard	500,000	527,000
David M. Duckworth	480,000	530,000

In addition to the factors noted above, these salary increases also took into account the additional demands on and responsibilities of the Named Executive Officers as a result of recent significant acquisitions in the United States and the United Kingdom.

The base salaries under the employment agreements for our Named Executive Officers are subject to an annual increase in the sole discretion of the Compensation Committee on behalf of our Board. See EXECUTIVE COMPENSATION Summary Compensation Table for more information about the base salaries paid to our Named Executive Officers.

Annual Non-Equity Incentive Compensation

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

2015 Awards

Annual non-equity incentive compensation payable to our Named Executive Officers for 2015 was based 90% on company-wide measures and 10% on individual measures. The company-wide components of the annual non-equity incentive awards for 2015 were Adjusted EBITDA and Adjusted EPS (as defined below). Adjusted EBITDA determined 60% of the total incentive award and Adjusted EPS determined 30% of the total incentive award (for a total of 90% of the total incentive award). No cash incentive payments, whether based on company-wide or individual measures, are payable unless the Company achieves at least 95% of its budgeted Adjusted EBITDA for 2015.

For purposes of our compensation plans, we define Adjusted EBITDA as the sum of the following: (a) net income from continuing operations, (b) interest expense, (c) income tax expense, (d) depreciation and amortization expense, (e) equity-based compensation expense, (f) transaction-related expenses, (g) loss on extinguishment of debt, (h) impairment and other non-cash charges, (i) legal settlement costs, and (j) severance and restructuring costs. Adjusted EPS is defined as earnings per share from continuing operations adjusted for non-recurring, infrequent or unusual items. Adjusted EBITDA and Adjusted EPS are calculated net of non-equity incentive payments. For purposes of determining whether 2015 performance objectives have been met, Adjusted EBITDA is fully adjusted for acquisitions, while Adjusted EPS is adjusted to include 50% of earnings generated by acquisitions. The Compensation

Committee believes that Adjusted EBITDA and Adjusted EPS are the appropriate financial measures for determining annual cash incentive awards because they are important measures of our performance and the performance of our management, they drive our success and growth and they are key criteria by which management plans and monitors our business. A reconciliation of Adjusted EBITDA and Adjusted EPS can be found on page 63 of this Proxy Statement.

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The Compensation Committee believes that most of the cash incentive awards should be based on objective measures of company-wide financial performance, but believes that individual elements are also important in recognizing achievement and motivating officers. Accordingly, 10% of the cash incentive award for 2015 was based upon the Compensation Committee's assessment of individual performance as well as the Named Executive Officer's overall contribution to our success.

The table below sets forth the threshold, target and maximum cash incentive award for 2015 (as a percentage of base salary) for each of the Named Executive Officers.

Name	Threshold	Target	Maximum
Joey A. Jacobs	62.5%	125%	250%
Ronald M. Fincher	42.5%	85%	170%
Brent Turner	42.5%	85%	170%
Christopher L. Howard	42.5%	85%	170%
David M. Duckworth	37.5%	75%	150%

These target and maximum percentages are no less than such percentages that each executive is eligible to earn (as a percentage of base salary) pursuant to amended and restated employment agreements entered into with Messrs. Jacobs, Fincher, Turner and Howard, respectively, and an initial employment agreement entered into with Mr. Duckworth, in April 2014. The increases in potential cash incentive payments for Mr. Jacobs reflected in the 2015 non-equity incentive awards (compared to the 2014 non-equity incentive awards) were primarily based on the committee's review of the peer group, individual performance and our financial performance.

Adjusted EBITDA for 2014 was approximately \$216.7 million. For purposes of our 2015 non-equity incentive awards, budgeted Adjusted EBITDA was \$397.7 million. The table below sets forth the portion of the cash incentive award (as a percentage of base salary) based upon budgeted Adjusted EBITDA performance levels that each Named Executive Officer was eligible to receive for 2015. For example, if our actual Adjusted EBITDA for 2015 was 100% of our budgeted Adjusted EBITDA, Mr. Jacobs would receive 75% of his base salary with respect to the EBITDA portion (60%) of his target bonus (125% of base salary). Straight-line interpolation is used to determine awards for performance between goal levels.

Name	95% - 100% of Budgeted Adjusted EBITDA	Budgeted Adjusted EBITDA	100% - 105% of Budgeted Adjusted EBITDA	105% of Budgeted Adjusted EBITDA or Greater
Joey A. Jacobs	37.5% - 75%	75%	75% - 150%	150%
Ronald M. Fincher	25.5% - 51%	51%	51% - 102%	102%
Brent Turner	25.5% - 51%	51%	51% - 102%	102%
Christopher L. Howard	25.5% - 51%	51%	51% - 102%	102%
David M. Duckworth	22.5% - 45%	45%	45% - 90%	90%

The table below sets forth the portion of the cash incentive award (as a percentage of base salary) based upon our achievement of certain Adjusted EPS performance levels that each Named Executive Officer was eligible to receive for 2015. For example, if our Adjusted EPS for 2015 was \$1.89, Mr. Jacobs would receive 37.5% of his base salary with respect to the Adjusted EPS portion (30%) of his target bonus (125% of base salary). Straight-line interpolation is used to determine awards for performance between goal levels.

Name	Adjusted EPS of \$1.80 - \$1.89	Adjusted EPS of \$1.89 - \$1.98	Adjusted EPS of \$1.98 or Greater
Joey A. Jacobs	18.75% - 37.5%	37.5% - 75%	75%
Ronald M. Fincher	12.75% - 25.5%	25.5% - 51%	51%
Brent Turner	12.75% - 25.5%	25.5% - 51%	51%
Christopher L. Howard	12.75% - 25.5%	25.5% - 51%	51%
David M. Duckworth	11.25% - 22.5%	22.5% - 45%	45%

In February 2016, the Compensation Committee met to determine whether and the extent to which the performance goals for the 2015 annual non-equity incentive awards had been achieved. Adjusted EBITDA

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increased from approximately \$216.7 million for 2014 to approximately \$406.5 million for 2015 and Adjusted EPS increased from \$1.54 for 2014 to \$2.23 for 2015. The Compensation Committee determined that actual Adjusted EBITDA for 2015 was 102.2% of budgeted Adjusted EBITDA. Adjusted EPS goals are established based on our annual budget and, in recent years, our significant accretive acquisitions each year have resulted in our exceeding budgeted Adjusted EPS. As a result of these performance measures and the Compensation Committee's assessment of individual performance, the Named Executive Officers received the following cash incentive payments with respect to 2015:

Name	EPS Component	EBITDA Component	Individual Performance Component	Total Cash Incentive Payment
Joey A. Jacobs	\$ 765,000	\$ 1,102,024	\$ 255,000	\$ 2,122,024
Ronald M. Fincher	306,000	440,810	102,000	848,810
Brent Turner	280,500	404,076	93,500	778,076
Christopher L. Howard	255,000	367,341	85,000	707,341
David M. Duckworth	216,000	311,160	72,000	599,160

2016 Awards

Effective February 5, 2016, the Compensation Committee approved non-equity incentive awards for each of our Named Executive Officers for 2016 with potential cash incentive payments to be based 100% on company-wide measures: Adjusted EBITDA and Adjusted EPS. The Compensation Committee removed the individual component of the award criteria applicable to Company's prior cash incentive awards to make the eligibility determination more objective and based on quantitative metrics. For purposes of determining whether 2016 performance objectives have been met, Adjusted EBITDA is adjusted to include 90% of earnings generated by acquisitions, while Adjusted EPS is adjusted to include 50% of earnings generated by acquisitions, in order to incentivize management to pursue accretive acquisitions that will benefit the company without inequitably adjusting performance objectives. No cash incentive payments will be payable unless the Company achieves at least 95% of its budgeted Adjusted EBITDA for 2016.

With respect to the 2016 non-equity incentive awards, we define Adjusted EBITDA as the sum of the following: (a) net income from continuing operations, (b) interest expense, (c) income tax expense, (d) depreciation and amortization expense, (e) equity-based compensation expense, (f) transaction-related expenses, (g) loss on extinguishment of debt, (h) impairment and other non-cash charges, (i) legal settlement costs, (j) severance and restructuring costs, and (k) gains or loss on foreign currency derivatives.

The table below sets forth the threshold, target and maximum cash incentive award for 2016 (as a percentage of base salary) for each of the Named Executive Officers.

Name	Threshold	Target	Maximum
Joey A. Jacobs	65%	130%	260%
Ronald M. Fincher	42.5%	85%	170%
Brent Turner	42.5%	85%	170%
Christopher L. Howard	42.5%	85%	170%
David M. Duckworth	37.5%	75%	150%

These target and maximum percentages are no less than such percentages that each executive is eligible to earn (as a percentage of base salary) pursuant to amended and restated employment agreements entered into with Messrs. Jacobs, Fincher, Turner and Howard, respectively, and an initial employment agreement entered into with Mr. Duckworth, in April 2014. The increases in potential cash incentive payments for Mr. Jacobs reflected in the 2016 non-equity incentive awards (compared to the 2015 non-equity incentive awards) were primarily based on the committee's review of the peer group, individual performance and our financial performance.

Table of Contents***Equity-Based Compensation***

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

2015 Annual Awards

Effective February 24, 2015, the Board approved grants of the following number of performance vesting restricted stock units (subject to the achievement of certain performance goals and continued employment) and time vesting restricted stock under the Incentive Plan to our Named Executive Officers:

Name	Restricted Stock Units	Restricted Stock
Joey A. Jacobs	62,044	20,681
Ronald M. Fincher	12,774	4,258
Brent Turner	11,709	3,903
Christopher L. Howard	10,645	3,548
David M. Duckworth	7,299	2,433

The value of the 2015 grant of equity-based awards reflected above was not less than 340% of base salary for Mr. Jacobs, not less than 175% of base salary for Messrs. Fincher, Turner and Howard, and not less than 125% of base salary for Mr. Duckworth, each pursuant to the terms of his employment agreement. The allocation among performance vesting restricted stock units and restricted stock is not based on a formula approach but reflects the committee's view that most equity-based incentives should be performance-based. The Named Executive Officers must be employed by the Company at the time the restricted stock units and/or restricted stock vest in order to receive the shares of Common Stock underlying each award.

Restricted Stock Units. The restricted stock units granted on February 24, 2015 are earned in three equal annual installments based upon the achievement of specified performance levels of Adjusted EPS for 2015, 2016 and 2017 relative to our budget for the applicable year. The Compensation Committee believes that an annual performance program has been appropriate for the Company given our rapid growth and the resulting difficulty in establishing appropriate performance objectives for a longer performance period. The Compensation Committee believes that Adjusted EPS is the appropriate financial measure for determining restricted stock unit awards because it is an important measure of our performance and the performance of our management, it drives our success and growth and it is a key criterion by which management plans and monitors our business.

The number of shares of Common Stock that may be issued upon vesting of the restricted stock units ranges from 0% to 200% of the total number of units set forth above in accordance with a formula based on our Adjusted EPS. None of the performance vesting restricted stock units will vest for performance below 95% of the specified Adjusted EPS. Unearned performance awards in each performance period are forfeited.

For 2015, the threshold award (as a percentage of the number of restricted stock units eligible for vesting based on 2015 performance) for each Named Executive Officer was 50%, the target award was 100% and the maximum award was 200%. The actual number of shares of Common Stock to be issued upon vesting of the restricted stock units each year is based on performance relative to the specified Adjusted EPS for the corresponding year, which Adjusted EPS is established at the beginning of each such year.

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The table below sets forth the number of shares of Common Stock that each Named Executive Officer was eligible to earn for 2015 (as a percentage of the number of restricted stock units eligible for vesting based on 2015 performance), subject to continued employment throughout the performance period, based upon the Company's performance relative to Adjusted EPS performance levels. For example, if our Adjusted EPS for 2015 was \$1.89, each Named Executive Officer would earn the number of shares of Common Stock equal to 100% of the number of restricted stock units that may vest based on 2015 performance.

Adjusted EPS of \$1.80 - \$1.89	Adjusted EPS of \$1.89 - \$1.98	Adjusted EPS of \$1.98 or Greater
50% - 100%	100% - 200%	200%

On February 24, 2016, the Compensation Committee met to determine whether and the extent to which the performance goals for the 2015 restricted stock unit awards had been achieved. The Compensation Committee determined that actual Adjusted EPS for 2015 was \$2.23. As a result, the following number of shares of Common Stock were earned by the Named Executive Officers for 2015 pursuant to the 2015 annual restricted stock unit awards:

Name	Shares Issued Upon Vesting of 2015 Annual Restricted Stock Unit Awards ⁽¹⁾
Joey A. Jacobs	41,362
Ronald M. Fincher	8,516
Brent Turner	7,806
Christopher L. Howard	7,096
David M. Duckworth	4,866

(1) Amounts reflect one-third of the 2015 annual grant multiplied by 200%.

Restricted Stock. The time vesting restricted stock granted in 2015 vests 25% per year on the four successive anniversaries of the date of grant.

2015 Special Awards

On February 26, 2015, the Compensation Committee approved grants of the following number of performance vesting restricted stock units under the Incentive Plan to the following Named Executive Officers (subject to the achievement of certain specific revenue targets related to our acquisitions of Partnerships in Care and CRC, and continued employment):

Name	Restricted Stock Units
Ronald M. Fincher	19,048
Brent Turner	9,603
Christopher L. Howard	6,746
David M. Duckworth	4,190

The number of restricted stock units granted to the Named Executive Officers was determined based on a percentage of base salary deemed appropriate by the committee (200% of base salary for Mr. Fincher, 110% of base salary for Mr. Turner, 85% of base salary for Mr. Howard, and 55% of base salary for Mr. Duckworth). The 2015 special awards were intended to recognize the additional demands on and responsibilities of the Named Executive Officers relating to recent acquisitions and our expansion to the United Kingdom. The Partnerships in Care acquisition was the Company's first expansion internationally and the CRC acquisition was a major step in our long-term strategy to build America's leading national platform of comprehensive behavioral healthcare services through the acquisition of the country's largest specialized behavioral healthcare provider. Both of these transactions were transformational for the Company and laid the groundwork for future growth. Given the specific nature of the awards, the Compensation Committee determined to make a special award rather than increase the annual awards to the Named Executive Officers. The Named Executive Officers must be employed by the Company at the time the restricted stock units vest in order to receive the shares of Common Stock underlying each award.

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The special award of restricted stock units granted in 2015 are earned in two equal annual installments based upon the achievement of specified revenue levels for 2015 and 2016 related to the Partnerships in Care and CRC acquisitions. The maximum number of shares of Common Stock that may be issued upon vesting of the restricted stock units in a given year is equal to half of the total number of units set forth above. None of the performance vesting restricted stock will be issued for performance below the specified revenue level for the applicable year, and the performance criteria for each acquisition must be achieved for the special award to be earned. Unearned performance awards in each performance period are forfeited.

On February 24, 2016, the Compensation Committee met to determine whether and the extent to which the 2015 performance goals for the 2015 special restricted stock unit awards had been achieved. The Compensation Committee determined that the performance criteria for both acquisitions had been met as revenue for CRC increased from \$452.2 million for the twelve months ended December 31, 2014 to \$509.7 million for the twelve months ended December 31, 2015, an increase of 112.7%, and revenue for Partnerships in Care increased from £171.1 million for the twelve months ended June 30, 2014 to £196.8 million for the twelve months ended December 31, 2015, an increase of 115.0%. As a result, the following number of shares of Common Stock were earned by the Named Executive Officers for 2015 pursuant to the 2015 special restricted stock unit awards:

Name	Shares Issued Upon Vesting of 2015 Special Restricted Stock Unit Awards ⁽¹⁾
Ronald M. Fincher	9,524
Brent Turner	4,802
Christopher L. Howard	3,373
David M. Duckworth	2,095

(1) Amounts reflect one-half of the 2015 special grant.
Vesting of 2014 and 2013 Restricted Stock Unit Awards

On February 27, 2014 and March 29, 2013, the Board approved grants of the following number of performance vesting restricted stock units (in addition to time vesting restricted stock and time vesting stock options) under the Incentive Plan to our Named Executive Officers:

Name	2014 Restricted Stock Units	2013 Restricted Stock Units
Joey A. Jacobs	33,498	18,800
Ronald M. Fincher	9,052	7,500
Brent Turner	8,621	7,500
Christopher L. Howard	7,759	5,400
David M. Duckworth	4,926	5,400

The restricted stock units granted in 2014 and 2013 are earned in three equal annual installments based upon the achievement of specified performance levels of Adjusted EPS relative to our budget for the applicable year. The number of shares of Common Stock that may be issued upon vesting of the restricted stock units ranges from 0% to

200% of the total number of units set forth above in accordance with a formula based on our Adjusted EPS. None of the performance vesting restricted stock units will vest for performance below 95% of the specified Adjusted EPS.

For 2015, the threshold award (as a percentage of the number of restricted stock units eligible for vesting based on 2015 performance) for each Named Executive Officer was 50%, the target award was 100% and the maximum award was 200%. The actual number of shares of Common Stock to be issued upon vesting of the restricted stock units each year is based on performance relative to the specified Adjusted EPS for the corresponding year, which Adjusted EPS is established at the beginning of each such year.

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The table below sets forth the number of shares of Common Stock that each Named Executive Officer was eligible to earn for 2015 (as a percentage of the number of restricted stock units eligible for vesting based on 2015 performance), subject to continued employment throughout the performance period, based upon the Company's performance relative to Adjusted EPS performance levels. For example, if our Adjusted EPS for 2015 was \$1.89, each Named Executive Officer would earn the number of shares of Common Stock equal to 100% of the number of restricted stock units that may vest based on 2015 performance.

Adjusted EPS of \$1.80 - \$1.89	Adjusted EPS of \$1.89 - \$1.98	Adjusted EPS of \$1.98 or Greater
50% - 100%	100% - 200%	200%

On February 24, 2016, the Compensation Committee met to determine whether and the extent to which the 2015 performance goals for the 2014 and 2013 restricted stock unit awards had been achieved. The Compensation Committee determined that actual Adjusted EPS for 2015 was \$2.23. As a result, the following number of shares of Common Stock were earned by the Named Executive Officers for 2015 pursuant to the 2014 and 2013 restricted stock unit awards:

Name	Shares Issued Upon Vesting of 2014 Restricted Stock Unit Awards ⁽¹⁾	Shares Issued Upon Vesting of 2013 Restricted Stock Unit Awards ⁽¹⁾
Joey A. Jacobs	22,332	12,532
Ronald M. Fincher	6,034	5,000
Brent Turner	5,748	5,000
Christopher L. Howard	5,172	3,600
David M. Duckworth	3,284	3,600

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

2016 Annual Awards

On February 5, 2016, the Compensation Committee approved grants of the following number of performance vesting restricted stock units (subject to the achievement of certain performance goals and continued employment) and shares of time vesting restricted stock under the Incentive Plan to our Named Executive Officers:

Name	Restricted Stock Units	Restricted Stock
Joey A. Jacobs	83,392	27,797
Ronald M. Fincher	18,367	6,122
Brent Turner	16,954	5,651
Christopher L. Howard	14,891	4,964
David M. Duckworth	11,648	3,883

The methodology for establishing the vesting criteria for the 2016 annual awards of equity-based compensation is the same as the 2015 annual awards of equity-based compensation; provided, however, that the Compensation Committee

established, on the grant date, the performance objectives for the three year performance period for purposes of the vesting of restricted stock units given the larger scale of the company. See the section above entitled Components of Executive Compensation Equity-Based Compensation 2015 Annual Awards for more information about the restricted stock units and restricted stock.

Perquisites and other Benefits

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

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

Compensation Clawback Policy

If the Company is required to restate its financial statements as a result of misconduct, Section 304 of the Sarbanes-Oxley Act requires the Chief Executive Officer and the Chief Financial Officer to reimburse the Company for: (i) any bonus or other incentive-based or equity-based compensation received during the 12 months following the public issuance of the financial statements; and (ii) any profits realized from the sale of Company securities during those 12 months. On February 26, 2015, the Compensation Committee adopted and approved a compensation clawback policy applicable to performance-based equity awards issued to executive officers during and after 2015. Under the clawback policy, if a Named Executive Officer is determined by the Board to have engaged in fraud or misconduct contributing to restatement of the Company's financial statements, the Board shall take appropriate action to address such events, including requiring (i) reimbursement of any equity securities that vested during the preceding three year period, including any proceeds from the sale of such securities, and (ii) cancellation of all unvested equity securities during such three-year period.

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

Deferred Compensation Plan

On February 28, 2013, our Board adopted and approved the Acadia Healthcare Company, Inc. Deferred Compensation Plan, effective February 1, 2013 (the "Deferred Compensation Plan"). The Deferred Compensation Plan is designed to provide tax-deferred compensation for our eligible employees, including executive officers.

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

Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally limits the deductibility of executive compensation paid by publicly-held corporations to \$1 million per year for the Chief Executive Officer and the next three most highly compensated executive officers, excluding the Chief Financial Officer. The \$1 million limitation does not apply to compensation that qualifies as performance-based. We consider the tax and accounting impact of all

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compensation. The Compensation Committee believes that tax deductions are only one of several relevant considerations in setting compensation. Furthermore, it also believes that tax deduction limitations should not compromise our ability to design and maintain executive compensation arrangements that will attract and retain the executive talent we need to compete successfully. Therefore, in certain cases, our executive compensation may not be deductible for federal income tax purposes.

Stock Ownership Guidelines, Insider Trading Policy, Hedging and Pledging

In March 2012, the Board of Directors adopted stock ownership guidelines for non-management directors. The guidelines require that each non-management director hold an investment position in our Common Stock equal in value to five times the annual cash retainer (exclusive of any Board committee retainers) paid to non-management directors. The guidelines provide for a five-year transition period during which directors can attain the required ownership.

In December 2014, the Board of Directors adopted stock ownership guidelines for executive officers. The guidelines require that the Chief Executive Officer hold an investment position in our Common Stock equal in value to five times annual base salary. All other executive officers must hold an investment position in our Common Stock equal in value to three times annual base salary. The guidelines provide for a five-year transition period during which executive officers can attain the required ownership. If an executive officer becom