UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF TENNESSEE

____________, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. AAC HOLDINGS, INC., MICHAEL T. CARTWRIGHT, KIRK R. MANZ, and ANDREW W. MCWILLIAMS, Defendants.	Case No.: DRAFT **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

Plaintiff _______ ("Plaintiff"), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of regulatory filings made by AAC Holdings, Inc. ("AAC Holdings" or the "Company") with the United States ("U.S.") Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and media reports issued by and disseminated by AAC Holdings; and (c) review of other publicly available information concerning AAC Holdings.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that acquired AAC Holdings securities between May 3, 2017 and April 15, 2019, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. AAC Holdings purports to provide inpatient and outpatient substance use treatment services for individuals with drug addiction, alcohol addiction, and co-occurring mental and behavioral health issues.

3. On November 6, 2018, the Company disclosed a $6 million reduction in revenue for the third quarter 2018 due to change in estimate for partial payments accounts receivable as well as an SEC investigation related to the Company's accounting for partial payments from insurance companies.

4. On this news, the Company's share price fell $2.35 per share, or over 44%, to close at $2.96 per share on November 6, 2018, on unusually heavy trading volume.

5. On April 16, 2019, the Company disclosed the fourth quarter and full year 2018 financial results, which highlighted the impact of an accounting restatement due to adjustments relate to estimates of accounts receivable, provision for doubtful accounts and revenue.

6. On this news, the Company's share price fell $0.40 per share, more than 18%, to close at $1.74 per share on April 16, 2019, on unusually heavy trading volume.

7. Throughout the Class Period, Defendants made materially false and/or misleading

statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company had overstated the collectability of certain accounts receivable; (2) that the Company had misstated its provision for doubtful accounts in certain periods; (3) that, as a result, the Company had overstated revenue in certain periods; (4) that, as a result, the Company had understated net loss in certain periods; (5) that the Company's accounting practices regarding partial payments from insurance companies were the subject of an SEC investigation; (6) that, as a result of the required adjustments, the Company's financial statements would be materially affected; (7) that there was a material weakness in the Company's internal control over financial reporting; and (8) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

8. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

9. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

10. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are located in this district.

12. In connection with the acts, transactions, and conduct alleged herein, Defendants

directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

13. Plaintiff _______, as set forth in the accompanying certification, incorporated by reference herein, purchased AAC Holdings securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

14. Defendant AAC Holdings is incorporated under the laws of Nevada with its principal executive offices located in Brentwood, Tennessee. AAC Holdings's common stock trades on the New York Stock Exchange ("NYSE") under the symbol "AAC."

15. Defendant Michael T. Cartwright ("Cartwright") was the Chief Executive Officer and Chairman of the Board of Directors of the Company at all relevant times.

16. Defendant Kirk R. Manz ("Manz") was the Chief Financial Officer of the Company from January 2012 to December 2017.

17. Defendant Andrew W. McWilliams ("McWilliams") has been the Chief Financial Officer since January 2018.

18. Defendants Cartwright, Manz, and McWilliams (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. The Individual Defendants were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false

statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

19. AAC Holdings purports to provide inpatient and outpatient substance use treatment services for individuals with drug addiction, alcohol addiction, and co-occurring mental and behavioral health issues.

Materially False and Misleading Statements Issued During the Class Period

20. The Class Period begins on May 3, 2017. On that day, the Company announced its first quarter 2017 financial results, stating in a press release, in relevant part:

First Quarter 2017 Operational and Financial Highlights:

* * *

- Client related revenues increased 14% to $71.2 million
- Net loss available to AAC Holdings, Inc. common stockholders was $0.6 million, or $(0.03) per diluted common share
- Adjusted EBITDA was $12.7 million (see non-GAAP reconciliation herein)
- Adjusted earnings per diluted common share was $0.12 (see non-GAAP reconciliation herein)

21. On May 4, 2017, the Company filed its quarterly report on Form 10-Q for the period ended March 31, 2017, which reaffirmed the previously announced financial results. Moreover, it reported $73.04 million revenue, $5.59 million provision for doubtful accounts, and $94.14 million accounts receivable.

22. On August 2, 2017, the Company announced its second quarter 2017 financial results, stating in a press release, in relevant part:

Second Quarter 2017 Operational and Financial Highlights:

- Total average census increased 6% to 961; average daily residential census decreased 2% to 805; average sober living census increased 77% to 156
- Client admissions increased 4% to 3,008

- Average daily residential revenue (ADR) increased 41% to $843 and average revenue per outpatient visit (ARV) increased 30% to $403

- Outpatient visits increased 18% to 15,463

- Client related revenues increased 11% to $75.7 million

- Net loss available to AAC Holdings, Inc. common stockholders was $1.9 million, or $(0.08) per diluted common share, including a pre-tax charge of $5.4 million, or $0.23 per diluted common share, for debt restructuring costs

- Adjusted EBITDA increased 15% to $14.5 million (see non-GAAP reconciliation herein)

- Adjusted earnings per diluted common share increased 44% to $0.26 (see non-GAAP reconciliation herein)

23. On August 3, 2017, the Company filed its quarterly report on Form 10-Q for the period ended June 30, 2017, which reaffirmed the previously announced financial results. Moreover, it reported $78.04 million revenue, $9.50 million provision for doubtful accounts, and $96.53 million accounts receivable.

24. On November 1, 2017, the Company announced its third quarter 2017 financial results, stating in a press release, in relevant part:

Third Quarter 2017 Operational and Financial Highlights:

(All comparisons are to the comparable prior-year period, unless otherwise noted

- Total revenue increased 14% to $80.4 million

- Average daily residential revenue (ADR) increased 48% to $925 and average revenue per outpatient visit (ARV) increased 33% to $437

- Total average daily census increased to 974 compared with 967

- Outpatient visits increased 21% to 18,491

- Net income available to AAC Holdings, Inc. common stockholders was $0.8 million, or $0.03 per diluted common share, compared with a net loss available to AAC Holdings, Inc. common stockholders of $2.5 million, or $(0.11) per diluted common share

- Adjusted EBITDA increased 24% to $14.9 million (see non-GAAP reconciliation herein)

- Adjusted earnings per diluted common share was $0.12 compared with $0.19 per diluted common share (see non-GAAP reconciliation herein)

- Days sales outstanding decreased by 7 days from the prior sequential quarter (third quarter of 2017 compared with second quarter of 2017)

25. On November 6, 2017, the Company filed its quarterly report on Form 10-Q for the period ended September 30, 2017, which reaffirmed the previously announced financial results. Moreover, it reported $80.42 million revenue, $9.68 million provision for doubtful accounts, and $92.55 million accounts receivable.

26. On February 21, 2018, the Company announced its fourth quarter and full year 2017 financial results, stating in a press release, in relevant part:

Fourth Quarter 2017 Operational and Financial Highlights:

(All comparisons are to the comparable prior-year period, unless otherwise noted)

- Total revenue increased 19% to $86.1 million

- Average daily residential revenue (ADR) increased 58% to $1,054 and average revenue per outpatient visit (ARV) increased 16% to $418

- Total average daily census (ADC) increased to 995 compared with 962

- Outpatient visits increased 37% to 21,651

- Net loss available to AAC Holdings, Inc. common stockholders was $18.8 million, or ($0.80) per diluted common share, including a charge of $23.3 million or ($0.70) per diluted common share, for estimated legal settlement costs and a charge of $3.5 million, or ($0.15) per diluted common share, related to the estimated impact of the Tax Cuts and Jobs Act on net deferred tax assets.

- Adjusted EBITDA increased 35% to $15.1 million (see non-GAAP reconciliation herein)

- Adjusted earnings per diluted common share was $0.10 compared with $0.15 per diluted common share (see non-GAAP reconciliation herein)

- Days sales outstanding (DSO) decreased by 10 days to 101

27. On February 23, 2018, the Company filed its annual report on Form 10-K for the period ended December 31, 2017, which reaffirmed the previously announced financial results. For fiscal 2017, the Company reported $317.64 million revenue, $36.9 million provision for

doubtful accounts, and $94.1 million accounts receivable.

28. On May 2, 2018, the Company announced its first quarter 2018 financial results, stating in a press release, in relevant part:

> **First Quarter 2018 Operational and Financial Highlights:**
>
> ***(All comparisons are to the comparable prior-year period, unless otherwise noted)***
>
> - Total revenue increased 18% to $78.5 million on a comparable accounting basis (increased 7% as reported)
> - Average daily inpatient revenue (ADR) increased 46% to $933
> - Total average daily census (ADC) increased to 1,027 compared with 956
> - Outpatient visits increased 83% to 30,313
> - Net loss attributable to AAC Holdings, Inc. common stockholders was $0.2 million, or $(0.01) per diluted common share
> - Adjusted EBITDA increased 20% to $15.1 million (see non-GAAP reconciliation herein)
> - Adjusted earnings per diluted common share was $0.13 (see non-GAAP reconciliation herein)

29. On May 9, 2018, the Company filed its quarterly report on Form 10-Q for the period ended March 31, 2018, which reaffirmed the previously announced financial results. Moreover, it reported $78.47 million revenue and $99.58 million accounts receivable.

30. On August 1, 2018, the Company announced its second quarter 2018 financial results, stating in a press release, in relevant part:

> **Second Quarter 2018 Operational and Financial Highlights:**
>
> ***(All comparisons are to the comparable prior-year period, unless otherwise noted)***
>
> - Total revenue increased 27% to $86.8 million on a comparable accounting basis (increased 11% as reported)
> - Average daily inpatient revenue (ADR) increased 12% to $841
> - Total average daily census (ADC) increased to 1,157 compared with 961
> - Outpatient visits increased 230% to 51,019

- Net loss attributable to AAC Holdings, Inc. common stockholders was $3.0 million, or $(0.12) per diluted common share
- Adjusted EBITDA increased 2% to $14.8 million (see non-GAAP reconciliation herein)
- Adjusted earnings per diluted common share was $0.09 (see non-GAAP reconciliation herein)

31. On August 3, 2018, the Company filed its quarterly report on Form 10-Q for the period ended June 30, 2018, which reaffirmed the previously announced financial results. Moreover, it reported $86.76 million revenue, $366,00 provision for doubtful accounts, and $97.36 accounts receivable.

32. The above statements identified in ¶¶20-31 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company had overstated the collectability of certain accounts receivable; (2) that the Company had misstated its provision for doubtful accounts in certain periods; (3) that, as a result, the Company had overstated revenue in certain periods; (4) that, as a result, the Company had understated net loss in certain periods; (5) that the Company's accounting practices regarding partial payments from insurance companies were the subject of an SEC investigation; (6) that, as a result of the required adjustments, the Company's financial statements would be materially affected; (7) that there was a material weakness in the Company's internal control over financial reporting; and (8) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

33. The truth began to emerge on November 6, 2018 when the Company disclosed a $6 million reduction in revenue for the third quarter 2018 due to change in estimate for partial payments accounts receivable as well as an SEC investigation related to the Company's accounting for partial payments from insurance companies. In a press release, the Company stated, in relevant part:

> During the three months ended September 30, 2018 and effective as of July 1, 2018, we made a change to our accounting estimate of the collectability of accounts receivable, specifically relating to accounts where we have received a partial payment from a commercial insurance company and we are continuing to pursue additional collections for the balance that we estimate remains outstanding ("partial payment accounts receivable"). Based on the limited number of claims that were closed through our historical appeals process, information with respect to the ultimate resolution of the appeals of these partial payment accounts receivable has been limited. As a result, initial assumptions of the ultimate collectability rates for partial payment accounts receivable were primarily based on industry and other data. During 2018, to enhance our own collection processes, we began using a third-party vendor to pursue collections on these partial payment accounts receivable. As of September 30, 2018, we are using this vendor exclusively for collection of the partial payment accounts receivable. As a result of utilizing the third-party vendor, the number of partial payment claims closed through the appeals process has increased allowing us to rely on our own collection history and additional information obtained from the third party vendor to estimate ultimate collectability. This recent information indicated that our current assumptions were different from our historical assumptions. We used this additional information to further refine our procedures to more precisely estimate the collectability of partial payment accounts receivable. ***This change in estimate resulted in a reduction in revenue of approximately $6.0 million, an increase in net loss of approximately $4.8 million, or $0.20 loss per basic and diluted share for the three and nine months ended September 30, 2018.*** We determined this change in assumptions and estimation procedures of the collectability of partial payment accounts receivable is a change in accounting estimate in accordance with Accounting Standards Codification ("ASC") 250-10 "Accounting Changes and Error Corrections."

(Emphasis added.)

34. Regarding the SEC investigation, the Company stated in its quarterly report on Form 10-Q for the period ended September 30, 2018, in relevant part:

> The Company provided general accounting, finance and governance documentation in response to a subpoena received from the SEC in March 2018. Following this initial document request, the Commission requested additional information pertaining to the Company's accounting for partial payments from insurance companies, where the Company is continuing to pursue additional collections for the estimated balance. Beginning in the third quarter of 2018, the Company's Audit Committee initiated a review of the Company's accounting for these partial payments. The Audit Committee has substantially completed this review. In connection with this review, the Audit Committee determined that the Company's change in estimate of the collectability of accounts receivable relating to partial payments during the quarter was appropriate. See "*Note 2. Basis of Presentation and Recently Issued Accounting Pronouncements—Change in Accounting Estimate*." The Commission's investigation is ongoing, and the Company is continuing to fully cooperate on this matter. The Commission's

investigation is neither an allegation of wrongdoing nor a finding that any violation of law has occurred. At this time, the Company is unable to predict the final outcome of this matter or what impact it might have on the Company's consolidated financial position, results of operations or cash flows.

35. On this news, the Company's share price fell $2.35 per share, or over 44%, to close at $2.96 per share on November 6, 2018, on unusually heavy trading volume.

36. On March 13, 2019, the Company announced its fourth quarter 2018 operational highlights, stating in a press release, in relevant part:

Recent Operational and Fourth Quarter 2018 Financial Highlights: ***(All comparisons are to the comparable prior-year period, unless otherwise noted)***

- Implemented over $30 million in annualized expense reductions to benefit 2019 operating margins
- Closed a $30 million incremental term loan with existing lenders to provide additional liquidity
- New admissions increased 39% to 4,184 (increase related to the acquisition of AdCare on March 1, 2018)
- Total average daily census was 1,002 compared to 995 (increase related to the acquisition of AdCare on March 1, 2018)
- Outpatient visits increased 104% to 44,165 (increase primarily related to the acquisition of AdCare on March 1, 2018)

37. On March 29, 2019, the Company filed a Form 8-K with the SEC, disclosing that it would restate certain financial statements. The Company stated, in relevant part:

On March 29, 2019, AAC Holdings, Inc. (the "Company"), the Audit Committee (the "Audit Committee") of the Company's Board of Directors and executive management, in consultation with the Company's independent registered public accounting firm, BDO USA, LLP ("BDO"), determined that adjustments to certain of its previously issued financial statements audited by BDO and unaudited quarterly financial statements reviewed by BDO are necessary. The adjustments relate to estimates of accounts receivable, , provision for doubtful accounts and revenue for the relevant periods described below.

The adjustments will result in estimated increases to net income of approximately $11.8 million and $14.3 million, for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively. The adjustments will also result in an estimated decrease of net income of approximately $13.5 million for the year ended December 31, 2016. Periods prior to 2016 will also be impacted as a result of the adjustments, which will

> result in an estimated cumulative effect adjustment of approximately $24.7 million, recorded as a reduction to stockholders' equity on the balance sheet as of January 1, 2016. The adjustments will not affect the previously reported net operating cash flows. The Company is diligently working to complete its review of the restated financial statements, and, therefore, the estimated adjustments described in the immediately preceding sentences are preliminary in nature.
>
> * * *
>
> The Company's previously issued annual financial statements audited by BDO and included in the Company's annual report on Form 10-K for the years ended December 31, 2017 and 2016 and the unaudited financial statements reviewed by BDO and included in the Company's quarterly reports on Form 10-Q for the quarters ended September 30, 2018 and 2017, June 30, 2018 and 2017, and March 31, 2018 and 2017, will be restated to properly reflect accounts receivable balances. Accordingly, the Company's previously issued consolidated financial statements included in those reports, the related reports of the Company's independent auditors, BDO, and the related financial information should not be relied upon.
>
> The adjustments do not relate to the change in estimate that the Company made during the three months ended September 30, 2018 and effective as of July 1, 2018, regarding our estimate of the collectability of accounts receivable, specifically relating to accounts where the Company has received a partial payment from a commercial insurance company and we are continuing to pursue additional collections for the balance that we estimate remains outstanding or "partial payment accounts receivable".
>
> Based on this assessment, the Company expects to report a material weakness in the Company's internal controls over financial reporting, and, therefore, conclude that internal controls over financial reporting as of December 31, 2018 are not effective. Although the assessment is not yet complete, management expects to recommend to the Audit Committee certain remedial actions.

(Emphasis added.)

38. The above statements identified in ¶¶33-34, 36-37 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company had overstated the collectability of certain accounts receivable; (2) that the Company had misstated its provision for doubtful accounts in certain periods; (3) that, as a result, the Company had overstated revenue in certain periods; (4) that, as a result, the Company had understated net loss in certain periods; (5) that, as a result of the required adjustments, the Company's financial statements would be materially affected; and (6) that, as a result of the

foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

<u>Disclosures at the End of the Class Period</u>

39. On April 16, 2019, before the market opened, the Company disclosed the fourth quarter and full year 2018 financial results, which highlighted the impact of the accounting restatement:

> **Fourth Quarter 2018 Operational and Financial Highlights:**
>
> ***(All comparisons are to the comparable prior-year period, unless otherwise noted)***
>
> - Total inpatient daily census improved by 26% at March 31, 2019 compared to December 31, 2018
> - Total revenue decreased 26.6% to $57.4 million on a comparable accounting basis (total revenue decreased 33.3% on an as reported basis)
> - Net loss attributable to AAC Holdings, Inc. common stockholders was $36.7 million, or $(1.52) per diluted common share
> - Adjusted EBITDA was $(12.4) million (see non-GAAP reconciliation herein)
> - Adjusted loss per diluted common share was $(0.85) (see non-GAAP reconciliation herein)
>
> * * *
>
> On March 29, 2019, the Company, the Audit Committee of the Company's Board of Directors and executive management, in consultation with the Company's independent registered public accounting firm, BDO USA, LLP ("BDO"), determined that adjustments to certain of its previously issued annual and interim financial statements were necessary, and that those annual and interim financial statements could no longer be relied upon. The adjustments related to estimates of accounts receivable, provision for doubtful accounts and revenue for the relevant periods described below, as well as the related income tax effects. Certain other immaterial reclassifications within the financial statements are also reflected in the adjustments. The restatements do not implicate misconduct with respect to the Company, its management or its employees.
>
> The Company's previously issued annual financial statements are included in the Company's Annual Report on Form 10-K for the years ended December 31, 2017 and 2016 and the unaudited financial statements and included in the Company's quarterly reports on Form 10-Q for the quarters ended September 30, 2018 and 2017, June 30, 2018 and 2017, and March 31, 2018 and 2017, have been restated

> in the Company's 2018 Annual Report on Form 10-K for the year ended December 31, 2018 to properly reflect these corrections.
>
> The adjustments do not relate to the change in estimate that the Company made during the three months ended September 30, 2018 and effective as of July 1, 2018, regarding its estimate of the collectability of accounts receivable, specifically relating to accounts where the Company has received a partial payment from a commercial insurance company, and the Company continues to pursue additional collections for the balance that it estimates remains outstanding or "partial payment accounts receivable".
>
> All comparisons to prior period results contained in this release are presented on an as restated basis.

40. On this news, the Company's share price fell $0.40 per share, more than 18%, to close at $1.74 per share on April 16, 2019, on unusually heavy trading volume.

CLASS ACTION ALLEGATIONS

41. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that acquired AAC Holdings securities between May 3, 2017 and April 15, 2019, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, AAC Holdings's common shares actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of AAC Holdings common stock were traded publicly during the Class Period on the NYSE. Record owners and other members of the Class may be identified from records maintained by AAC Holdings or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

43. Plaintiff's claims are typical of the claims of the members of the Class as all

members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

44. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

45. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of AAC Holdings; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

46. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

47. The market for AAC Holdings's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, AAC Holdings's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired AAC Holdings's securities relying upon the integrity of the market price of the Company's securities and market information relating to AAC Holdings, and have been damaged thereby.

48. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of AAC Holdings's securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about AAC Holdings's business, operations, and prospects as alleged herein.

49. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about AAC Holdings's financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

LOSS CAUSATION

50. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

51. During the Class Period, Plaintiff and the Class purchased AAC Holdings's securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

52. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding AAC Holdings, their control over, and/or receipt and/or modification of AAC Holdings's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning AAC Holdings, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE (FRAUD-ON-THE-MARKET DOCTRINE)

53. The market for AAC Holdings's securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, AAC Holdings's securities traded at artificially inflated prices during the Class Period. On March 16, 2018, the Company's share price closed at a Class Period high of $12.87 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities relying upon the integrity of the market price of AAC Holdings's securities and market information relating to AAC Holdings, and have been damaged thereby.

54. During the Class Period, the artificial inflation of AAC Holdings's shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about AAC Holdings's business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of AAC Holdings and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected

the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

55. At all relevant times, the market for AAC Holdings's securities was an efficient market for the following reasons, among others:

(a) AAC Holdings shares met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, AAC Holdings filed periodic public reports with the SEC and/or the NYSE;

(c) AAC Holdings regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) AAC Holdings was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

56. As a result of the foregoing, the market for AAC Holdings's securities promptly digested current information regarding AAC Holdings from all publicly available sources and reflected such information in AAC Holdings's share price. Under these circumstances, all purchasers of AAC Holdings's securities during the Class Period suffered similar injury through their purchase of AAC Holdings's securities at artificially inflated prices and a presumption of reliance applies.

57. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States,* 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on Defendants' material

misstatements and/or omissions. Because this action involves Defendants' failure to disclose material adverse information regarding the Company's business operations and financial prospects—information that Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the Class Period material misstatements and omissions set forth above, that requirement is satisfied here.

NO SAFE HARBOR

58. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of AAC Holdings who knew that the statement was false when made.

FIRST CLAIM
Violation of Section 10(b) of The Exchange Act and
Rule 10b-5 Promulgated Thereunder
Against All Defendants

59. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

60. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing

public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase AAC Holdings's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

61. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for AAC Holdings's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

62. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about AAC Holdings's financial well-being and prospects, as specified herein.

63. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of AAC Holdings's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about AAC Holdings and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

64. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives

and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

65. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing AAC Holdings's financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

66. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of AAC Holdings's securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public

statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired AAC Holdings's securities during the Class Period at artificially high prices and were damaged thereby.

67. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that AAC Holdings was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their AAC Holdings securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

68. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

69. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation of Section 20(a) of The Exchange Act
Against the Individual Defendants

70. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

71. Individual Defendants acted as controlling persons of AAC Holdings within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other

statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

72. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

73. As set forth above, AAC Holdings and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: ________, 2019

By: _s/_______*Draft*__________

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