

## **CIVITAS SOLUTIONS, INC.**

### **INSIDER TRADING POLICY**

**September 17, 2014**

This policy applies to all directors, officers and employees of Civitas Solutions, Inc. and its subsidiaries (the “Company”), and to consultants and contractors of the Company who have access to material information about the Company in the course of their duties, as well as their immediate family members and members of their household. This policy is designed to prevent insider trading or allegations of insider trading and to protect the Company’s reputation for integrity and ethical conduct. It is your obligation to understand and comply with this policy. Should you have any questions regarding this policy, please contact the Chief Legal Officer (the “Insider Trading Compliance Officer”), at (617) 790-4800.

#### **Adoption of Insider Trading Policy**

The board of directors of the Company has adopted this Insider Trading Policy (the “Policy”) for all of our directors, officers and employees, and to our consultants and contractors who have access to material information about the Company in the course of their duties, with respect to the trading of the Company’s securities, as well as the securities of publicly traded companies with whom we have a business relationship. The Policy prohibits trading based on material nonpublic information regarding the Company or those publicly traded companies with whom we have a business relationship.

#### **Background**

Federal and state securities laws prohibit the purchase or sale of a company’s securities by persons who are aware of material information about that company that is not generally known or available to the public. These laws also prohibit persons who are aware of material nonpublic information from disclosing that information to others. Companies and their controlling persons are also subject to liability if they fail to take reasonable steps to prevent insider trading by company personnel.

It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe. The U.S. Securities and Exchange Commission (the “SEC”) and the U.S. Department of Justice actively investigate and vigorously pursue insider trading violations. Recently, numerous cases have been successfully prosecuted against employees with material nonpublic information, including instances of trading by employees through foreign accounts, trading by family members and friends, and trading involving only a small number of shares, with significant monetary and/or criminal consequences.

## **Penalties for Noncompliance**

*Civil and Criminal Penalties.* Potential penalties for insider trading violations include (1) imprisonment for up to 20 years, (2) criminal fines of up to \$5 million, and (3) civil fines of up to three times the profit gained or loss avoided.

*Controlling Person Liability.* If the Company fails to take appropriate steps to prevent illegal insider trading, the Company may have “controlling person” liability for a trading violation, with civil penalties of up to the greater of \$1 million and three times the profit gained or loss avoided, as well as criminal penalties of up to \$25 million. The civil penalties can extend personal liability to the Company’s directors, officers and other supervisory personnel if they fail to take appropriate steps to prevent insider trading.

*Company Sanctions.* Failure to comply with this Policy may also subject you to Company-imposed sanctions, which may include ineligibility for future participation in the Company’s equity incentive plans or termination of employment, regardless of whether your failure to comply with this Policy results in a violation of law.

## **Scope of Policy**

*Persons Covered.* This policy applies to all directors, officers and employees of the Company, and to consultants to and contractors of the Company who have access to material nonpublic information in the course of their duties. The same restrictions that apply to you apply to your family members who reside with you, anyone else who lives in your household and any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in Company securities). You are responsible for making sure that the purchase or sale of any security covered by this Policy by any such person complies with the terms of this Policy.

*Companies Covered.* The prohibition on insider trading in this Policy is not limited to trading in the Company’s securities. It includes trading in the securities of other firms, such as those with which the Company may be negotiating major transactions, such as an acquisition, investment or sale. Information that is not material to the Company may nevertheless be material to one of those other firms.

*Transactions Covered.* This Policy applies to all transactions in the Company’s securities, as well as the securities of publicly traded companies with whom we have a business relationship, including common stock, options to purchase common stock and any other securities the Company may issue from time to time, including debt securities and preferred stock, as well as derivative securities relating to the Company’s stock, whether or not issued by the Company, including warrants, convertible securities and exchange-traded options. Trading also includes certain transactions under Company plans, as follows:

- *Stock Option Exercises.* This Policy’s trading restrictions generally do not apply to the exercise of a stock option, or to the exercise of a tax withholding right pursuant to

which a person elects to have the Company withhold shares subject to an option to satisfy tax withholding requirements. The trading restrictions do apply, however, to any sale of the underlying stock or to a cashless exercise of the option through a broker, as this entails selling a portion of the underlying stock to cover the costs of exercise.

- *Restricted Stock Awards.* The Policy's trading restrictions do not apply to the vesting of restricted stock, or to the exercise of a tax withholding right pursuant to which a person elects to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The trading restrictions do apply, however, to any market sale of restricted stock.

*Transaction Not Covered.* If you own shares of a mutual fund that invests in the Company's securities, there are no restrictions on trading the shares of the mutual fund at any time. *Bona fide* gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company securities while the director, officer, employee, consultant or contractor is aware of material nonpublic information, or the person making the gift is subject to the trading restrictions specified in the Addendum to Insider Trading Policy and the sales by the recipient of the Company securities occur during a blackout period.

### **Statement of Policy**

*No Trading on Inside Information.* You may not trade in the securities of the Company, directly or through family members or other persons or entities, if you are aware of any material nonpublic information relating to the Company. Similarly, you may not trade in the securities of any other company if you are aware of any material nonpublic information about that company which you obtained in the course of your employment with the Company.

*No Tipping.* You may not pass material nonpublic information on to others, and you may not recommend to anyone or express opinions about the purchase or sale of any securities when you are aware of material nonpublic information. This practice, known as "tipping," also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you did not trade and did not gain any benefit from another's trading.

*No Disclosure of Non-public Information.* Non-public information relating to the Company is the property of the Company, and the unauthorized disclosure of that information is prohibited. All unauthorized persons are prohibited from disclosing information about the Company on the Internet, in forums such as chat rooms, Twitter, Facebook, Yahoo Message Boards, etc., or on blogs where companies and their prospects are discussed, regardless of the situation.

*No Exception for Hardship.* The existence of a personal financial emergency does not excuse you from compliance with this Policy. Every director, officer and employee of the Company, and every consultant and contractor of the Company to whom this policy applies, has the individual responsibility to comply with this Policy against insider trading. From time to time you may have to forego a proposed transaction in the Company's securities even if you planned to make the transaction before learning of the material nonpublic information and even though you believe that you may suffer from an economic loss.

*Blackout and Pre-Clearance Procedures.* To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on the basis of inside information, the Company's board of directors has adopted an Addendum to Insider Trading Policy that applies to directors, officers subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and certain other designated individuals who have access to material nonpublic information about the Company. The Company will notify you if you are subject to the addendum.

The addendum generally prohibits persons covered by it from trading in the Company's securities during quarterly blackout periods (beginning 15 calendar days before the end of a quarter and ending after the second full trading day following the release of the Company's earnings for that quarter) and during certain event-specific blackouts. Directors, officers of the Company subject to Section 16 of the Exchange Act, and the other designated individuals must also pre-clear all transactions in the Company's securities with the Insider Trading Compliance Officer.

### **Definition of Material Nonpublic Information**

Note that inside information has two important elements: materiality and public availability.

*Material Information.* It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in deciding whether to buy, hold or sell a security. Similarly, any information that could reasonably be expected to affect the price of the security is material. Common examples of material information are:

- Projections of future earnings or losses or other earnings guidance
- Financial results
- Earnings that are inconsistent with the consensus expectations of the investment community
- A pending or proposed merger, acquisition or tender offer, acquisition or disposition of significant assets or financing
- A change in management
- Major events regarding the Company's securities, including the declaration of a dividend or stock split, the offering of debt or equity securities, changes in debt ratings, any default or the commencement of any debt or equity repurchase program
- Financial or liquidity problems
- Actual or threatened litigation or governmental investigation, or the resolution of such litigation or investigation
- New major contracts, initiatives or new starts, or the loss or termination thereof
- Significant write-downs of assets or additions to reserves for bad debts or contingent liabilities

Both positive and negative information can be material. Materiality may also depend on the type of securities involved in the analysis. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions concerning the materiality of particular information should be resolved in favor of materiality, and trading should be avoided. If you are

unsure whether information is material or have any questions in this area, you should contact the Company's Insider Trading Compliance Officer at (617) 790-4800 prior to taking any action.

*Nonpublic Information.* Nonpublic information is information that is not generally known or available to the public. One common misconception is that material information loses its "nonpublic" status as soon as a press release is issued disclosing the information. In fact, information is considered to be available to the public only when it has been released broadly to the marketplace (such as by a press release or an SEC filing) *and the investing public has had time to absorb the information fully.*

As a general rule, information is considered nonpublic until after the first two full days of trading have elapsed following the release of the information. For example, if the Company announces financial earnings before trading begins on a Tuesday, the first time you can buy or sell Company securities is the opening of the market on Thursday (assuming you are not aware of other material nonpublic information at that time). However, if the Company announces earnings after trading begins on that Tuesday, the first time you can buy or sell Company securities is the opening of the market on Friday.

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Company's Insider Trading Compliance Officer or assume that the information is "non-public" and treat it as confidential.

### **Additional Guidance**

The Company considers it improper and inappropriate for those employed by or associated with the Company to engage in short term or speculative transactions in the Company's securities or in other transactions in the Company's securities that may lead to inadvertent violations of the insider trading laws. Accordingly, your trading in Company securities is subject to the following additional guidance.

*Short Sales.* You may not engage in short sales of the Company's securities (sales of securities that are not then owned).

*Publicly Traded Options.* You may not engage in transactions in publicly traded options, such as puts, calls and other derivative securities related to the Company's securities, on an exchange or in any other organized market.

*Standing Orders.* Standing orders should be used only for a very brief period of time. A standing order placed with a broker to sell or purchase stock at a specified price leaves you with no control over the timing of the transaction. A standing order transaction executed by the broker when you are aware of material nonpublic information may result in unlawful insider trading.

*Margin Accounts and Pledges.* Securities held in a margin account or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or by the lender in foreclosure if you default on the loan. Because a margin or foreclosure sale may occur when you are aware of material nonpublic information or otherwise are not permitted to trade in

Company securities, you are prohibited from holding Company securities in a margin account or pledging Company securities as collateral for a loan without seeking pre-clearance from the Insider Trading Compliance Officer. An exception to this general prohibition may be granted where you wish to pledge Company securities as collateral for a loan (not including margin debt) and clearly demonstrate the financial capacity to repay the loan without resort to the pledged securities. If you wish to pledge Company securities as collateral for a loan, you must submit a request for approval to the Insider Trading Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

### **Post Termination Transactions**

This policy continues to apply to your transactions in Company securities even after you have terminated employment or other services to the Company. If you are aware of material nonpublic information when your employment or service relationship terminates, you may not trade in Company securities until that information has become public or is no longer material.

### **Unauthorized Disclosure**

Maintaining the confidentiality of Company information is essential for competitive, security and other business reasons, as well as to comply with securities laws. You should treat all information you learn about the Company in connection with your employment as confidential and proprietary to the Company. Inadvertent disclosure of confidential or inside information may expose the Company and you to significant risk of investigation and litigation.

The timing and nature of the Company's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to you, the Company and its management and controlling stockholders, if any. Accordingly, it is important that responses to inquiries about the Company by the press, investment analysts or others in the financial community be made on the Company's behalf only through authorized individuals.

### **Personal Responsibility**

You should remember that the ultimate responsibility for adhering to this Policy and avoiding improper trading rests with you. If you violate this Policy, the Company may take disciplinary action, including dismissal for cause.

### **Company Assistance**

Your compliance with this Policy is of the utmost importance both for you and for the Company. If you have any questions about this Policy or its application to any proposed transaction, you may obtain additional guidance from the Company's Insider Trading Compliance Officer, at (617) 790-4800. Do not try to resolve uncertainties on your own, as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences.

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This Policy is dated as of September 17, 2014 and supersedes any previous policy of the Company concerning insider trading.