

**CRC HEALTH GROUP, INC.  
CRC HEALTH CORPORATION**

**CODE OF BUSINESS CONDUCT AND ETHICS**

**1. Policy Statement**

It is the policy of CRC Health Group to conduct its business affairs honestly and in an ethical manner. That goal cannot be achieved unless we all accept our responsibility to promote integrity and demonstrate the highest level of ethical conduct in all of our activities. Activities that may call into question the Company's reputation or integrity should be avoided. The Company understands that not every situation is black and white. The key to compliance with the Code is exercising good judgment. This means following the spirit of this Code and the law, doing the "right" thing and acting ethically even when the law is not specific. When you are faced with a business situation where you must determine the right thing to do, you should ask the following questions:

- Is this the right decision for the Company?
- Am I following the spirit, as well as the letter, of any law or Company policy?
- What would my family, friends or neighbors think of my actions?
- Will there be any direct or indirect negative consequences for the Company?

Outstanding employees are critical to the Company's success. Every employee is responsible for his or her own conduct. No one has the authority to make another employee violate this Code, and any attempt to direct or otherwise influence someone else to commit a violation is itself a violation of this Code. Managers set an example for other employees and are often responsible for directing the actions of others. Every manager and supervisor is expected to take necessary actions to ensure compliance with this Code, to provide guidance and assist employees in resolving questions concerning the Code and to permit employees to express any concerns regarding compliance with this Code.

**2. Compliance with Laws and Regulations**

***The Company seeks to comply with both the letter and spirit of the laws and regulations in all jurisdictions in which it operates.***

Numerous federal, state and local laws and regulations define and establish obligations with which the Company, its employees and agents must comply. Accreditation and licensing standards and regulations also apply to certain CRC facilities. The Company is committed to compliance with the federal state and local laws and regulations in the areas in which it operates as well as any accreditation and licensing standards and regulations to which it is subject. It is our responsibility to comply with applicable laws, rules, regulations and standards in performing our duties for the Company. Violation of such laws, regulations or standards could result in prosecution, civil actions and penalties for you and the Company. An explanation of certain of the key laws with which we all should be familiar can be found in the Compliance Manual, the Risk Management Policies and the Employee Handbook.

### **3. Full, Fair, Accurate, Timely and Understandable Disclosure**

It is of paramount importance to the Company that all disclosure in reports and documents that the Company files with, or submits to, the SEC, and in other public communications made by the Company is full, fair, accurate, timely and understandable in light of the circumstances surrounding disclosure. We all must take steps available to assist the Company in these responsibilities consistent with our role within the Company. In particular, we must provide prompt and accurate answers to all inquiries made in connection with the Company's preparation of its public reports and disclosure. Further, we should not disclose confidential, non-public and/or sensitive information to anyone, inside or outside of the Company, who does not have a business need for and entitlement to this information.

Senior management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Senior management will take necessary steps to ensure compliance with established accounting procedures, the Company's system of internal controls and generally accepted accounting principles.

Any attempt to enter inaccurate or fraudulent information into the Company's accounting system will not be tolerated and will result in disciplinary action, up to and including termination of employment.

### **4. Insider Trading**

***You should never trade securities on the basis of confidential information acquired through employment or fiduciary relationship with the Company.***

Employees are prohibited under both federal law and Company policy from purchasing or selling Company securities, directly or indirectly, on the basis of material non-public information concerning the Company. Any person possessing material non-public information about the Company must not engage in transactions involving Company securities until this information has been released to the public. Generally, material information is that which would be expected to affect the investment decisions of a reasonable investor or the market price of the stock. Employees must also refrain from trading in the stock of other publicly held companies, such as existing or potential customers or suppliers, on the basis of material confidential information obtained in the course of employment or service as a director. It is also illegal to recommend a stock to (i.e., "tip") someone else on the basis of such information. If you have a question concerning appropriateness or legality of a particular securities transaction, consult with the Company's General Counsel.

### **5. Conflicts of Interest and Corporate Opportunities**

***Each of us owes a duty to the Company not to compromise the Company's legitimate interests and to advance such interests when the opportunity to do so arises in the course of employment. Generally, we should avoid any situation in which our personal interests conflict or even appear to conflict with the Company's interests.***

All of us must be able to perform our duties and exercise judgment on behalf of the Company without influence or impairment, or the appearance of influence or impairment, due to any activity, interest or relationship that arises outside of work. When our loyalty to the Company is affected by actual or potential benefit or influence from an outside source, a conflict of interest exists. We should all be aware of any potential influences that impact or appear to impact our loyalty to the Company. In general, we should avoid situations in which our personal, family or financial interests conflict or even appear to conflict with those of the Company. The following are examples of actual or potential conflicts:

- you, or a member of your family, receive improper personal benefits as a result of your position in the Company;
- you use Company's property for your personal benefit;
- you engage in activities that interfere with your loyalty to the Company or your ability to perform Company duties or responsibilities effectively;
- you accept outside work (whether as an employee or a consultant) simultaneously in an organization that does business with the Company or is a competitor of the Company and it interferes with your commitment to the Company and its professional standards;
- you, or a member of your family, have a financial interest in someone who does business with the Company which is significant enough to cause divided loyalty with the Company or the appearance of divided loyalty;
- you, or a member of your family, receive a loan or a guarantee of a loan from a customer, supplier or competitor (other than a loan from a financial institution made in the ordinary course of business and on an arm's-length basis);
- you divulge or use the Company's confidential information – such as financial data or customer information for your own personal or business purposes;

Any time you believe a conflict of interest may exist, you must disclose the potential conflict of interest to your immediate supervisor and your regional vice president. Any activity that is approved by your immediate supervisor and your regional vice president, despite the actual or apparent conflict, must be documented. Conflicts are not always clear-cut. Any activity that could raise a potential conflict of interest involving an officer with the title of Vice President and above must be approved by our General Counsel.

## **6. Confidentiality**

***All confidential information concerning the Company obtained by any employee is the property of the Company and must be protected.***

Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. Examples of confidential information include: patient or resident information (medical and financial), pricing and marketing information, customer and referral information and lists, employee information, strategic business plans, future acquisitions or dispositions, financial information. All employees must maintain the confidentiality of such information entrusted to you by the Company, its

customers and its suppliers, except when disclosure is authorized by the Company, the patient, or legal designee or required by law. Our obligation with respect to confidential information extends beyond the workplace and should not be shared with anyone inside or outside of CRC, except as necessary to perform work and only after proper authorization has been obtained. In that respect, it applies to communications with family members and continues to apply even after your employment or director relationship with the Company terminates.

## **7. Fair Dealing**

*Our goal is to conduct our business with integrity.*

CRC's goal is to conduct our business with integrity and provide high quality care in the most appropriate setting. We should endeavor to deal honestly with the Company's patients, students, customers, employees, suppliers and competitors. Under federal and state laws, the Company is prohibited from engaging in unfair methods of competition, and unfair or deceptive acts and practices. Employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing. It is of equal importance that all employees be honest in all public statements, advertising and publicity. Employees must not express nor imply a promise of performance that we cannot reasonably be expected to fulfill.

CRC will respond to patient concerns or complaints concerning admission, treatment, discharge, or the quality of care. Each employee is responsible for identifying and responding to such complaints or concerns. Any concerns should be brought to the attention of supervisors or the Corporate Compliance Committee. All concerns should be reviewed, investigated, and responded to in a timely manner.

## **8. Protection and Proper Use of Company Assets**

***All Employees should endeavor to protect the Company's assets and ensure their proper use.***

We have a responsibility to protect company assets entrusted to us from loss, theft, misuse and waste. Company assets, both tangible and intangible, are to be used only for legitimate business purposes of the Company and only by authorized employees or consultants. Unauthorized alteration, destruction, use, disclosure or distribution of Company assets violates Company policy and this Code. Theft or waste of, or carelessness in using, these assets have a direct adverse impact on the Company's operations and profitability and will not be tolerated. Extremely limited, incidental personal use of telephones, email, personal computers and similar equipment is generally allowed if there is no added cost to us, it does not interfere with work responsibilities or the operation of the Company's electronic resources and is not related to an illegal activity or outside business.

The Company provides computers, voice mail, electronic mail (e-mail), and Internet access to certain employees for the purpose of achieving the Company's business objectives. As a result, the Company has the right to access, reprint, publish, or retain any information created, sent or contained in any of the Company's computers or e-mail systems of any Company machine.

## **9. Reporting Violations of Company Policies and Receipt of Complaints Regarding Financial Reporting or Accounting Issues**

***Employees should report any violation or suspected violation of this Code to the appropriate Company personnel or via the Company's anonymous and confidential reporting procedures.***

The Company's efforts to ensure observance of, and adherence to, the goals and policies outlined in this Code mandate that each of us promptly bring to the attention of the VP, Corporate Compliance or General Counsel, any material transaction, relationship, act, failure to act, occurrence or practice that you believe, in good faith, is inconsistent with, in violation, or reasonably could be expected to give rise to a violation, of this Code. All Employees should report any suspected violations of the Company's financial reporting obligations or any complaints or concerns about questionable accounting or auditing practices in accordance with the procedures set forth below.

Here are some approaches to handling our reporting obligations:

- In the event you believe a violation of the Code, or a violation of applicable laws and/or governmental regulations has occurred or you have observed or become aware of conduct which appears to be contrary to the Code, immediately report the situation to your supervisor, VP, Corporate Compliance or General Counsel. Supervisor or managers who receive any report of a suspected violation must report the matter to VP, Corporate Compliance or General Counsel.

- If any employee has or receives notice of a complaint or concern regarding the Company’s financial disclosure, accounting practices, internal accounting controls, auditing, or questionable accounting or auditing matters, you **must** immediately advise your supervisor, VP, Corporate Compliance or General Counsel.
- If you wish to report any such matters anonymously or confidentially, then you may do so as follows:
  - Mail or email a description of the suspected violation or other complaint or concern to:

<b>General Counsel CRC Health Corporation 20400 Stevens Creek Blvd., Suite 600 Cupertino, CA 95014 pburke@crchealth.com</b>	OR	<b>VP, Corporate Compliance CRC Health Corporation 101 Ponds Edge Drive Suite 200 Chadds Ford, PA 19317 ngood@crchealth.com</b>
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- Calling toll free 866-428-2680 our Compliance Hotline.

If you become aware of a suspected violation, don’t try to investigate it or resolve it on your own. Prompt disclosure to the appropriate parties is vital to ensuring a thorough and timely investigation and resolution. The circumstances should be reviewed by appropriate personnel as promptly as possible, and delay may affect the results of any investigation. A violation of the Code, or of applicable laws and/or governmental regulations is a serious matter and could have legal implications. Reports of suspected violations should always be made in good faith.

When an alleged violation of the Code, applicable laws and/or governmental regulations is reported, the Company will take appropriate action in accordance with the compliance procedures outlined herein. You are expected to cooperate in internal investigations of alleged misconduct or violations of the Code or of applicable laws or regulations.

It is Company policy that there be no retaliation against any person who provides truthful information to a Company or law enforcement official concerning a possible violation of any law, regulation or Company policy, including this Code. Persons who retaliate may be subject to civil, criminal and administrative penalties, as well as disciplinary action, up to and including termination of employment. In cases in which you report a suspected violation in good faith and are not engaged in the questionable conduct, the Company will attempt to keep its discussions with you confidential to the extent reasonably possible. In the course of its investigation, the Company may find it necessary to share information with others on a “need to know” basis. No retaliation shall be taken against you for reporting alleged violations while acting in good faith.

## **10. Compliance Procedures**

The Company has established this Code as part of its overall policies and procedures. To the extent that other Company policies and procedures conflict with this Code, you should follow this Code. The Code applies to all Company directors and Company employees, including all officers, in all locations.

The Code is based on the Company's core values, good business practices and applicable law. The existence of a Code, however, does not ensure that directors, officers and employees will comply with it or act in a legal and ethical manner. To achieve optimal legal and ethical behavior, the individuals subject to the Code must know and understand the Code as it applies to them and as it applies to others. You must comply with the Code and you must champion the Code and assist others in knowing and understanding it.

The CEO has selected the VP, Corporate Compliance (the "*Compliance Officer*") to ensure that the Code becomes an integral part of the Company's culture and to provide communication, training, monitoring, and overall compliance with the Code. The Compliance Officer will, with the assistance and cooperation of the Company's officers, directors and managers, foster an atmosphere where employees are comfortable in communicating and/or reporting concerns and possible Code violations. From time to time, as part of our efforts to monitor compliance with this Code, we may require employees via email, web tracking or other mechanism to acknowledge that they have received and read a copy of this Code. Responding in a timely fashion to such requests is itself a requirement of this Code.

When an alleged violation of the Code is reported, the Company shall take prompt and appropriate action in accordance with the law and regulations and otherwise consistent with good business practice. If the suspected violation appears to involve either a possible violation of law or an issue of significant corporate interest, or if the report involves a complaint or concern of any person, whether employee, a shareholder or other interested person regarding the Company's financial disclosure, internal accounting controls, questionable auditing or accounting matters or practices or other issues relating to the Company's accounting or auditing, then the manager or investigator should immediately notify the Compliance Officer or General Counsel. If a suspected violation involves any director or executive officer or if the suspected violation concerns any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls, any person who received such report should immediately report the alleged violation to the Compliance Officer or General Counsel, who shall assess the situation and determine the appropriate course of action.

#### **11. Publication of the Code of Business Conduct and Ethics; Amendments and Waivers of the Code of Business Conduct and Ethics**

The most current version of this Code will be posted and maintained on the Company's website and filed as an exhibit to the Company's Annual Report on Form 10-K. The Company's Annual Report on Form 10-K shall disclose that the Code is maintained on the website and shall disclose that substantive amendments and waivers will also be posted on the company's website. The Code will be posted in each treatment facility and corporate office complex.

Any substantive amendment or waiver of this Code (i.e., a material departure from the requirements of any provision) particularly applicable to or directed at executive officers or directors may be made only after approval by the Board of Directors and will be disclosed within four (4) business days of such action (a) on the Company's website for a period of not less than twelve (12) months and (b) in a Form 8-K filed with the Securities and Exchange Commission. Such disclosure shall include the reasons for any waiver. The Company shall retain the disclosure relating to any such amendment or waiver for less than five (5) years.