

**Policy Statement on
Business Ethics and Conflicts of Interests**

Introduction: Certificate of Compliance

This Policy Statement on Business Ethics and Conflicts of Interests is being issued to all employees of Rotech Healthcare Inc. (“**Rotech**” or the “**Company**”) to confirm the Company’s commitment to conduct business in an ethical manner and in full compliance with applicable law. It is the Company’s expectation that our employees will read and become familiar with the principles expressed in this Policy Statement, and that those principles will be adhered to by all employees in the discharge of their responsibilities. Employees will be required, on an annual basis, to affirm their agreement with these principles described in this Policy Statement and to affirm that they will adhere to them by signing the Certificate of Compliance that appears at the end of this Policy Statement, and returning it to the Chief Legal Officer.

All employees and representatives are expected to report violations of any of the requirements set forth in this Policy Statement. Whenever you are in doubt about any matter that may have ethical implications, you should seek guidance within your chain of command or through the Company’s Compliance Department. Rotech maintains a Compliance Hotline (800-934-0838) to serve as a means for confidential disclosure by all employees to report anything they observe or are aware of that might violate these principles.

Employees must commit to follow the principles set forth in this Policy Statement on Business Ethics and Conflicts of Interests, the Rotech Code of Conduct, the Rotech Employee Handbook, Rotech’s Policy Prohibiting Insider Trading and the Rotech Policy and Procedure Manual.

Conflicts of Interests

Financial Interests in Outside Businesses

Employees shall not be involved in any activity, including personal investment, which is or gives the appearance of a conflict of interest with the business of Rotech. Outside business interests require the prior written approval of Rotech. A conflict of interest exists if an employee, or an “immediate family member” of an employee, has any financial interest in a competitor of Rotech, or in an entity which has business dealings with Rotech. For the purposes of this policy, “immediate family member” includes a person’s spouse, parents, siblings, children, mother and father-in-law and brothers and sisters-in-law. A “financial interest” is one that might appear to create a potential risk of interference with the

employee's independent exercise of judgment in the best interest of Rotech or gives the appearance of impropriety. If an employee is unsure as to whether or not any financial interest would create such an appearance, the employee should consult with Rotech's Compliance Department or Chief Legal Officer.

Any employee who (directly or through any immediate family member of such employee) currently has or plans to acquire any financial interest (other than a passive personal investment in a publicly traded company that amounts to no more than 1% of the issued and outstanding equity securities of that company) in any competitor of Rotech, or in any entity which has business dealings with Rotech should promptly disclose the facts and circumstances of such financial interest in writing to Rotech's Compliance Department and Chief Legal Officer (senior management and director issues must be disclosed directly to the Board of Directors), so that a determination can be made as to whether a conflict of interest exists. The employee will be expected to take whatever action is determined by Rotech to be appropriate to resolve any conflict which it finds to exist. Employees should refer to the Company's Employee Handbook for more information regarding potential conflicts of interest.

Other Involvement in Outside Businesses

A conflict of interest exists if an employee engages as a director, officer, employee, promoter or consultant in or receives compensation from an outside business which (a) is a competitive business, or (b) has business dealings with Rotech in which the employee participates or is able to exert influence, or (c) interferes with the employee's obligation to devote full time and attention to his or her job responsibilities, or (d) operates in a manner which reflects adversely upon Rotech. A conflict of interest may also arise when an immediate family member is a director, officer, employee, or consultant with a company which is a competitive business, or which has business dealings with Rotech in which the employee participates or is able to exert influence.

Before an employee or immediate family member becomes involved in an outside business (or if such person already is involved) which creates a possible conflict of interest, the employee should promptly disclose the facts in writing to the Company's Compliance Department and Chief Legal Officer (senior management and director issues must be disclosed directly to the Board of Directors), so that a determination can be made as to whether a conflict of interest does exist. The employee will be expected to take whatever action is determined by the Company to resolve any conflict which it finds to exist. Employees should refer to the Company's Employee Handbook for information regarding certain limitations on outside employment.

Business Practices

Employees must exercise high standards of conduct in their dealings with other employees and with the Company, its customers, suppliers, government agencies and the communities in which we operate. Employees must always strive to keep their conduct in strict compliance with both the letter and the spirit of all applicable laws, regulations and Company policies. The following examples, although not intended to be exhaustive, illustrate the application of the Company's business practices in various situations that might confront a Rotech employee:

Receipt of Employment-Related Gifts

- No employee or immediate family member may accept from any person or entity which has business dealings with Rotech, gifts or gratuities (including favors, consideration, discounts, and the like, which are not generally available to all Rotech employees) which go beyond common courtesies usually associated with accepted business practice.
- In no event may a Rotech employee accept in any one year from any person or entity which has business dealings with Rotech, a gift or series of gifts which the employee should reasonably believe has a value exceeding \$300.
- No employee may accept cash or cash equivalents (gift certificates, credits, etc.) of any amount from any person or entity which has business dealings with Rotech.
- In those circumstances where the nature of the relationship with the third party is unusually sensitive or the gift in question seems extraordinary, the employee must either obtain advance approval from the Company's Compliance Department or the Chief Legal Officer (senior management and director issues must be disclosed directly to the Board of Directors), or, where advance approval is not practical, the employee must request approval from such officer to retain the item in question.

Entertainment

- No employee or immediate family member may accept, from any person or entity having business dealings with Rotech, entertainment that goes beyond common courtesies usually associated with accepted business practice.
- Employees may accept occasional invitations to lunch, dinner, or other local social events (ball games, concerts, etc.) as an expression of normal business courtesy, provided that they are not intended to induce special consideration or advantage.

- In those circumstances where the nature of the relationship with the third party is unusually sensitive or the event in question seems extraordinary, the employee must obtain advance approval from the Company's Compliance Department or Chief Legal Officer (senior management and director issues must be disclosed directly to the Board of Directors).

Gifts Between Employees

Employees in a subordinate/supervisory relationship are not to exchange favors or gifts that could, or appear to, give rise to an obligation between them. Employees may not use Company property (for example, product samples) as gifts for other employees.

Relationships With Customers

It is recognized that business practices and common courtesy sometimes require that gifts, favors, and entertainment be extended to present or prospective customers. These occasions are strictly limited and may not involve secret commissions, hidden gratuities, or payments to third parties who might have influence on such customers.

Gifts, favors, and entertainment may be extended to any customer or prospective customer, only if all of the following conditions are met:

- They are not in violation of any applicable law, regulation or company policy (*i.e.*, there should be no gifts or payments to or on behalf of government agents). Employees should refer to the Company's Employee Handbook, Rotech's Code of Conduct and to the Rotech Policies and Procedures Manual for additional information regarding these issues.
- They are not for the purpose of securing a preferential customer action, but rather are given as a courtesy for a courtesy received, or to build goodwill, much as one would do socially.
- They are not in violation of generally accepted ethical standards.
- They do not exceed \$300 in value, and are in such form, that they cannot be construed as a bribe or payoff.
- The customer has not advised that it has a policy against or otherwise limits receipt of gifts, favors, and entertainment by its employees and agents. Any such customer policy must be adhered to strictly.

- Public disclosure of the facts surrounding them would not embarrass Rotech or the customer in any way.

Expense Reports

Expense reports must be completed accurately and on time. Expenses must be properly documented and only those that are reasonable and necessary to our business are reimbursed. Those expenses considered unallowable for charges against government contracts must be identified and segregated. Personal expenses must not be submitted to the Company for reimbursement.

Political Contributions

Employees are encouraged to participate in the political process as individuals and on their own time. However, the Company is severely limited as to the contributions it can make to political parties or candidates. No Company funds, facilities or assets may be contributed, loaned or used directly or indirectly to support or oppose any political party or candidate without the prior approval of the Company's Compliance Department or Chief Legal Officer. "Contributions" include endorsements of candidates, services and in-kind donations.

Lobbying

Federal law and the laws of most states regulate contacts between a government official or employee and the public. Many contacts are considered lobbying and are prohibited unless the person making contact is a registered lobbyist. Generally, lobbying laws are implicated any time contact is made for the purpose of influencing a public official or employee's vote or decision on a matter which affects Rotech. Rotech's Compliance Department or Chief Legal Officer must be consulted prior to making any contacts designed to influence a federal or state public official or employee. Reportable activity includes meetings with federal or state legislators or members of their staffs or with senior executive branch officials. Preparation, research, and other background activities that are done in support of a lobbying communication are also reportable even if the communication ultimately is not made. Similarly, Rotech employees may not provide gifts or payments to or on behalf of government employees or representatives.

Corporate Opportunities

Employees are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the consent of the Chief Legal Officer. No employee may use corporate property, information or position for improper personal gain, and no employee may compete with the Company

directly or indirectly. Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

Insider Trading

Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company's business. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. In order to assist with compliance with laws against insider trading, the Company has adopted the Rotech Healthcare Inc. Policy Prohibiting Insider Trading. This policy has been distributed to every employee. If you have any questions concerning this policy please consult the Chief Legal Officer.

Compliance with Laws, Rules and Regulations

Recognition of the public interest must be a permanent commitment of the Company in the conduct of its affairs. The activities of the Company and all of its employees, acting on its behalf must always be in full compliance with both the letter and spirit of all laws, rules and regulations applicable to our business. Furthermore, no employee should assist any third party in violating any applicable law, rule or regulation. This principle applies whether or not such assistance is, itself, unlawful. All employees must respect and obey the laws of the cities, states and countries in which we operate and avoid even the appearance of impropriety. When there is a doubt as to the lawfulness of any proposed activity, advice must be sought from the Chief Legal Officer.

Violation of applicable laws, rules or regulations may subject the Company, as well as any employees involved, to severe adverse consequences, including imposition of injunctions, monetary damages (which could far exceed the value of any gain realized as a result of the violation, and which may be tripled in certain cases), fines and criminal penalties, including imprisonment. In addition, actual or apparent violations of applicable laws, rules and regulations by the Company or its employees can undermine the confidence of the Company's customers, investors, creditors and bankers, as well as that of the general public. Employees who fail to comply with this Policy Statement and applicable laws will be subject to disciplinary measures up to and including termination of employment from the Company.

Public Disclosure

It is the Company's policy that the information in its public communications, including SEC filings, be full, fair, accurate, timely and understandable. All employees who are

involved in the Company's disclosure process, are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to the Company and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the Company to others, whether within or outside the Company, including the Company's independent auditors. In addition, any employee who has a supervisory role in the Company's disclosure process has an obligation to discharge his or her responsibilities diligently.

Fair Dealing

The Company has a history of success through honest business competition. We do not seek competitive advantages through illegal or unethical business practices. Each employee should endeavor to deal fairly with the Company's customers, clients, service providers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice.

All employees must deal with the Company's customers, suppliers, service providers, competitors and employees without regard to race, color, religion, sex, national origin, sexual orientation, age, disability, military service or marital status.

Company and Customer Equipment and Property

The continued success of Rotech requires the commitment of all employees to the proper allocation and use of Company resources. The Company's property (samples, supplies, personal computers, etc.) is to be used by employees only for the Company's business purposes. Company property may not be sold or otherwise disposed of, except in the ordinary course of business. All employees will be expected to properly account for all Company property for which they are responsible. Nonetheless, occasional personal use of certain Company resources by employees may occur without adversely affecting the interests of Rotech. Employees should refer to the Company's Employee Handbook for more information regarding authorized use of the Company's communication equipment, media, services and systems.

Confidentiality

Employees must maintain the confidentiality of confidential information entrusted to them by the Company or its customers, except when disclosure is authorized by the Compliance Department, the Chief Legal Officer or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. It also includes

information that suppliers and customers have entrusted to us. The obligation to preserve confidential information continues even after employment ends.

Reporting Violations

Any employee who becomes aware of conduct inconsistent with these principles should report it immediately to appropriate management. In addition, the Company maintains a Compliance Hotline (800-934-0838) to serve as a means for confidential disclosure by all employees to report anything they observe or are aware of that might violate these principles. Appropriate remedial action will be taken by the Company up to and including termination of employment for offending parties. Employees must read the Company's policy regarding Accounting, Financial and Business Complaints and Concerns, which describes the Company's procedure for the receipt, retention, and treatment of complaints received by the Company regarding accounting, financial reporting and fraud concerns.

Attempts to use the Company's compliance policies to libel, slander, or otherwise harm another individual through false accusations, malicious rumors, or other irresponsible actions are prohibited.

Also prohibited is reprisal or the threat of reprisal against an employee who in good faith raises a concern about the implementation or enforcement of Company policy. Such reprisal not only violates explicit Company policy but also various federal and state laws or regulations.

Investigation of Suspected Violations

The office of the Chief Legal Officer will monitor all complaints (except as otherwise required by the Company's policy regarding Accounting, Financial and Business Complaints and Concerns) received by Rotech. The Chief Legal Officer or a person reporting directly or indirectly to the Chief Legal Officer will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary of the status of all pending complaints that will be provided to the Company's board of directors.

It is the expectation of the Company that, in the normal course, the office of the Chief Legal Officer, the Chief Executive Officer, or a designee will conduct an investigation of suspected violations of this Policy Statement. You are expected to cooperate in the investigation of reported violations. When practical and appropriate under the circumstances, and in order to protect the privacy of the persons involved, those people investigating the suspected violation will attempt to keep confidential the identity of someone who reports a suspected violation or who participates in the investigation. There

may be situations, however, when this information must be disclosed as part of our investigation.

Our board of directors has ultimate responsibility for final interpretation of this Policy Statement and for determining whether any violations of this Policy Statement have occurred.

Compliance and Discipline

The Company shall consistently enforce this Policy Statement on Business Ethics and Conflicts of Interests through appropriate means of discipline. Any intentional violation by any employee of the standards and policies described in this Policy Statement will result in disciplinary action, which may include termination. In addition, violations may give rise to civil sanctions and criminal prosecution.

Hotline Access

Rotech Healthcare Inc.
Corporate Headquarters (800) 934-0838
E-Mail: ethics@rotech.com

Amendments to and Waivers of the Policy Statement on Business Ethics and Conflicts of Interests

Any amendment to or waiver of this Policy Statement for executive officers will be made only by the Board of Directors in writing and will be promptly disclosed as required by law or by any applicable rules and regulations of any securities exchange or securities quotation system on which the Company's securities are listed or quoted.

Forms:

[HR 541 Certificate of Compliance](#)

[HR 542 Statement of Exception](#)