

**ROTECH HEALTHCARE INC.
POLICY AND PROCEDURES WITH RESPECT TO
RELATED PERSON TRANSACTIONS**

A. Policy Statement

Rotech Healthcare Inc. (the “Company”) recognizes that Related Person Transactions (as defined below) may raise questions among stockholders as to whether those transactions are consistent with the best interests of the Company and its stockholders. It is the Company’s policy to enter into or ratify Related Person Transactions only when the Audit Committee of the Board of Directors (the “Committee”), determines that the Related Person Transaction in question is in, or is not inconsistent with, the best interests of the Company and its stockholders, including but not limited to situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Persons (as defined below) on an arm’s length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally. Therefore, the Company has adopted the procedures set forth below for the review, approval or ratification of Related Person Transactions.

This policy has been approved by the Board of Directors of the Company and the Committee. The Committee will review and may amend this policy from time to time.

B. Related Person Transactions

For the purposes of this policy, a “Related Person Transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant and in which any Related Person had, has or will have a direct or indirect interest.

For purposes of this Policy, a “Related Person” means:

1. any person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company;
2. any person who is known to be the beneficial owner of more than 5% of any class of the Company’s voting securities;
3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and

4. any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a beneficial ownership interest (other than an interest not in excess of 1% of any class of securities listed on a national securities exchange or traded in an established over-the-counter securities market).

C. Identification of Related Persons

1. Directors, Executive Officers and Nominees. On an annual basis, as part of responding to the Company's Annual Directors and Officers Questionnaire, each director and executive officer shall submit to the legal department a list of his or her immediate family members (as defined above) and for each person listed (and for such director and executive officer, as applicable) the following information: (a) the person's employer and job title or brief job description; (b) each firm, corporation or other entity in which such person is a partner or principal or in a similar position or in which such person has a beneficial ownership interest (other than an interest not in excess of 1% of any class of securities listed on a national securities exchange or traded in an established over-the-counter securities market); and (c) each charitable or non-profit organization for which the person is actively involved in fundraising or otherwise serves as a director, trustee or in a similar capacity.

Any person nominated to stand for election as a director shall submit to the legal department the information described above no later than the date of his or her nomination.

Any person who is appointed as a director or an executive officer shall submit to the legal department the information described above prior to such person's appointment as a director or executive officer, except in the case of an executive officer where due to the circumstances it is not practicable to submit the information in advance, in which case the information shall be submitted as soon as reasonably practicable following the appointment.

Directors and executive officers are expected to immediately notify the legal department of any updates to the list of Related Persons, their employment and relationships with charitable organizations.

2. Five Percent Owners. At the time the Company becomes aware of a person's status as a beneficial owner of more than 5% of any class of the Company's voting securities, the legal department, by examining Securities and Exchange Commission ("SEC") filings and a review of applicable websites or by request to such holder of securities, shall create a list, to the extent the information is readily available, of (a) if the person is an individual, the same information as is requested of directors and executive officers under this policy and (b) if the person is a firm, corporation or other entity, a list of principals or executive officers of the firm, corporation or entity, and shall update the list, as necessary.

D. Dissemination of Related Person Master List

The legal department shall compile the information collected pursuant to the procedures described in Section C above and create a master list of Related Persons. The legal department

shall distribute the master list (and the updates thereof) to the Company's executive officers and other relevant Company personnel for use in connection with effectuating this policy.

E. Approval Procedures

All Related Party Transactions are required to be approved in advance by the Committee and any such transactions not so approved shall be in violation of this policy unless ratified by the Committee in accordance with the ratification procedures set forth in Section F below. Related Person Transactions that are identified as such prior to the consummation thereof or amendment thereto shall be consummated or amended only if the following steps are taken:

1. Prior to entering into the Related Person Transaction, notice of the facts and circumstances of the proposed Related Person Transaction shall be provided to the Company's Chief Legal Officer, including: (i) the Related Person's relationship to the Company and interest in the transaction; (ii) the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the benefits to the Company of the proposed Related Person Transaction; (iv) if applicable, the availability of other sources of comparable products or services; and (v) an assessment of whether the proposed Related Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally. The Chief Legal Officer will assess whether the proposed transaction is a Related Person Transaction for purposes of this policy.
2. If the Chief Legal Officer determines that the proposed transaction is a Related Person Transaction, the proposed Related Person Transaction shall be submitted to the Committee for consideration and approval at the next scheduled Committee meeting or earlier, in those instances in which the Chief Legal Officer, determines that it is not practicable or desirable for the Company to wait until the next Committee meeting.
3. The Committee shall consider all of the relevant facts and circumstances available to the Committee, including (if applicable) but not limited to: the benefits to the Company; the impact on a director's independence in the event the Related Person is a director, an immediate family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. No member of the Committee shall participate in any review, consideration or approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person. The Committee shall approve only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Committee determines in good faith. The Committee shall convey the decision to the Chief Legal Officer, who shall convey the decision to the appropriate persons within the Company.

F. Ratification Procedures

The Company's finance department, under the supervision of the Chief Financial Officer, shall produce quarterly reports of any amounts paid or payable to, or received or receivable from, any Related Person, and those reports shall be provided to the Chief Legal Officer to determine if there are any Related Person Transactions that were not previously approved or previously ratified in violation of this policy.

In the event a member of the Company's senior management team or Board of Directors becomes aware of a Related Person Transaction that has not been previously approved or previously ratified under this policy:

1. If the transaction is pending or ongoing, it will be submitted to the Committee promptly, and the Committee shall consider all of the relevant facts and circumstances available to the Committee. Based on the conclusions reached, the Committee shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction; and
2. If the transaction is completed, the Committee shall evaluate the transaction, taking into account the same factors described above, to determine if rescission of the transaction is appropriate and shall evaluate the Company's controls and procedures to ascertain the reason the transaction was not submitted to the Committee for prior approval and whether any changes to these procedures are recommended.

G. Review of Ongoing Transactions

At the Committee's first meeting of each fiscal year, the Committee shall review any previously approved or ratified Related Person Transactions that remain ongoing and have a remaining term of more than six months or remaining amounts payable to or receivable from the Company of more than \$10,000. Based on all relevant facts and circumstances, taking into consideration the Company's contractual obligations, the Committee shall determine if it is in, or is not inconsistent with, the best interests of the Company and its stockholders to continue, modify or terminate the Related Person Transaction.

H. Charitable Contributions

Proposed charitable contributions, or pledges of charitable contributions, by the Company to a charitable or non-profit organization identified on the roster of Related Persons shall be subject to prior review and approval by the Committee at the next scheduled Committee meeting or earlier, in those instances in which the Chief Legal Officer determines that it is not practicable or desirable for the Company to wait until the next Committee meeting.

I. Nepotism Policy

No immediate family member of a director or executive officer shall be hired as an employee of the Company unless the employment arrangement is approved by the Committee at

the next scheduled Committee meeting or earlier, in those instances in which the Chief Legal Officer determines that it is not practicable or desirable for the Company to wait until the next Committee meeting. In the event a person becomes a director or executive officer of the Company and an immediate family member of such person is already an employee of the Company, no material change in the terms of employment, including compensation, may be made without the prior approval of the Committee (except, if the immediate family member is himself or herself an executive officer of the Company, any proposed change in the terms of employment shall be reviewed and approved in the same manner as other executive officer compensatory arrangements).

J. Standing Pre-Approval for Certain Interested Transactions

Notwithstanding anything to the contrary contained herein, the Committee has reviewed the types of Related Party Transactions described below and determined that each of the following Related Party Transactions shall be deemed to be pre-approved by the Committee. In connection with each regularly scheduled meeting of the Committee, a summary of each new pre-approved Related Party Transaction will be provided to the Committee.

1. ***Employment of executive officers.*** Any employment by the Company of an executive officer of the Company if:
 - a. the related compensation is required to be reported in the Company's proxy statement under Item 402 of the SEC's compensation disclosure requirements (generally applicable to "named executive officers"); or
 - b. the executive officer is not an immediate family member of another executive officer or director of the Company, and the related compensation would have been reported in the Company's proxy statement under Item 402 of the SEC's compensation disclosure requirements if the executive officer was a "named executive officer," and the Company's Compensation Committee approved (or recommended that the Board approve) such compensation.
2. ***Director compensation.*** Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement under Item 402 of the SEC's compensation disclosure requirements.
3. ***Transactions where all shareholders receive proportional benefits.*** Any transaction where the Related Person's interest arises solely from the ownership of a class of equity securities of the Company and all holders of that class of equity securities received the same benefit on a pro rata basis (*e.g.*, dividends).

K. Disclosure

All Related Person Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of this policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations.