

ALLION HEALTHCARE, INC.
CORPORATE COMPLIANCE PLAN

CODE OF CONDUCT

I. INTRODUCTION

The term Allion or Allion-affiliated corporations as referred to in this Corporate Compliance Plan and Code of Conduct include Allion Healthcare, Inc., and its subsidiaries as follows: MOMS Pharmacy, Inc. (New York); MOMS Pharmacy, Inc. (California); Mail Order Meds, Inc. (Texas); MOMS Pharmacy, LLC (Florida); Medicine Made Easy (California); Specialty Pharmacies, Inc. (Washington); North American Home Health Supply, Inc. (California); and any other pharmacy subsequently operated by Allion Healthcare, Inc. Allion is a national provider of specialty pharmacy and disease management services focused on the HIV/AIDS population.

Allion's vision is to achieve excellence by being a customer-focused, high performance organization dedicated to improving the lives of our customers. Allion achieves business leadership through the ownership, urgency and accountability of our personnel.

Allion's commitment to excellence is fundamental to the philosophy of Allion. This commitment means that each one of us as an employee or affiliate of Allion shares a common set of objectives and benefit from the achievement of those objectives.

Our essential objective is not only a commitment to our customers and our work, but also to our compliance with the numerous laws, regulations and policies that govern our conduct in all of Allion's activities in every market we serve. A failure to comply with our legal or ethical obligations, even if inadvertent, can lead to civil or criminal liability on the part of Allion and the affected individuals, and it also can serve to seriously damage our good name and our standing in the community.

Accordingly, Allion's Board of Directors and the Boards of Directors of Allion-affiliated corporations have reviewed and approved this Corporate Compliance Plan, which is intended as a guide for the conduct of Allion. This Corporate Compliance Plan defines the conduct expected of Allion, provides guidance on how to resolve questions regarding legal and ethical issues, and establishes a mechanism for reporting possible violations of law or ethical principles within Allion.

The Allion Corporate Compliance Plan is comprised of the following components:

- The Code of Conduct included in this document, which establishes the general standards, policies and procedures with which all must comply. Each employee, officer and Director of Allion is required to read, understand and comply fully with the standards established by the Code of Conduct.
- A Corporate Compliance Officer ("Compliance Officer") with the responsibility for administering the Corporate Compliance Plan. The Compliance Officer will serve as the Chairperson of the Corporate Compliance Committee.
- A Board Compliance Officer who a member of Allion Healthcare, Inc.'s Board of Directors and oversees the Corporate Compliance Plan, the Corporate Compliance

Officer and the Corporate Compliance Committee.

- An executive-level Corporate Compliance Committee established by the Board of Directors to provide oversight of the Corporate Compliance Plan.
- Periodic educational training programs on specific areas of compliance. These programs will be provided to all employees and Directors by the Corporate Compliance Committee and relevant consultants.
- A Corporate Compliance P.O. Box through which those affiliated with Allion may report any suspected or potential violations of law or deviation from compliance standards. Correspondence to the P.O. Box will be treated confidentially, to the extent possible. The Compliance Officer and/or designee will investigate all correspondence and ensure that proper follow-up actions are taken.
- Monitoring and auditing systems pursuant to which the Compliance Officer will oversee ongoing compliance with established Allion standards, policies and procedures.
- Policies and procedures regarding enforcement of disciplinary action against employees and contractors who violate the Corporate Compliance Plan and policies regarding non-employment or retention of excluded individuals or entities.
- Policies and procedures with respect to investigations of identified systemic problems including responses to detected offenses.

Maintaining compliance and reporting non-compliance is an essential part of all Allion employees' job functions and the duties of all Allion Directors. Compliance and reporting non-compliance are non-delegable duties. Any and all questions regarding the Corporate Compliance Plan, its meaning, or its applicability are to be directed promptly to the Compliance Officer or his or her designee.

Allion's Corporate Compliance Plan contains detailed descriptions of many of the laws governing pharmacy operations. These descriptions, however, will not dispense with the need of each Allion employee and Director to familiarize himself or herself with the applicable laws and Allion protocols impacting upon his or her job or duties.

A. Basic Rules of Conduct

Each employee must conduct Allion's business with honesty and integrity and in a professional manner that protects Allion's good public image and reputation.

Each employee must build relationships with customers, vendors and fellow employees based on trust and must treat every individual with respect and dignity in the conduct of Allion business.

Each employee must become familiar with and comply with applicable legal requirements and with Allion policy and procedures.

Each employee must avoid any activities that could involve or lead to involvement in any unlawful practice or any harm to Allion's reputation or image.

Each employee must avoid actual or potential conflicts of interest with Allion, or the appearance thereof, in all transactions.

Each employee must provide accurate information in records submitted, safeguard Allion's confidential business information, safeguard the protected health information of Allion's customers, and respect the confidential information of other parties with whom Allion does business and competes.

Each employee must promptly report to Allion any violations of law or ethical principles or Allion policies that come to the employee's attention, and cooperate fully in any audit, inquiry, review or investigation by Allion.

B. Reporting of Possible Legal or Ethical Violations

We recognize that, ultimately, our ability to achieve uniform compliance depends upon our ability to recognize potential problems, our individual decisions to avoid those problems, and our collective effort to identify and remedy existing problems. Our compliance, therefore, depends not only upon a choice to "follow the rules," but also our obligation to Allion, and to each other, to assist fellow employees, vendors, consultants and others who serve Allion in any capacity to comply with the laws, and to bring all issues of potential concern to the attention of the Allion Compliance Officer or a member of the Compliance Committee (see "Discharging Your Obligations," below). In return, you have our commitment that the issues you raise will be promptly and properly reviewed, and that appropriate corrective action will be taken. Importantly from your personal perspective, you will not in any way be subjected to any adverse consequences for making such good faith reports; to the contrary, we view a failure to bring appropriate concerns to our attention to be a serious breach of your obligations to Allion and to the Allion community.

In short, we commend and will support strongly those who make the proper choices here at Allion, and will hold accountable those persons who make incorrect or improper ones, or those who turn a blind eye toward improper conduct. Through our collective efforts we are confident that we can, and will, enhance our existing reputation for excellence in all facets of the pharmacy field, will improve our working environment, and will better serve our customers and our community.

1. Discharging Your Obligations

We recognize that there may be instances where you come across, or learn of, practices at Allion which may be of concern to you. While there are numerous different ways in which you can seek to address those concerns, we recognize that the initial choice you make in that regard will likely depend upon your relationship with the particular employees, vendors or consultants involved in the conduct at issue, upon the relationship you (or those employees) have with your supervisors, or upon your familiarity with the substantive area in which the concerns arise. For

instance, you may elect to inquire directly about the questionable conduct with the relevant employees, vendors or consultants, or you may choose to bring the situation to your supervisor's attention. However, we wish to assure you that the Allion Compliance Officer and Committee exists to help you when you are unable, for any reason, to assure yourself that the conduct in question is in fact appropriate, or if you believe that the problem has not been effectively remedied. In those instances, we fully expect that you will bring the issue promptly to the Allion Compliance Officer or a member of the Compliance Committee. The Compliance Officer and Compliance Committee is comprised of senior Allion employees and officers who, together with Allion's counsel, are committed to ensuring full compliance with all existing laws, rules, regulations, protocols and policies governing Allion.

2. The Process

All Allion employees and affiliated parties are strongly encouraged to bring any and all concerns to the attention of the Compliance Officer, either directly and immediately upon learning of the potential problem, or upon determining through their dealings with their co-employees or supervisors that their concerns have not been satisfactorily and completely addressed. An employee need not be absolutely certain that a violation has occurred before making a report; reasonable belief that a violation may have occurred is sufficient. Reporting enables Allion to investigate potential problems quickly and to take prompt action to deal with them. These reports may be made in person, in writing or over the telephone, at the addresses and numbers designated in **Attachment 1**. Please refer to **Attachment 2** for a sample of the *Reporting Fraud and Abuse* form. Correspondence and any written communications, relating to these issues, or to the Code, should be marked "CONFIDENTIAL." Since a response to the reporting individual by the Committee is anticipated in virtually all instances, the reporting employee should provide his or her name and work location when the report is made.

All reports and communications received will be deemed to be confidential and privileged. No employee will be disciplined because he or she made a report in good faith. Upon receipt, the communication will be reviewed, and appropriate investigatory steps will be decided. The cooperation of the reporting employee or individual may be sought during any investigation that may take place, and such cooperation will be positively noted as part of the employee's personnel review. Upon conclusion of the investigation, the Committee and Allion counsel, with appropriate input from any other appropriate individuals, will determine the necessary follow-up action to be taken, and will determine which individuals will have responsibility for such action.

All issues brought to the Compliance Officer and/or Committee will be considered promptly and dealt with appropriately; the charge of our Compliance Committee, directly from our Board of Directors, is to ensure, to the maximum extent possible, that we are at all times in compliance with all existing laws, rules, regulations, protocols and policies. It is, of course, grounds for disciplinary action, including termination, to act in violation of existing external or internal legal or ethical provisions, or to knowingly or negligently condone such behavior from others. Allion recognizes that the Committee's work, although vital and necessary to our collective well being, may be perceived by some as threatening or disquieting. We wish to dispel any such concerns, and as a result, the Committee is dedicated to ensuring that all inquiries are handled efficiently, effectively and fairly. We further believe that any

dissatisfaction with the Committee's actions or determinations also must be effectively and properly addressed, and may be brought directly to the Board of Directors.

Questions with regard to the procedures outlined above, or particular issues as they relate to Allion's Code of Conduct, may be directed (orally or in writing) to any Compliance Committee member, who will promptly provide an appropriate response. Again, all such communications will be deemed privileged and confidential to the extent possible, and all writings in this regard should be designated as "CONFIDENTIAL," although the failure to so designate them in that manner will not affect their confidential status.

II. CODE OF CONDUCT

The Code of Conduct, set forth below, is the heart of our Compliance Plan. It summarizes the conduct we expect from all our employees and affiliates, and addresses in broad terms certain key areas where the potential for concerns may be particularly significant. The Code of Conduct is intended to deter wrongdoing and promote honest and ethical conduct, compliance with laws and accountability. This Code is not intended to, nor will it, serve as a substitute for a thorough understanding of your job function or your obligations in your areas of responsibility. It will not dispense with the need to familiarize yourself with the applicable laws and institutional protocols impacting upon your job and upon Allion. It will not constitute an excuse to avoid training or in-service presentations in your area. However, it can, and should, provide useful guidance, sensitize you to potential problems you may encounter, and help you to avoid particular pitfalls.

A. Conduct Generally Expected of Allion Employees and Affiliates

As a general rule, Allion expects its employees and its affiliated individuals and entities to follow not only the letter, but also the spirit and the intent of all applicable laws, rules and regulations. We expect that all internal policies and protocols will be honored, and that our people will avoid not only improper conduct, but also the appearance of impropriety. We expect that our employees will be leaders in this area, and equal or exceed the efforts of their counterparts at other pharmacies. We also believe that we must deal fairly and honestly with others, and we must treat our customers, our co-workers, our vendors and our consultants as we would expect to be treated. We must respect the dignity of all persons, and demand that others in our midst also demonstrate that level of respect toward others.

Certain behavior is not acceptable in such an environment. It includes the following:

- We will not tolerate those who do not obey the applicable laws, rules, regulations, policies or protocols, including preparing and submitting accurate claims for payment consistent with such requirements.
- We will not tolerate those who do not comply with the licensing laws of all of the states in which Allion operates.
- We will not condone those who act in such a manner as to potentially bring discredit to Allion or cause injury to its reputation.
- We will not accept the absence of candor, honesty or fair dealing in our relationships with others.
- We will not permit behavior that improperly discriminates against

others, or that diminishes the dignity of others.

- We will not promote conduct in which we cannot, or would not, take pride.
- We will not foster an environment in which the above behavior is tolerated, encouraged, supported or is not effectively addressed and eradicated.
- We will not allow our employees to conduct business and personal activities in a manner that conflicts with Allion's interests.
- We will not tolerate any of our employees accepting any payment that constitutes a bribe, kickback or other illegal payment.
- We will not allow our employees to fail to maintain the confidentiality of customer information.
- We will not allow our employees to ignore, condone, promote or fail to report the above behavior if evident in others.

B. Key Areas

In virtually all of its activities, Allion is subject to numerous federal, state and local laws, together with various internal policies and protocols. While these provisions affect virtually all aspects of Allion's operations, and while the following is not intended to be an exhaustive recitation of all areas in which compliance issues can or will arise, we have attempted to summarize below, for ease of reference, the general obligations arising in key areas of our operations.

Compliance with the provisions in each of these areas is of critical importance, not only for Allion but also for our employees and affiliated parties. Individuals found in violation of applicable law not only will be subject to employment-related sanctions such as suspension or termination, but they also can be exposed to civil money damages, to licensure revocations and, for certain violations (such as antitrust, environmental, fraud and abuse and immigration), to potential criminal sanctions, including imprisonment. Accordingly, the stakes are very high, and Allion cannot, and will not, tolerate or countenance excuses for noncompliance.

The key areas discussed below are:

1. Pharmaceuticals and Controlled Substances
2. Health Care Fraud and Abuse
 - a. Federal Anti-kickback Law
 - b. False Claims
 - c. State Anti-kickback Laws

- d. Deficit Reduction Act of 2005
- 3. Customer Confidentiality
- 4. Billing
- 5. Record Retention
- 6. Discrimination and Employment
- 7. Relationships with Government Authorities and Government Investigations
- 8. Conflicts of Interest
 - a. Accepting Gifts and Entertainment
 - b. Giving Gifts
 - c. Use of Allion Property and Information
 - d. Loans
- 9. Antitrust and Unfair Competition
- 10. Political Involvement
- 11. Environmental Matters
- 12. Investigations
- 13. OSHA
- 14. Books and Records
- 15. Wage and Hour Issues
- 16. Securities Laws
- 17. Immigration
- 18. Corporate Opportunity
- 19. Related Party Transactions
- 20. Inside Information and Securities Trading
- 21. Harassment
- 22. Fair Dealing
- 23. Fraud
- 24. Protection and Proper Use of Allion Assets
- 25. Accuracy of Records
- 26. Improper Influence on Conduct of Audits
- 27. Accounting Complaints
- 28. Medicare Part D Prescription Drug Benefit

The following discussion may not address particular circumstances or issues that arise in a given context, or address specific questions you may have. In such instances, should you have any uncertainty or doubt whatsoever as to the propriety of any particular action, you should seek guidance from the Compliance Officer, or from a member of the Compliance Committee. The time to seek that guidance, moreover, is before the questionable action is taken, or as soon as the questions arise, so that any potential problems can be avoided before they occur, or so that remedial measures may be implemented as early as possible.

1. Pharmaceuticals and Controlled Substances

Many of Allion's employees have responsibility for or access to prescription drugs, controlled substances and other regulated pharmaceuticals. Allion is required to follow scrupulously specific requirements in connection with the handling, distribution and administration of controlled substances, such as drugs, medications and pharmaceuticals. Laws applicable to prescription drugs and controlled substances include prohibitions against

distribution of these substances to an unauthorized individual or entity. Such distributions are strictly prohibited by federal and state laws, and frequently will constitute felonious criminal activity for which imprisonment is mandated. Needless to say violations of Allion policy in this area also can lead to termination, and to potentially adverse licensure actions.

All Allion personnel involved in the handling and distribution of prescription drugs or controlled substances must therefore strictly adhere to all applicable laws, regulations and policies. Care also should be taken, at all times to safeguard the supply of controlled substances, and employees will be expected to discharge their obligations carefully in this regard. If you become aware of any potential violation of law or of Allion policy relating to drugs or are concerned about anything related to the distribution of pharmaceuticals or controlled substances by anyone at your pharmacy, you should immediately contact Allion counsel or advise the Compliance Officer or a member of the Compliance Committee.

2. Health Care Fraud and Abuse

No funds or assets of Allion will be paid, loaned or otherwise disbursed as bribes, kickbacks or other payments designed to influence or compromise the conduct of the recipient; and no employee of Allion may accept any funds or other assets (including those provided as preferential treatment to the employee for fulfilling their responsibilities), for assisting in obtaining business or for securing special concessions from Allion.

Allion employees should conduct their business affairs in such a manner that Allion's reputation will not be impugned if the details of their dealings should become a matter of public discussion.

Employees must not engage in any activity, which degrades the reputation or integrity of Allion.

To illustrate the strict ethical standard Allion expects every employee to maintain, the following conduct is expressly prohibited:

- a. Payment or receipt of money, gifts, loans or other favors of more than nominal value which may tend to influence business decisions or compromise independent judgment;
- b. Payment or receipt of kickbacks for obtaining business for or from Allion;
- c. Payment of bribes to government officials to obtain favorable rulings; and,
- d. Any other activity that would similarly degrade the reputation or integrity of Allion.

Any employee found to be receiving, accepting or condoning a bribe, kickback, or other unlawful payment, or attempting to initiate such activities, will be subject to termination and possible criminal proceedings. Any employee found to be attempting fraud or engaging in fraud

will be liable to termination and possible criminal proceedings. All employees have a responsibility to report any actual or attempted bribery, kickback, fraud, waste or abuse to Allion. Refer also to *Policies and Procedures for Detecting and Preventing Fraud, Waste and Abuse* which can be found in the Employee Handbook and/or are available from the Compliance Officer.

Employees must understand the laws and codes that apply to our healthcare business, the most important of which are (a) the Federal Anti-kickback Law; (b) the False Claims Act; (c) State Anti-kickback laws, and (d) the Deficit Reduction Act of 2005.

a. Federal Anti-kickback Law

The federal Anti-kickback Law, makes it a crime punishable by monetary fines and/or imprisonment, to offer, pay, solicit or receive a payment of any kind (*i.e.*, cash, services, gifts, entertainment, favors, etc.) to anyone to induce customer referrals or in return for customer referrals. These laws have been construed very broadly, and cover many ordinary business activities that are common practice in the non-healthcare arena. Examples of practices that could be covered by the Anti-kickback Law include (i) routinely waiving customer deductibles or co-payments, (ii) offering or furnishing physicians or other providers with free goods or services, (iii) offering goods or services at below market value for the purpose of inducing customer referrals, and (iv) making cross-referrals to providers who refer customers to Allion.

The purpose of the Anti-kickback Law is to protect federal healthcare programs and their customers from improper influence on healthcare decisions. A healthcare provider's decision about a choice of treatment or product for his or her customer must not be corrupted by motives of personal gain or enrichment. Although not all healthcare providers are participants in governmental programs, Allion treats all healthcare customers as if they were subject to the Anti-kickback Law. Allion employees and independent contractors should be familiar with the categories of activities prohibited by these laws. Additionally, the provision of gifts, including free services, to customers is a suspect activity to be avoided.

Allion and Allion employees may not offer free or below fair market value items or services that constitute a payment, or otherwise serve as an inducement to obtain customer referrals or to induce the purchase or recommendation to purchase any healthcare service. In addition, Allion has developed Marketing Guidelines with which employees should become familiar.

Allion will ensure that appropriate business arrangements fall are permissible under the Anti-kickback Law. Should the application of a policy be unclear, contact Allion counsel or the Compliance Officer for further assistance.

b. False Claims

Many of our customers are beneficiaries under the Medicaid and Medicare programs; in addition to these governmental payors, we have relationships with many different third-party payors. While each of these payors has established particular billing formats, protocols and practices with which all employees involved in the process must become familiar, there are

certain common issues that merit particular mention.

A federal law prohibits the submission of a false claim for payment by any governmental entity, including Medicare and Medicaid. False claims are not only claims for payment which the payee knows are unwarranted, but also those the payee submits with reckless disregard for their accuracy, or “deliberate ignorance” of the applicable guidelines. If established, false claims can result in damages of three times the amount of the actual claim, plus civil penalties of up to \$10,000 per claim and the costs of the government’s lawyers in bringing suit. Obviously, therefore, Allion is committed to ensuring that all claims for payment are proper, that they accurately reflect the services necessarily delivered, and that they comply with existing billing and coding bulletins, advisories and guidelines. If you are uncertain as to a particular charge or billing practice, or if you believe the documentation supporting a bill may be inadequate, you should contact your supervisor for guidance, or contact the Compliance Officer immediately. If you seek guidance and you remain concerned about any aspect of the billing, you should bring that concern directly to the Compliance Officer.

While the False Claims Act applies only to Medicare and Medicaid billing, it is Allion’s intention to comply with all payor requirements, across-the board. Where the requirements themselves are unclear, as they occasionally are, you or your supervisor may seek guidance from the payor directly. In order to help establish the advice you were given, you should carefully document that advice, including the name of the payor representative, and the time, date and place of the communication. You should then forward copies of that advice, together with any relevant correspondence, to your supervisor for review, and to the Compliance Officer.

Given the number of customers serviced by Allion, and the occasional ambiguous, complex or conflicting rules, there may well be times when you discover an error in a previously submitted bill. You should immediately report that error to your supervisor, so that it may be rectified. If you feel you are unable to make such a report to your supervisor, for any reason, or if appropriate corrective action is in your judgment not taken, you should contact the Compliance Officer immediately.

Allion employees may not offer a “discount” on an existing fee schedule or offer any special price arrangements to an individual or entity that purchases Allion’s products or who refers customers to Allion, without the express authorization of the Compliance Officer.

c. State Anti-kickback Laws

In addition to applicable federal laws and regulations, certain states have special laws that apply to kickbacks. These laws also proscribe certain marketing practices. It is important to be aware of, and act in accordance with, applicable state laws. In addition, employees should comply with Allion’s *Marketing Guidelines*. Any questions regarding your state laws should be directed to Allion counsel or the Compliance Officer.

d. Deficit Reduction Act of 2005

Under the Deficit Reduction Act of 2005, Allion is required to establish written policies for all employees with detailed information about the federal False Claims Act, administrative

remedies for false statements under federal law, applicable state laws establishing civil or criminal penalties, the existence of whistleblower protections, and the role of federal and state laws in preventing and detecting fraud, waste and abuse. Please refer to the to *Policies and Procedures for Detecting and Preventing Fraud, Waste and Abuse* which details Allion's policies and procedures for detecting and preventing fraud, waste and abuse as well as a discussion of the applicable laws, rights of employees to be protected as whistleblowers. All employees are expected to comply with Allion's *Policies and Procedures for Detecting and Preventing Fraud, Waste and Abuse*. The *Policies and Procedures for Detecting and Preventing Fraud, Waste and Abuse* can be found in the Employee Handbook and/or are available from the Compliance Officer

3. Customer Confidentiality

Allion recognizes the paramount importance of confidentiality in the provision of health care, and it is Allion's policy to keep all information and records pertaining to a customer's treatment confidential in accordance with applicable federal and state laws and regulations, including laws and regulations relating to the confidentiality of HIV information. All personnel with access to confidential customer information and records are required to strictly adhere to Allion's policies in this regard. If you become aware of unauthorized or inappropriate disclosure by Allion personnel of confidential information or documents, you should contact your supervisor or the Compliance Officer immediately. Allion has adopted a HIPAA Compliance Program to which all workforce is bound which covers the confidentiality of our customer's health information.

4. Billing

Billing is the way Allion submits charges for the services and/or items we have provided. Allion's billing practices and Allion employees must comply with all laws governing federal and state funded healthcare programs as well as with the requirements of third-party payors. All employees should be familiar with and follow Allion's written billing policies and procedures. All employees should be careful to properly charge and bill for services and/or items provided. Billing for services or items not provided can be considered a "false claim" and could result in financial penalties. (Refer to Section 2.b. of the Code of Conduct.) Employees should never charge or bill solely to be paid if the service or item was not provided or documented.

Allion employees will be committed to timely, complete and accurate billing and only bill for services or items that were actually provided. Allion employees will correct any inaccuracies in billing in a timely manner and alert the payor and submit refunds as required by applicable laws and policies.

It is a violation of the Code to:

- Bill for services or items not provided, such as refill prescriptions not provided;
- Alter forms to obtain a higher payment amount;
- Engage in a pattern of duplicate billing to obtain reimbursement to which Allion is not entitled;

- Offer, pay, solicit or receive any kickback, bribe or rebate;
- Misrepresent services or items rendered, amounts charged for services or items rendered, identity of the person receiving or providing the services or items, dates of services, or frequency, duration, or description of the services or items;
- Bill for non-covered services or items as covered services or items;
- Routinely waive customer copayments or deductibles;
- Request or obtain additional payments for covered services or items;
- Intentionally submit incorrect, misleading or fraudulent information to any payor;
- Intentionally falsify, destroy or withhold records relating to the billing and claims submission function; and
- Fail to maintain customer confidentiality in accordance with applicable federal and state laws as part of the billing and claims submission process.

Allion encourages employees to report concerns or questions regarding billing practices to either their supervisor or the Compliance Officer.

5. Document Retention

The space available for the storage of Allion documents, both on paper and electronic, is limited and expensive. Therefore, periodic discarding of documents is necessary. On the other hand, there are legal requirements that certain records be retained for specific periods of time. Before disposing of documents, employees should consult with their supervisor, so that Allion's record retention policy is followed carefully.

Whenever it becomes apparent that documents of any type will be required in connection with a lawsuit or government investigation, all possibly relevant documents should be preserved, and ordinary disposal or alteration of documents pertaining to the subjects of the litigation or investigation should be immediately suspended. If an employee is uncertain whether documents under his or her control should be preserved because they might relate to a lawsuit or investigation, he or she should contact the Compliance Officer.

6. Discrimination and Employment Issues

Allion, consistent with its mission, is committed to equal opportunity and to the respect for human dignity. Unequal treatment or discrimination based upon gender, color, national origin, age, religious affiliation or belief, disability, sexual orientation or other non-performance or ability related ground is inconsistent with that mission, and unacceptable. We will hire, promote and retain individuals based upon their ability to meet bona fide occupational qualifications, and to effectively and efficiently discharge the obligations of their job. Similarly, we do not condone, and will not tolerate, conduct which demeans or undermines our customers and our employees, or which creates or encourages a hostile or oppressive working environment.

Allion has developed and maintains various employment-related policies which are available through the particular pharmacies. We expect that all employees will be familiar with, and will adhere to, these policies. Questions or concerns should be directed to the Compliance Officer.

7. Relationships with Government Authorities and Government Investigations

Some employees do business with federal, state or local government agencies. All employees engaged in business with a governmental body or agency must know and abide by the specific rules and regulations covering relations with governmental agencies. Such employees also must conduct themselves in a manner that avoids any dealings that might be perceived as attempts to influence governmental officials in the performance of their duties.

It is Allion's policy to comply fully with the law and cooperate with any reasonable demand made in a government investigation. In so doing, however, it is essential that the legal rights of Allion and of its personnel involved be protected. If any employee receives an inquiry, a subpoena, or other legal document regarding Allion business, which is not of a routine nature, whether at home or in the workplace, from any government agency, the employee should notify his or her supervisor and the Compliance Officer immediately. If an individual is contacted at home by a government agency concerning Allion business, the individual should ask the agent to come back later and immediately should contact the Compliance Officer to discuss the matter. Allion counsel may be contacted for assistance and advice in responding to the inquiry.

Allion employees should understand that, except under certain limited exceptions, they are under no obligation to submit to an interview with any government investigators. If an employee is contacted, the employee should ask the identity of the agents and inspect their credentials. The employee also should ask the agents what their purpose is in requesting the interview and what is the employee's personal status in the investigation (for example, whether the employee is a witness, a suspect or a target of the investigation).

If an employee decides to submit to an interview, the employee has the right to demand that the interview take place during normal business hours at Allion's premises or at another location, and that either Allion counsel or the employee's personal legal counsel be present during the interview. To facilitate any request for legal assistance, and to make available information that may assist employees in deciding whether or not to submit to an interview, upon contact by an investigator, the employee should immediately notify the Compliance Officer. Allion policy is to fully cooperate with federal audits and investigations, but only after Allion understands the legal implications of any cooperation on itself and its employees.

Employees may not give or show to the investigators any Allion documents without the express permission of Allion.

Destruction of evidence in a governmental investigation is a serious crime. Any hint of destruction of evidence leads the government to take quicker and more serious steps. No Director or employee is to destroy Allion records except in accordance with Allion's record retention and destruction policy.

8. Conflicts of Interest

We believe strongly that all Allion officers, Directors and employees owe a duty of loyalty to Allion, and therefore should avoid any actual or apparent conflicts of interest. While

conflicts can arise in many different contexts, in general we expect that all officers, Directors and employees will put the interests of Allion ahead of their personal concerns, and will not seek to benefit themselves at the expense of, or as a result of, their affiliation with Allion. In addition, it is almost always a conflict of interest for an employee or officer to work simultaneously for a competitor, customer or supplier. Directors and officers must disclose to the Allion's Audit Committee any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest. Some of the more sensitive areas of conflicts of interest and Allion's related guidelines are as follows:

a. Accepting Gifts and Entertainment

Allion's aim is to deter givers of gifts from seeking or receiving special favors from Allion employees. Accepting any gift of more than nominal value or entertainment that is more than a routine social amenity can appear to be an attempt to improperly influence the recipient into favoring a particular customer, vendor, consultant or the like. You should avoid the reality and the appearance of improper relations with current or prospective customers, vendors and consultants.

b. Giving Gifts

You should be aware that the giving of gifts by Allion personnel may raise questions about relationships with our vendors, governmental officials or others who interact with Allion. We must always refrain from activities that could possibly be construed as an attempt to improperly influence these relationships. You should not offer a gift in circumstances where it could appear that the purpose of the gift is to improperly influence the Allion's relationship with a vendor, regulator or other person or entity.

It is Allion's policy to reimburse its employees and agents for all reasonable expenses, including meals, entertainment and travel, that are appropriately incurred while conducting Allion business. Rarely, therefore, will justification exist for you to permit someone else to pay for such items. We are confident that if you follow Allion policy and exercise reasonable judgment and common sense, with respect to gifts and gratuities, you will avoid situations that might bring you or Allion's integrity into question. If you have any questions in connection with the receipt or offer of gifts or entertainment, you should consult the applicable Allion policy, or bring the matter to the Compliance Officer for review.

c. Use of Allion Property and Information

All employees are responsible for the proper use of Allion's physical resources and property, as well as its proprietary and other confidential information. Reasonable incidental use of an Allion telephone, computer or other equipment is permitted.

i. Allion Proprietary and Other Confidential Information

One of Allion's most valuable assets is its body of confidential information. As an employee of the Allion, you are responsible and accountable for the integrity and protection of Allion's business information that is used by you in connection with your job duties. For

example, you must not make inappropriate or unauthorized modifications of information or destroy or disclose information except as authorized. Additionally, no employee or former employee may, without the written consent of Allion, use for their own benefit or disclose to others any confidential information obtained during the course of employment.

Documents containing sensitive data, including information concerning customers, must not be left in public view, or in an unsecured location. You also must pay particular attention to the manner in which you enter, secure and store computer data; given the widespread use of computers at the Allion, the potential for a breach of security exists, and must be taken into account, at all times. If you observe individuals whom you do not recognize using computers, immediately report this to your supervisor or to Allion security.

d. Loans

Loans to, or guarantees of obligations of, employees, officers and Directors and their respective family members may create conflicts of interest. Federal law prohibits loans to Directors and executive officers.

9. Antitrust and Unfair Competition

The antitrust laws are a series of state and federal laws designed to promote competition, to prevent unreasonable restraint of trade and to limit the ability of a company, in particular circumstances, to dominate a particular market. While occasionally intricate in their application, as a general rule, antitrust considerations prohibit us from agreeing with competitive businesses to allocate customers or services, to restrict or limit operations in defined specialties or geographic areas, or to take steps that would create an unlawful monopoly in a particular market or for a particular service.

All antitrust concerns should be brought, immediately, to the Compliance Officer for review by Allion counsel. Violations of these laws can result in criminal as well as civil liability, and blatant violations have led to imprisonment of individuals and to steep fines.

The greatest risk for us, on a day-to-day basis, comes from interactions with our competitors. You therefore should refrain from discussing Allion business, particularly including customer information, cost and pricing information, expansion and development plans, anticipated acquisitions or divestitures, or similar matters which could be used improperly, or which could support the contention that you may have conspired to agree upon pricing, customer allocations, markets or the like. You should also actively avoid any attempts by competitors to discuss these topics with you, and if unable to do so, you should leave any meeting where such discussions are taking place, and report the contact immediately to the Compliance Officer.

10. Political Involvement

Employees are free to exercise their right to make political contributions within legal limits, unless such a contribution is otherwise prohibited by policies of Allion. Allion will not reimburse any employee for political contributions, and employees should not attempt to receive or facilitate such reimbursements. Generally, no contribution may be made with the expectation

of favorable government treatment in return. In any event, all contributions, by whomever made, are subject to a series of complex and sometimes inconsistent rules governing, among other things, the amount of, and manner in which, contributions may be made. Any questions about compliance on this issue in the business setting should be directed to the Compliance Officer.

Federal and state laws limit the nature and extent to which Allion as an entity may participate in the political process. Our employees may participate in the political process if they desire to do so. Such participation, to the extent it includes campaigning or soliciting political support or contributions, must take place off Allion grounds, unless specifically authorized. Allion's assets also cannot be used to support political activity or political candidates. Unless authorized, you should not use your affiliation with Allion in such a way as to suggest or imply that Allion, as opposed to you personally, supports a particular candidate, party or issue.

As a concerned and interested member of the community, Allion may advocate particular positions or support particular legislative initiatives. Senior management and the Board develop Allion's policy in this area, and they further determine how it will be implemented. You should bring any questions or concerns in this regard to the Compliance Officer.

11. Environmental Matters

As a conscientious member of the community, Allion recognizes its responsibility to strictly adhere to the laws and regulations governing the generation and disposal of hazardous materials. The laws in this area mandate that Allion obtain and comply with all necessary permits for discharges of particular substances, contract with and adequately document deliveries of such substances to responsible and licensed transporters, and guard against the inadvertent discharge of pollutants into the environment. Suspected leaks or spills of hazardous matter should be reported immediately pursuant to applicable Allion policy, and appropriate care should be taken in the handling, storage and disposal of any hazardous material. Suspected violations of any Allion policy in this area should be reported to the Compliance Officer immediately.

12. Investigations

Various federal, state and local officials may have occasion to conduct investigations of Allion, its employees, its vendors, its consultants or its customers. While Allion wishes to encourage cooperation with these officials when performing their investigations, we need to do so in an orderly manner, and in a way that does not violate the privileged and confidential relationship we have with our customers or with others.

Accordingly, upon receipt of any subpoena, civil investigative demand, summons or letter request for information or documents, we expect that you will contact your supervisor immediately, who will then forward the relevant subpoena or request to Allion counsel for review. Similarly, if contacted by any representative of any regulatory or law enforcement agency in connection with a pending investigation, or with regard to questions about a particular customer, hospital practice or employee (excepting routine contact with such individuals in connection with your job function), you should refer the inquiries to your supervisor.

You are not, with certain limited exceptions, obligated to speak with law enforcement

officials, even if they are insistent that you do so, and you may always seek the assistance of Allion counsel in order to determine whether you must respond to any particular inquiry. Similarly, customer information is confidential, and must never be released absent consent, or absent the approval of Allion counsel. There are certain state and federal laws, moreover, that afford even greater protection to information regarding particular customers (e.g., alcohol and drug customers, certain psychiatric customers, HIV-positive customers). Even in those limited instances where regulatory agencies, by statute, are authorized to review customer records and other information absent consent or legal compulsion, you still should contact your supervisor who will need to consult with Allion counsel for guidance before releasing such information. In that way, Allion can be certain that the request for information is appropriate, and that our response is complete and satisfactory.

You are never permitted, under any circumstance, to lie to or intentionally mislead an investigator, nor may you destroy or delete documents or information that is the subject of a pending investigation. Such behavior will almost certainly result in termination from Allion, and can result in criminal sanctions, including imprisonment.

13. OSHA

In our various customer encounters, we occasionally come into contact with potentially harmful substances. Allion expects that our employees will, at all times, adhere to the various precautionary measures instituted to help assure their safety, and will avail themselves of appropriate safety equipment, or request such equipment if it is not otherwise readily available. Allion and its environs are subject to numerous federal and state statutes and regulations related to workplace safety, and we further expect compliance with all relevant provisions in this area. Should you suspect there may not be compliance, you should contact your supervisor; should your supervisor be unable or unwilling to address the issue you raise, you should immediately bring those circumstances to the attention of the Compliance Officer.

14. Books and Records

Allion has adopted business systems and controls in accordance with internal needs and the requirements of applicable laws and regulations. These established accounting practices and procedures must be followed to assure the complete and accurate recording of all transactions. All employees, within their areas of responsibility, are expected to adhere to these procedures, as directed by appropriate Allion officers.

If an employee becomes aware of any improper transaction or accounting practice concerning the resources of Allion, he or she should report the matter immediately to his or her supervisor, or to the Compliance Officer. Employees also may file a confidential, anonymous complaint with the Compliance Officer if they have information regarding questionable accounting or auditing matters. There will be no retaliation against employees who disclose questionable accounting or auditing matters in good faith.

15. Wage and Hour Issues

As an employer, Allion is required to comply with all applicable wage and hour laws, and other laws governing the employment relationship. You are entitled to receive fair and equitable wages and benefits in connection with your services to Allion, and you may receive overtime pursuant to applicable Allion policies or collective bargaining agreements. You should report any suspected violation of the wage and hour laws, or other related provisions, to your supervisor or to the Compliance Officer; you should not be subject to retaliation or adverse employment action for making such a report. You are encouraged to bring any concerns or dissatisfaction in this regard to the Compliance Officer.

16. Securities Laws

Allion is a publicly traded company and thus employees may not trade in (or even recommend) Allion stock based on inside information. “Insider trading” is the purchase or sale of a publicly traded security while in possession of important or material non-public information about the issuer of the security. Such information includes, for example, non-public information on Allion earnings, significant gains or losses of business, or the hiring, firing or resignation of a Director or officer of Allion. Insider trading, as well as “tipping,” which is communicating such information to anyone who might use it to purchase or sell securities, are prohibited by the securities laws. When in doubt, information obtained as an employee of Allion should be presumed to be important or material and not public.

Officers and Directors of Allion are also prohibited from trading in Allion stock during any period in which participants in Allion’s Employee Share Purchase Plan (if any) cannot engage in a similar type of transaction.

Employees who have questions pertaining to the sale or purchase of a security under circumstances that might involve confidential information or securities laws should consult with Allion counsel.

17. Immigration

Allion is not permitted to employ anyone who is not a United States citizen, unless that person has an appropriate visa or other documentation which allows him or her to legally work at Allion. If Allion violates federal immigration laws, it could be subject to significant civil or criminal liability. It is the policy of Allion to fully comply with the immigration laws and, therefore, no person will be hired without presenting documentation of their citizenship or immigration status to assure that Allion may legally employ them. Any concerns regarding immigration issues should be brought to the attention of the Compliance Officer.

18. Corporate Opportunity

Except as may be approved by the Board or a committee of independent directors, employees, officers and directors are prohibited from (a) taking for themselves personally opportunities that belong to Allion or are discovered through the use of corporate property,

information or position; (b) using Allion property, information or position for personal gain; and (c) competing with Allion.

19. Related Party Transactions

Allion is required to disclose material related party transactions that affect Allion's financial statements. Any employee, officer or Director who believes there is a transaction which may be with a related party, as defined below, should contact the Chief Financial Officer or the Compliance Officer.

By definition, related party transactions occur when one party to a transaction has the ability to impose contract terms that would not have occurred if the parties had been unrelated. Related parties for our purposes consist of all affiliates of Allion, including (1) management and their immediate families; (2) its principal owners (shareholders) and their immediate families; (3) members of the Board of Directors and their immediate families; and (4) any party that may, or does, deal with the Allion and has ownership, control, or significant influence over the management or operating policies of another party to the extent that an arm's length transaction might not be achieved.

20. Inside Information and Securities Trading

Allion's directors, officers or employees who have access to material, non-public information are not permitted to use that information for stock trading purposes or for any purpose unrelated to the Allion's business. It is also against the law to trade or to "tip" others who might make an investment decision based on inside company information. For example, using non-public information to buy or sell Allion stock, options in Allion stock or the stock of an Allion supplier, customer or competitor is prohibited (See Allion's Insider Trading Policy for more specific information on the Allion's policies.) The consequences of insider trading violations can be severe. These rules also apply to the use of material, nonpublic information about other companies (including, for example, our customers, competitors and potential business partners). In addition to employees, these rules apply to an employee's spouse, children, parents and siblings, as well as any other family members living in the employee's home.

21. Harassment

Abusive, harassing or offensive conduct is unacceptable, whether verbal, physical or visual. This includes any demeaning, insulting, embarrassing or intimidating behavior directed at any employee related to race, color, sex, national origin, age, religious creed, physical or mental disability, marital status, pregnancy, sexual orientation, veteran status, citizenship or another characteristic protected by law. Unwelcome sexual advances or physical contact, sexually oriented gestures and statements, and the display or circulation of sexually oriented pictures, cartoons, jokes or other material are specifically banned. This Code of Conduct prohibits retaliation against any employee who rejects, protests, or complains about sexual harassment.

22. Fair Dealing

Each employee, officer and director should endeavor to deal fairly with Allion's customers, suppliers, competitors, officers and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. Stealing proprietary information, misusing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Officers and employees must disclose at the commencement of their employment the existence of any employment agreement, non-compete or non-solicitation agreement, confidentiality agreement or similar agreement with a former employer that in any way restricts or prohibits the performance of any duties or responsibilities of their positions with Allion. Copies of such agreements should be provided to Allion to permit evaluation of the agreement in light of the employee's position. In no event shall an employee use any trade secrets, proprietary information or other similar property, acquired in the course of his or her employment with another employer, in the performance of his or her duties for or on behalf of Allion.

23. Fraud

Allion is committed to the elimination of fraud, to the rigorous investigation of any suspected cases of fraud, and, where fraud or other criminal act is proven, to ensure that wrongdoers are appropriately sanctioned.

If an employee believes they have good reason to suspect a colleague or other person of a fraud or an offense involving Allion or a serious infringement of Allion's rules, such as:

- theft of Allion property;
- abuse of Allion property or abuse of a position or trust; or
- deception or falsification of records (e.g., fraudulent time or expense claims)

the employee should report such unethical actions to the Compliance Officer.

24. Protection and Proper Use of Allion Assets

All employees, officers and directors should protect Allion's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on Allion's profitability. All Allion assets should be used for legitimate business purposes. Directors, officers and employees are to use Allion assets according to all of Allion's policies and procedures, comply with security programs and copyrights or trademarks that prevent their unauthorized use or theft, and abide by all regulations or contractual agreements governing their use.

25. Accuracy of Records

Allion requires honest and accurate recording and reporting of information in order to make responsible business decisions. This includes such data as quality, safety, and personnel records, as well as all financial records.

All financial books, records and accounts must accurately reflect transactions and events, and conform both to required accounting principles and to Allion's system of internal controls. No false or artificial entries may be made, no undisclosed or unrecorded funds or assets may be maintained and no inaccurate or inflated work hours may be reported. When a payment is made, it can only be used for the purpose spelled out in the supporting document.

26. Improper Influence on Conduct of Audits

No director or officer, or any other person acting under the direction thereof, shall directly or indirectly take any action to coerce, manipulate, mislead or fraudulently influence any public or certified public accountant engaged in the performance of an audit or review of the financial statements of Allion if that person knows or should know that such action, if successful, could result in rendering Allion's financial statements materially misleading. Any person who believes such improper influence is being exerted should contact the Compliance Officer to report such action.

Types of conduct that could constitute improper influence include, but are not limited to, directly or indirectly:

- Offering or paying bribes or other financial incentives, including future employment or contracts for non-audit services;
- Providing an auditor with an inaccurate or misleading legal analysis;
- Threatening to cancel or canceling existing non-audit or audit engagements if the auditor objects to Allion's accounting;
- Seeking to have a partner removed from the audit engagement because the partner objects to Allion's accounting;
- Blackmailing; and
- Making physical threats.

27. Accounting Complaints

Allion's policy is to comply with all applicable financial reporting and accounting regulations applicable to Allion. Employees, officers or Directors who have concerns or complaints regarding questionable accounting or auditing practices are encouraged to promptly submit those concerns or complaints (anonymously, confidentially or otherwise) to the Audit Committee of the Board which will, subject to its duties arising under applicable laws, regulations and legal proceedings, treat such submissions confidentially. Such submissions may be directed to the attention of the Chairman of the Audit Committee, by contacting Michelle Masucci at Nixon Peabody, LLP at 516-832-7573.

28. Medicare Part D Prescription Drug Benefit

The Medicare Part D Prescription Drug Benefit is insurance that covers both brand-name and generic prescription drugs at participating pharmacies. Allion is a participating pharmacy

and thus may be providing prescription drugs to Medicare Part D beneficiaries.

All employees involved in Medicare Part D transactions are expected to comply with sub-regulatory guidance produced by the Centers for Medicare and Medicaid for Medicare Part D such as manuals, training materials and guides. Refer also to Allion's *Policies and Procedures for Detecting and Preventing Fraud, Waste and Abuse* which are set forth in the Employee Handbook and/or available from the Compliance Officer.

Allion shall provide or arrange for specialized training for pharmacists and employees involved in the administration of Medicare Part D transactions. Such training shall be provided upon initial hire, when the requirements change and at least annually. Examples of specialized training include marketing the prescription drug benefit to Medicare beneficiaries, managing or administering the exceptions and appeals process, calculating TrOOP, submitting Part D data, and conducting administrative activities necessary for the Part D benefit.

All records related to Medicare Part D transactions shall be maintained for ten (10) years.

Individuals involved in the administration of the Medicare Part D benefit shall be required to sign a statement, attestation or certification related to conflict of interest at the time of hire and annually thereafter. A sample of this certification is set forth in **Attachment 3**.

C. Conclusion

We hope that this Code provides useful and effective guidance to you. We are committed, at all levels, to ensuring that Allion complies with existing laws and ethical provisions, and we thank you for your cooperation and ongoing vigilance in this important effort.

III. ADMINISTRATION OF THE COMPLIANCE PLAN

A. Oversight Responsibilities

The Compliance Officer is responsible for the day-to-day management and administration of this Plan. In addition, Allion will designate certain Directors and/or employees to serve on the Corporate Compliance Committee. The Corporate Compliance Committee's charge is to assist the Compliance Officer in the administration of the Plan, including without limitation, the investigation of complaints, as requested by the Compliance Officer or the CEO.

It is essential that each Allion employee fully adhere to this Plan. If any Director or employee has any question regarding the applicability or meaning of any section of this Plan, he or she should address such question to the Compliance Officer, in writing, orally, or through the P.O. Box.

B. Employee Training

Allion recognizes the importance of communicating its Corporate Compliance Plan to all employees. It is the intent of Allion to require its employees to participate in training programs annually. Training may include lectures, workshops, case studies, videos, classes and other modalities. The Compliance Officer, in conjunction with other Allion employees and consultants, will be responsible for training. All employees must attend and successfully complete compliance training. All new hires must also be appropriately trained as part of the orientation program provided to new employees of Allion.

Training programs will be targeted to specific pharmacies and departments. Employees will receive training that is specific to their job responsibilities and to their obligations under this Plan. Examples of some of the topics to be addressed by Allion's training programs are as follows:

- Allion's Compliance Plan (including the Code of Conduct and Allion policies and procedures as they pertain to general compliance issues);
- Submission of accurate claims for services rendered to state and federal health care program beneficiaries;
- Personal obligation of each individual involved in billing process to ensure that billings are accurate;
- Applicable reimbursement statutes, regulations, and program requirements and directives;
- Legal sanctions for improper billings;
- Examples of proper and improper billing practices;
- HIPAA Compliance;

- Proper response to government investigations; and
- Sexual harassment and discrimination.

The Compliance Officer, in conjunction with other Allion employees and consultants, will periodically update Allion's training procedures to ensure that all sessions and materials are reflective of the most recent developments and decisions in the law. All employees will certify their participation in Allion's training programs. Employees who refuse or otherwise fail to participate in Allion training programs will be subject to disciplinary action.

C. Monitoring and Auditing

Allion will implement steps to monitor compliance with the Corporate Compliance Plan. This will include external audits and internal monitoring to determine whether the Corporate Compliance Plan is being adhered to and whether it is successfully serving its intended purpose.

Each section of the Corporate Compliance Plan will be monitored continuously for operational effectiveness. All contracts with suppliers and agents also will be monitored for compliance with the Plan. The Compliance Officer will verify that those employees assigned specific duties by the Plan have, in fact, carried out and completed those duties.

The Compliance Officer may recommend to the CEO or Compliance Committee that independent accounting firms/consultants be retained to review areas of Allion's operations or billing procedures to determine whether they meet the requirements of the Plan.

The monitoring and auditing procedures will include, at a minimum, internal and/or external audits of appropriate departments to assess levels of compliance with the Corporate Compliance Plan and Allion's policies and procedures relating to proper licensure, billing submission, procurement, employee policies and marketing.

Specific audits that may be initiated include:

- Review of bills and EOBs associated with medicines delivered directly to state Medicaid beneficiaries from a pharmacy; and
- Review of documentation including certification for all billings to Medicaid.

Audits will be performed on a regular basis as determined by Allion and any external auditor retained by Allion. Allion will retain the audit reports.

If any audit reveals that there have been any billing, claims submission, coding or other violation of Allion's policies and procedures the Compliance Officer may consult with counsel regarding the various questions raised by the report. Among the issues that may be addressed when a violation is reported are the following:

- Should an internal investigation be conducted?
- Should counsel conduct the investigation?

- Should a disclosure be made to the appropriate government agency?
- In the case of a billing violation, should arrangements be made for repayment of an overpayment?
- Do employees need separate counsel?

D. Reporting System

It is the obligation of each Allion employee to report to the Compliance Officer conduct he or she knows or reasonably believes to be criminal in nature or a violation of this Plan.

Allion will provide a P.O. Box as a means for employees to provide information to the Compliance Officer. Reports of suspected wrongdoing may be made by contacting the Compliance Officer or a member of the Committee or in writing via the P.O. Box. The Compliance Officer, Corporate Compliance Committee or other individuals designated by the CEO will investigate any and all information received.

Information and records relating to reports made to the Compliance Officer will be handled, as follows:

- Allegations of violations of the Plan will be recorded by the Compliance Officer on a form that will be maintained in the Compliance Officer's office. Names, dates and the identity of witnesses with information will be included on these forms. All such information will, to the extent possible, be kept confidential and will be accessible only to the Compliance Officer and the members of the Corporate Compliance Committee. All Corporate Compliance Committee papers other than the form discussed above will refer to the reporter by an identifying code only.
- The Compliance Officer in conjunction with the Corporate Compliance Committee and legal counsel where appropriate, will determine the steps for handling the information, including making a determination whether the alleged wrongdoing violates state or federal law, violates the Compliance Plan, poses a risk to the general public or otherwise jeopardizes Allion in any way. The Compliance Officer in conjunction with legal counsel also will recommend to the CEO what remedial action and/or disciplinary action should be taken.
- The Compliance Officer will be responsible for all internal investigations. Allion will make a thorough, fair, and impartial internal investigation of reported and perceived errors, abuses and violations. Internal investigations will be conducted in such a way as to maintain confidentiality to the extent practicable under the circumstances. All Allion employees and agents must fully cooperate with internal investigations. Allion is committed to fairness with respect to all persons involved. Internal investigations will be conducted in a professional and expeditious manner. When Allion or its agents complete an internal investigation, Allion will, to the extent appropriate, inform the person reporting the alleged violation of the results of the investigation and of the determination by Allion.
- The Compliance Officer will make reports, on a regular basis, of all allegations of wrongdoing to Allion's CEO, the Corporate Compliance Committee and the Board of

Directors, including the results of investigations and remedial action taken.

- The Compliance Officer will ensure that all records relating to reports of wrongdoing are secured and preserved, and also will ensure, to the extent applicable, that the attorney-client privilege and attorney-work product doctrine are preserved.
- The Compliance Officer's office will ensure that the reporting system offers employees opportunities to report wrongdoing after work hours, so that employees can contact the Compliance Officer's office from home. This will include providing employees the opportunity to meet with the Compliance Officer.
- The Compliance Officer cannot promise confidentiality to an employee providing information because it is always a possibility that Allion may be compelled to report the employee's information to the authorities, thus disclosing the employee's name. However, to the extent possible, the employee's identity will be kept confidential.

Allion will not discipline an employee solely on the basis that the employee reported conduct he or she either knew or reasonably believed to be criminal in nature or a violation of this Plan. However, an employee will be disciplined if Allion concludes that the employee has knowingly fabricated a report of wrongdoing to either protect himself or herself or others, or to injure another.

E. Self Reporting to Government Agencies

Under certain specific circumstances, the CEO, Compliance Officer and the Board of Directors may consider voluntary disclosure of potential errors or abuses to governmental agencies. All decisions regarding self-reporting will be made by the Compliance Officer, the CEO and the Board of Directors. The CEO, the Compliance Officer and the Board of Directors will review all self reporting issues with legal counsel prior to any voluntary disclosure.

F. Public Company Reporting

As a public company, it is of critical importance that Allion's filings with the Securities and Exchange Commission be accurate and timely. Depending on their respective positions with Allion, employees, officers or directors may be called upon to provide information necessary to assure that Allion's public reports are complete, fair and understandable. Allion expects employees, officers and directors to take this responsibility very seriously and to provide prompt and accurate answers to inquiries related to Allion's public disclosure requirements.

G. Enforcement and Discipline

Allion recognizes the necessity to enforce the standards and procedures of its Compliance Plan and to discipline those who violate the Plan or negligently fail to detect an offense. The Compliance Officer will recommend to the CEO disciplinary action for those who fail to adhere to the standards of this Plan. The recommendation for disciplinary action may include a recommendation for termination. The decision to execute such action(s) will rest with the CEO.

Guidelines Regarding Disciplinary Action for Violating the Plan

Where an employee does not comply with the Plan, Allion may take disciplinary action against such employee. Depending on the facts and circumstances of each case, and in compliance with any applicable collective bargaining agreements, Allion may take one or more of the following actions:

- reprimand;
- place the employee on probation;
- suspend the employee;
- terminate employment;
- refer the employee for criminal prosecution; and/or
- demand that the employee reimburse Allion for any losses or damages resulting from the violation.

Where a consultant does not comply with the Plan, Allion may:

- terminate the applicable agreement with the consultant;
- refer the consultant for criminal prosecution;
- demand that the consultant reimburse Allion for any losses or damages resulting from the violation; and/or,
- take any other actions that may be permitted by law or by Allion's agreement with the consultant.

If a Director, officer or supervisor or higher violates the Plan, such individual will be subject to disciplinary action if such individual:

- knows that any employee is considering or plans to engage in conduct that is prohibited by the Plan and such individual does not report it in accordance with the Plan; or
- knows that any employee has engaged in conduct that is prohibited by the Plan and such individual does not report it in accordance with the Plan; or
- fails to be aware that anyone who reports to such individual has engaged in conduct that is prohibited by the Plan, when proper management and supervision would have brought the prohibited conduct to such individual's attention.

As with all matters involving investigations and discipline, Allion intends to be fair and treat people with dignity. If an employee is charged with violating the Plan, such employee will be given an opportunity to explain his or her actions to the Compliance Officer, in accordance with applicable policies, before disciplinary action is taken.

Allion will also take disciplinary action against:

- anyone who deliberately fails to report a violation or who deliberately withholds relevant and material information about a violation of the Plan;
- a violator's supervisor, to the extent that the circumstances of the violation reflect inadequate supervision or lack of diligence;
- any supervisor who directly or indirectly retaliates against someone who reports a violation of the Plan;
- any supervisor who encourages anyone else to retaliate against someone who reports a violation of the Plan;
- any employee who retaliates against another employee who makes a report under the Plan; and
- anyone who knowingly falsely accuses someone of violating the Plan.

Violations of the Plan are not the only basis for taking disciplinary action with respect to employees. Allion has certain policies, procedures and performance criteria that govern employees' actions. Questions about these policies, procedures and/or performance criteria, can be discussed with an applicable supervisor or the Compliance Officer.

H. Availability and Waivers of Code

This Code of Conduct is publicly available at Allion's website (www.allionhealthcare.com) and to any stockholder who requests it free of charge upon written request to the Secretary of the Company at 1660 Walt Whitman Road, Suite 105, Melville, NY 11747.

Directors, officers and employees of Allion are expected to follow this Code of Conduct, and to represent Allion in a responsible manner in all regions and territories, at all times. Generally, there should be no waivers of this Code of Conduct. However, in rare circumstances conflicts may arise that necessitate waivers. A waiver of this Code of Conduct for a Director, officer or employee may be made by Allion's Board of Directors and will be promptly disclosed to the extent required by law (including SEC rules and Nasdaq National Market listing standards).

I. Conclusion

The Compliance Officer and the Corporate Compliance Committee will review the Corporate Compliance Plan and the Code of Conduct annually to assess whether it reflects the appropriate principles to facilitate Allion's compliance with all Federal and state health care program and licensing laws.

Allion Healthcare, Inc.
Code Of Conduct – Acknowledgment

Please indicate that you have received, read and will abide by this statement of policy by signing your name and dating the Acknowledgment below and returning it promptly to _____.

ACKNOWLEDGMENT

I certify that I have received and read and that I will abide by the Allion Healthcare, Inc. Code of Conduct.

(signature)

(print your name)

Date: _____

Dear Allion Employee:

Enclosed is your copy of the Allion Healthcare, Inc. Code of Conduct. The Code is a set of guidelines on applicable laws and regulations for all of us to follow when representing Allion. As Allion employees, we have a responsibility to understand and follow the Code of Conduct to ensure that we are acting on behalf of Allion in an appropriate, honest and ethical manner.

The Code of Conduct is a vital component of the overall Allion Compliance Plan. The Compliance Plan includes written compliance standards, procedures and practices to guide us in making legal and ethical decisions within the workplace environment. All of us play an active role in ensuring that the Compliance Plan is integrated into our daily work lives.

Each employee must review and sign the acknowledgment sheet for the Code of Conduct document. Your signature indicates that you have reviewed the Code of Conduct and agree to abide by its contents.

Please take the time to review the Code of Conduct and return the enclosed acknowledgment sheet within five (5) to ten (10) days. For your convenience, please use the enclosed, addressed envelope for returning the signature sheet. All Allion employees are required to review the Code of Conduct and return the acknowledgment within ten (10) days.

The Code of Conduct represents our commitment that each of us will uphold high ethical and legal standards in our work for Allion. Thank you for your cooperation and participation.

Sincerely,

Michael Moran
President
Allion Healthcare, Inc.

Attachment 1

COMPLIANCE OFFICER:

Robert Fleckenstein 310-972-2999

COMPLIANCE COMMITTEE MEMBERS:

Guy Forte	206-624-1391
John Galletta	631-547-6520
Sarah Kelly	800-774-8889
Rick Mabray	415-255-0516
Sharon Milinazzo	305-576-6337
Natalie Rodriquez	310-972-2999
Kaveh Tork	818-782-3757

REPORTING FRAUD AND ABUSE

To: All employees of Allion HealthCare, Inc. or an Allion affiliated corporation, and Board Members

From: Michael P. Moran

Date _____

Re: Reporting Fraud and Abuse

You are required to report fraud and abuse or suspected fraud and abuse. Allion's policies, as well as federal and state laws, require it. The Compliance Officer (and his phone number) is:

Robert Fleckenstein 310-972-2999

You may also report your knowledge or suspicion of fraud and abuse to your department head or to any member of the Compliance Committee. The Compliance Committee Members (and there phone numbers) are:

Guy Forte	206-624-1391
John Galletta	631-547-6520
Sarah Kelly	800-774-8889
Rick Mabray	415-255-0516
Sharon Milinazzo	305-576-6337
Natalie Rodriquez	310-972-2999
Kaveh Tork	818-782-3757

You may report your knowledge or suspicion of fraud and abuse to the Compliance P.O. Box, in writing to: North American Home Health Supply, Inc., 16032 Sherman Way # 38, Van Nuys, California 91406. Correspondence to the Compliance P.O. Box will be treated confidentially, to the extent possible.

Medicare Part D Certification

All individuals involved in the administration of the Medicare Part D benefit are required to sign this Certification related to conflict of interest. This Certification shall be executed at the time of hire and annually thereafter.

I, _____, certify that I have reviewed Allion’s Conflict of Interest Policy.

I have disclosed any potential conflict of interests.

I have obtained approval from Allion management to work despite any conflicts or I have eliminated the conflict.

(signature)

(print your name)

Date: _____