

AMERICA SERVICE GROUP INC.

Code of Conduct and Ethics



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America Service Group Inc.

Code of Conduct and Ethics

Executive Summary

America Service Group Inc., together with its subsidiaries and affiliates (“ASG” or the “Company”), is committed to achieving high standards of business and personal and ethical conduct for itself, its Directors and all personnel. ASG’s Code of Conduct and Ethics (the “Code”) applies to all Directors and employees of ASG (including officers, professional staff members and executive officers) and is designed to help ensure that these individuals act ethically and in good faith, with honesty and integrity, when acting on behalf of ASG or in connection with ASG’s business or operations. This *Executive Summary* is intended to serve as a summary and highlight the content and the tone of the points covered in the Code; users are encouraged to read the details of the Code for a full explanation of the points.

Conflicts of Interest

ASG Directors and employees must avoid all potential conflicts of interest involving ASG or its business. A “conflict of interest” occurs when an individual’s private interests interfere in a material way, or appears from the perspective of a reasonable person to interfere with, the interests of ASG as a whole. A conflict of interest situation can arise when an employee or Director takes actions or has interests that may make it difficult to perform his or her responsibilities objectively and effectively. Ordinarily, a conflict exists when an outside interest could actually or potentially influence the judgment or actions of an individual in the conduct of the ASG’s business. Conflicts of interest may also arise when an employee or Director, or a member of his or her family, receives improper personal benefits as a result of his or her position at ASG.

Corporate Opportunities

Directors and employees of ASG stand in a fiduciary relationship to the Company and must advance its legitimate interests when the opportunity to do so arises. It is a breach of this duty for any such person to take advantage of a business opportunity for his or her own or another person’s personal profit or benefit when the opportunity is within the corporate powers of ASG and when the opportunity is of present or potential practical advantage to ASG.

ASG employees may not receive any gift under circumstances that could be construed as an improper attempt to influence the individual’s or ASG’s decisions or actions. In addition, an employee may not give anything of value to any customer or potential customer as an inducement to obtain business or favorable treatment.

Conduct and Fair Dealing

Each Company employee and Director must endeavor to deal fairly with the Company’s customers, suppliers, competitors and other employees. No employee or Director shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged or confidential information, misrepresentation of a material fact, or any other unfair-dealing practice.

Confidentiality

No employee may disclose confidential information of any type to anyone except persons within the Company who need to know. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company, its patients or its customers, if disclosed. Information regarding a customer or patient may not be released to third parties without consent, unless required by law.

Protection and Use of Company Property

Employees and Directors have a duty to protect and conserve Company property and to ensure its efficient use for proper purposes. Company property includes, but is not limited to the following: (i) all physical property of the Company whether leased or owned by the Company and includes all fixtures; (ii) all books and records in possession of the Company; (iii) all marketing studies, advertising or promotional materials, customer lists, logs, reports or any other forms or surveys that are in the Company's possession; and (iv) all proprietary software.

Electronic mail and e-mail systems (including electronic bulletin boards) are property of ASG and must be used primarily for business purposes and only occasionally for personal reasons. The use of e-mail must conform to the policies and values of the Company.

No ASG employee should ever destroy or alter any Company documents in anticipation of a request for these documents from any government agency or court (this includes paper, tape and computer records).

Compliance with Laws, Rules and Regulations

Directors and employees must comply fully with applicable laws, rules and regulations at all times. In particular, Directors and employees should take note of laws, rules and regulations regarding the integrity of the Company's records, insider trading, fair employment practices, controlled substances, waste disposal and biomedical research.

Contractors and Vendors

ASG purchases goods and services from many consultants, contractors and vendors. ASG's policy is that all contractors and vendors that provide items or services to ASG must comply with all applicable laws and be aware of ASG's policies.

Response to Investigations or Legal Actions

State and federal agencies have broad legal authority to investigate ASG and review its records. ASG will comply with subpoenas and cooperate with governmental investigations to the full extent required by law. The Chief Compliance Officer is responsible for coordinating ASG's response to investigations and the release of any information.

Non-Compliance

If you have any concerns that the policies described in this Code are not being met and your concerns have not been addressed, or you have concerns about any accounting or auditing practices of the Company you consider questionable, you **must** call the ASG Compliance Line at 1-800-218-9114. This call

may be on an anonymous basis and, if it concerns an accounting or auditing practice, it will be reported directly to the ASG Audit Committee. All complaints reported to the Compliance Line will be investigated.

I. INTRODUCTION

It is the policy of America Service Group Inc. and its subsidiaries and affiliates (collectively, “ASG” or the “Company”) to provide services in compliance with all federal, state and local laws, rules and regulations governing its operations and to conduct operations with the highest standards of business and professional ethics. This policy is a solemn commitment to our patients, to our clients, to our community, to those government agencies that regulate ASG, and to ourselves. In order to ensure that ASG’s conduct and ethics policies are consistently applied, ASG has adopted this Code of Conduct and Ethics (the “Code”) and established a legal and regulatory Business Ethics Program. The program is directed by the Ethics and Quality Assurance Committee of the Company’s Board of Directors, the Chief Compliance Officer, the General Counsel, and, if appropriate, the Audit Committee of the Company’s Board of Directors, which is charged with reviewing our business conduct and ethics policies as well as specific compliance situations that may arise.

If you have any concerns that the policies described in this Code are not being met and your concerns have not been addressed, or you have any concerns about any accounting or auditing practices you consider questionable, you **must** call the ASG Compliance Line at 1-800-218-9114. This call may be on an anonymous basis and, if it concerns an accounting or auditing practice, it will be reported directly to the ASG Audit Committee.

All ASG employees and Directors, as well as those professionals who contract with ASG, must carry out their duties to ASG in accordance with this Code. When used alone, “employee” means an officer, professional staff member or employee of ASG, and the term includes Executive Officers unless otherwise stated. “Executive Officer” means a member of ASG’s management so designated by a resolution of the Board of Directors (the “Board”). Any waiver of this Code for Executive Officers or Directors may be made only by the Board (or a committee of the Board) and will be promptly disclosed as required by applicable laws, rules and regulations. The Compliance Officer or the Board may make waivers of this Code for all other employees. All individuals to whom this Code applies should review this manual from time to time to make sure that these policies guide their actions on behalf of ASG. An annual certification concerning compliance will be required of all ASG officers.

Any violation of applicable law, or deviation from appropriate ethical standards, will subject an employee or independent professional to an investigation and possible disciplinary action, which may include an oral or written warning, disciplinary probation, suspension (with or without pay), reduction in salary, demotion of title and/or job duties, dismissal from employment, or revocation of privileges. These disciplinary actions also may apply to any supervisor who allows, directs or approves of improper actions or any individual who is aware of improper actions but does not report them to the appropriate corporate authority.

Everyone must work together to ensure prompt and consistent action against violations of this Code. If a question arises concerning compliance with ASG policies or applicable law, an employee should present that question to their supervisor, or, if appropriate, directly to ASG’s Chief

Compliance Officer, the Corporate Compliance Line, the Company's General Counsel, or the Audit Committee. If, at any time, any employee becomes aware of any apparent violation of ASG's policies or applicable law, he or she must report it to his or her supervisor or to the Chief Compliance Officer of ASG. Each person making such a report is assured that such reports are treated as strictly confidential and shared only on a need-to-know basis. ASG will take no adverse action (nor will ASG permit any retaliation of any kind) against persons making such reports in good faith, whether or not the report ultimately proves to be founded. If an employee does not report conduct violating ASG's policies, that individual may be subject to disciplinary action, up to and including termination of employment or revocation of privileges. The Company's Directors, employees, and contractors are expected to cooperate fully in any outside or internal investigation.

This manual deals only generally with some of the more important ethical and legal principles. Consequently, any employee who is in doubt as to the propriety of a course of action must promptly communicate with his or her supervisor (in the case of an employee), the General Counsel, or with the Chief Compliance Officer, before taking action.

II. CONFLICTS OF INTEREST

A. Introduction

ASG Directors and employees must avoid all potential conflicts of interest involving ASG and its business activities. For the purposes of this Code, a "conflict of interest" occurs when an individual's private interests interfere in a material way, or appear from the perspective of a reasonable person to interfere with, the interests of ASG as a whole. Ordinarily, a conflict exists when an outside interest could actually or potentially influence the judgment or actions of an individual in the conduct of the ASG's business. Conflicts of interest may also arise when an employee or Director, or a member of his or her family, receives improper personal benefits as a result of his or her position at ASG.

B. General Policy

Employees should avoid any outside financial interests that might conflict with ASG's interests. Such outside interests could include, among other things:

- Personal or family financial interests in or indebtedness to enterprises that have business relations with ASG
- Acquiring any interest in outside entities or properties in which ASG has an interest or potential interest. This would include stock in businesses being considered for acquisition, or real estate or possible new or expanded Company operations.
- Conduct of any business not on behalf of ASG with any vendor, supplier, customer or agency or any of their officers or employees

In particular, ASG employees may not be employed by, act as a consultant to, or have an independent business relationship with, any of ASG's service providers or competitors, nor may employees invest in any payor, provider, supplier or competitor (other than through mutual funds or through holdings of less than 0.5 percent of the outstanding shares of publicly traded securities) unless they first obtain written permission from the Chief Compliance Officer. With the knowledge and approval of the Chief Medical Officer, a clinician may serve as a consultant to a pharmaceutical company.

Employees should also not have other outside employment or business interests that place them in the position of (i) appearing to represent ASG; (ii) providing goods or services substantially similar to those ASG provides or is considering making available; or (iii) lessening their efficiency, productivity or dedication to ASG in performing their everyday duties.

Employees may not use ASG assets for personal benefit or personal business purposes. Employees may not have an interest in or speculate in products or services, the value of which may be affected by ASG's business. Employees also may not divulge or use ASG's confidential information (such as financial data, payor information, computer programs and patient information) for their own personal or business purposes.

Any personal or business activities by an employee that may raise concerns along these lines must be reviewed with, and approved in advance by, the employee's immediate supervisor or the Chief Compliance Officer. In certain instances, such activities may be subject to approval by the Audit Committee of the Board.

In order for ASG to comply with requirements of federal and state revolving door prohibitions law, every employee must also notify a human resources supervisor or the Chief Compliance Officer if he or she was at any time during the year preceding his or her employment with ASG employed by a state or federal agency. A former employee of an agency is often prohibited from lobbying or otherwise representing or advising in matters before his or her former employers until a specific period of time has elapsed.

Because ASG contracts with the government, employees must inform a human resources supervisor or the Chief Compliance Officer if they have previously been employed by, contracted with, or had a paid consulting relationship with a local, state or federal agency.

A Director or an employee who becomes aware of a conflict or potential conflict of interest or any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest should promptly bring it to the attention of a supervisor (in the case of an employee), the Chief Compliance Officer, or a member of the Audit Committee of the Company's Board of Directors.

C. Contributions

1. Political Contributions

ASG encourages each of its employees to participate in civic and political activities in his or her own way. ASG employees sponsor a political action committee for contributions that may be made through a PAC. All PAC contributions are coordinated through the Political Action Committee with advice from the legal department.

ASG's direct political activities are limited by law. Corporations may not make any contributions (whether direct or indirect) to candidates for federal office. Thus, ASG may not contribute any money, or lend the use of vehicles, equipment, or facilities to candidates for federal office. Nor may ASG, as a corporation, make contributions to political action committees that make contributions to candidates for federal office. ASG may not require any employees to make any such contribution. Finally, ASG cannot reimburse its employees for any money they contribute to federal candidates or campaigns. ASG does not influence or attempt to influence public officials, political candidates, governmental employees and representatives by offering gifts, gratuities or other promises of reward or benefit.

2. Non-Profit Organization Contributions

The Company will evaluate requests made for contributions to legitimate not-for-profit organizations and groups. Prior to making a contribution to a non-profit organization, approval must be obtained in writing from the Office of the General Counsel. The request should include all pertinent information about the non-profit organization, information regarding whether the non-profit is registered or complies with Section 501(c)(3) of the Internal Revenue Code, the specific need that the contribution will address, and the benefit to be derived by ASG for making this contribution.

III. CORPORATE OPPORTUNITIES

A. Prohibition on Taking Company Corporate Opportunities

Directors and employees of ASG stand in a fiduciary relationship to the Company and must advance its legitimate interests when the opportunity to do so arises. It is a breach of this duty for any person to take advantage of a business opportunity for his or her own or another person's personal profit or benefit when the opportunity is within the corporate powers of ASG and when the opportunity is of present or potential practical advantage to ASG. If a person appropriates such a Company opportunity, ASG may claim the benefit of the transaction or business and the person exposes himself or herself to liability in this regard. **It is therefore ASG's policy that no Director or employee may (i) take for themselves opportunities that are discovered through the use of ASG's property, information or position or (ii) use ASG's property, information or position for improper personal gain, without the consent of a majority of the disinterested members of the Board of Directors.**

B. Understanding Permissible Gifts

ASG employees may not receive any gift under circumstances that could be construed as an improper attempt to influence the individual's or ASG's decisions or actions. Employees may not solicit any kind of gift or personal benefit from present or potential suppliers or customers. Employees are prohibited from accepting gifts of money (or monetary equivalents), whether solicited or unsolicited. When an employee receives a gift or service that violates this policy, the gift should be returned to the donor and reported to the Chief Compliance Officer. The following transactions are permitted and shall be considered an exception to the general prohibition against accepting things of value:

- Acceptance of gifts, gratuities, amenities or favors based on obvious family or personal relationships (such as those with parents, children or spouse) when the circumstances make it clear that it is those relationships, rather than the business of the Company, that are the motivating factors;
- Acceptance of meals, refreshments, travel arrangements or accommodations, or entertainment, all of reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, provided that the expense would be paid for by the Company as a reasonable business expense if not paid for by another party;
- Acceptance of advertising or promotional material of reasonable value such as pens, pencils, note pads, key chains, calendars and similar items;
- Acceptance of discounts or rebates on merchandise or services that do not exceed those available to other customers;
- Acceptance of gifts of reasonable value related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement or Christmas; or
- Acceptance of civic, charitable, education, or religious organizational awards for recognition of service and accomplishment.

In addition, an employee may not give anything of value to any customer or potential customer as an inducement to obtain business or favorable treatment. ASG recognizes that business dealings may include a shared meal or other similar social occasion, which may constitute a proper business expense or activity. Research has identified the following locales (where ASG conducts business) that prohibit any gifts, including meals, to government officials or employees: the State of Indiana, the City of Philadelphia and the State of Vermont. Additionally, separate ethics regulations for individual departments may exist, but the Company is not aware of these. Any gift provided to a government official or employee must be in accordance with the governing state law. **Prior to offering an employee of a client anything of value, even a meal, ask the person if the purchased meal would violate an ethics law or regulation.**

More extensive entertainment, however, only rarely will be consistent with ASG policy and should be reviewed and approved in advance by the Chief Compliance Officer. Conduct that is improper for employees under this procedure may not be accomplished through associates,

affiliates, suppliers, consultants or any other means. Sometimes medical personnel will be requested to make presentations for suppliers on particular areas of expertise and, on a limited basis and without allowing travel or honorarium paid for by these vendors to influence practice patterns and with the prior permission of the Chief Medical Officer and the Chief Compliance Officer, this is permissible.

Whenever an employee is not sure whether a gift is prohibited by this policy, the employee should discuss it with the Chief Compliance Officer in advance.

IV. BUSINESS CONDUCT AND FAIR DEALING

A. General Policy

Each Company employee and Director must endeavor to deal fairly with the Company's customers, suppliers, competitors and other employees. No employee or Director shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged or confidential information, misrepresentation of a material fact, or any other unfair-dealing practice.

B. Market Competition

ASG is committed to complying with all state and federal antitrust laws. The purpose of antitrust laws is to preserve the competitive free enterprise system. Antitrust laws in the United States are founded on the belief that the public interest is best served by vigorous competition, free from collusive agreements among competitors on price or service terms. Antitrust laws help preserve the country's economic, political and social institutions; they apply fully to healthcare services provided by ASG and its physicians, and ASG is firmly committed to the philosophy underlying those laws.

While the antitrust laws clearly prohibit most agreements to fix prices, divide markets, and boycott competitors (which are addressed below) they also proscribe conduct that is found to unreasonably restrain competition. Any questions that might arise should be addressed to the Chief Compliance Officer.

1. Discussion with Competitors

ASG policy requires that the rates it charges for ASG contracts and related items and services, and the terms of its contracts, must be determined solely by ASG. There can be no oral or written understanding with any competitor concerning prices, pricing policies, pricing formulas, bids, market share, or bid formulas, or concerning discounts, credit arrangements or related terms of sale or service. To avoid the possibility of misunderstanding or misinterpretation, ASG policy prohibits **any** consultation, discussion, formal agreements, or informal understandings with competitors relating to prices that ASG or any competitor charges or intends to charge. This prohibition also includes matters that affect prices, such as costs, profits, terms of sale, discounts, allowances and promotions. Joint ventures and affiliations that may require pricing discussions

must be individually reviewed for antitrust compliance. Discussions with competitors concerning rationalization of markets, downsizing, or elimination of duplication ordinarily implicate market division and must be avoided.

ASG is often asked to share information concerning employee compensation. ASG policy prohibits the sharing with competitors of current information or future plans regarding individual salaries or salary levels. ASG may participate in and receive the results of general surveys, but these must conform to the guidelines for participation in surveys provided under Trade Associations below.

Similarly, ASG policy prohibits consultation or discussion with competitors with respect to its services, selection of markets, territories, bids or customers. Any agreement or understanding with a competitor to divide markets is prohibited. This includes an agreement allocating shares of a market among competitors, dividing territories, or dividing product lines or customers.

2. Trade Associations

ASG and its healthcare providers are involved in a number of trade and professional associations. These organizations promote quality patient care by allowing ASG and providers to learn new skills, develop policies and, where appropriate, speak with one voice on public issues. However, it is not always appropriate to share business information with trade associations and their members. Any and all requests for this type information should be referred to the Chief Compliance Officer for resolution.

Any cost or wage information released by ASG must be at least three months old. If an employee is asked to provide a trade association with information about ASG's costs, salaries, or other business matters, he or she should consult the Chief Compliance Officer. Joint purchasing through a trade association is probably acceptable, but the Chief Compliance Officer should review any joint purchasing plan in advance. If an employee has any question or concern about an activity of a trade association, he or she may ask the Chief Compliance Officer to seek guidance from counsel.

3. Boycotts

As a general rule, the Company has the right to select its customers and to determine with whom it does business. The Company also has the right to refuse to do business with a person or company, provided that decision is made independently. ASG policy, however, prohibits any agreement with competitors to boycott or refuse to deal with a particular person or persons, such as a vendor, payor or other provider. These agreements need not be written to be illegal; any understanding reached with a competitor (directly or indirectly) on such matters is prohibited. All negotiations by ASG agents and employees must be conducted in good faith. Furthermore, exclusive arrangements with payors, vendors and providers must be approved by the Company's General Counsel, an ASG officer or by the Chief Compliance Officer, based on an analysis of the relevant market.

4. Clinical Services (Physicians, Dentists, Nurse Practitioners, Physician Assistants, Psychologists)

Providers are employees who are expected to comply with this Code, and in addition, are held to additional standards of ethical behavior. These additional requirements are frequently a part of the rules and regulations of the respective licensing bodies, such as state medical boards. It is therefore the policy of ASG that all providers will comply with the legal and ethical requirements of their licensing board. Additionally, due to the special relationship providers have with their patients, questions of ethics and impropriety are especially complex. Therefore, the current edition of the AMA Code of Ethics will be used as guidelines for ethical determination in situations involving providers and healthcare.

ASG credentialing and peer review activities also may carry antitrust implications. Because of the special training and experience of physicians, other physicians may best evaluate their skills. It is appropriate for physicians to review the work of their peers. Because a physician's review of particular physicians may, by virtue of their medical specialties, be the physician's competitors, special care must be taken to ensure that free and open competition is maintained. As a result, credentialing, peer review and physician discipline at ASG are conducted only through properly constituted methods. Physicians participating in these activities are expected to use objective medical judgment.

5. Penalties

Penalties for antitrust violations are substantial. Individuals and corporations can be assessed substantial fines for each antitrust violation, and individuals can be sentenced to multiple years in prison for each offense. In addition, actions giving rise to antitrust violations may violate other federal criminal statutes, such as mail fraud or wire fraud, under which substantial fines and even longer prison sentences can be imposed.

Antitrust violations also create civil liability. Private individuals or companies may bring actions to enjoin antitrust violations and to recover damages for injuries caused by violations. Moreover, if the antitrust violation was a conspiracy, each member of that conspiracy may be liable for the **entire** damage caused by the conspiracy.

C. Purchasing

Purchasing decisions must be made in accordance with applicable ASG policy. In addition, the prohibitions discussed in Section III(B) of this Code entitled "Understanding Permissible Gifts" applies to purchasing decisions made on behalf of ASG. Purchasing decisions must in all instances be made free from any conflicts of interest that could affect the outcome. See Section II. ASG is committed to a fair and objective procurement system that results in the acquisition of quality goods and services for ASG at a fair price.

D. Billing and Claims

When claiming payment for ASG or professional services, ASG has an obligation to its patients as well as state and local governments to exercise diligence, care and integrity. The right to bill under client contracts carries a responsibility that may not be abused. ASG is committed to maintaining the accuracy of every claim it processes and submits. Many people throughout ASG have responsibility for entering charges. Each of these individuals is expected to monitor compliance with applicable billing rules. Any false, inaccurate or questionable claims should be reported immediately to a supervisor or to the Chief Compliance Officer. Third party governmental billing is generally not available and should be discussed with the Chief Compliance Officer prior to any such billing.

Medicaid and Medicare are not a source of third party reimbursement. Regardless of responsibility for the cost of care, the Company will not ask, receive or transmit any information regarding inmate eligibility for reimbursement under Medicaid or Medicare or its managed care alternative plans while incarcerated. The only exceptions to this policy are:

- In Vermont, Michigan, and Illinois, Medicaid provides payment for emergency hospital admission to Medicaid-eligible persons confined to a public institution. Medicaid will pay the hospital bill only in this situation, not a physician's bill.

Under no other circumstance will the Company allow Medicaid, or any other government-funded program, to provide payment for medical services without written authorization from the Chief Compliance Officer.

ASG employees and agents who prepare or submit claims should be alert for these and other improprieties. It is important to remember that outside consultants only advise ASG. The final decision on billing questions rests with ASG.

It is illegal to make any false statement to a government, including statements on billing or application forms. It is illegal to use the U.S. Mail in a scheme to defraud the government. Any agreement between two or more people to submit false claims may be prosecuted as a conspiracy to defraud the government. ASG promotes full compliance with each of the relevant laws by maintaining a strict policy of ethics, integrity and accuracy in all its financial dealings. Each employee and professional, including outside consultants, who is involved in submitting charges, preparing claims, billing and documenting services is expected to maintain the highest standards of personal, professional and institutional responsibility.

E. Patient Care

Appropriate care and treatment should not be withheld from any patient due to any potential claim for payment being incurred. Appropriate care should always be rendered to a patient regardless of payment methodology. All ASG employees and contractors are expected to exercise

their best medical judgment as to the medical needs of the patient. No financial incentives are to be offered or given for denying or delaying any needed care for any patient.

No ASG employee should initiate or participate in an unprofessional relationship with a patient. Our patients are very vulnerable and susceptible to attentions of any outside contacts. Such relationships or attention is inappropriate and will result in immediate discipline and termination.

V. CONFIDENTIALITY

A. Information Concerning the Company's Business

Employees frequently have access to confidential information concerning the Company's business. Confidential information includes all non-public information that might be of use to competitors or investors, or harmful to the Company or its customers, if disclosed. Safeguarding confidential information is essential to the conduct of the Company. Caution and discretion must be exercised in the use of such information, which should be shared only with those who have a clear and legitimate need and right to know.

No employee may disclose confidential information of any type to anyone except persons within the Company who need to know. Information regarding a customer may not be released to third parties, government, or other organizations, without the consent of the customer unless required by law. Any requests for information arising through a legal process (e.g., subpoena or court order) must first be referred to the General Counsel before the release of the information.

B. Patient Confidentiality

ASG employees and healthcare professionals possess sensitive, privileged information about patients and their care. Patients properly expect that this information will be kept confidential. ASG takes seriously any violation of a patient's confidentiality. Discussing a patient's medical condition, or providing any information about patients to anyone other than ASG personnel who need the information and other authorized persons, is a serious violation of ASG ethics policy and will have consequences. Employees should not discuss patients outside ASG or with their families. To the extent permitted by the client's policies and physical design, sick call screening should not be performed in dormitory units or within earshot of other inmates or correctional personnel.

Medical records are strictly confidential, which means that they may not be released except with the consent of the patient or the correctional facility that contracts with ASG or in other limited circumstances. Special protections, both state and federal, apply to mental health records, records of drug and alcohol abuse treatment, and records relating to HIV infection. Medical records should not be physically removed from the ASG unit, altered or destroyed. If a patient is transferred to a contract facility for care or treatment, copies of his/her medical records should accompany the patient. Employees who have access to medical records must take pains to preserve their confidentiality and integrity, and such individuals are not permitted access to the medical record of any patient without a legitimate, ASG-related reason for so doing. Any unauthorized release of or

access to medical records should be reported to a supervisor. Releases of medical information are often required for the good of security or public law. In this case, a record should be made of when the release was made and for what purpose.

In compliance with the law, ASG also prohibits unauthorized access to its computer system, either directly or by network or telephone. An individual who does not have a legitimate password will be deemed unauthorized. ASG prohibits the destruction or corruption of electronically stored or processed data. Persons who violate these rules will be prosecuted to the full extent of the law.

VI. PROTECTION AND USE OF COMPANY PROPERTY

A. Company Property

Employees and Directors have a duty to protect and conserve Company property and to ensure its efficient use for proper purposes. All Company assets shall be used for legitimate business purposes and not for personal gain (although incidental personal use may be permitted in some circumstances). Any suspected incident of fraud or theft should be immediately reported for investigation. Employees of ASG are to take care and responsibility to safeguard the property of ASG within reason. Notwithstanding the foregoing, at no time is an ASG employee to put his/her person at risk to safeguard Company property. Company property includes, but is not limited to: (i) all physical property of the Company whether leased or owned by the Company and includes all fixtures; (ii) all books and records in possession of the Company; (iii) all marketing studies, advertising or promotional materials, customer lists, logs, reports or any other forms or surveys that are in the Company's possession; and (iv) all proprietary software.

B. Use of Technology

Electronic mail and e-mail systems (including electronic bulletin boards) are the property of ASG and must be used primarily for business purposes and only occasionally for personal reasons. The use of e-mail must conform to the policies and values of the Company. Among other things, messages that violate any of the Company's policies or invite participation in illegal activities, such as gambling or the use and sale of controlled substances, are prohibited. Statements which, if made in any other forum, would violate any of the Company's policies, including without limitation, policies against harassment or discrimination and the misuse of confidential information, are prohibited to the same extent in an e-mail message. E-mail systems may be used to transmit sensitive information only when such information is adequately protected. Subject to applicable laws and regulations, ASG reserves the right to monitor, review and disclose e-mail and voicemail as it deems appropriate. In addition, e-mail is saved on the ASG back-up system and is available for discovery in litigation. The internet is an efficient and valuable business tool and is to be used primarily for business purposes. ASG reserves the right to access all information on Company computers, including but not limited to e-mail and history of internet usage, even where personal passwords have been assigned. If you have questions about the use of your computer, the internet, e-mail or voice mail, please see your supervisor.

C. Document Retention

No ASG employee should ever destroy or alter any company documents in anticipation of a request for these documents from any government agency, litigant or court (this includes paper, tape and computer records). If any employee believes that such conduct has occurred or may occur, the employee should contact the legal department. When preparing to leave a site, follow corporate guidelines to ensure the correct materials are left with client at the site and that all ASG property is properly inventoried and sent to corporate.

VII. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

A. General

Directors and employees must comply fully with applicable laws, rules and regulations at all times. In particular, Directors and employees should take note of laws, rules and regulations regarding the integrity of the Company's records, insider trading, fair employment practices, controlled substances, waste disposal and biomedical research.

B. Integrity of Corporate Records

Accuracy and reliability in the preparation of all business records, financial statements and reports to regulatory and other government agencies is of critical importance to the corporate decision-making process and to the proper discharge of ASG's financial, legal and reporting obligations. To this end, ASG shall:

- Comply with generally accepted accounting principles at all times;
- Maintain a system of internal accounting controls that will provide reasonable assurances to management that all transactions are properly recorded;
- Maintain books and records that accurately and fairly reflect the Company's transactions;
- Prohibit the establishment of any undisclosed or unrecorded funds or assets;
- Maintain a system of internal controls that will provide reasonable assurances to management that material information about the Company is made known to management, particularly during the periods in which the Company's periodic reports are being prepared; and
- Maintain disclosure controls and procedures which ensure that material information relating to the Company and its subsidiaries is made known to the Company's senior management on a timely basis.

All business records, expense accounts, vouchers, bills, payroll, service records and other statements and reports are to be prepared with care and honesty. False or misleading entries are prohibited. All corporate funds and assets are to be recorded in accordance with applicable corporate procedures. Compliance with accounting procedures and internal control procedures is

required at all times. It is the responsibility of all employees to ensure that both the letter and the spirit of corporate accounting and internal control procedures are strictly adhered to at all times.

In accordance with the rules promulgated by the Securities and Exchange Commission (“SEC”) under the Sarbanes-Oxley Act of 2002, it shall be a violation of this Code for any officer or Director of the Company or any other person acting under the direction thereof, to take any action to fraudulently influence, coerce, manipulate, or mislead any independent or certified accountant engaged in the performance of an audit of the Company’s financial statements for the purposes of rendering such financial statements materially misleading.

C. Compliance with Securities Laws

Because ASG’s stock is publicly traded, certain activities of ASG are subject to certain provisions of the federal securities laws. These laws govern the dissemination or use of information about the affairs of ASG or its affiliates. Federal securities laws also address the dissemination or use of information that might be of interest to persons considering the purchase or sale of the stock. ASG requires full, fair, accurate, timely and understandable disclosure in documents filed with, or submitted to the SEC and in its public communications; Directors and employees who are involved in this process are responsible for complying with such requirements.

1. Continuing Disclosure

The SEC requires continuing disclosure on activities of the Company. ASG is committed to carrying out its continuing disclosure obligations involving its obligations or transactions, and shall make appropriate annual disclosures and all necessary periodic or material disclosures in a full, fair, accurate, timely and understandable manner. In accordance with ASG’s policy on insider trading and confidential information, Directors and employees will be warned of their obligation to refrain from insider trading and disclosure.

2. Insider Trading

It is generally illegal for any person, either personally or on behalf of others, (i) to buy or sell stock while in possession of material nonpublic information, or (ii) to communicate (or “tip”) material nonpublic information to another person, friend or family member who trades in the stock on the basis of the information or who in turn passes the information on to someone who trades. All Directors, employees and trustees must comply with these “insider trading” restrictions.

Potential penalties for violating the insider trading rules include civil and criminal fines as well as imprisonment. There can also be civil liability to those damaged by the trading. In addition, an employer whose employee violates the insider trading prohibitions may be liable for civil fine as a result of the employee’s insider trading violation.

All information that an investor might consider important in deciding whether to buy, sell or hold securities is considered “material.” Examples of some types of material information are:

- Financial and operating results for the month, quarter or year
- Financial forecasts, including proposed or approved budgets
- Utilization statistics such as case mix and ambulatory visits, etc.
- Awarding or loss of major contracts
- Possible mergers, acquisitions, joint ventures and other purchases and sales of companies and investments in companies
- Certain key executive staff changes
- Major litigation developments

Information that is likely to affect the price of securities is almost always material.

Information is considered to be nonpublic unless it has been effectively disclosed to the public: for example, by a press release. The information must not only be publicly disclosed, but there also must be adequate time for the market as a whole to digest the information. All information about ASG or its business plans is potentially “insider” information until publicly disclosed or made available by ASG. Thus, ASG Directors and employees may not disclose it to others, such as relatives, friends, or business or social acquaintances, who do not need to know it for legitimate business reasons.

When a Director or employee knows material nonpublic information about ASG, he or she is prohibited from three activities:

- Trading in the stock for his or her own account or for the account of another (including any trust of which such individual is a trustee, or any other entity that buys or sells securities, such as a mutual fund)
- Having anyone else trade for that individual
- Disclosing the information to anyone else who then trades or in turn “tips” another person who trades.

Neither the individual, nor anyone acting on that individual’s behalf, nor anyone who learns the information from that individual, may trade for as long as the information continues to be material and nonpublic.

If an individual is considering buying or selling the stock and has a question as to whether the transaction might involve the improper use of material nonpublic information, that individual should obtain specific prior approval from the Office of the General Counsel. Consultation with the individual’s own attorney is also strongly encouraged.

All of us should remember that outsiders may be listening to or watching us and may be able to pick up information they should not have. We should not, for example, discuss ASG’s affairs in places where we can be overheard by others (such as corridors, the cafeteria, other restaurants, and on cellular phones) and we should be careful about how we handle and dispose of sensitive papers. Any questions or concerns about disclosure of nonpublic information should be brought to the

Office of the General Counsel. An individual's exercise of a Company-granted stock option or exercise of rights under the ASG Employee Stock Purchase Plan is not subject to insider trading laws. However, selling stock received from an option or the Plan is subject to the laws and the procedures prohibiting insider trading. The Office of the General Counsel can inform you of legal trading periods or "windows." Compliance with all applicable governmental laws, rules and regulations is required.

D. Fair Employment Practices

ASG is committed to complying with all laws prohibiting discrimination in its operations. ASG believes its employees have the right to work in an environment conducive to equal opportunity and free from discriminatory practices. Illegal discrimination against, or harassment of, applicants or employees on the basis of race, color, religion, sex, age, citizenship status, disability, veteran/military status, national origin or other classifications protected by law is prohibited. ASG's ever-changing geographical locations preclude the listing of all classifications protected by applicable laws. Employees should check postings at their work sites or with their supervisors if they have any questions concerning additional classifications protected by law.

ASG is committed to equal opportunity in all aspects of employment, including but not limited to recruiting, placement, upgrading, promotion, demotion, transfer, termination, rates of pay or other forms of compensation, selection for training, educational assistance, and use of all facilities and participation in ASG-sponsored employee activities. Questions about whether specific conduct is considered unlawful discrimination or harassment should be directed to the employee's supervisor or the Corporate Human Resource Department.

Because the appearance of favoritism or the bestowing of romantic attention often results in charges of discrimination or harassment, no supervisor or manager shall date or otherwise have a relationship with someone who they supervise, who reports to them or who works in their area of responsibility. Similarly, workplace comments should be appropriate for the workplace, not a social setting. Comments made in jest are often misconstrued.

Any person who thinks he/she is a victim of unlawful discrimination or harassment should report this violation of policy immediately to his/her supervisor or the Corporate Human Resource Department, as described in the Employee Handbook, or may utilize the ASG Compliance Line. ASG will investigate allegations of discrimination or harassment in as prompt and confidential a manner as possible and will take appropriate, corrective action when warranted.

ASG is also committed to complying with all laws prohibiting discrimination in its external operations. ASG is committed to a fair and objective contracting system free from illegal discriminatory practices; business decisions will not be based on considerations prohibited by applicable laws. ASG's ever-changing contractual arrangements preclude the listing of all discriminatory contracting practices. Employees should check with their supervisors to ensure particular business decisions are not based on illegal considerations. ASG will not allow external

individuals or entities to violate ASG's policy against illegal discrimination. ASG will take appropriate action to address a non-employee's violation of this policy.

ASG may periodically disseminate information about harassment and discrimination and this policy to ensure all employees are aware of this policy, their responsibility to personally refrain from engaging in prohibited conduct/behavior, and their obligation to report prohibited conduct/behavior of others to supervision/management as outlined in the Employee Handbook (for internal violations) or to the Chief Compliance Officer (for external operations).

Finally, you should know violations of federal, state or local discrimination laws can result in serious penalties such as back pay, punitive damages, assessment of attorney's fees and court costs and preclusion from bidding on contracts. Such liabilities can be assessed against individuals and entities.

E. Controlled Substances

ASG employees handle narcotics and other controlled substances. Improper use of these substances is illegal and extremely dangerous.

ASG requires that its employees comply with the terms of all laws regulating controlled substances. Under ASG policy, access to controlled substances is limited to persons who are properly, currently licensed and who have express authority to handle them. No healthcare practitioner may administer controlled substances except in conformity with state and federal laws and the terms of the practitioner's license. Employees should carefully follow recordkeeping procedures established by their departments and the pharmacy. Unauthorized manufacture, distribution, use or possession of controlled substances by ASG employees is strictly prohibited, and employees who violate this prohibition will be dismissed and prosecuted to the full extent of the law. Any employee who knows of unauthorized handling of controlled substances is to provide the information immediately to his or her supervisor or the Chief Compliance Officer.

Under state law, criminal felony charges may be brought against those who attempt to obtain controlled substances by fraud or false statements, false labels or forged prescriptions.

Federal law may impose sentences of several years in prison as well as substantial fines if ASG or its employee is convicted under federal or state law of unlawfully manufacturing, distributing, prescribing or dispensing a controlled substance.

F. Waste Disposal

ASG produces waste of various types. ASG is committed to safe and responsible disposal of biomedical waste and other waste products. Compliance with applicable federal and state environmental regulations requires ongoing monitoring and care. ASG uses biohazard labels and biohazard containers for the disposal of infectious or physically dangerous medical or biological waste. Failure to follow the system could result in significant penalties to ASG. Employees who

come into contact with biological waste should be familiar with ASG's medical waste policy and procedures, and should report any deviations from the policy to their supervisor or the Chief Compliance Officer.

If an employee suspects noncompliance or violation of any of these requirements, the circumstances should be reported to a supervisor or to the Chief Compliance Officer.

G. Biomedical Research

There are special federal regulations governing research on prisoners in order to ensure prisoners are making a truly voluntary and un-coerced decision whether or not to participate in research. In general, research on prisoners as a class must be approved by the Department of Health and Human Services and governed by federal regulations. It is the Company's policy to conduct or initiate no research on prisoners. This prohibition includes administration of experimental or non-approved drug or device therapies to any patient under ASG's care. When a patient who has been accepted into a legitimate research program comes under the care of the Company, that medicinal program may be continued after verifying the authenticity of the inmate's participation.

H. Other Regulations

ASG operates in a highly regulated industry, and must monitor compliance with a great variety of highly complex regulatory schemes. ASG needs the cooperation of employees in complying with these regulations and bringing lapses or violations to light. While the regulatory schemes may not carry criminal penalties, they control the licenses and certifications that allow ASG to deliver care to its patients. ASG's continued ability to operate and serve the community depends upon each employee's help in regulatory compliance. Some of the regulatory programs that employees may deal with in the course of their duties include the following:

- ACA accreditation
- NCCHC accreditation
- Controlled substance registration
- Pharmacy licensure and registration
- Clinical laboratory licensure and regulation
- Union rules and collective bargaining agreements
- Occupational Safety and Health regulation
- Building, safety and fire codes
- Securities regulation

The Chief Compliance Officer can provide employees with information on these rules, and can direct questions or concerns to the proper person. Compliance with all applicable governmental laws, rules and regulations is required.

VIII. CONTRACTORS AND VENDORS

ASG purchases goods and services from many consultants, contractors and vendors. ASG's policy is that all contractors and vendors that provide items or services to ASG must comply with all applicable laws and regulations.

ASG employees who work with consultants, contractors and vendors or who process their invoices should be aware that ASG's compliance policies apply to those outside companies as well. Employees are encouraged to monitor carefully the activities of contractors in their areas. Any irregularities, questions, or concerns on those matters should be directed to the Chief Compliance Officer or the General Counsel.

IX. RESPONSE TO INVESTIGATIONS OR LEGAL ACTIONS

State and federal agencies have broad legal authority to investigate ASG and review its records. ASG will comply with subpoenas and cooperate with governmental investigations to the full extent required by law. The Chief Compliance Officer is responsible for coordinating ASG's response to investigations and the release of any information.

If a department or an employee receives an investigative demand, subpoena, search warrant or civil suit involving ASG, it should be brought immediately to the Chief Compliance Officer or the corporate legal department. Do not release or copy any documents without authorization from the Chief Compliance Officer or ASG counsel. If an investigator, agent or government auditor comes to ASG, contact the Chief Compliance Officer immediately. In the Chief Compliance Officer's absence, contact the Chief Legal Counsel or an attorney in the legal department. Ask the investigator to wait until the Chief Compliance Officer or his designee arrives before reviewing any documents or conducting any interviews. The Chief Compliance Officer, his designee or ASG's counsel is responsible for assisting with any interviews, and ASG will provide counsel to employees, where appropriate. If government investigators and agents approach ASG employees, the employee has the right to insist on being interviewed only at their work site, during business hours or with counsel present.

If a professional staff member receives an investigative demand at his or her private office and the investigation may involve ASG, the staff member is asked to notify the Chief Compliance Officer immediately.

Subject to coordination by the Chief Compliance Officer or the General Counsel, ASG and its employees will disclose information required by government officials, supply payment information, provide information on subcontractors, and grant authorized federal and state authorities with immediate access to ASG and its personnel.

No employee is authorized to respond to a lawsuit against the Company on his or her own. Please forward all lawsuits immediately to the corporate legal department.

X. DISCLAIMER OF EMPLOYMENT CONTRACT

This Code is neither an employment contract nor any guaranty of continued employment. The employment relationship between the Company and its employees is “at will.” The Company’s policies, guidelines and related procedures are subject to unilateral change by the Company at any time.

XI. RESERVATION OF RIGHTS

The Company reserves the right to amend this Code, in whole or in part, at any time and solely at its discretion. Any amendments, to the extent determined to be required or appropriate by the Board of Directors in consultation with the legal counsel, shall be publicly disclosed on a timely basis.

EMPLOYEE CERTIFICATION AND AGREEMENT OF COMPLIANCE

I have received America Service Group Inc.'s Code of Conduct and Ethics (the "Code"). I acknowledge it is my responsibility to read, understand, and familiarize myself with the Code. I understand the manual is not intended to be a contract of employment nor should it be relied upon as such. I agree to act in accordance with the Code as a condition of my continued employment. I understand and agree that my violation of the policies, or my failure to promptly report policy violations, will subject me to discipline up to and including immediate discharge.

Employee Signature

Employee Name & Title (Please print)

Date:_____

DIRECTOR CERTIFICATION AND AGREEMENT OF COMPLIANCE

I have received America Service Group Inc.'s ("ASG") Code of Conduct and Ethics (the "Code"). I acknowledge it is my responsibility to read, understand, and familiarize myself with the Code. I agree to act in accordance with the Code as a condition of my continued service as a Director of ASG.

Director Signature

Director Name (Please print)

Date: _____