



Ethics and Corporate Compliance

Date: 1/10/03

250 Technology Park
Lake Mary, Florida 32746

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Code of Ethics and Business Practices

Dear Fellow Employee and Director:

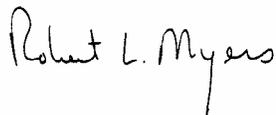
As a business in today's corporate environment, we are keenly aware that our actions in the community and workplace are viewed and evaluated daily by our co-workers, customers, patients, suppliers, investors, and the general public. Both as individuals and as a corporation, we are expected to manage our business interactions within the highest ethical standards, to obey the law, and to treat with fairness, integrity and honesty all employees, customers, suppliers and others to earn and maintain their trust. To be successful in this regard, it is important for us to clearly understand the legal and ethical expectations we have of each other and to meet those expectations to the fullest extent. Our Ethics and Corporate Compliance Program is intended to make you aware of the standards we have established for business conduct and provide you with the education, training, organizational systems and managerial support to assist you in upholding them.

We hope that by sharing these standards with you that we will achieve a high level of business practice excellence for Priority Healthcare Corporation and for each individual.

Each of us is responsible for maintaining the integrity of Priority Healthcare Corporation's relationships with those who rely on and do business with us. Your personal commitment and action in maintaining our ethical and legal standards is critical in these efforts. You are encouraged to report perceived violations without fear of retribution or retaliation. You may do this anonymously through the "hot line" with confidence that your identity will be protected.

Thank you for your personal and professional support in this area.

Sincerely,



Robert Myers
Vice Chairman



Steve Cosler
President and CEO

TABLE OF CONTENTS

GENERAL BUSINESS CONDUCT AND PRACTICES	7
Accuracy and Retention of Business Records	7
Billing Practices and Fraud Prevention	7
Confidential Information	7
Corporate Opportunities	7
Medical Records	8
Submission of Claims	8
Waiver of Co-payments and Charity Care	8
Medically Necessary Services	8
Contracts	8
Company Property	8
Copyrights	8
Electronic Media	8
Shareholder and Media Relations	9
EMPLOYMENT PRACTICES	9
Equal Employment Opportunity	9
Safety and Health	9
Alcohol and Illegal Drugs	9
Harassment	9
Education and Training	10
Professional and Supervisory Personnel	10
Interference with Customer or Employees	10
CONFLICTS OF INTEREST	10
General	10
Family Members	10
Ownership in Other Businesses	10
Outside Employment	11
Acceptance and Solicitation of Gifts	11
Consultants	11
Inside Information and Securities Trading	11
COMPETITION AND FAIR DEALING	11
FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURE	12
REGULATORY COMPLIANCE	12
General Compliance	12
Licensure and Certification	12
Orders for Prescription Drugs	12
ENVIRONMENTAL PRACTICES	12
MARKETING AND ANTITRUST PRACTICES	13
Advertising, Sales and Promotional Literature	13
Customer Gifts, Gratuities, Bribes, Improper Inducements and Kickbacks	13

Antitrust	14
RELATIONSHIPS WITH SUBCONTRACTORS AND SUPPLIERS	14
RELATIONSHIPS WITH THE GOVERNMENT	14
Political Contributions and Activities	14
Government Procurement	14
Hiring of Former Government Employees	15
International Business Practices	15
Charitable Contributions	15
Waiver of the Code of Ethics and Business Practices	15
To Get Help With an Ethics or Compliance Concern or	
To Report a Suspected Violation	16
SIGNATURE CERTIFICATION	17

GENERAL BUSINESS CONDUCT AND PRACTICES

ACCURACY AND RETENTION OF BUSINESS RECORDS

It is essential to report all business information in a timely and accurate manner including, but not limited to, reporting of hours worked, business and travel expenses, shipping and receiving data and financial figures. Financial information must reflect actual transactions and conform to generally accepted accounting principles. No undisclosed or unrecorded funds or assets may be established. We maintain a system of internal controls to provide reasonable assurances that all financial transactions are executed in accordance with management's authorization and are recorded in a proper manner so as to maintain accountability for the Company's assets.

Business documents should be retained and disposed of only in accordance with the internal policy for your department.

BILLING PRACTICES AND FRAUD PREVENTION

We will take great care to assure all billings to both government and private insurance payors reflect truth and accuracy and conform with all pertinent federal and state laws and regulations. We prohibit any employee or agent of PHC from knowingly presenting or causing to be presented, to either a government or private healthcare benefit provider, claims for payment or approval, which are false, fictitious or fraudulent.

No employee of PHC shall ever attempt to defraud any healthcare benefit program (either public or private) or fraudulently obtain any money or property owned by, or under the custody or control of, any healthcare benefit program. We will never knowingly or willfully make false, fictitious or fraudulent statements, either spoken or in writing, to an entity with which we do business.

The sources of any overpayment resulting in a credit balance shall be identified as soon as possible, and if there is an overpayment, it shall immediately be brought to the attention of management for resolution.

CONFIDENTIAL INFORMATION

One of our greatest assets is confidential information about our business strategies and operations. Confidential information includes: pricing and cost data, acquisitions and mergers, business processes and procedures, financial data, trade secrets and know how, pharmacy practices, computer programs, wage and salary information, marketing and sales programs, employee lists, patient/customer/supplier information (including, but not limited to, patient names and clinical data) and other information and developments which have not been released to the general public.

We will comply with all applicable laws and regulations regarding patients' rights with respect to confidentiality, security and integrity of their identity, files, medical records, health condition status, and all other personal information. This information will be shared only with authorized individuals on a strict need to know basis and in compliance with federal and state laws and regulations. All Company information must be used solely for the intended purposes and never for personal gain. Confidential information must not be shared with anyone outside the Company unless they have a legitimate business need to know this information in order to do business with us. These parties must agree to maintain the confidential status of all such information. This obligation to confidentiality continues even after you leave employment or service with us. Upon retirement or termination of your employment or service, you must return all written and tangible proprietary information to your supervisor on your last day of employment or service.

CORPORATE OPPORTUNITIES

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of Company property, information or position without the consent of the Audit Committee. No employee, officer or director may use Company property, information, or position for improper personal gain, and no employee, officer or director may compete with the Company directly or indirectly. (See "Conflicts of Interest" in this Code.) Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

MEDICAL RECORDS

All medical records must be accurate and complete in accordance with applicable professional and legal standards. The documentation of clinical services furnished by the Company shall be completed contemporaneous with the delivery of the service. No entry to any Company medical records should hide, disguise, or misrepresent any fact. Once made, no entry to a patient's record shall be altered or deleted without the approval of a supervisor. When employees have a question about whether an entry to a patient record is appropriate, they should discuss the matter with their supervisor.

SUBMISSION OF CLAIMS

All claims for reimbursement submitted to any payor will contain only true and accurate data; no services will be billed unless fully justified by medical necessity, as documented in patient medical records. Diagnosis information on a patient should always be obtained from the ordering physician. No such information should be included in a claim form or in the patient's records unless provided by the physician. The Company will employ or train sufficient staff to ensure proper billing of all claims. Employees required to make Medicare coverage or coding decisions will be properly trained. The Company will operate oversight systems designed to verify that products and services are billed as provided.

The Company will also operate control systems that effectively verify the accuracy and appropriateness of all claims prior to their submission to payors.

WAIVER OF CO-PAYMENTS AND CHARITY CARE

It is the policy of the Company to collect all co-payments and deductibles required by contractual obligations. We provide patients with flexible payment options and work closely with the manufacturers' indigent program. We may also waive copays or deductibles after receiving documentation of indigency from the patient.

MEDICALLY NECESSARY SERVICES

All services furnished by the Company shall be medically necessary as determined by the application of relevant professional standards.

CONTRACTS

All contracts will be reviewed by the Company's counsel for conformity with all applicable laws and regulations.

COMPANY PROPERTY

It is the responsibility of each director and employee to preserve the Company's assets including: its property, supplies, inventory, accounts receivable and equipment. Personal use of Company owned materials and equipment is permitted only with the approval of your immediate supervisor or, in the case of directors, the Audit Committee.

COPYRIGHTS

You may not make or authorize the duplication of copyrighted written documents or computer software unless licensed to do so. Violation of copyright laws is a federal offense and carries with it fines and possible prison terms. If you have any question about copyrights, contact the Ethics and Compliance Officer for advice.

ELECTRONIC MEDIA

All voice and e-mail communications, including passwords, are Company records and are the sole property of Priority Healthcare. Communications on these systems are not private communications, but are business records that may be monitored by the Company or subpoenaed by a court of law; employees should have no expectation of privacy. Employees are advised that the Company reserves the right to read, access, intercept and disclose the contents of any voice mail and/or e-mail message sent or received over its systems. (E-mail messages can generally be retrieved even after being deleted.) The excessive or unreasonable use of these business tools for personal business or leisure purposes (such as playing computer games while on duty) is strictly prohibited.

It is the policy of this Company to comply fully with copyright laws which protect all commercial computing software and related documentation. Therefore, no

employee may copy or in any way authorize the copying of any copyrighted computer software or documentation (such as manuals) except as specifically permitted by law or by the terms of an applicable purchase or license agreement. This policy includes software copied from a diskette or hard drive, as well as software downloaded from the Internet.

Employees may not use voice mail, e-mail or the access to the Internet provided by the Company to post, store, transmit, download or distribute any threatening, abusive, libelous, defamatory or obscene materials of any kind including anything constituting a criminal offense, giving rise to civil liability, or otherwise violating any laws.

The Company's policy against sexual harassment and discrimination based on sex, race, nationality, religion, age, color, disability status or sexual orientation applies fully to the use of e-mail or other electronic media by employees.

Shareholder and Media Relations

To assure consistency and accuracy and to prevent the inadvertent disclosure of confidential information, you should not give statements to shareholders or the media. If you are contacted by a shareholder, the request should be immediately forwarded to the Investor Relations department. If you are contacted by the media, the request should be forwarded to the Chief Financial Officer or the Chief Executive Officer, or if regarding a legal matter, the Vice President of Administration.

EMPLOYMENT PRACTICES

EQUAL EMPLOYMENT OPPORTUNITY

Our employees provide us with a wide complement of talent and diversity which contributes greatly to our success. We are committed to the principles of equal opportunity and will comply with all laws, regulations and policies relating to equal opportunity, affirmative action and non-discrimination in all of our personnel actions. Such actions include: hiring, layoffs, benefits, transfers, terminations, recruiting, compensation, corrective action, recalls and promotions. These opportunities will be extended to all employees without regard to race, color, religion, national origin, sex, age, disability or veteran status.

SAFETY AND HEALTH

We strive to keep the workplace as free of risk as possible for our employees. To support our efforts in that regard, each employee must follow all of the safety procedures for his/her department and take action when necessary to protect themselves and their co-workers from harm. All workplace related accidents, no matter how small, should be reported at once to the immediate supervisor. The same applies to any unsafe conditions or practices that may be observed so that timely, corrective action may be taken to resolve those issues.

ALCOHOL AND ILLEGAL DRUGS

In order to best perform work assignments, employees must be free of the physical and psychological influences of drugs and alcohol. Reporting to work under the influence of any illegal drug or alcohol, having an illegal drug in your system, or using, possessing, or selling illegal drugs while on Company time or business may result in immediate termination. Drug testing will be part of our business practices for enforcing a drug-free work environment.

Harassment

Each employee has the right to work in an environment free from harassment. We will not tolerate verbal, nonverbal or physical contact by any employee or person associated with our business activities (including suppliers and customers) which harasses, disrupts or interferes with another's work performance or creates an intimidating, offensive, abusive, or hostile work environment. This includes any and all incidents of harassment or workplace violence. Workplace violence includes: robbery and other commercial crimes, domestic and stalking cases, violence directed at the employer, terrorism and hate crimes committed by past or current employees and/or family members, customers, suppliers and other parties.

Employees who experience this type of behavior directed at them or another employee should report the incident to their supervisor, human resources or any member of management for immediate resolution of the problem. You may also contact the Ethics and Compliance Officer to discuss the issue.

EDUCATION AND TRAINING

The Company will provide its employees with all information they need to comply with applicable laws and regulations. The Company will also afford employees involved in billing with the internal and external training necessary to keep them informed of new laws, directives and regulations.

PROFESSIONAL AND SUPERVISORY PERSONNEL

All healthcare professionals and para-professionals employed by the Company or retained as independent contractors shall be appropriately licensed and shall comply at all times with federal and state requirements applicable to their respective disciplines. All supervisory employees will also have training, education, experience and credentials appropriate to the position.

Interference with Customers or Employees

For a period of twelve months after you leave employment or service with our Company, you may not solicit any customer of ours for the purposes of selling goods or services that we currently sell to them or offer any of our employees employment to work with you or your company.

CONFLICTS OF INTEREST

GENERAL

Conflicts of interest are strictly prohibited, unless approved by the Audit Committee of the Company's Board of Directors. A "conflict of interest" exists when a person's private interest interferes—or even appears to interfere—in any way with the interests of the Company. The existence of a conflict depends upon the circumstances, including the nature and relative importance of the interest involved. A conflict of interest situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position with the Company.

Although it is not practical to list every activity or interest that might present a conflict of interest, the following are examples of specific situations in which conflicts of interest could arise, and sets forth the Company's policy with respect to such conflicts of interest.

FAMILY MEMBERS

A conflict of interest may occur if a member of your family has a significant business interest in a company doing business with or in competition with us. Family members include, but are not limited to: spouse, children, step-children, grandchildren, parents, step-parents, brothers, sisters, grandparents, in-laws and any other person related to you or living in your household. If a situation where such a conflict could arise occurs, you must notify the Ethics and Compliance Officer or the Audit Committee in writing for a determination of a potential conflict of interest.

OWNERSHIP IN OTHER BUSINESSES

You may not own, either directly or indirectly, a significant financial interest in any business that does or is seeking to do business with our Company or is in competition with our Company. Significant financial interest is defined as, "ownership by an individual and/or family member of more than 5% of any class of the outstanding securities of a corporation or 5% ownership in a sole proprietorship, general or limited partnership or business association of any kind." Any situations of this type must be reported to the Ethics and Compliance Officer or the Audit Committee for review.

OUTSIDE EMPLOYMENT

Your work at our Company should be your primary focus. Outside employment, such as a second job, must be kept entirely separate from your work here. You may not use Company time, name, influence, assets, materials, facilities or services from other employees for outside work unless it is for Company

authorized community service/volunteer work. You may not accept any offer to serve as a director, partner, consultant or in any managerial position or other form of employment or affiliation with any company that does business with us without first notifying the Ethics and Compliance Officer or the Audit Committee in writing of your intent to do so and receiving approval for such activities. You may not accept outside employment with a competitor of PHC while you are employed by us.

ACCEPTANCE AND SOLICITATION OF GIFTS

It is not acceptable to ask for any gifts, nor ask or receive any payments, fees, services, privileges, vacations or pleasure trips (even those with an apparent business purpose), loans (other than conventional loans with customary fees from lending institutions) or other favors from any person or business organization that does or would like to do business with our Company. Also, you may not accept anything with a value greater than \$50.00 from any supplier or customer in any one year unless it is approved in writing by the President and Chief Executive Officer. Such gifts should be limited to promotional items from customers and suppliers. You may never accept cash or cash equivalents (such as gift certificates).

You and members of your family may, however, accept gifts of a modest value which are extended as a business courtesy such as: sales promotional items, occasional business meals and sporting or entertainment events.

There may be instances when suppliers may offer you, your spouse and children trips that are business related. You should obtain your manager's approval to participate in such trips prior to accepting the supplier's invitation.

CONSULTANTS

When hiring a consultant to work for the Company, care must be taken to be sure that no potential conflicts of interest exist between the consultant and our Company. Consultants and agents are expected to follow our Code of Ethics and Business Practices and should be given a copy of it on their first day of the engagement with us. All agreements with consultants must be in writing and note that the consultant is required to read and follow our Code of Ethics.

Inside Information and Securities Trading

INSIDE INFORMATION AND SECURITIES TRADING

Non-public, important information includes: significant new product discoveries, sales and earnings reports or projections, major contracts with customers or suppliers, plans for stock splits or buy-backs and potential acquisitions or mergers. Such information might also include information about other companies who are about to get contracts from us. In these instances, you must refrain from buying or selling or encouraging others to buy or sell the securities until the information has been disclosed to the general public. If you are unsure about the appropriateness of purchasing or selling a security under these circumstances,

you should contact your own attorney or the Ethics and Compliance Officer with your question.

Directors and officers of the Company are reminded that they are subject to additional obligations and to certain reporting requirements under federal securities laws, which are beyond the scope of, and are not discussed in, this Code. For example, directors, officers and certain other employees also must comply with the Company's "Policy Statement– Securities Trades by Certain Company Personnel."

COMPETITION AND FAIR DEALING

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing 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. You should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair dealing practices.

FULL, FAIR, ACCURATE, TIMELY and UNDERSTANDABLE DISCLOSURE

It is the Company's policy to provide full, fair, accurate, timely, and understandable disclosures in all reports and documents that the Company files with or submits to the Securities and Exchange Commission, as well as in all other public communications made by the Company. In furtherance of this policy, the executive officers of the Company shall design, implement, and amend as necessary, disclosure controls and procedures and internal controls for financial reporting (collectively "Controls and Procedures"). All executive officers, directors and employees shall comply with the Controls and Procedures to promote full, fair, accurate, timely and understandable disclosures by the Company.

REGULATORY COMPLIANCE

GENERAL COMPLIANCE

All employees must take an active role in being knowledgeable of and ensuring compliance with all laws and regulations and immediately reporting violations or suspected violations to their supervisor or a member of management. The Company will be forthright in dealing with any billing inquiries. Requests for information will be responded to with complete, factual and accurate information.

We will cooperate and be courteous to all governmental inspectors and provide them with the information they are entitled to during an inspection. This includes agencies such as: the Food and Drug Administration, Drug Enforcement Administration, Department of Health and Human Services, Department of Labor, Internal Revenue Service, Securities and Exchange Commission and the Occupational Safety and Health Administration. During a government inspection, you should never destroy or alter any Company documents, lie or make misleading statements to the government investigator, attempt to cause another employee to fail to provide accurate information and/or obstruct, mislead or delay the communication of information or records.

LISCENSURE AND CERTIFICATION

The Company will ensure it holds all licenses and Medicare/Medicaid certifications required to provide the services it offers. If you are ever contacted by a government agency asking questions about your job or the Company, please take down the name and telephone number of the person before responding and report it to the Ethics and Compliance Officer or your supervisor.

ORDERS FOR PRESCRIPTION DRUGS

Only licensed pharmacists may approve orders for prescription drugs. Orders may be received in writing or where permitted by law by a licensed pharmacist via telephone or fax.

ENVIRONMENTAL PRACTICES

We will act to preserve our natural resources to the full extent reasonably possible and will comply with all federal and state laws which protect the environment. As a Company and as individuals, we must carry out our jobs in a manner that protects our natural resources. In doing so, we will make a bona fide good faith effort to comply with all environmental laws and operate our facilities with the necessary permits, approvals and controls and diligently employ the proper procedures with respect to the handling and disposition of biohazardous waste including, but not limited to, chemotherapy drugs and medical waste.

MARKETING AND ANTITRUST PRACTICES

ADVERTISING, SALES AND PROMOTIONAL LITERATURE

In dealing with our customers, we will present truthful, fully informative and non-deceptive information about our products and services. We will present our qualifications in a manner which does not disparage the products, services or qualifications of our competition. When we compare ourselves to the competition, it will be done in a fair and analytical manner. We will accurately present our qualifications in our advertisings, promotional literature and public announcements.

CUSTOMER GIFTS, GRATUITIES, BRIBES, IMPROPER INDUCEMENTS AND KICKBACKS

It is critical to avoid the appearance of inappropriateness when giving gifts to customers. While giving seasonal gifts at the holidays is generally not considered a violation of our code, it is our policy that any non-seasonal gifts to customers and suppliers be at the sole discretion of the President and Chief Executive Officer. Seasonal gifts should not exceed \$50.00 per year per recipient.

We will never use gifts, excessive entertainment or any other incentive to improperly influence our current or potential customers. We will obtain business by understanding and meeting the needs of our customers, not by giving or promising favors and/or gifts. However, business courtesies of a minimal value (such as meals or promotional items with the PHC logo on them) are permissible when dealing with non-government customers during business activities and discussions. You may never give cash gifts or cash equivalent gifts (such as gift certificates).

If you are requested by a trade association, customer or supplier to give a gift or contribution to an event such as a golf outing, you must first obtain your manager's approval to do so. Priority Healthcare Corporation will contribute to such events only if they are affiliated with a charitable organization and the proceeds are donated to the charity. Such requests must be handled in accordance with the Company's policy with respect to charitable contributions.

Federal (and some state) anti-kickback laws prohibit individuals from soliciting, receiving, offering or paying any financial incentives, whether directly or indirectly, in return for (1) recommending, referring, furnishing or arranging for the providing of any item or service which may be covered even in part under Medicare or Medicaid; or (2) purchasing, leasing, ordering or arranging for or recommending any good, facility, service or item for which payment may be made even in part under all health insurance programs, including Medicare or Medicaid. Any payments to entities or persons which are in any way related to the providing of items or services that may be billed to Medicare or Medicaid will be made only if they conform to the "safe harbor" exceptions to the federal law.

PHC will abide by the requirements of the "Stark" physician self-referral law which prohibits a physician from ordering or prescribing certain designated health services which are (1) reimbursable by Medicare or Medicaid; and (2) provided by an entity with which the physician has a "financial relationship," defined to include both investment interests and compensation arrangements. The list of designated health services covered by the Stark law includes: durable medical equipment and supplies, home health services and outpatient prescription drugs. Therefore, the Company shall not accept referrals from physicians with which it has a financial relationship unless the Company's counsel has determined that an exception to the Stark law applies.

The Company will not offer, pay, solicit or receive any remuneration (direct, indirect, overt or covert, in cash or in kind) to induce the ordering of products, nor should any employee offer to pay any remuneration to induce the ordering of products.

The Company will not offer, pay, solicit or receive any remuneration to induce the referral of a patient for any items or services. In addition, the Company shall not offer or provide any free benefits to individuals eligible for Medicare or Medicaid that will encourage them to select the Company as its provider of services.

It is absolutely prohibited to give, offer or promise anything of value to a government official (please refer to the section on “Relationships with the Government” in this publication for further details).

Secret commissions or other compensations to employees of customers or suppliers (or their family members or associates) are never allowed and may be a criminal offense.

If it becomes apparent that our Company must engage in unethical or illegal conduct to obtain a contract or business opportunity, we will not pursue the business any further. Such instances should be immediately reported to the Ethics and Compliance Officer.

ANTITRUST

In order to preserve competition and open markets, federal and state antitrust laws prohibit agreements and activities that may have the effect of reducing competition without giving reciprocal benefits to the customer.

We prohibit any discussion or agreements with competitors concerning: (1) prices, discounts or terms or conditions of sale; (2) profits, profit margin or cost data; (3) market shares, sales territories or markets; (4) allocation of customers or territories; (5) selection, rejection or termination of customers or suppliers; (6) restricting the territory or markets in which a company may resell products; and (7) restricting the customers to whom a company may sell.

RELATIONSHIPS WITH SUBCONTRACTORS AND SUPPLIERS

We promote competitive procurement to the maximum extent practicable. Our selection of subcontractors, suppliers and vendors will be made on the basis of objective criteria including governmental requirements (e.g., small disadvantaged businesses), quality, technical excellence, cost/price, schedule/delivery, services and maintenance of adequate sources of supply. Our purchasing decisions will be made on the supplier’s ability to meet our needs and not on personal relationships or friendships. We will always employ the highest ethical business

practices in source selection, negotiation, determination of contract awards and the administration of all purchasing activities.

We will not communicate to a third party confidential information given to us by our suppliers unless directed to in writing by the supplier. Nor will we disclose contract pricing information to any outside parties.

RELATIONSHIPS WITH THE GOVERNMENT

POLITICAL CONTRIBUTIONS AND ACTIVITIES

We encourage our employees to participate in community and political activities on their own time and at their own expense. It is important that when you participate in such activities that you do so as an individual citizen and do not give the impression that you are speaking on behalf of the Company. Contributions to political parties or candidates by the Company may be prohibited by law. The donation of Company funds, goods and services either directly or indirectly, to candidates for federal offices is prohibited by federal law. You may not use Company funds or property to make any contributions or provide any benefit to any candidates in connection with a federal election. Contributions include: financial and non-financial donations such as using Company time and telephones to solicit for a politician and loaning of Company property for use in a political campaign. You must not use any Company funds or resources to support any federal political candidate, political party or political activity. You cannot seek to be reimbursed by the Company for any personal contributions for such purposes. Political contributions for state or local candidates must not be unlawful for that state and be approved in writing by the President and Chief Executive Officer or the Ethics and Compliance Officer.

GOVERNMENT PROCUREMENT

We must be aware of the unique laws, regulations and policies governing our conduct when working with government agencies and officials from any country. Acceptable conduct in the private sector may violate government procurement laws. These violations can result in harsh consequences such as fines, suspension from competing for any government contracts and even criminal prosecution of the Company or individual employees. A few more common areas that government procurement laws focus on are listed below, but any employee dealing with a government customer is obligated to know and strictly observe all applicable procurement laws, regulations and policies. If you are unsure about how to approach a situation regarding any of the following issues, contact your supervisor or the Ethics and Compliance Officer.

As with our non-government customers, we will conduct all of our activities with our government customers in a fair, ethical and honest manner. We will provide the government with high quality products and services at fair and reasonable prices. We will never offer bribes, kickbacks, gifts, gratuities or other financial/non-financial incentives in order to win government business. In our

interactions, as with all those we do business with, we will take great care to provide accurate, timely, truthful information and never compromise the integrity of the procurement process.

The government has substantial restrictions on the kind of information a contractor can obtain during the procurement process. For example, no employee should attempt to obtain government source selection information about a government contract PHC is attempting to procure. The government also commonly restricts access to information about PHC's competitors in a contract bid, including cost and pricing data. No PHC employee shall attempt to obtain such proprietary information from any source.

Under anti-kickback laws, a government contractor or subcontractor cannot give or receive anything of value that is intended to trigger favorable treatment. Therefore, PHC employees who work on government contracts, in any capacity, and their supervisors at any level, are prohibited from accepting gifts with a cumulative value of more than \$50.00 from any one supplier in a year. If you are involved in government procurement work for PHC, you must be careful to avoid actual or potential conflicts of interest. Do not give anything to a government employee (i.e. buying his/her lunch) or accept anything of value from a supplier/subcontractor without checking with your manager or the Ethics and Compliance Officer.

HIRING OF FORMER GOVERNMENT EMPLOYEES

Hiring of present and former government officials shall be done in compliance with applicable laws and regulations. If you wish to consider a former government employee for a position with our Company, contact the Human Resources Department for guidance prior to discussing employment opportunities with that individual.

INTERNATIONAL BUSINESS PRACTICES

In today's global economy, it is important to fully understand the laws and regulations governing our interactions with other countries. These laws are complex and extremely detailed in nature. Before entering into any discussions with foreign customers, you should discuss the intended activities with our Ethics and Compliance Officer and become fully informed of any applicable laws including the Foreign Corrupt Practices Act, Export Control Laws and Anti-Boycott Laws. It is essential that you obtain a full understanding of these regulations before beginning any international business activities.

CHARITABLE CONTRIBUTIONS

We realize that there are many worthy organizations to which financial and non-financial contributions can be made by the Company. You are encouraged to support community and charitable organizations as individuals in order to improve your communities. Our Company will consider and make financial contributions on a case by case basis to organizations which are in the

communities where we have a facility. Preference is given to organizations related to the healthcare industry. Upon receipt of a request on the soliciting organization's letterhead, the request should be forwarded to the Ethics and Compliance Officer for consideration.

WAIVERS OF THE CODE OF ETHICS AND BUSINESS PRACTICES

Any waiver of this Code for officers or directors may be made only by the Audit Committee and, in the case of certain waivers, will be promptly disclosed to the Company's shareholders.

All other waivers of this Code should be made by the Ethics and Compliance Officer.