

SELECT MEDICAL'S
Code of Conduct



Message from the CEO

Dear Select Medical Colleague,

Compliance may not be what you think it is. Yes, it is about doing the right thing – even when no one is watching – but it’s about more than that. It’s about leadership and culture. It is about creating a true culture of accountability.

Anyone who has been part of Select Medical – even for a few days – can tell we are very focused on results. But which results?

Select Medical is focused on Four Key Results:

1. Deliver an Exceptional Patient Experience
2. Keep Our Patients and Each Other Safe
3. Deliver an Exceptional Employee Experience
4. Meet the Annual Business Plan

To achieve these results, we need to make certain cultural commitments.

Our company’s culture is deeply linked to these company results. When it comes to compliance, your daily actions and beliefs – what you promote or tolerate in the workplace – directly affect whether or not the right thing is getting done. Consider this specific example: One of our Key Results is to “Keep Our Patients and Each Other Safe.” This is difficult if we do not design and then actively build a culture of accountability. The same is true for all four of the Key Results. Compliance and results begin with you, the reader.

I encourage you to view compliance in this light. Doing the right thing, and trusting others to do the same, is part of a healthy corporate culture. Who would not want to work at a place like that? Each day, you will see us focusing on the Cultural Commitments we each need to make to achieve our Four Key Results.

In so many ways, compliance is at the heart of all of this. It is the core of what we do and how we do it. It’s the Select Medical Way of doing business: doing well by doing right.

Thank you for your hard work and commitment.

David S. Chernow

President & Chief Executive Officer

Compliance Program Information

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COMPLIANCE HOTLINE

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COMPLIANCE EMAIL

hotline@selectmedical.com

The Code

THE SELECT MEDICAL COMPLIANCE PROGRAM HAS A NUMBER OF DIFFERENT COMPONENTS, INCLUDING:

- The Code of Conduct (“Code of Conduct” or “Code”)
- Compliance Policies and Procedures
- Human Resources Policies and Procedures
- Employee Handbook
- Operations Policies and Procedures
- Compliance Training and Education
- Compliance/Ethics Hotline
- Auditing and Monitoring Plan; and,
- Periodic Compliance Bulletins and Newsletters

The following pages set forth the Code of Conduct, which applies to Select Medical Corporation (“Select Medical” or the “Company”) and each of its employees, officers, directors, medical staff, independent contractors, vendors, representatives and agents of its United States based subsidiaries, affiliates and joint venture entities controlled by Select Medical. The “patients” referred to in the Code include patients in long-term acute care facilities, inpatient rehabilitation centers, outpatient rehabilitation centers and other health facilities and practices operated or managed by the Company.

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I. BACKGROUND

***“Our mission depends
on maintaining the highest
reputation for integrity.”***

A. FUNDAMENTAL POLICY OF COMPLIANCE WITH LEGAL, ETHICAL AND PROFESSIONAL STANDARDS

Select Medical's mission is to provide an exceptional patient care experience that promotes healing and recovery in a compassionate environment. The effective achievement of Select Medical's mission depends on maintaining the highest reputation for integrity of Select Medical and its employees.

Select Medical's business operations and other activities are subject to a number of legal and regulatory requirements. It is Select Medical's policy that all of its business operations and other activities be conducted at all times in compliance with all applicable laws and regulations of the United States and the various states and other jurisdictions in which Select Medical conducts such activities, as well as high standards for ethical business conduct. This Code is intended to serve as a guide to help implement this policy of compliance with legal and ethical standards. However, the Code is not intended simply as a restatement of legal principles or regulatory rules applicable to Select Medical's activities. The legal and regulatory requirements applicable to Select Medical's activities are typically complex and may be subject to qualification by numerous exceptions, refinements and nuances. In certain areas, Select Medical has, for business and/or regulatory reasons, adopted policies and procedures that may impose requirements beyond those mandated by applicable laws or regulations.

The Code and any other policies and procedures issued by Select Medical are for the sole and exclusive benefit of Select Medical. Neither the Code, nor any other policies or procedures issued by Select Medical, constitute or otherwise create any employment or other legal right, privilege, assurance or contract of any kind or nature in favor of any Select Medical employee or group of employees. Nor may such policies and procedures be used or relied upon in any way by any other party. Conduct in violation of the Compliance Program is outside of the scope of an employee's job responsibilities and authority and may subject the employee to disciplinary action, including suspension, imposition of monetary penalties or termination, as described more fully in this Code.

B. WHO IS COVERED BY THE CODE

Unless otherwise indicated, the policies and procedures set forth in this Code are applicable to all employees of Select Medical and its United States based subsidiaries, including but not limited to those employed at long-term acute care hospitals, general acute care hospitals, rehabilitation hospitals, outpatient rehabilitation clinics or practices, other health care facilities, contract therapy subsidiaries, home health agencies, corporate offices and other businesses as the Company shall operate from time to time, officers, members of the Board of Directors, medical staff, physicians in key roles and anyone else acting on behalf of the Company. The use of the term "employees" in the Code shall mean employees, officers, directors, medical staff, independent contractors, vendors, representatives and agents of its United States based subsidiaries, affiliates and joint venture entities controlled by Select Medical.

C. EMPLOYEE/MANAGER RESPONSIBILITIES

1. RESPONSIBILITY OF ALL EMPLOYEES

Implementation of Select Medical's commitment to legal and ethical standards of business conduct must begin with each employee. Accordingly, all employees are required to observe all applicable legal and regulatory requirements and Select Medical's Compliance Program, and are responsible for ensuring that their conduct conforms to such standards. Adherence to the Compliance Program is a condition of employment and continued employment with the Company and will be taken into consideration in connection with periodic performance reviews and other evaluations.

Employees may not engage in conduct that violates applicable legal or regulatory requirements or the Select Medical Compliance Program even if instructed to do so by their superiors, and will be deemed in violation of the Compliance Program if they do so.

All employees are expected to carefully read the Code of Conduct and other compliance-related materials that may be issued from time to time.

2. MANAGER/SUPERVISOR RESPONSIBILITIES

Managers and/or other Supervisors are responsible for ensuring that each person under their respective supervision or direction receives this Code and all other documents comprising the Compliance Program and is advised of Select Medical's policy of compliance with all applicable legal and regulatory requirements and Select Medical's policies and procedures.

Managers/Supervisors are also responsible for monitoring the compliance of the persons under their supervision or direction. Managers/Supervisors should exhibit a strong commitment to compliance that will serve as an example for employees. Managers/Supervisors should also encourage open communication among employees under their supervision or direction regarding compliance matters. Adherence by each Manager/Supervisor to the Compliance Program is a condition of employment and continued employment with the Company and, together with the overall compliance performance of individuals under their supervision or direction, will be taken into consideration in connection with periodic performance reviews and other evaluations.

Managers/Supervisors must create and maintain a culture of safety and quality throughout Select Medical. Safety and quality thrive in an environment that supports teamwork and respect for other people, regardless of their position in Select Medical. Managers/Supervisors must demonstrate their commitment to quality and set expectations for those who work in Select Medical. Managers/Supervisors must evaluate the culture on a regular basis. Managers/Supervisors must encourage teamwork and create structures, processes, and programs that allow this positive culture to flourish. Disruptive behavior that intimidates others and affects morale or staff turnover can be harmful to patient care. Managers/Supervisors must address disruptive behavior of individuals working at all levels of Select Medical, including management, clinical and administrative staff, licensed independent practitioners, and governing body members.

D. HANDLING QUESTIONABLE SITUATIONS

No set of policies and procedures can be crafted to cover every potential situation that employees might face in the day-to-day conduct of Select Medical's operations. The policies and procedures set forth in the Code and other Compliance Program documents are written in broad terms and are intended to serve as guidelines for situations that employees may encounter. Nonetheless, situations may arise which are not addressed by the Code or which raise questions as to the appropriate application of legal or regulatory requirements or Select Medical's Compliance Program to proposed conduct.

Employees who find themselves in a situation where a question exists as to whether certain conduct might violate legal or regulatory requirements or the Company's Compliance Program should refrain from taking any questionable action or promptly consult with their Manager/Supervisor. Employees also may raise questions directly with the Compliance Officer, any other member of the Compliance and Audit Committee (see Sections I-H and I-I below) or the Legal Department.

Employees are not expected to have expert knowledge of all of the various legal and regulatory requirements that may apply to their activities. However, Select Medical does expect employees to be knowledgeable about their area of expertise and to be sensitive to legal and ethical issues and the application of the Company's Compliance Program to their conduct. Select Medical also expects employees to know enough to ask questions before engaging in any questionable conduct. When in doubt, the right course is to refrain from taking any action or raise questions with the above-mentioned senior personnel before taking any action.

Because the Code is broadly worded to cover a wide variety of situations that may arise, employees may face situations in which complete legal and ethical conduct could technically be interpreted to be a violation of Select Medical's Compliance Program. Employees who believe that they are faced with such a situation should nevertheless refrain from taking any action and promptly consult with the above-mentioned senior personnel, who will review the situation and issue appropriate guidance.

E. REPORTING COMPLIANCE-RELATED MATTERS (“REPORTING POLICY”)

1. GENERALLY

Employees must report promptly any information regarding a known or suspected violation of applicable laws, regulations or Select Medical's Code or other elements of the Compliance Program and/or any situation where proposed conduct may constitute such a violation (each, a “Compliance Incident”). A Compliance Incident Report will be deemed to have been made only if reported in accordance with this Section I-E. All reports will be received or retrieved and reviewed by the Compliance Officer or designee and appropriate action will be taken. Employees making a report of a Compliance Incident should maintain all information related to the report in strict confidence and should not discuss such information except with Company officials addressing the matter.

2. REPORTING COMPLIANCE INCIDENTS

Select Medical recognizes the importance of maintaining a communications avenue whereby employees can communicate occurrences of a Compliance Incident. There are a number of ways for employees to report a Compliance Incident:

A) ATTRIBUTABLE REPORTING

It is often helpful (but not required) for employees reporting a Compliance Incident to provide their identity in order to allow Select Medical to contact them in the event that further information or clarification is needed. Employees who are willing to report a Compliance Incident in a way that identifies them as the source of the report may provide the information in writing or by telephone to the Compliance Officer. Select Medical will endeavor to maintain the identity of the employee reporting the Compliance Incident in confidence to the extent possible under the circumstances and consistent with enforcement of the Code, the overall Compliance Program and Select Medical's legal obligations. All employees must understand that circumstances may arise in which it is necessary or appropriate to disclose information. In such cases, disclosure will be on a “need to know” basis only.

B) ANONYMOUS REPORTING

Employees who do not wish to be identified as the source of a report of a Compliance Incident may make an anonymous report to the Compliance Officer. This can be done by sending an anonymous letter which contains sufficient detail to allow a thorough investigation of the Compliance Incident. A post office box has been created for collection of all such reports, the address of which is:

**COMPLIANCE AND AUDIT COMMITTEE: P.O. BOX 3352 SHIREMANSTOWN, PA 17011
ATTENTION: COMPLIANCE OFFICER**

Select Medical has retained an outside firm, Global Compliance Services, Inc., to operate its Compliance Hotline and receive anonymous reports by telephone at the following toll-free number: **(888) 823-8945**

When calling the Compliance Hotline, the caller is not required to disclose his or her identity. Should anyone choose to disclose his or her identity, it will be held in confidence to the fullest extent practical or allowed by law. In connection with the Compliance Program, Select Medical has established a “non-retribution” policy. This means no retaliatory actions may be taken against any caller for reporting violations in good faith on the Compliance Hotline or directly to management.

The post office box will be checked on a periodic basis. Anonymous telephone reports will be forwarded to the Compliance Officer shortly after receipt. Concerns brought to the company’s attention through the Compliance Hotline or by mail will be promptly and thoroughly evaluated and investigated for proper resolution.

C) EMERGENCY REPORTING

In circumstances requiring immediate action, reports of Compliance Incidents should be made (or forwarded) directly to the Compliance Officer who will consult immediately with the Legal Department and other senior personnel, such as the Chief Financial Officer, as appropriate (an “Emergency Report”). Such reports may be made on an anonymous basis as well if the employee does not wish to be identified. Examples of Compliance Incidents requiring an Emergency Report are as follows:

- I. Fraud and Abuse Issues:** With respect to relationships with referral sources, Select Medical personnel must conduct themselves in accordance with the parameters set forth in Section II of this Code and elsewhere in the Compliance Program. Any issues which arise concerning fraud and abuse violations or potential violations or issues under the Medicare and Medicaid programs, fee splitting or similar types of issues which could result in the imposition of civil, criminal or monetary penalties must be reported as an Emergency Report.
- II. Material Joint Commission or Commission on Accreditation of Rehabilitation Facilities (CARF) Accreditation or Survey Issues Which May Jeopardize the Licensing of a Select Medical Facility:** Any issues relating to the accreditation or licensing status of Select Medical or one of its facilities must be reported as an Emergency Report.
- III. Medicare, Medicaid and Third-Party Payer Issues:** Issues such as potential false claims or other billing and coding issues involving Federal, State or third party payers must be reported as an Emergency Report.
- IV. Patient Care Issues:** Incidents or situations involving harm or potential harm to patients must be reported as an Emergency Report.

D) REPORTING QUESTIONABLE ACCOUNTING OR AUDITING MATTERS

Any employee having knowledge of questionable accounting or auditing matters relating to Select Medical or its United States based subsidiaries should contact Mr. James E. Dalton, Chair of Select Medical’s Audit and Compliance Committee. Employees may make an anonymous report by calling **SELECT MEDICAL’S COMPLIANCE HOTLINE AT (888) 823-8945**

or by sending an anonymous letter to: **MR. JAMES E. DALTON (CHAIRPERSON, AUDIT AND COMPLIANCE COMMITTEE)
P.O. BOX 3352 SHIREMANSTOWN, PA 17011.**

This protocol is only for reporting questionable accounting or auditing matters. All other compliance related matters should be reported in accordance with the protocol set forth above.

3. EMPLOYEE REPORTING SAFEGUARDS

No employee who in good faith reports a Compliance Incident will be subject to disciplinary action or otherwise penalized for making such report. Any employee involved in reprisals or other action against an individual who in good faith reports a Compliance Incident will be subject to disciplinary action, including termination where appropriate. However, an employee’s submission of a report of a Compliance Incident that is known (or should reasonably be known) to be false or misleading at the time made constitutes a violation of Select Medical policy and will subject the employee to disciplinary action, including termination where appropriate. Failure to report a known Compliance Incident in accordance with this Section I-E of the Code is itself a violation of Select Medical policy and will subject an employee to disciplinary action, including termination where appropriate.

4. REPORTING POLICIES AND PROCEDURES

Select Medical recognizes the importance of maintaining a communications avenue whereby all employees can communicate occurrences of potential fraud or wrongdoing. Recognition is given to the fact that anonymity may be important. However, giving a name and phone number generally makes investigating reports easier and more effective. All information reported to the Compliance Officer or the Compliance Hotline shall be kept confidential to the extent that confidentiality is possible throughout any resulting investigation. All employees must understand that circumstances may arise in which it is necessary or appropriate to disclose information. In such cases, disclosure will be on a “need to know” basis only. There will be no retribution or retaliatory actions taken against any employee who reports an issue in good faith. Acts of retaliation should also be reported to the Hotline and will be investigated. Any confirmed act of retaliation shall result in discipline.

F. HANDLING COMPLIANCE INCIDENTS

All Compliance Incident reports will be reviewed by the Compliance Officer, and the Compliance and Audit Committee and appropriate action will be taken. In certain instances, such action may include the conduct of an internal investigation and/or the effectuation of corrective measures.

All such investigations or other responsive actions are to be coordinated by the Compliance Officer in consultation with the Legal Department. Responding to a Compliance Incident can involve complex legal or policy questions that are appropriately handled at senior levels, typically with guidance from counsel. If the result of the investigation indicates that corrective action is required, the Compliance Officer, in consultation with the Compliance and Audit Committee, Legal Department and/or such other personnel, including the President and Board of Directors, as necessary, will determine and implement those steps to be taken. Employees should not attempt to investigate or otherwise take remedial action to respond to a Compliance Incident on their own, whether with respect to their own or someone else's conduct. Such "self-help" efforts by employees may adversely affect Select Medical's ability to investigate or otherwise address the matter and take the best responsive action. For example, in the case of an emergency, employees should take appropriate steps to promptly halt any violation and report the matter under the Reporting Policy as an Emergency Report under Section I-E-2(c).

Employees are expected to cooperate in any investigation or other effort by Select Medical to respond to a report of a Compliance Incident. Select Medical will not tolerate any direct or indirect efforts by an employee to cover up a Compliance Incident or otherwise impede an investigation or corrective action, for example by withholding information, fabricating an inaccurate or misleading version of the facts, creating misleading documents, altering or destroying records or other such deceptive conduct. Any such conduct is itself a violation of the Compliance Program.

Procedures concerning the steps of an investigation, use of outside counsel, obtaining and securing evidence, and documentation are to be developed by the Compliance Officer, in consultation with the Compliance and Audit Committee and the Legal Department.

G. DISCIPLINARY ACTION

Disciplinary action, including suspension or termination, may be taken in any of the following circumstances:

- against any employee who authorizes, participates or is otherwise involved, directly or indirectly, in any action which constitutes a Compliance Incident;
- against any employee who fails to promptly report a Compliance Incident, or who withholds information concerning a Compliance Incident of which the employee becomes aware;
- against the Manager(s)/Supervisor(s) of any employee involved in a Compliance Incident to the extent that the circumstances reflect inadequate supervision or lack of appropriate diligence by the Manager(s)/Supervisor(s);
- against any employee who attempts to retaliate or participates in retaliation, directly or indirectly, or encourages others to retaliate against an employee who in good faith reports a Compliance Incident;
- against any employee who makes a report of a Compliance Incident which is known (or should reasonably be known) by the reporting person to be false or misleading; or,
- against any employee who fails to cooperate fully with Select Medical's efforts to investigate or otherwise address a Compliance Incident.

Decisions with respect to disciplinary action are within the sole discretion of Select Medical and will generally involve consultation with the Compliance Officer, the Legal Department, Human Resources and other appropriate personnel. Decisions will be made based on consideration of all of the relevant facts and circumstances of a particular situation, including whether an employee involved in a Compliance Incident promptly reported the matter in accordance with Section I-E of this Code, the degree of the employee's cooperation and the nature of the employee's conduct. However, employees are required by the Code to promptly report Compliance Incidents and to cooperate with Select Medical in addressing such matters and the fact that an employee fulfills these obligations under the Code will not insulate the employee from potential disciplinary action should Select Medical deem it appropriate.

In addition to disciplinary action, violations of applicable legal or regulatory requirements or Select Medical's Code or other policies and procedures may result in (i) the repayment by the Company of medical service reimbursement amounts incorrectly received; (ii) the payment of fines and penalties; (iii) the referral of misconduct to appropriate governmental or regulatory authorities for criminal or civil prosecution; (iv) the referral of misconduct to appropriate licensing boards and/or (v) legal action by Select Medical to recover losses or damages caused by such misconduct. Decisions concerning the appropriate remedial action to be taken will be made after consultation among the Compliance Officer, Compliance and Audit Committee, the Legal Department and other appropriate personnel.

H. COMPLIANCE OFFICER

The Chief Executive Officer of Select Medical, with the approval of the Board of Directors, shall appoint a senior official of the Company to serve as the Compliance Officer. The Compliance Officer shall report to the Chief Executive Officer of Select Medical, with authority to address the Board of Directors, and its Audit and Compliance Committee, on any matter deemed appropriate by the Compliance Officer. The Compliance Officer shall be responsible to the Chief Executive Officer of Select Medical for ensuring that all Compliance Incidents reported in accordance with Section I-E of this Code are communicated appropriately to the Compliance and Audit Committee. The Compliance Officer shall also advise the Compliance and Audit Committee (see Section I-I below) from time to time on ways to improve the reporting of Compliance Incidents to promote timely, accurate and confidential reporting. The duties of the Compliance Officer shall include those identified in this Code, overseeing and monitoring all elements of the Compliance Program, making special and regular reports to management and to the Board of Directors, supporting the Audit and Compliance Committee and periodically updating and revising the Compliance Program to ensure its effectiveness and performing any other duties identified by the Compliance and Audit Committee and approved by the Chief Executive Officer of Select Medical. The Compliance Officer shall have access to Company documents and Company personnel as needed to carry out the duties of the position. In addition, and as appropriate, the Compliance Officer may appoint local compliance officers to coordinate the program in the field.

I. COMPLIANCE AND AUDIT COMMITTEE

1. DUTIES

Select Medical has established a Compliance and Audit Committee, which will report to the Chief Executive Officer of Select Medical and will coordinate compliance-related matters, including, but not limited to:

- A) from time to time, as appropriate, reviewing the effectiveness of the Compliance Program through periodic internal and external reviews and audits of selected areas of the Compliance Program;
- B) assisting the Compliance Officer in the discharge of his or her duties;
- C) from time to time, as appropriate, reporting to senior management and/or the Board of Directors on the status of Select Medical's compliance efforts; such reports shall be made to the Board of Directors no less frequently than annually;
- D) from time to time, as appropriate, recommending revisions to the Compliance Program or implementation of additional compliance policies and procedures, taking into consideration the results of its compliance activities and developments in the law and in government enforcement; and,
- E) assisting in the development of an education program for all existing employees and new hires at all Select Medical facilities, to be reviewed and updated as needed.

2. MEMBERS

The Members of the Compliance and Audit Committee shall be appointed by the Chief Executive Officer of Select Medical with the approval of the Compliance and Audit Committee. The General Counsel or another attorney in the Legal Department shall act as legal counsel to the Compliance and Audit Committee except in those instances where there would be an irreconcilable conflict of interest.

J. MONITORING AND AUDITING

1. PROCESS

The Compliance Officer, in consultation with the Compliance and Audit Committee, shall develop an annual plan for monitoring and auditing the effectiveness of the Compliance Program and compliance with the specific standards, policies, procedures and legal requirements (the "Monitoring and Auditing Plan" or "Plan"). In developing the Plan, the Compliance Officer and Compliance and Audit Committee will take into consideration current enforcement concerns of Federal, State, and local governments, changes in Select Medical's business and Compliance Incident reports. The Monitoring and Auditing Plan shall be reviewed by the Compliance and Audit Committee. Where the results indicate, immediate corrective steps shall be taken. Audits may be performed by internal audit and external personnel. Policies and procedures will be developed for ensuring the integrity of the audit process and reports.

2. AREAS OF CONCERN

The Compliance and Audit Committee will consider, in developing the Plan, the following areas of concern:

- A. Documentation
- B. Accounting Practices
- C. Provider Issues
- D. Relationships with Physicians and Other Referral Sources
- E. Marketing practices
- F. Anti-kickback and self-referral laws
- G. Patient freedom of choice
- H. Admissions, discharge, length of stay, and medically necessary services
- I. Billing, duplicate billing and billing for services not provided
- J. Appropriate coding practices
- K. Privacy and confidentiality of medical information (HIPAA)
- L. Contracting with excluded individual or vendors
- M. Other areas identified from time to time in OIG work plans and OIG fraud alerts

3. STANDING MONITORING PROCESSES

Select Medical has identified certain business activities requiring ongoing monitoring to ensure compliance with the Compliance Program and legal requirements, either because of the complexity of such legal requirements and/or the degree of enforcement activity by the government. Those areas of ongoing monitoring include physician and other compliance-sensitive contracts; medical staff bylaws and governing board bylaws; new business ventures; and cost reports.

A) PHYSICIAN AND OTHER COMPLIANCE-SENSITIVE CONTRACTS

The Legal Department must be consulted regarding the preparation of all contracts or leases with physicians or other referral sources. Other referral sources include individuals or entities in a position to refer patients or business, or in a position to arrange for the referral of patients or business (“Referral Source”). Any question as to whether a party constitutes a Referral Source should be brought to the attention of the Legal Department prior to the execution of any agreement. The Legal Department will utilize its own forms for such agreements or will obtain the assistance of local counsel for preparation of such agreements. In the event that local counsel prepares the agreements, they must be reviewed by the Legal Department prior to signature. All physician agreements or leases must be signed in accordance with Legal Department policies in effect from time to time.

No payments may be made to a physician or other Referral Source until the following items are obtained by the administrator/CEO/manager: (i) a valid physician contract executed by the physician or referral source and applicable department head (or his or her designee); (ii) either the signature of a member of the Legal Department on the contract indicating that such agreement has been reviewed and approved by the Legal Department, or a memorandum to that effect from a member of the Legal Department; and (iii) an accurate time sheet for the applicable pay period.

All contracts involving marketing representatives, billing agents and other independent contractors and temporary employees engaged in compliance-sensitive positions shall be reviewed by the Legal Department prior to signature.

B) MEDICAL STAFF AND GOVERNING BOARD BYLAWS

The Legal Department must be contacted regarding the preparation, and prior to the adoption or any amendment thereto, of all Medical Staff Bylaws and Governing Board Bylaws.

C) OTHER CONTRACTS

All contracts involving significant capital expenditures or any contract which cannot be terminated with 30 days notice or less must be reviewed by the Legal Department prior to signature. In addition, any contract committing Select Medical to make a loan to any person or entity, requiring Select Medical to make significant payments or capital expenditures to any person or entity, or which cannot be terminated with 30 days notice must be reviewed by the Legal Department prior to signature. Such contracts may only be signed by an authorized Select Medical corporate officer or other authorized employee. If local or other outside counsel is used in connection with such matters, such counsel must coordinate with the Legal Department and copy the Legal Department on all correspondence.

D) COST REPORTS

All cost reports are to be reviewed, approved and signed by appropriate senior officers at the corporate office.

K. WAIVERS OF THE CODE

A waiver of any part of this Code of Conduct for a director or officer of the Company can only be authorized by the Company’s Board of Directors or a committee of the Board of Directors and any such waiver shall be promptly disclosed by the Company to the Company’s stockholders. The term “officer” shall have the meaning specified in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

L. TRAINING AND EDUCATION

The Compliance Officer, in consultation with the Compliance and Audit Committee, shall develop an effective education and training program (the “Education and Training Program” or the “Program”). The Program shall cover this Code, other elements of the Compliance Program and the legal and regulatory requirements relevant to Select Medical businesses. The Compliance Officer shall review, on an annual basis, various sources of information to ensure that the Program is covering all necessary subject matters and reaching the necessary personnel. Such sources shall include current laws and regulations, OIG Fraud Alerts, and the OIG Work Plans, as well as Compliance Incident reports and Monitoring and Auditing Plan results.

All levels of personnel shall participate in Compliance training and education programs as coordinated by the Compliance Officer and approved by the Compliance and Audit Committee. Compliance orientation programs shall be developed for new hires and for employees of new Select Medical facilities. Certain Select Medical employees who are employed in, or who participate in, high-risk areas or duties may receive specialized training. This specialized training may focus on complex areas or on areas the Compliance Officer has determined pose a risk of non-compliance.

M. COMPLIANCE CERTIFICATION PROCESS

To underscore the importance of Select Medical’s commitment to full compliance with the Code and Compliance Program, all current employees are required to acknowledge their receipt and understanding of the Code. Acknowledgement is completed by logging into the Select Medical Employee Resource Center (SERC) and completing the electronic certificate.

II. PATIENT CARE CODE OF CONDUCT

***“We provide an
exceptional patient care experience
that promotes healing and recovery in a
compassionate environment.”***

A. MEDICALLY NECESSARY SERVICES

Only those medical services that are clinically determined to be medically necessary, in accordance with appropriate medical, professional and payer standards, may be provided by Select Medical employees whether at Select Medical facilities or otherwise on behalf of Select Medical.

B. PATIENT INTAKE

Diagnoses must be clinically determined and must not be made to suit available insurance benefits. Facility guidelines must be followed in connection with patient intake, including those with respect to physician supervision.

C. INPATIENT ASSIGNMENTS, OUTPATIENT REFERRALS AND AFTERCARE ARRANGEMENTS

The assignment/referral of patients to inpatient or outpatient facilities and aftercare physicians or therapists must be based on quality of care factors and the needs and preferences of the individual patient. The quality of care factors that should be considered (as appropriate under the circumstances) when making patient assignment/referral include:

- treatment program expertise;
- clinical specialization;
- willingness to work in a collaborative manner with the staff;
- familiarity with Select Medical's policies, procedures and programs, if relevant;
- participation in treatment planning;
- quality of documentation;
- overall experience;
- patient/family preference;
- Peer Review and Quality Assurance Profile;
- effectiveness in dealing with managed care reviewers; and,
- timeliness in seeing new patients.

The fact that individual physicians or therapists may refer patients does not disqualify them, legally or ethically, from receiving assignment/referral of patients from a Select Medical facility. Nonetheless, the volume or value of a physician's or therapist's referrals may not be considered in making a decision to refer a particular patient to that physician or therapist.

In any discussion with a physician or therapist regarding individual referrals or a hospital's or other facility's referral policies, it should be made clear that referrals to Select Medical's hospitals, facilities or programs are not a prerequisite or factor for receiving referrals.

D. PATIENT FREEDOM OF CHOICE AND LENGTH OF PATIENT STAY

In any discussion with patients regarding their referral to a facility that is owned, controlled or managed by Select Medical, Company personnel shall disclose the nature of the relationship between Select Medical and such facility in accordance with Select Medical's policies and procedures and Federal and State laws in the interest of promoting patient freedom of choice.

The length of a patient's stay is to be based on clinical considerations. Facility or rehabilitation unit staff should not attempt to influence each other or attending physicians regarding the length of a patient's stay for the purpose of improving the facility's or the rehabilitation unit's census or reimbursement or any other reason unrelated to clinical considerations.

It is Select Medical's general policy that patients are to be discharged/transferred only when clinically appropriate, such as when Process Review Organization (PRO) or hospital specific utilization review criteria are met, or a patient fails to make sufficient progress in the present environment, or when care can be more appropriately provided at another level of care. Any exception must be approved in writing in advance by the administrator of the facility.

E. COMMUNICATION WITH ATTENDING PHYSICIANS AND REFERRAL SOURCES

Select Medical's employees may discuss business relationships with physicians, therapists and Referral Sources, but these discussions may not take the form of offering or soliciting incentives in exchange for patient admissions or referrals. No payment or other thing of value of any kind (direct or indirect) may be offered, orally or in writing, or given to induce an individual or group to admit to a hospital, facility or program, refer to a hospital, facility or program, or increase patient length of stay, or to induce an individual or group to arrange for others to admit or refer, or increase length of stay, or to secure other advantages.

It is not appropriate or acceptable to coerce, in any way, an attending physician or Referral Source into admitting or referring patients to a hospital or facility, extending patients' stays in a hospital or facility or taking other such action, by threatening to terminate or modify a contract, agreement or other existing arrangement.

F. PHYSICIAN FINANCIAL RELATIONSHIPS

Consistent with the Monitoring and Auditing section of this Code (Section I-J) all financial relationships between physicians and Select Medical, including, but not limited to, management agreements and leases, shall be reviewed by the Legal Department to ensure compliance with Federal and State anti-kickback and self-referral laws.

G. CREDENTIALING AND SUPERVISION

It is the policy of Select Medical that only qualified personnel may provide clinical services to patients. Personnel providing such services shall be supervised as required under State licensing authority.

The purpose of the credentialing process is to assure that only fully qualified physicians and other clinical staff are permitted to practice at Select Medical facilities. With respect to medical staff members, primary source verification is a requirement in the medical staff bylaws for all credentials, letters of reference and verification that the medical staff member is not, nor has ever been excluded, suspended, debarred or otherwise ineligible to participate in any federally funded health care program, including the Medicare or Medicaid program. Facilities should initiate all requests for peer references, and may not rely on reference letters provided by the persons being credentialed.

The Joint Commission's requirements for bi-annual re-credentialing of the medical staff must be met, and there should be appropriate documentation that these activities have taken place.

H. MEDICAL DOCUMENTATION

Medical records documentation must meet the requirements of the medical staff bylaws, facility or rehabilitation unit policies, applicable laws, regulations and accreditation standards (e.g. The Joint Commission, Medicare/Medicaid). Employees should also make efforts to see that medical records documentation reflects the standards or requirements of third-party payers or their outside review agents.

The enforcement provisions in the medical staff bylaws for dealing with documentation must be consistently and equitably applied. It is not appropriate to avoid enforcing documentation requirements for fear of the impact such action might have on census or payment.

Late documentation must be clearly labeled as such in the medical records. Any falsification or alteration (without appropriate notation) of medical records is prohibited. If falsifications or alterations are discovered, the administrator or any other person who becomes aware of such facts should immediately report the matter under the Reporting Policy in Section I-E.

I. CONTRACTS AND CONTRACT ADMINISTRATION

Employees must maintain timeliness in complying with the requirements of Select Medical's policy on the review, preparation and administration of legal agreements. (See Monitoring and Auditing in Section I-J regarding contract review by the Legal Department.) Any uncertainties about contract appropriateness or legality must immediately be brought to the attention of the Legal Department.

Contracts with physicians, therapists and Referral Sources must accurately and completely specify the services for which they are being paid to provide, realistic time commitments, and the compensation rates for those services. These rates must be consistent with the fair market value of the services. All such agreements must be prepared and/or reviewed by the Legal Department prior to signature. If the Legal Department does not respond as quickly as may be needed in any given situation, the facility administrator should contact the Legal Department, but may not proceed to execute the contract without prior approval.

The computation of the fair market value in any agreement or arrangement cannot include the volume or value of any business referred to the facility by the persons to whom monies or any other thing of value are being given. In making the fair market value calculation, all benefits of any kind being given to the contracting party must be taken into account, including but not limited to, relocation, reimbursement, professional dues and meetings, auto allowance, car phone, beeper/paging services and marketing assistance.

Every contract payment or other benefit provided to physicians and Referral Sources must be for the services rendered and at the rates called for in the facility's or rehabilitation unit's contract with them. Every payment must also be supported by proper documentation that the services contracted for were in fact provided. None of the documentation submitted by physicians or Referral Sources should make reference to referrals that may have been made to or from the facility or rehabilitation unit since no compensation may or is to be given or received for referrals. The corporate office is prohibited from issuing checks if these requirements are not met.

J. WAIVER OF DEDUCTIBLES AND CO-PAYMENTS

Select Medical does not allow for the routine waiver of co-payments or deductibles. Under most circumstances, the waiver of deductibles or co-payments by a person or facility is illegal under the Medicare and Medicaid laws as well as other insurance laws. Therefore, insurance co-payments and deductibles may not be waived and patient bills may not be otherwise reduced unless in accordance with written Company policies which have been approved in advance by the Corporate Finance Department, in consultation with the Compliance and Audit Services Department.

K. PATIENT INDUCEMENTS AND MARKETING

Patients may not be offered direct or indirect financial or other incentives in order to secure their admission to, or their willingness to remain in, a facility or rehabilitation unit or center. Marketing or promotional items (e.g. trinkets, such as mugs, pens, t-shirts, etc.) may be given to patients, provided that their value is minimal (no more than \$10 individually, with a total aggregate of \$50 per year per patient) and they are not provided in order to influence decisions.

All individuals engaged to market Select Medical facilities and services are subject to pertinent provisions of this Code. In addition to all other specific requirements set forth herein, the representations of Select Medical marketing agents must be clear, correct, fully informative and non-deceptive.

L. BILLING AND CODING PRACTICES

All facilities must accurately bill for services, supplies and equipment provided. Billing (or submitting a claim) for services, supplies or equipment not medically necessary, not provided as stated, not the service, procedure, supply or equipment stated, or billing (or submitting a claim) that is otherwise false, misleading or inaccurate in any way is prohibited. Billing for services that were medically necessary and appropriately provided but not properly documented is also prohibited. If inaccuracies are discovered in bills (or claims) that have already been paid by the payer, the administrator or other employee who becomes aware of such facts should immediately report the matter in accordance with the Reporting Policy in Section I-E. All facilities must bill for services using billing codes that accurately describe the services that were provided. The use of inaccurate codes in order to improve reimbursement is strictly prohibited. If inaccurate codes are discovered in bills that have already gone out, the administrator or other employee who learns of such inaccuracy should promptly report the matter in accordance with the Reporting Policy in Section I-E.

Ancillary and program services that are billed must be provided by individuals who (i) are licensed/credentialed to provide such services, or (ii) are appropriately trained to provide such services (e.g. therapy assistants, therapy technicians, therapy aides) as specified in the State practice acts for the discipline (if applicable) or in the national licensure or accreditation body of the profession, unless the facility has written information indicating that the use of the non-licensed/non-credentialed personnel is permitted by the payer.

Select Medical will comply with the Federal and State laws and regulations governing credit balances, reporting and overpayments, and any prohibition against balance billing for covered services.

Pharmacies must bill for pharmaceuticals using billing methods that accurately describe the pharmaceuticals that were provided. The use of prescriptions that do not accurately reflect the patient for whom it was prescribed is prohibited. All practices of inaccurate or unlawful billing such as excessive billing, filling prescriptions with generic brands and billing for brand names, billing for the same prescription more than once, and splitting prescriptions in order to obtain extra dispensing fees are prohibited. If any such inaccuracies or practices are discovered, the director of pharmacy or any other person who becomes aware of such facts must immediately contact the Legal Department.

Select Medical recognizes that billing and coding functions are highly complex areas which are subject to frequent change and to rigorous enforcement activity by Federal and State authorities as well as by commercial payers. Select Medical shall provide ongoing training and education for all personnel involved in the billing and coding functions. Areas of billing and coding to be addressed shall include: Medicare reimbursement principles, prohibitions on activities such as receiving remuneration for Medicare or Medicaid referrals, billing Medicare and Medicaid, submitting a bill for physician services when rendered by a non-physician, signing for physicians without physician authorization, alterations to medical records, billing in violation of the Medicare/Medicaid bundling regulations, inappropriate or unauthorized billing of Medicare for investigational research and development devices, medications and procedures without proper authorization, violating patient transfer policies, and rules regarding Stark I and II, anti-dumping laws and documentation guidelines.

Day-to-day questions about billing matters should be handled in accordance with the Reporting Policy in Section I-E. Any inquiry to a government agency, intermediary or carrier for an interpretation of billing rules should be documented and a copy forwarded to the Legal Department. All contracts and/or compensation arrangements for billing or coding employees or consultants shall be reviewed and approved by the Legal Department to eliminate any potential financial incentives for falsifying claims or billing for services based upon a prohibited referral.

M. PATIENT PRIVACY POLICY/NATIONAL PRACTITIONER DATA BANK INFORMATION

Because of the nature of our business, Select Medical employees have access to confidential information involving the patients we serve and the medical professionals who provide services to those patients in Select Medical facilities. Select Medical is committed to maintaining patients' and practitioners' rights of privacy to the fullest extent possible under the circumstances and consistent with applicable legal and regulatory requirements, including but not limited to, the Health Insurance Portability and Accountability Act (HIPAA). Every patient at a Select Medical facility will receive a copy of Select Medical's Notice of Privacy Practices. The Notice of Privacy Practices informs patients of their rights with respect to their medical information as well as information regarding Select Medical's policies and procedures regarding the use and disclosure of patient medical information.

All patient medical records must be kept confidential and only authorized persons may have access to them. Patients are entitled to expect both the protection of confidentiality and the appropriate release of information in records. Employees should contact the Compliance and Audit Services Department when any questions arise with respect to release of such information.

Similar issues of privacy and confidentiality are raised when information is provided relating to the medical professionals who treat patients at Select Medical facilities. Information relating to such providers, including information contained in or received from the National Practitioner Data Bank, must be maintained in confidence and used only for authorized purposes.

N. LICENSES, PERMITS, CERTIFICATIONS, ACCREDITATIONS AND OTHER REGULATORY APPROVALS

It is Select Medical's policy to obtain and maintain all required Certificates of Need (if applicable), operating and business licenses and permits, Medicare Certification, Medicaid/MediCal Certification (if appropriate in a designated market) and accreditations including The Joint Commission and CARF accreditations. Any employee who becomes aware of any violation or failure to obtain or renew a required Certificate of Need, a license or permit, or a Medicare or Medicaid Certification must immediately contact the Legal Department. Any employee who becomes aware that a Select Medical facility does not meet The Joint Commission and CARF standards must immediately notify the applicable Select Medical Division Head.

O. DOCUMENTS PREPARED FOR SUBMISSION TO FEDERAL, STATE, OR LOCAL AGENCIES

Facilities must complete certain forms for Federal, State, and local agencies, including cost reports and staffing and census reports. The use of any false or misleading statement or information on these or any other forms prepared for submission to a Federal, State, or local agency is prohibited. If inaccurate information is discovered in documents already submitted to an agency, the administrator, fiscal officer or any other person who becomes aware of such facts must immediately report the matter in accordance with the Reporting Policy in Section I-E. All cost reports must be reviewed by the Corporate Finance Department before submission to the appropriate governmental authority.

P. QUALITY OF CARE

It is Select Medical's policy to deliver quality care and to help its patients achieve their highest practicable physical, mental and psycho-social well-being in a cost-effective manner. In this regard, facility policies include:

- following regulatory requirements related to survey and certification;
- maintaining adequate staffing to allow patients to achieve their highest practicable physical, mental and psycho-social well-being in a cost-effective manner; and,
- ensuring a prompt and appropriate response to patient or family complaints related to quality of care.

Q. INAPPROPRIATE RELATIONS BETWEEN EMPLOYEES AND PATIENTS

The Company expects all employees of the Company (including physicians and therapists) to conduct themselves in an ethical and legal manner vis-a-vis their patients. Inappropriate relationships between employees and patients are strictly prohibited and may result in disciplinary action, including termination where appropriate.

R. MEDICAL REVIEW

In order to further assure that quality of care issues are addressed, accidents or care issues that result in death or serious injury or harm to patients or residents shall be promptly referred for medical review in accordance with facility guidelines.

S. REPORTING OF CHILD AND ELDER ABUSE

Health care providers are generally required to report suspected incidents of child and elder abuse pursuant to applicable State law. It is Select Medical's policy to report all incidents of child or elder abuse, both physical and financial, in accordance with State law. Employees suspecting child or elder abuse should immediately report the matter to their Manager/Supervisor.

T. MANAGED FACILITIES

To the extent practicable, Select Medical will ensure that all relevant portions of this Code will be implemented at facilities managed by Select Medical.

III. BUSINESS CODE OF CONDUCT

***“We are dedicated to full compliance
with all applicable laws and
regulations concerning employment
and the workplace.”***

A. CONFLICTS OF INTEREST

1. CONFLICTS OF INTEREST EXPLAINED

All Select Medical employees have a duty to carry out their job responsibilities in a loyal manner on the basis of what is in the Company's best interests and independent of personal considerations. No employee may use or attempt to use the employee's position with Select Medical for personal or private gain or advantage. In addition, employees should avoid any activity, relationship or interest that may, or may even appear to, interfere with, affect, compromise or otherwise be incompatible with the performance of the employee's responsibilities to Select Medical in a loyal manner. Such activities, relationships or interests are often referred to as "conflicts of interest." Although it is not possible to list every conceivable activity, relationship or interest that raises an actual or potential conflict of interest, examples of situations that raise actual or potential conflicts of interest would include the following:

- Ownership by an employee of a significant financial interest in any actual or potential competitor or any third party which has an actual or potential business or other relationship with Select Medical. Precisely what constitutes a "significant" interest will depend on all of the facts and circumstances of a particular situation, but, as a general matter, ownership of the securities of a publicly traded company will be considered "significant" for this purpose if it exceeds 5% of a company's outstanding securities or either 5% of the individual's self-directed investments or \$50,000, whichever is lesser.
- Serving as a director, officer, partner, employee, consultant, representative or in some other comparable capacity, or otherwise performing services, for any actual or potential competitor or third party which has an actual or potential business or other relationship with Select Medical involving payments by or to Select Medical in excess of \$300,000 per year. This is the case even if the Select Medical employee (i) receives no compensation from the other entity for such service, or (ii) has no direct or indirect contact with the entity in performing services for Select Medical.
- Acting as a broker, finder, go-between or otherwise for the benefit of a third party in transactions involving or potentially involving Select Medical or its interests.
- Appropriating directly or indirectly for personal benefit or the benefit of some third party any business or profit opportunity, right or interest that Select Medical is or might reasonably be interested in pursuing, without first making the opportunity, right or interest available to Select Medical.
- Receiving improper personal benefits as a result of one's position with the Company.
- Engaging in outside business activities that detract from or interfere with the full and timely discharge of an employee's responsibilities to Select Medical, even though such outside activities in and of themselves might otherwise not give rise to an actual or potential conflict of interest.
- Serving on a public body or in an organization whose interests or activities may have an effect on Select Medical, either positively or negatively, absent prior approval from the Compliance Officer.
- Using work time or Select Medical's resources in pursuit of personal activities which compete with the business of Select Medical or may otherwise be detrimental to Select Medical.

2. PRIOR APPROVAL FOR CONFLICT SITUATIONS

Absent prior approval from the Compliance Officer in consultation with the Compliance and Audit Committee, the Chief Executive Officer or the Board of Directors, where appropriate, and prior authorization of any required waivers in accordance with Section I-K, employees may not pursue any activity, relationship or interest, including the types of situations described in the examples above, that gives rise to an actual or potential conflict of interest. Accordingly, employees are required to promptly report any actual or potential conflict of interest situation in accordance with the provisions of the Reporting Policy in Section I-E.

In reporting an actual or potential conflict situation, employees must truthfully disclose all relevant facts and circumstances (including their identity). Whether approval will be granted rests with the sole discretion of Select Medical and will depend on Select Medical's assessment of all of the relevant facts and circumstances of a particular situation. Any approval granted is limited to the particular facts and circumstances disclosed. Select Medical also has the right to prohibit, place restrictions on or require termination of any activity or relationship determined to create an actual or potential conflict of interest. Employees have a continuing obligation to report promptly any material changes in the facts and circumstances of an approved conflict situation so as to permit Select Medical to reassess the matter on a timely basis.

Since individuals are typically identified with their family members, actual or potential conflicts of interest may also arise by virtue of the activities, relationships or interest of an employee's close relatives. Accordingly, employees are also required to report any actual or potential conflict situation that they become aware of involving an employee's immediate family. For purposes of Select Medical's conflict of interest policies and procedures, an employee's immediate family shall include the employee's spouse, dependent children, parents, siblings, and any other person who resides in the employee's household or who depends on the employee (or the employee's immediate family) for material financial support.

B. PROPRIETARY INFORMATION AND MATERIALS

1. PROPRIETARY INFORMATION

In the course of their work, employees may come into contact with confidential, nonpublic information concerning Select Medical or its business or other activities. Such information may take many forms and includes information concerning financial performance, operating results, business or strategic plans, marketing and sales programs or strategies, management organization or changes, expansion or acquisition plans, divestitures; processes or business methods, information on current or prospective suppliers or customers, past transactions, pricing and cost data; and other information relating to the conduct of Select Medical's business and other activities.

All such confidential nonpublic information generated, used or acquired in connection with (or concerning) Select Medical's business and other activities is proprietary to Select Medical ("Proprietary Information") -- that is, it belongs to the Company -- and may be used only for Company purposes and may not be used in any way for the personal purposes or gain of any employee or third party. Employees may not disclose Proprietary Information to any person inside or outside of Select Medical who is not authorized to receive such information. In addition, all such information must remain confidential until its public disclosure is authorized by Select Medical.

An employee's obligations with respect to Proprietary Information continue even after the employee has left Select Medical, regardless of the reason for the cessation of employment. Employees leaving Select Medical for any reason are required to promptly turn over to the Company all such information (and other materials or property) belonging to Select Medical which are in the employee's possession, custody or control.

2. USE OF COMPANY PROPERTY

Company property is to be used for the conduct of the Company's legitimate business and other activities. Employees may not use Company property for personal reasons except as permitted by Company policies and procedures or otherwise approved in advance by their Manager/Supervisor. The misuse or misappropriation of Company assets, the provision of anything of value to any party not in accordance with Company policy (or other appropriate authorization), and the retention of any benefit that belongs to the Company from any party with whom the Company has business or other dealings are prohibited. These policies encompass the unauthorized use of the Company's communications equipment, computers, related facilities or other Company assets, including Proprietary Information and trade secrets.

The Company's assets, such as office supplies, production equipment and products, must not be taken out of Company facilities unless necessary to perform an employee's job responsibilities. If removed from the Company's facilities for business purposes, employee must return the property to the facility when it is no longer needed for business purposes.

3. ELECTRONIC COMMUNICATIONS

All forms of electronic communication, including electronic mail ("email"), intranet, Internet access and voicemail are the property of Select Medical and must be utilized only by those employees who have been properly authorized. Every employee who has access to any form of electronic communication has a responsibility to maintain and enhance the Company's public image and to use Company email and access to the internet in a productive manner.

The Company recognizes that employees may occasionally need to conduct personal business at work and it permits highly limited, reasonable personal use of the Company's communication systems. However, the Company has the right to limit Internet access and to review email for inappropriate conduct and will hold employees accountable for their individual behavior associated with the Select Medical name and all their activity conducted with Select Medical corporate information assets.

C. FINANCIAL RECORDS

All transactions and other Select Medical activities must be properly authorized by management and executed in accordance with management's general or specific authorization. Only authorized employees may purport to act on behalf of Select Medical.

Select Medical personnel must ensure that financial and other records and accounts, as well as supporting documentation for which they are responsible, accurately and completely reflect Select Medical's actual operations, transactions and other activities. Falsification or deception in connection with the creation and maintenance of Company books, records, accounts or entries therein, whether by alteration, destruction, omission, or false or misleading recording, is strictly prohibited.

Select Medical's transactions and other activities must be recorded as necessary and appropriate to permit preparation of financial statements in conformity with generally accepted accounting principles and other applicable rules, regulations and criteria, and to ensure full accountability for all assets, liabilities and transactions of the Company. All assets, liabilities, receipts and disbursements must be accurately and completely recorded in the regular books, records and accounts of the Company. No undisclosed or unrecorded funds, assets or accounts may be created or maintained, nor any undisclosed or unrecorded payments received or made, regardless of the purpose.

All payments made on behalf of Select Medical must be in accordance with applicable legal and regulatory requirements and the Code and other Company policies and procedures, and accompanied by appropriate and accurate supporting documentation. In addition, no payment on behalf of Select Medical may be approved or made with the intention, understanding or knowledge that any part of the payment is to be used for any purpose that is inconsistent with the purpose(s) described in the supporting documentation.

In addition to these policies and procedures, all employees with responsibility for preparing and maintaining Select Medical's financial records must strictly comply with the Company's internal accounting policies and procedures.

D. ANTITRUST AND UNFAIR COMPETITION

The United States and many individual states have enacted antitrust or competition laws which reflect the belief that a marketplace characterized by free and vigorous competition is in the best interest of consumers and businesses. While Select Medical believes in competing vigorously in the various businesses in which it is active, it is Select Medical's policy to compete in a lawful, fair and ethical manner and to comply fully with all applicable antitrust and competition laws.

This section sets forth a general summary of the principal types of conduct that raise antitrust concern, along with the Company's antitrust compliance policies and procedures in these areas. Because of the fact-intensive nature of antitrust analysis, it is important that employees promptly consult with the Legal Department regarding any situation that raises potential antitrust questions.

1. RELATIONS WITH COMPETITORS

The antitrust laws generally prohibit agreements, understandings and other concerted activities that unreasonably restrain trade. The antitrust laws draw an important distinction between arrangements with competitors as opposed to customers or suppliers. Restrictive arrangements with competitors are generally prohibited, while certain types of arrangements with customers or suppliers are permissible under certain circumstances.

A) PRICE FIXING AND OTHER COLLUSIVE ARRANGEMENTS

The classic example of unlawful concerted activity among competitors is a formal or informal agreement to "fix" or "stabilize" prices. Unlawful price-fixing arrangements may involve not only the actual dollar price at which Select Medical and competitors sell their products or services, but any terms or conditions of sale affecting prices, such as discounts, credit terms, the timing or announcement of pricing changes, the use of pricing formulas, and other similar items.

Moreover, unlawful price fixing may involve much more than simply setting a specific dollar price or price range. Any agreements among competitors that directly or indirectly affect prices, whether higher or lower, may be prohibited. In addition to price-fixing agreements, formal or informal agreements or understandings among competitors to (i) divide markets, customers or lines of business, (ii) set or limit capacity levels, (iii) standardize products or services, (iv) coordinate bidding, or (v) boycott or refuse to do business with certain suppliers or customers, are also generally prohibited under the antitrust laws.

It is Select Medical's policy that business decisions – including determining prices, pricing policies, terms and conditions of sale of the Company's products and services, the markets or lines of business to compete in and the customers and suppliers with whom Select Medical does business — be made on an independent basis, taking into account all relevant factors, including the Company's costs and profit objectives, prevailing market conditions, competitive prices and other relevant factors and information.

Accordingly, employees are generally prohibited from entering into any kind of agreement, understanding or arrangement with competitors concerning prices, pricing policies, other terms and conditions of sales or purchases, the markets or lines of business in which Select Medical will compete, the customers and suppliers with whom Select Medical will do business or other matters of competitive significance.

It is Select Medical's policy never to invite competitors to participate in collusive activities. Any employee receiving an invitation from a competitor to participate in a collusive arrangement should clearly state that it is against Select Medical policy to engage in such activities or even to discuss such matters with competitors, terminate the discussion and immediately report the matter in accordance with the Emergency Report provisions of the Reporting Policy in Section I-E.

Employees should be aware that it is not only formal or express agreements that are prohibited. Any kind of informal or "gentlemen's agreement," or other tacit or implied understanding concerning prices or other matters of competitive significance is similarly prohibited. In this regard, there need not be evidence of an explicit or written unlawful agreement in order for a court or jury to find an antitrust violation. Unlawful arrangements may be inferred from circumstantial evidence. For example, a casual conversation among competitors about prices at an industry function coupled with evidence of subsequent parallel activity by competitors could be interpreted on an after-the-fact basis as a violation of the antitrust laws.

As the previous example illustrates, communications with competitors on matters of competitive significance raise special concerns because they can be misinterpreted as part of an unlawful arrangement. Employees generally must refrain from discussing, exchanging or otherwise communicating with any employee, representative or agent of a competitor any information concerning Select Medical's or the competitor's past, present, or future prices, pricing policies, other terms or conditions of sale or other matters of competitive significance.

Employees generally may not provide such information to, or seek such information from, competitors. An employee also may not attempt to circumvent these rules on prohibited communications by using someone else, such as an agent or fellow employee, to obtain information that the employee is prohibited from acquiring directly. While prices of competitors obviously may be considered in making pricing decisions, information as to competitors' prices should only be obtained from the field (e.g. from published lists, other public sources or customers to whom the prices have been quoted) and not from competitors, even if only to verify an offer that a customer claims to have received.

Employees will inevitably come into contact with Select Medical's competitors at business and social functions, and it is not the intention of the above policies and procedures to bar such contacts. However, employees who find themselves being drawn into a discussion of prohibited subjects or that otherwise raises antitrust concerns should immediately and clearly state their disapproval of the subject matter and terminate the discussion. In a group situation, this may require withdrawing from the group if the inappropriate discussion continues. Even after stating an objection, an employee's failure to withdraw from the group could be construed as tacit agreement if the improper discussion is continued. In situations where a record is maintained — for example, a trade association meeting — employees should request that their objection (and if necessary, their departure) be noted for the record and request a copy of the record. Any such incidents should be promptly reported in accordance with the Reporting Policy in Section I-E.

B) BONA FIDE TRANSACTIONS WITH COMPETITORS

One exception to Select Medical's policies on communications with competitors concerning matters of competitive significance is for situations in which Select Medical is entering into a bona fide sales or other business transaction with a competitor. In such situations it is of course necessary to discuss pricing and related information that is relevant to the completion of the transaction. However, this exception is to be treated narrowly and may not be used as an opportunity to engage in prohibited communications. To ensure that appropriate guidelines are followed in connection with communications with competitors, employees involved in potential transactions with competitors should consult with the Legal Department in advance.

Another exception is for bona fide joint venture transactions. Joint ventures are becoming more prevalent in the health care industry and can serve legitimate pro-competitive purposes. However, because joint ventures may involve concerted activity among competitors, the Legal Department must be consulted before Select Medical enters into any such arrangement that has not previously been approved from an antitrust perspective. (See Section I-J-3(c) of this Code regarding Other Contracts.)

C) TRADE AND INDUSTRY ASSOCIATIONS

Trade associations and other industry groups can serve legitimate purposes. However, Select Medical's membership and participation in trade associations (or other industry groups) can raise particular concerns because they involve meetings and other group activities by competitors. Employees may not join or participate in the activities of trade associations (or other industry groups) in which competitors are members or otherwise involved without the prior approval of their Manager/Supervisor.

Employees participating in trade association activities (or, indeed, in any outside profession or social gathering) must be sensitive to, and avoid any participation in, any activity or discussion which might be construed as improper concerted action by competitors. Some examples of activities that may be legitimate, but which can raise antitrust concerns under certain circumstances include:

- expulsion or exclusion of actual or potential members (because under certain circumstances such conduct might constitute an improper group boycott);
- “industry standard” setting activities (because under certain circumstances such conduct may be used illegally to exclude competition);
- the collection, dissemination and/or exchange of industry data or other information of competitive significance (because such exchanges can in certain circumstances be viewed as ancillary to a cartel arrangement or as stabilizing or raising prices) and,
- presenting “industry” views to legislative bodies or to governmental or regulatory agencies (because such activity may be used as a guise for efforts to harm or eliminate a competitor).

Employees may not participate in these or any other trade association (or other industry group) activities that raise potential antitrust concerns without first consulting with the Legal Department. Employees should not assume that trade association (or other industry group) activities are permissible under the antitrust laws simply because a lawyer is present at a meeting or other gathering. In addition, activities of trade associations (or other industry groups) are generally not an appropriate forum for raising complaints against competitors. Employees should refer to Section I-D of this Code on Handling Questionable Situations and consult with the Legal Department on the appropriate manner of handling any such grievances.

Employees should be aware that the improper conduct of some members of a trade association (or other industry group) may be attributed to other members, even those who did not take part in the activities but were nevertheless aware of them. As a result, employees must be particularly vigilant in participating in trade association (or other industry group) activities. Employees who find themselves being drawn into what appears to be a prohibited discussion must follow the procedures outlined above for terminating/withdrawing from inappropriate discussions.

2. RELATIONS WITH CUSTOMERS AND SUPPLIERS

A) GENERALLY

As a general matter, Select Medical is free to do business or not do business with whomever it chooses and may freely select its customers and suppliers. Such decisions are to be made independently based on factors of quality, technical excellence, price, delivery and service and not as a result of any agreement or understanding with a competitor, or with a competing customer or supplier, not to do business with certain customers or suppliers.

Refusals to do business with potential customers and suppliers, and terminations of business relationships with existing customers and suppliers, may raise antitrust concerns. Employees should refer to Section I-D of this Code on Handling Questionable Situations and consult with the Legal Department when making such decisions. As with other business decisions, Select Medical's policy is to make independent decisions about its business relationships with suppliers or customers. Accordingly, employees should exercise care to avoid creating the appearance that Select Medical's legitimate refusal to do business with, or termination of, an actual or potential customer or supplier is the result of an unlawful agreement with a competitor or a competing customer or supplier. For example, employees who receive complaints from one or more suppliers (or customers) as to the prices or other business activities of another supplier (or customer) should make clear to the complainer that Select Medical will look into the complaint and then take whatever action or inaction Select Medical deems appropriate in its independent business judgment.

B) SPECIFIC ARRANGEMENTS THAT RAISE ANTITRUST CONCERNS

It is also Select Medical's policy that customers and suppliers be free from improper restraints by the Company, whether agreed upon or imposed, on their ability to make independent business decisions. The types of arrangements with customers and suppliers described below have been found to violate the antitrust laws where they impose unreasonable limitations on competition and trade, although some of these practices may be permissible under certain circumstances. Accordingly, such arrangements are prohibited absent the prior approval of senior management and the Legal Department.

Resale Price Maintenance Agreements. Resale price maintenance involves arrangements or activities setting, or requiring customers to adhere to, particular resale prices or terms of resale for the seller's products or services and is generally prohibited. Once a customer has purchased a Company product, the customer is generally free to price, resell or otherwise dispose of the product or service as the customer sees fit. Similarly, Select Medical may not participate in such arrangements with any of the Company's suppliers with respect to such supplier's products or services.

Select Medical may suggest prices, terms and conditions of sale or other marketing practices to customers reselling Company products or services, but may not coerce or otherwise take action to require the customer to follow Select Medical's suggested prices, such as by conditioning continued dealing with the customer on adherence to the Company's suggested resale pricing policy, seeking assurances that the customer will follow the suggested resale pricing policy, or enlisting others (such as competing customers) to report those customers that do not follow the Company's suggested resale pricing policy. Employees should exercise care in even suggesting resale prices and should generally refer to Section I-D of this Code for Handling Questionable Situations and consult with the Legal Department before doing so.

Tying Arrangements. A tying arrangement is the practice of requiring a customer to purchase one product or service in order to obtain another product or service that the customer really wants. As a general matter, customers are free to purchase only those products or services that they want from Select Medical and may not be required to purchase products or services that they are not interested in as a condition to their being permitted to purchase what they do want.

The general prohibition against tying arrangements does not apply to legitimate efforts to sell several products or multiple services in a package, provided that the seller is prepared to sell each of the products or services separately at realistic prices where the offering of separate products or services is economically (and otherwise) feasible. Tying arrangements may also be permissible if the impact on competition or trade is insignificant. Because tying arrangements can raise difficult legal issues under the antitrust laws, they may not be implemented without the prior approval of senior management and the Legal Department.

Reciprocity Arrangements. Reciprocity arrangements involve basing the level of Select Medical's business with an actual or potential supplier on the level of that party's patronage of Select Medical's products or services.

Select Medical's policy is to make all purchasing decisions solely on the basis of price, quality, service, need and other relevant factors, and not on the basis of a party's level of business with Select Medical. Employees should avoid communications that might be construed as suggesting in any way that Select Medical's purchases from an actual or potential supplier might be reduced if such supplier does not purchase Select Medical's products or services.

Exclusive Dealing Arrangement. Exclusive dealing arrangements involve the practice of limiting the ability of customers or suppliers to do business with competitors and competitive products or services, or to do business in certain areas. Requirements contracts are a form of exclusive dealing arrangement in which a customer or supplier commits to purchase or sell all or a substantial portion of its requirements or output from or to another party. Exclusive dealing arrangements and requirements contracts not previously reviewed by the Legal Department may not be entered into without the prior approval of senior management and the Legal Department.

Discriminatory Pricing Arrangements. Select Medical policy is that all customers and suppliers be treated fairly and not be discriminated against. As a general matter, prices, promotional or advertising allowances and support (or other similar) services offered to one competing customer in a geographic area should be made available on a non-discriminatory basis to other competing customers in the same area. Employees may not seek to avoid these restrictions by directly or indirectly paying, or arranging for payment of, any brokerage fee, commission or rebate to a customer in connection with that customer's purchases or products or services from Select Medical. Any such fees must be for services actually rendered by bona fide brokers.

It may be permissible to grant a special price, allowance or service to a particular customer in certain circumstances — for example, if it is to meet the bona fide price, allowance or service offered by a competitor. When responding to a competitor's offer, Select Medical generally may meet, but not beat, the competitor's price, allowance or offer of services. In such situations, Select Medical must have an objective basis for believing that the customer has received a lower price or allowance from the competitor. However, such information should be obtained from the customer and employees should never attempt to confirm the offer with the competitor. Select Medical also may offer a lower price if it is justified by some cost savings to Select Medical.

Similar rules apply when Select Medical is the customer. Thus, while employees may negotiate vigorously for favorable prices or allowances from Select Medical's suppliers, employees generally should not attempt to induce or accept prices or other terms from a supplier where there is reason to believe that such prices or terms of sale are not generally available to Select Medical's competitors from the same supplier. However, employees may attempt to negotiate with a supplier to meet a legitimate lower price or other favorable terms received from a competing supplier, or may accept a better price or other terms where Select Medical's supplier can justify such favorable terms by cost savings. Employees may not communicate the existence of more favorable prices or terms of sale from a competing supplier when in fact no such prices or terms of sale exist.

3. UNILATERAL ACTIVITY

In addition to prohibiting certain concerted action among competitors, the antitrust laws prohibit actions of a single company that constitute monopolization or attempts at monopolization. Monopolization consists of the ability of a single company unilaterally to control prices or to exclude actual or potential competitors with respect to the market for a particular product or service. Possession of a dominant market position or substantial market power is not in and of itself illegal under the antitrust laws. A company may achieve a substantial or even dominant market share position as a consequence of legitimate business or competitive skill or as a result of historical accident.

The antitrust laws, however, prohibit the unfair use of market power to eliminate or harm competition. The antitrust laws also prohibit seeking unfairly to leverage a dominant position in one market into another market. One common example of a questionable practice in this regard is known as "predatory pricing," the practice of pricing below an appropriate measure of cost for the purpose of eliminating competitors in the near term and thereby reducing competition in the long term.

Employees may not engage in predatory pricing or pursue any other practices, strategies or tactics that might be construed as being designed unreasonably to harm or exclude competition or competitors, and must consult with senior management and the Legal Department prior to implementing any such practice strategy or tactic.

4. UNFAIR COMPETITION

Federal and State laws also prohibit unfair methods of competition and unfair or deceptive acts and practices. These laws, like the antitrust laws, are designed to protect competitors and consumers. In many instances, these laws prohibit the same types of conduct that are prohibited by the antitrust laws as described above in this section. Federal and State unfair competition laws also prohibit other conduct that might be deemed unfair or deceptive that might not be prohibited by the antitrust laws.

While it is impossible to list all of the different types of conduct that have been found to be unlawful under "unfair competition" laws, some examples include: (i) commercial bribery or payoffs to induce business or breaches of contracts by others; (ii) acquiring a competitor's trade secrets through bribery or theft; (iii) making false, deceptive or disparaging claims or comparisons regarding competitors or their products; (iv) mislabeling products; and (v) making affirmative claims concerning one's own products without a reasonable basis for doing so. Employees should avoid these and any other unethical, unfair or deceptive business practices.

In particular, all public statements by or on behalf of Select Medical, including in connection with advertising, promotional materials, sales representatives, warranties and guarantees, should always be truthful and have a reasonable basis in fact, and should not disseminate any advertising or other materials for Select Medical's products or services which are false, misleading or deceptive or not in compliance with applicable laws and regulations.

5. FOREIGN ANTITRUST COMPLIANCE

The antitrust laws of the United States may apply to transactions or activities abroad which have a substantial impact on the domestic or foreign commerce of the United States. In addition, Canada, Mexico, the European Economic Community and other foreign jurisdictions have also enacted antitrust and competition laws that prohibit many of the same types of conduct that are prohibited under U.S. antitrust laws.

Accordingly, employees engaged in any business activities in foreign countries should, at a minimum, observe the same antitrust guidelines as stated above. Because the antitrust laws of foreign jurisdictions may be more strict or prohibit additional types of conduct, employees operating outside the United States should consult with the Legal Department as to additional guidelines that may apply with respect to any activities that might be construed to have an anti-competitive purpose or effect.

Employees who have reason to believe that Select Medical is being injured by a potential violation of the antitrust or competition laws should immediately report the matter as an Emergency Report in accordance with the Reporting Policy in Section 1-E. Employees should not take any retaliatory steps or measures on their own, as such conduct itself might constitute a violation of the antitrust or competition laws.

E. SECURITIES TRADING

Select Medical personnel seeking to engage in securities trading should consult Select Medical's Statement of Policy Concerning Trading Policies and Conflicts of Interest as well as seek guidance from the Legal Department as to how the insider trading laws apply in sensitive situations before engaging in any transaction or other conduct as to which a question exists.

F. POLITICAL AND LOBBYING ACTIVITIES

1. POLITICAL CONTRIBUTIONS AND ACTIVITIES

All employees must comply with all applicable campaign finance and ethics laws. Federal, State and other laws may prohibit or place restrictions on corporate contributions and other activities in connection with elections for political office or other political activities. Accordingly, Select Medical's assets may not be used to make any contribution or otherwise provide assistance for or on behalf of the Company to any political party, candidate for public office, political fund raising campaign committee or other such organizations in connection with any Federal, State or local election (or other political activities), absent prior review and approval by the Legal Department.

This policy applies not only to direct money contributions but also to indirect assistance such as the furnishing of goods, services, equipment, facilities or other assistance. This policy also applies to the purchase of tickets for dinners or other political fundraising events or advertising space in political publications.

Use of Company funds or assets to support or oppose public referenda or similar ballot issues must be reviewed and approved in advance by the Chief Executive Officer ("CEO") of Select Medical, or in his absence, by his designee.

These policies are not intended to discourage or prohibit employees from making personal political contributions or otherwise engaging in personal political activities of their choice as permitted by law. Employees may use their own assets to make personal political contributions to the parties, candidates or organizations of their choice, or otherwise engage in political activities of their choosing.

Employees should not, however, use their personal assets to make political contributions or otherwise undertake political activities for or on behalf of Select Medical. It should be clearly understood that any employee making a political contribution or expending funds or other assets for other political activities bears the entire responsibility for such contribution or activity and will not be compensated or reimbursed by Select Medical for any funds or other assets expended or used for such purposes.

2. LOBBYING ACTIVITIES

It is also Company policy to comply with applicable laws regulating activities for or on behalf of Select Medical. The lobbying laws contain complex requirements including registration of lobbyists and periodic reporting of lobbying activities. Employees may not engage the services of, or consult with lobbyists, or engage in lobbying activities for or on behalf of Select Medical, without the prior approval of the President of Select Medical who will consult with the Legal Department.

G. IMPROPER PAYMENTS AND GIFTS

1. USE OF COMPANY FUNDS OR ASSETS FOR IMPROPER PAYMENTS

The use of Company funds or assets for any unlawful or improper purpose or payment, such as bribes, kickbacks, payoffs or any other payment made in violation of applicable laws or regulations or for an improper purpose ("Improper Payments"), is strictly prohibited. In addition to payments prohibited by applicable laws or regulations, any payment which is falsified or intentionally not reported in the Company's books and records shall be deemed to be an Improper Payment.

Employees may not make, offer or authorize the making or offering of any illegal or improper payment to any official, employee or representative of any governmental or regulatory body, agency or instrumentality, any actual or potential supplier, customer or competitor (or any other person or entity having an actual or potential business or other relationship with Select Medical) for the purpose of obtaining or retaining influence, assistance, business or other favored treatment, action or inaction for or on behalf of Select Medical.

Such payments are considered Improper Payments whether made or offered directly or indirectly (for example, through an intermediary), and whether or not such payments may be commonplace or accepted as a way of doing business in certain locations. In addition, any arrangement which assists another party in making or offering such a payment is also improper. Improper payments need not be in the form of money but may include the giving of any other thing of value including goods or services.

With respect to governmental or regulatory officials, employees and representatives, it may not be necessary that a payment be given with the intent to secure influence or favored treatment for the payment to constitute a violation of law. Accordingly, no payment of any kind may be made directly or indirectly to such persons unless the payment is (i) permitted by applicable law, and (ii) approved in advance by the CEO in consultation with the Legal Department.

Employees must promptly report any request for an Improper Payment (or any other payment as to which a question exists) or any action or threat of action for the purpose of obtaining such a payment as an Emergency Report under the Reporting Policy in Section I-E.

2. USE OF COMPANY FUNDS OR ASSETS FOR BUSINESS GIFTS AND ENTERTAINMENT FOR NON-PHYSICIAN OR NON-REFERRAL SOURCES

Gifts and entertainment may be extended to others at Select Medical's expense provided that such gifts and entertainment strictly comply with the following criteria:

- they are reasonable and not excessive, in nature, frequency and/or value;
- they are made in connection with the conduct of legitimate business or other activities for or on behalf of Select Medical;
- they are in accordance with applicable laws or regulations and customary business practices in the governing jurisdictions, as well as the Select Medical Gift Guidelines;
- they are properly authorized (if necessary) and properly reported and recorded;
- they would not embarrass Select Medical or be construed as a bribe or other Improper Payment should they be made public;
- they do not involve the giving of cash or cash equivalents such as gift certificates;
- specific prior approval shall be obtained from the Compliance and Audit Services Department for any gift or expenditure involving any governmental or regulatory official, employee or representative;
- any gift or entertainment of any kind extended to any physician or other Referral Source must be given in accordance with the Gifts for Physicians and Potential Referral Sources policy; and,
- individuals subject to this Code may not accept gifts or entertainment from any Physician or other Referral Source without the approval of the Compliance Officer.

These policies and procedures apply even if a gift would not otherwise constitute an "Improper Payment" as described above.

3. USE OF COMPANY FUNDS OR ASSETS FOR BUSINESS GIFTS AND ENTERTAINMENT FOR PHYSICIANS AND POTENTIAL REFERRAL SOURCES

Select Medical recognizes that there may be times when you may wish to give a gift or extend an invitation to attend a social event to a physician or potential referral source. However, use of company funds or assets for business gifts and entertainment for physicians and other referral sources is subject to strict rules and may, in some cases, be prohibited. The following are guidelines relating to business gifts and entertainment for referral and non-referral sources.

- Appropriate business gifts may be given or invitations to social events may be extended to physicians and other referral sources provided that the value of the gift or entertainment does not exceed Medicare's annual physician gift limit under 42 C.F.R. 411.357(k).
- Cash or cash equivalent gifts, such as gift certificates, to physicians or referral sources are not appropriate under any circumstances.
- Non-cash gifts to physicians or referral sources which are intended to induce referrals are not appropriate under any circumstances.
- Gifts and entertainment for physicians or referral sources must be made in connection with the conduct of legitimate business or other activities for or on behalf of Select Medical.
- Gifts and entertainment for physicians or referral sources must be in accordance with applicable laws or regulations and customary business practices, as well as Select Medical policies and procedures.
- All gifts and entertainment costs must be reported in Select Medical's books and records.

4. RECEIPT OF IMPROPER PAYMENTS OR GIFTS BY EMPLOYEES

Employees may not solicit, accept or receive, directly or indirectly, any Improper Payment for themselves or others. Employees may not profit from the performance of their responsibilities on behalf of Select Medical (with the exception of the receipt of gifts permitted by Company policy), other than pursuant to Select Medical's regular compensation program. Employees must promptly report any offer of an Improper Payment (or questionable payment) to the Legal Department or the Compliance Officer.

The receipt of gifts, loans or special favors from actual or potential competitors or third parties, including patients, having actual or potential business or other dealings with the Company can create the appearance of impropriety. Accordingly, employees may not solicit, directly or indirectly, gifts or special favors from such parties for themselves or others. Employees may accept gifts, entertainment or other favors in connection with the legitimate conduct of Select Medical's business or other activities provided that they are of a type for which Company funds might properly be used and the guidelines set forth in this section are strictly followed. Employees must promptly report the offer or receipt of any gifts or other favors inconsistent with these policies to their Manager/Supervisor.

The policies and procedures set forth in this section do not apply to the arrangement of a personal loan provided that the following conditions are met: (i) the loan is arranged with a recognized lending institution that regularly lends money or extends consumer credit to individuals; (ii) the loan is made in the ordinary course of business and on usual and customary terms for such arrangements; and (iii) the employee does not solicit or accept special treatment based on the employee's affiliation with the Company.

H. FALSE STATEMENTS AND SCHEMES TO DEFRAUD

Employees are expected to conduct all of Select Medical's business and other activities with honesty, fairness and integrity, and in absence of deception or fraud. It is a violation of Company policy for employees to knowingly and willfully (i) make or cause to be made a false statement, orally or in writing, to a government official or agency, or (ii) conceal or cause to be concealed a material fact called for in a governmental report, application or other submission. These policies extend to all communications with any Federal, State, local or foreign government official or agency.

An employee shall be deemed to have violated this policy even if the employee does not personally make the false statement or conceal the material fact. For example, employees are prohibited from knowingly providing false or materially incomplete information to any other employee or third party knowing that, or under circumstances making it likely that, such information will later be used in providing information to a governmental agency. Employees should be aware that the above described conduct may also constitute a civil or criminal offense punishable by fines and/or imprisonment.

It is also a violation of Company policy to knowingly make false statements or conceal material facts in any communication with the Company in connection with the conduct of Select Medical's business or other activities, including employment or employee benefit applications and any other reports or filings made by employees. Similarly, employees may not engage in any scheme to defraud the Company, or any person or entity with whom the Company has a business or other relationship, out of money, property or services, or to wrongfully withhold or misappropriate the property of others in the course of the Company's business or other activities.

I. GOVERNMENT CONTRACTING

From time to time, Select Medical may bid and/or enter into contracts with governmental entities or instrumentalities. Select Medical is committed to strict compliance with all applicable laws and regulations relating to the bidding, pricing, negotiating and performing of government contracts and expects employees to strictly adhere to all such requirements. While the regulatory requirements applicable to government contracts can be complex, a number of principles should be followed in business dealings with governmental bodies and representatives.

First, it is a violation of the law and Select Medical policy for an employee to knowingly make or cause to be made any false, fictitious or fraudulent statement or claim to a governmental body or representative. This applies to both oral and written statements including bids, proposals, requests for payment or reimbursement or any other type of statement containing false, fictitious or fraudulent information. All information submitted to a governmental body or representative must be complete and accurate. Any estimate must be clearly labeled as such and any certification of fact should be made only upon an informed, good faith inquiry and belief that such fact is accurate.

Second, the terms, including in particular pricing terms, established for any government contract must be strictly followed.

Third, Select Medical will employ only legitimate and honest methods of securing government contracts. Employees may not seek or receive, whether directly or indirectly, any information that the Company is not authorized to possess. Such information may include (i) confidential governmental information relating to the bidding or selection process on a particular contract, or (ii) confidential and proprietary information concerning a competitor's bid on a particular contract.

Fourth, employees must not offer, give, solicit or receive any form of bribe, kickback, payoff or other Improper Payment (as defined in Section II-G-1) in connection with any government contract. In addition, employees must promptly report any incident which is reasonably suspected to involve an Improper Payment in connection with a government contract as an Emergency Report in accordance with the Reporting Policy in Section I-E.

Any questions relating to government contracts involving Select Medical should be directed to the Legal Department.

J. EMPLOYMENT AND THE WORKPLACE

Select Medical is committed to maintaining a professional and safe work environment in each of its facilities. Consistent with this goal, Select Medical is dedicated to full compliance with all applicable laws and regulations concerning employment and the workplace. While all employees are expected to abide by applicable legal requirements and Company policies and procedures in this area, Managers/Supervisors have particular responsibility for seeing that such standards are met. Wherever in this Section III-J an employee is required to consult with or make a report to the Manager/Supervisor, the employee may instead consult directly with the Human Resources Department, the Legal Department or the Compliance and Audit Services Department, which Departments shall ensure that appropriate notifications and consultations occur before decisions are made with respect to the issue reported. Nothing in the Code of Conduct should be construed or applied to prohibit employees' rights under the National Labor Relations Act.

1. EQUAL EMPLOYMENT OPPORTUNITY

Select Medical is firmly committed to the goal of providing equal employment opportunities. All employment related decisions and practices — including decisions and practices concerning recruiting, hiring, placement, promotion, demotion, transfer, training and discipline — are to be made and administered on the basis of individual experience, merit, performance and other legitimate job-related qualifications and not on the basis of any impermissible classification including race, color, creed, sex, religion, age, national origin, citizenship, marital status, disability, sexual preference or veteran status. No employee may subject actual or potential employees to improper discrimination or harassment in any aspect of employment.

An employee who believes that the employee has been the subject of employment-related discrimination should immediately report the matter to their Manager/Supervisor. If the Manager/Supervisor is the source of the alleged misconduct, the matter should be reported to the appropriate Department Head or the Human Resources Department. All such reports will be reviewed and appropriate action taken.

2. PROTECTING THE INTEGRITY OF THE WORKFORCE

To protect the integrity of the Select Medical workforce, Select Medical shall develop employment policies which shall include background checks of new employees who have discretionary authority to make decisions that may involve compliance issues. The employment application (and contracts with certain independent contractors) shall require the disclosure of any prior criminal conviction or exclusion action from a governmental health care program or other information related to debarment, exclusion or other ineligibility for participation in federally funded health care programs.

Such policies shall also address individuals already employed by Select Medical. The policies will require that Select Medical take appropriate steps to prevent the employment or contracting with, or retention of, individuals who might jeopardize the integrity of the Company, including a comparison of the names and addresses of all current and new employees of Select Medical to the Department of Health and Human Services/Office of Inspector General's list of Excluded Individuals/Entities (the "OIG Sanction Report"). The OIG Sanction Report is located on the Internet in searchable form at <http://www.oig.hhs.gov/>.

3. THE AMERICANS WITH DISABILITIES ACT ("THE ADA")

A) EMPLOYMENT

Select Medical employees may not discriminate against any qualified individual with a disability on account of the disability with respect to any term, condition or privilege of employment. Select Medical will make reasonable accommodations to the known physical and mental limitations of otherwise qualified individuals with disabilities unless such accommodations would impose an undue hardship on Select Medical's business operations.

Who is Protected. A qualified individual with a disability is one who, with or without reasonable accommodations, can perform the essential functions of the employment position that such individual holds or desires. Both job applicants and current employees are protected by the ADA and this policy.

What is Protected. The prohibition on discrimination applies to all terms, conditions and privileges of employment including: recruitment and application procedures, hiring, promotion, transfer, layoff, compensation, job assignment, classification and lines of progression, all types of leave, fringe benefits, selection and financial support for training, employer sponsored activities, and any other term, condition or privilege of employment.

Medical Examinations. Prior to making an employment offer, employees are prohibited from requiring a medical exam of prospective hires. Appropriate Managers/Supervisors (or other appropriate employees) may, however, ask whether an applicant is able to perform the essential job functions with or without reasonable accommodation

After an offer is made, but prior to commencement of employment, such employment may be conditioned on the results of a medical exam provided that the exam or inquiry is given to all applicants in the same job category. Once employment commences, Managers/Supervisors may request medical examinations or conduct medical-related inquiries so long as they are (i) job related and consistent with business necessity, (ii) conducted as part of a voluntary wellness program, or (iii) required by another law consistent with the ADA.

Confidentiality. Applicants for employment and employees are assured that all information regarding a disability will be kept confidential except that:

- appropriate Managers/Supervisors (or other appropriate employees) may be informed regarding restrictions on the work or duties of disabled employees and any accommodations that have been made;
- if the employee's condition may require emergency treatment, first aid and safety personnel may be informed;
- government officials investigating compliance with Federal/State/local laws may be informed; and,
- other disclosure mandated by law or legal process may be made.

All employees with responsibilities which may require knowledge of disabilities of other employees are advised that they are to treat such knowledge in a confidential manner.

B) PUBLIC ACCOMMODATIONS

Select Medical will not discriminate against an individual with a disability on the basis of the disability in the full and equal enjoyment of the goods, services, facilities, privileges, advantages or accommodations of any of its facilities, professional offices or other service establishments. Select Medical will make reasonable modification to its policies, practices and procedures as may be necessary to ensure that individuals with disabilities are provided with equal access to the activities, goods and services, facilities, privileges, advantages or accommodations being offered provided such modification will not impose an undue burden on Select Medical. Select Medical will also remove architectural barriers in its existing facilities, including communication barriers that are structural in nature, where the removal of such barriers is readily achievable. All inquiries regarding compliance with this ADA policy should be directed to each facility's ADA representative.

4. SEXUAL HARASSMENT

As part of the Company's equal employment opportunity policy, the Company is committed to maintaining a professional work environment where employees can carry out their duties in an atmosphere free from sexual harassment. Sexual harassment of one employee by another employee (or by a Manager/Supervisor) is strictly prohibited and will not be tolerated. Unwelcome sexual advances, requests for or offers of sexual favors, or physical or verbal conduct of a sexual nature may constitute sexual harassment when (i) submission to (or rejection of) such conduct is made explicitly or implicitly a term or condition of an individual's employment, (ii) submission to (or rejection of) such conduct is used as a basis for an employment-related decision affecting such individual, or (iii) such conduct has the purpose or effect of unreasonably interfering with an individual employee's work performance, or of creating an intimidating, offensive or hostile work environment. All such forms of conduct are strictly prohibited. Employees confronted with any form of unwanted sexually oriented behavior should clearly communicate their disinterest in, or offense taken, with regard to any such conduct.

An employee who believes that the employee has been the subject of sexual harassment should immediately report the matter to their Manager/Supervisor. If the Manager/Supervisor is the source of the alleged harassment, the matter should be reported to the appropriate Department Head or the Human Resources Department. All such reports will be reviewed and appropriate action taken.

5. SAFETY AND HEALTH

Select Medical is committed to providing its employees with a work environment that complies with all applicable occupational safety and health standards. The most comprehensive federal worker safety legislation in effect today is the Occupational Safety and Health Act. The basic premise of the Act is contained in the General Duty Clause which provides that "...each employer shall furnish to each of his employees employment and a place which are free from recognized hazards that are causing or are likely to cause death or serious physical harm to his employees." The foregoing Act created the Occupational Safety and Health Administration ("OSHA"), which has promulgated federal workplace health and safety standards. Individual States may also establish their own version of OSHA provided that the State program has received approval from the federal government.

Certain OSHA standards are directly applicable to health care facilities, including with respect to:

- occupational exposure to bloodborne pathogens;
- occupational exposure to hazardous chemicals in laboratories;
- formaldehyde;
- hazard communications; and,
- ethylene oxide.

In addition, OSHA has issued guidelines entitled, Work Practice Guidelines for Personnel Dealing With Cytologic (Antineoplastic Drugs) OSHA Instruction PUB 8-1.1 (January 1986). Other OSHA requirements also may be applicable to health care facilities, such as the construction safety standards and fire protection standards.

Each Select Medical facility is responsible for evaluating applicable Federal and State OSHA standards in light of the various types of activities conducted and equipment used at such facility and for implementing compliance with the applicable standards. In this regard, Select Medical has adopted additional OSHA policies and procedures which must be followed. In order to assist Select Medical in its efforts to achieve safe and healthy work environments, all employees must promptly report any adverse health or safety conditions or incident, including broken equipment and accidents, to their Manager/Supervisor.

6. SUBSTANCE ABUSE

The illegal use, sale, purchase, distribution, possession or presence in one's system of controlled substances or unauthorized or illegal drugs, other than pursuant to a valid medical prescription, while on Select Medical premises or Select Medical business or during work hours is strictly prohibited. Similarly, the abuse or misuse of even legal drugs or alcohol while on Select Medical premises or Select Medical business, or during work hours, is strictly prohibited. Even off-the-job abuse or misuse of drugs or alcohol may be considered a violation of Select Medical policy subjecting an employee to discipline where such conduct threatens to adversely affect an employee's job performance, the safety or performance of other employees or the well-being of patients, or have other adverse effects on Select Medical. Employees who are arrested or otherwise cited for drug or alcohol related offenses are required to promptly report the matter to their Manager/Supervisor.

Employees who are undergoing medical treatment with prescribed or controlled substances (or who are suffering from a condition) that threatens to adversely impair their job performance, the performance or the safety of other employees or the well-being of patients should promptly report the matter to their Manager/Supervisor. Managers/Supervisors receiving reports referenced in this Section III-J-6 should forward them to the Legal Department and the Human Resources Department.

7. OFF-JOB CONDUCT

As a general matter, the Company does not seek to regulate the personal, off-job conduct of employees. However, employees will be subject to disciplinary action (including termination where deemed appropriate) for engaging in off-job conduct that threatens to or does adversely impact an employee's job performance, the safety or performance of other employees, the well-being of patients or the public or the reputation or other legitimate business interests of the Company.

In addition, employees arrested, charged or convicted in connection with a felony or serious misdemeanor offense are required to promptly report such matters to their Manager/Supervisor and may, in accordance with Select Medical's Human Resources policies and procedures, be subject to disciplinary action, including termination where appropriate. Managers/Supervisors receiving such reports should forward them to the Legal Department and the Human Resources Department.

8. SANCTIONED INDIVIDUALS/EXCLUDED PROVIDERS

Select Medical will not employ, contract with, or engage any individual who is or has been excluded, suspended, debarred or is otherwise ineligible to participate in any federally funded health care program, including the Medicare or Medicaid program. Employment with Select Medical is contingent on an employee's certification that he or she has disclosed to Select Medical 1) any criminal complaint, indictment, criminal proceeding or conviction (involving other than a misdemeanor offense) in which the employee is, or at any time was, named as a defendant; 2) any investigation or proceeding, whether administrative, civil or criminal, relating to an allegation against the employee of filing a false health care claim, violating any anti-kickback laws, or engaging in other billing improprieties and 3) any past or present threatened, proposed or actual exclusion from any federally funded health care program, including Medicare or Medicaid.

During the course of employment, an employee has a duty to disclose if he or she is under current investigation for criminal charges or proposed debarment or exclusion from any federally funded health care program. Pending resolution, the employee must be removed from direct responsibility for or involvement in any federally funded health care program. If resolution results in conviction, debarment or exclusion, the employee will be terminated immediately.

Should a Select Medical employee appear on the OIG Sanction Report as an excluded individual, reasonable steps will be taken to verify that it is the correct individual. If it is concluded to be the same individual, his or her employment with Select Medical will terminate immediately, unless the employee provides satisfactory evidence that he or she is not the individual that appears on the Sanction Report.

9. INTIMIDATING AND DISRUPTIVE BEHAVIOR:

Intimidating and disruptive behaviors include overt actions such as verbal outbursts and physical threats. Overt and passive behaviors undermine team effectiveness and can compromise the safety of patients. All intimidating and disruptive behaviors are unprofessional and should not be tolerated.

K. INTELLECTUAL PROPERTY

Various laws govern the use of material and/or information that may be the subject of trademark, patent or copyright protection or that may be treated as a trade secret. To protect Select Medical's rights in intellectual property belonging to the Company, employee use of all such intellectual property must be in accordance with all applicable laws. Absent prior approval by the Legal Department, Select Medical's copyrighted material, trademarks, patents and other intellectual property may only be used for legitimate and authorized Company business and other activities. Employees should also be alert to possible violations by others of Select Medical's copyrighted materials, trademarks or other intellectual property rights and promptly report such matters in accordance with the Reporting Policy in Section I-E.

In addition, Select Medical is committed to respecting the legitimate rights of third parties with respect to trademarks, patents, copyrighted works and trade secrets belonging to them. Employees are expected to be familiar with the intellectual property laws that may apply to their activities and to seek guidance from their Managers/Supervisors and the Legal Department as appropriate before taking any action which might infringe on intellectual property rights belonging to the third parties.

1. COPYRIGHTS

Reproduction and other uses of copyrighted materials such as books, articles, magazines, newsletters, drawings, computer software, photographs, videotapes, films and advertising are governed by the copyright laws of the United States and certain foreign countries as well as various multinational pacts. Subject to certain exceptions, principally for educational, research, news reporting or similar purposes, unauthorized copying of copyrighted material constitutes copyright infringement. Even copying for purposes of creating a personal "archive" or "library" may constitute copyright infringement in certain circumstances.

Employees must observe the legal protections afforded to copyrighted materials belonging to others and refrain from any activity which would constitute copyright infringement including unauthorized copying or dissemination. In particular, photocopying and distribution of multiple copies of substantial portions of copyrighted works and copying for direct commercial purposes are prohibited absent prior approval from the Legal Department.

An area of particular concern is the improper duplication of computer software, which may be governed by software licenses in addition to the copyright laws. Employees seeking to make copies of software must strictly comply with any such restrictions as well as those imposed under the copyright laws and must obtain prior approval from the Chief Information Officer or Director of Information Services (or an authorized designee of either of them).

2. TRADEMARKS

A trademark is a word, symbol, name, device or combination of these used to identify and distinguish a product or line of products or services as belonging to a particular company. Select Medical utilizes trademarks which are well recognized by the public. Employees must be vigilant to use Select Medical's trademarks correctly and should report the matter in accordance with the Reporting Policy in Section I-E if they become aware of any unauthorized use of Select Medical's trademarks or of confusingly similar trademarks by a third party. Similarly, employees must avoid the use of trademarks belonging to or potentially confusingly similar to those of other companies unless legally authorized by such other companies and approved by senior management in consultation with the Legal Department.

3. TRADE SECRETS BELONGING TO OTHERS

A trade secret may be confidential information belonging to a third party that provides a competitive advantage or is otherwise important in the conduct of that party's business. Select Medical is committed to respecting the legitimate rights of third parties to protect their trade secrets and other confidential and proprietary information ("Third-Party Confidential Information"). Employees may not engage in efforts to wrongfully obtain or use such information. Employees who believe that they may have inadvertently or otherwise come into possession of Third-Party Confidential Information should report such matter in accordance with the Reporting Policy in Section I-E before making any use or further disclosure of such information.

In addition, employees must make efforts to ensure that Third-Party Confidential Information provided to Select Medical is properly handled, including observing the terms and conditions of any confidentiality agreement entered into in connection with receipt of such information. In this regard, employees must be particularly careful not to make any unauthorized use or disclosure of Third-Party Confidential Information. Employees may not enter into any type of confidentiality arrangement with a third party absent obtaining appropriate approval. (See Monitoring and Auditing Section I-J-3(c).)

4. INTELLECTUAL PROPERTY RIGHT OF EMPLOYEES

Upon joining Select Medical, employees may have been required to sign agreements setting out specific obligations they have as Select Medical employees regarding the treatment of confidential information. Under such agreements, employees serving in a managerial, technical, programming or other professional capacity assigned to Select Medical the rights to any ideas or inventions that they may develop in an area of the Company's business. This obligation applies no matter where or when (e.g. at work or after hours) such intellectual property is created.

In most cases, the copyrights of employee-generated works or authorship such as manuals and computer programs are automatically owned by Select Medical through operation of law. In other cases, title to copyrights may be given to Select Medical by contractual provisions such as a written employment agreement (if applicable). Select Medical considers it important to limit the distribution of copyrightable materials within Select Medical and such material should not be copied and disseminated to third parties outside the Company without the approval of the Legal Department.

L. ADVERTISING

Select Medical is committed to representing the Company's products, services and facilities fairly and honestly. Advertising, marketing and promotional materials may not contain any unfair, inaccurate or deceptive statements or any exaggerated or unwarranted representations. Employees must not use advertising, promotional or other tactics or materials that unfairly undermine the facilities or services of a competitor. This includes disparaging comments or innuendo.

M. CHIEF EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS

In addition to the provisions stated elsewhere in this Code and any other applicable Company policies, procedures or guidelines, the Company's chief executive officer and senior financial officers are also expected to comply with the requirements of this Section III-M. The term "senior financial officer" means the Company's chief financial officer, its principal accounting officer or controller and any persons performing similar functions for the Company.

The Company's chief executive officer and senior financial officers will:

1. Act at all times in an honest and ethical manner, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
2. Provide full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company. Accordingly, the Company's chief executive officer and senior financial officers shall promptly bring to the attention of the General Counsel any material information of which he or she may become aware that affects the disclosures made by the Company in its public filings, if such information is not already being adequately addressed in public filings being prepared for the Company.
3. Comply with applicable governmental laws, rules and regulations.
4. Promptly report any violation of this Section III-M in accordance with the Reporting Policy in Section I-E.
5. Proactively promote and be an example of ethical behavior.

N. WIRETAPPING AND EAVESDROPPING

Various Federal and State laws regulate wiretapping, eavesdropping and other forms of electronic surveillance. It is Select Medical's policy to comply fully with all such laws that apply to Select Medical in the conduct of its business and other activities. It is a violation of the law to use any electronic, mechanical or other device to intercept the contents of any telegraphic, telephonic, facsimile, modem-transmitted electronic or other electronic communication, unless one (or in certain jurisdictions all) of the parties to the communication consent to the interception. Accordingly, no employee may engage or participate in any electronic surveillance as described above unless they have first received clearance from the President of Select Medical, in consultation with the Legal Department.

The law may be violated merely by an employee listening in on a conversation, even if no notes are taken and no recordings are made. Accordingly, absent prior approval from the President of Select Medical, in consultation with the Legal Department, any employee who engages a telephone extension while another individual is using that extension must: (i) have received express permission from all of the people on the line, or be aware that all individuals on the line have given blanket permission to listen to their telephone calls; or (ii) identify themselves so that the participants in the conversation are made aware that someone is listening to the conversation; or (iii) hang up immediately.

O. INTERNATIONAL BUSINESS

From time to time, Select Medical may pursue business opportunities or other activities in foreign countries. Whenever conducting business or other activities for or on behalf of Select Medical in foreign countries, employees are expected to comply with all applicable national and local laws and regulations in the countries in which they are operating unless prohibited by United States law. Any apparent conflict between the requirements of United States and foreign laws should be reported in accordance with the Reporting Policy in Section I-E.

The fact that in some countries certain laws prohibiting particular conduct are not enforced in practice, or that violations of such rules are not subject to public criticism or censure, does not excuse non-compliance. Employees with any question as to whether certain activities are prohibited should refer to Section I-D of this Code concerning Handling Questionable Situations before engaging in any questionable conduct.

All employees must also comply strictly with the laws and regulations of the United States applicable to the conduct of business outside the United States, certain of which are discussed below.

1. THE FOREIGN CORRUPT PRACTICES ACT

Foreign Corrupt Practices Act (FCPA). Select Medical's directors, officers and employees will not engage in any practices or use any procedures which might conceal or facilitate tax evasion, bribery, kickbacks or any other illegal or improper payments or receipts, or which might support even an inference of wrongdoing.

2. INTERNATIONAL BOYCOTTS

The United States has adopted certain anti-boycott laws and regulations which are designed to prevent businesses from cooperating with unsanctioned foreign boycotts of countries friendly to the United States, such as the boycott of Israel by certain Arab countries, whether by way of (i) refusal to do business with or in a boycotted country, (ii) discriminatory employment practices, (iii) furnishing information on the race, religion, sex or national origin of any United States resident or citizen, (iv) furnishing information concerning any person's affiliations or business relationships with a boycotted country or any person believed to be restricted from doing business in the boycotting country, (v) utilization of letters of credit containing boycott provisions, or (vi) otherwise. Companies are required to abstain from all prohibited conduct or any agreement to engage in such conduct and must make prompt reports for prohibited boycott cooperation or information.

Select Medical is committed to conducting its business activities in accordance with all anti-boycott laws and regulations of the United States. No employee may participate in, cooperate with or provide information relating to any international boycott, or agree to do so, unless such action has been approved by the President of Select Medical in consultation with the Legal Department. In addition, all employees are required to promptly report any request for any support or cooperation in an international boycott, as well as any violation of the anti-boycott laws or Select Medical policy in this area, in accordance with the Reporting Policy in Section I-E.

3. TRADE RESTRICTIONS

United States laws and related regulations and Executive Orders impose certain restrictions and prohibitions on trading with certain countries. These regulations generally extend to the activities of foreign-based subsidiaries of United States companies as well as foreign-based U.S. citizens and permanent residents. Such prohibitions and restrictions may affect exports, imports, travel, currency transactions and assets and accounts. The particular prohibitions and restrictions imposed under applicable regulations vary from country to country and are subject to change. Generally speaking, what may not be done directly also may not be done or arranged through third parties or permitted by conscious non-supervision.

It is Select Medical policy to comply fully with all trade restrictions imposed under United States law. Accordingly, any business dealings involving any country subject to trade restrictions are to be reviewed in advance with and approved by the President of Select Medical in consultation with the Legal Department to ensure that all applicable laws and regulations are followed. As a general matter, employees with responsibility for international activities should consult with the Legal Department as to potentially applicable trade restrictions.

P. RETAINING OUTSIDE CONSULTANTS

From time to time in the conduct of Select Medical's business, it may be necessary or desirable to retain the services of an outside consultant, broker, or other similar party (collectively, "Outside Consultants").

All arrangements with Outside Consultants must strictly comply with the following policies:

- the arrangement may not be used to engage in any act prohibited by applicable legal or regulatory requirements or Select Medical's policies and procedures;
- the arrangement itself and all attendant terms and conditions must not be prohibited by applicable law or regulation or Company policy, or give rise to an actual potential conflict of interest, such as, for example, where a reimbursement consultant's compensation increases in proportion to the increased cost to the Medicare Program;
- In selecting Outside Consultants, consideration must be given not only to professional qualifications such as education, training and experience, but to the candidate's reputation for honesty and integrity;
- the arrangement must not be one that would embarrass Select Medical were it to become public knowledge;
- the arrangement must be approved in advance in accordance with the Monitoring and Auditing Plan in Section I-J-3(c); and,
- prior to engaging Outside Consultants, the Compliance Officer must be notified to ensure that the Outside Consultants are not excluded from any federally funded health care program, including the Medicare or Medicaid program.

Additional requirements may apply in connection with the retention of Outside Consultants in foreign countries and employees seeking to do so must consult with the Legal Department in advance.

Employees retaining the services of Outside Consultants are responsible for supervising their activities. Employees may not knowingly request, authorize or permit an Outside Consultant to perform any activity which violates applicable legal or regulatory requirements or Select Medical's policies or procedures and must promptly report any such conduct to the Legal Department or the Compliance Officer.

Q. HANDLING GOVERNMENTAL INQUIRIES, LITIGATION AND OTHER LEGAL MATTERS

1. GOVERNMENTAL INQUIRIES AND INVESTIGATIONS: LEGAL ASSISTANCE POLICIES AND PROCEDURES

The Legal Department is responsible for supervising Select Medical's handling of all inquiries and investigations by any Federal, State, local or other governmental or regulatory authority. Accordingly, when an employee receives an inquiry for information or documents pertaining to Select Medical or its activities from a governmental or regulatory representative, whether formal or informal, whether in writing, over the telephone or by way of a personal visit to a Select Medical facility, the employee should contact his or her Manager or Hospital CEO immediately.

It is the responsibility of the Manager or Hospital CEO to contact the Legal Department and report the matter as an Emergency Report under the Reporting Policy in Section I-E. While governmental or regulatory representatives should be treated in a courteous and straightforward manner, in the interest of avoiding unnecessary disruption in the workplace, employees should advise the Compliance Officer, who shall in turn consult with the Legal Department, before providing documents, testimony or other information or assistance in response to a request by a governmental or regulatory representative. Regularly scheduled The Joint Commission/State surveys, OSHA visits, audits by third-party payers, tax audits and ordinary medically-related requests for medical records are excepted from the above policy.

No employee may on behalf of Select Medical complain to, or facilitate or cooperate in the initiation or conduct of any investigation or proceeding by, any governmental or regulatory authority against any other party without the prior approval of the President of Select Medical in consultation with the Legal Department, unless otherwise required by law. An employee is not so constrained when proceeding on his or her own behalf, and may in fact have certain State professional licensing obligations to make such report. Reference should also be made to Section I-E-3 regarding reporting responsibilities as a condition of employment.

2. LITIGATION AND OTHER LEGAL OR ADMINISTRATIVE PROCEEDINGS

The Legal Department is responsible for supervising the conduct of any litigation or other legal or administrative proceedings involving Select Medical. Accordingly, employees must promptly inform the Legal Department of the threatened or actual initiation of any legal or administrative proceeding against Select Medical, as well as the receipt of any legal documents, including a claim letter, summons, complaint or subpoena or other request for documents, testimony or other information in connection with such a proceeding.

Employees may not appear (or agree to appear) as witnesses, provide testimony or other information, or otherwise take any action in connection with any legal or administrative proceeding on behalf of Select Medical — including attempting to settle or settling any matter or claim — without the prior approval of the Legal Department, unless otherwise required by law. Nor may employees voluntarily agree to appear or otherwise provide assistance (for example, as an expert witness or consultant) in connection with a legal or administrative proceeding not involving Select Medical (other than a personal legal matter) without first consulting with his or her Supervisor/Manager upon receipt of any such request, who shall in turn consult with the Legal Department.

No employee may threaten or initiate any legal or administrative proceeding on behalf of Select Medical against any other person or entity without prior approval of the President of Select Medical, or his designee, in consultation with the Legal Department.

3. RETENTION OF OUTSIDE LEGAL COUNSEL

As with other legal matters, the Legal Department is responsible for retaining and overseeing the work of outside counsel on behalf of Select Medical. Accordingly, Select Medical personnel may not retain or otherwise seek advice with respect to Select Medical's business or other activities from outside lawyers without the prior approval of the Legal Department. This policy applies whether the contact with outside counsel is formal or informal, and whether the outside lawyer is one regularly engaged by Select Medical or a friend or relative of any Select Medical employee. This policy also applies with equal force to litigation, corporate, regulatory and other legal matters.

R. CARE IN COMMUNICATIONS

Employees should exercise care and common sense in connection with communications, whether written or oral, and records made in the course of conducting Select Medical's business and other activities. Employees should be aware that Select Medical may be required to disclose Company records and other documents, including notes, internal memoranda, handwritten drafts, electronic emails and other documents written by employees, in connection with a governmental investigation or private litigation. Serious consequences may result when entirely lawful conduct is not properly characterized (or subject to misinterpretation) as a result of the careless choice of words in a written or oral communication.

Accordingly, employees should make efforts to avoid creating an appearance of impropriety even though the conduct is completely lawful and consistent with Select Medical's policies and procedures. Communications and records should be carefully made so as to avoid speculations and exaggeration. Employees should also endeavor to make a habit of reviewing all written materials before delivery or use to help ensure that such documents cannot be misinterpreted to suggest improper conduct.

S. COMMUNICATIONS WITH THE MEDIA AND INVESTMENT COMMUNITY

Only Select Medical personnel specifically authorized to communicate with the various news or financial press or other media or the investment community (the “Media and Investment Community”) on behalf of Select Medical may do so. Examples include requests for information from (i) cable or broadcast networks, (ii) information services, (iii) newspapers, magazines or other print media, (iv) advocacy groups or other types of organizations, or (v) securities analysts. All requests for information about Select Medical from any member of the Media and Investment Community should be promptly referred to Select Medical’s President or General Counsel. With the exception of the Executive Officers of Select Medical, absent approval, employees may not respond to any such inquiries or contacts on their own. This restriction applies to all Media and Investment Community contacts, whether “on” or “off” the record, for “deep” background purposes, a “no comment” reply or a “disclaimer” of information. Any grant of approval for Media and Investment Community contacts applies only to the specific contact for which approval was sought.

Requests for proposed speeches, articles, interviews or comments with or by any Select Medical employee by the Media and Investment Community or other organizations, and the issuance of any press releases by any Select Medical employee, must also be reviewed and approved in advance by the President of Select Medical or designee or the General Counsel. Interviews initiated by Select Medical must also be approved in the foregoing manner before they may be scheduled with the Media and Investment Community.

Nothing in the Code of Conduct should be construed or applied to prohibit employees’ rights under the National Labor Relations Board.

IV. ENVIRONMENTAL COMPLIANCE

“We are committed to environmental compliance governing the management of waste, facilities, air quality, and water quality.”

A. OVERVIEW

The environmental compliance of any Select Medical facility will be shaped by statutes and regulations governing the management of waste, facilities, air quality and water quality. The Company is committed to full compliance with all applicable environmental laws and regulations. With increasing state and federal environmental regulation and greater emphasis on such regulations by voluntary standards organizations such as The Joint Commission (formerly known as the Joint Commission on Accreditation of Health Organizations), health care providers face growing compliance demands. In this regard, health care providers such as Select Medical are potentially impacted by environmental regulation in the following areas:

- general waste management;
- hazardous waste;
- solid waste;
- medical waste;
- pharmaceutical waste
- universal waste
- low-level radioactive waste;
- radioactive materials
- air quality
- water quality; and,
- underground storage tanks.

This section provides a general overview of the more prominent areas of environmental regulation which may apply to Select Medical's operations and the Company's policies and procedures in these areas. Each Select Medical facility is responsible for evaluating environmental standards applicable to the various types of activities conducted and equipment operating at such facility and for implementing compliance with the applicable standards. In connection with such efforts, facilities should identify cost effective approaches to environmental compliance and make effort whenever practicable to minimize waste by using non-renewable resources wisely, recycling when practicable rather than disposing of materials, and planning for future waste handling needs.

B. WASTE MANAGEMENT

Health care facilities may generate various categories of wastes that are subject to regulation as summarized in this section. Waste generated within a Select Medical facility may be subject to either federal or state statutes and regulations that control the storage, labeling, treatment, transportation and disposal of the waste. Perhaps the most basic legal distinction made between types of waste is the distinction between hazardous waste and non-hazardous waste. Not all of the waste in each category described below, however, will be hazardous waste or non-hazardous waste. Pharmaceutical waste, for example, may usually be disposed of as non-hazardous solid waste, but some pharmaceuticals are regulated as hazardous waste.

The federal Resource Conservation and Recovery Act of 1976 (as amended, "RCRA") is a statute that provides national definitions of the terms "solid waste" and "hazardous waste" and authorizes the United States Environmental Protection Agency ("EPA") to develop a system for the "cradle to grave" management of hazardous wastes. Under RCRA, a "hazardous waste" is a subset of "solid waste." EPA's hazardous waste regulations address the identification, generation, treatment, storage, transportation and disposal of hazardous waste. Because EPA has delegated enforcement of varying parts of its RCRA regulations to States, it is possible that a State environmental regulatory agency may be the initial enforcer of RCRA in your State. EPA, however, always remains the ultimate regulatory decision maker under RCRA.

Regardless of whether EPA has delegated any of its RCRA enforcement authority to your State, most States have enacted State statutes which define and regulate non-hazardous solid waste within the State. Accordingly, wastes generated within a Select Medical facility are most likely subject to regulation through either RCRA or a State solid waste management law.

1. HAZARDOUS WASTE

A waste may be hazardous under RCRA in one of two ways: it can either be listed by a specific EPA regulation as a hazardous waste; or the waste, even if it is not listed, can be considered hazardous if it displays any one of the following four characteristics: reactivity; ignitability; corrosivity; and toxicity. For EPA's lists of hazardous waste — the agency maintains four lists, known as the U, P, F, and K lists — and for EPA's description of the characteristics that can make a waste hazardous even if it is not listed, visit EPA's website at <http://www.epa.gov/osw/laws-regs/regs-haz.htm>.

Certain chemicals that are used, and activities that are employed, at Select Medical facilities may generate hazardous wastes. Select Medical facilities are required to properly identify, handle, collect, use and dispose of hazardous chemicals and wastes. In particular, each Select Medical facility should (i) identify hazardous chemicals that are present at the facility and how they are used; (ii) develop systems for properly managing different waste streams (e.g., through segregation, storage, etc.); and (iii) ensure that hazardous wastes are properly disposed of at an authorized off-site facility. Because of the potential liabilities and penalties associated with improper waste handling, Select Medical facilities should strive to minimize environmental exposure by, whenever possible, reducing the amount of hazardous waste generated.

The Joint Commission requires health care facilities to have a program in place to address the safe management of hazardous materials and wastes. This standard encompasses worker training and monitoring requirements similar to those imposed by OSHA (See Section III-J-5).

2. MEDICAL WASTE / INFECTIOUS WASTE / BIOHAZARDOUS WASTE / BIOMEDICAL WASTE

Whether it is called medical waste, biomedical waste, infectious waste, a biohazard or chemotherapeutic waste, any waste substantially contaminated by, or consisting entirely of, blood, bodily fluids or other potentially infectious materials — in short, waste which poses a significant risk of transmitting infection — is regulated largely, but not exclusively, by State law. Nearly all of the States have enacted some sort of regulations governing this waste under the authority of a State statute. At the federal level, the federal agencies which play the largest role in regulating of this sort of waste are the Occupational Safety and Health Administration of the United States Department of Labor and the United States Department of Transportation (“U.S. DOT”).

Solely for ease of reference, this section of this manual will use only one term — “medical waste” — to refer to all of these wastes, but each Select Medical facility should recognize that State statutes and regulations may not use these terms interchangeably, if at all.

Examples of “medical waste” may include the following: (i) blood and blood products; (ii) cultures and stocks of infectious agents; (iii) isolation ward wastes; (iv) laboratory animal wastes, carcasses and bedding; (v) laboratory wastes with infectious agent contact; (vi) pathological wastes; and (vii) sharps (e.g. needles, syringes, scalpels, Pasteur pipettes). In its 1986 Guide for Infectious Waste Management, EPA defined infectious waste as “waste capable of producing an infectious disease.” A number of factors are prescribed for determining whether a disease could be induced.

State statutes authorizing regulation of medical waste can vary considerably. Similarly, the agency within the State charged with developing regulations and enforcing the law can vary. In most States, the sole regulatory agency is that State’s environmental protection agency, but in some a State department of health may take this role. A few States divide responsibility for regulation of medical waste between both a State environmental protection agency and a State or county department of health. Each Select Medical facility should determine who regulates medical waste within the State where the facility is located.

Some State statutes identify and regulate medical waste following a now-repealed 1988 amendment to RCRA known as the Medical Waste Tracking Act. In these states, the identification, generation, treatment, storage and disposal of medical waste resembles that required by RCRA for hazardous waste. Whether a State follows the repealed federal statute or not, most States regulate the packaging, storage and transportation of medical waste in some way, and some require registration of health care facilities that generate such wastes, a permit for such facilities, and recordkeeping and public reporting regarding them.

OSHA’s regulations are primarily concerned with reducing the risk employees of health care facilities may face to exposure from bloodborne pathogens. The OSHA Standard for Bloodborne Pathogens regulates the management of sharps and requires containers to hold and store medical waste, the labeling of such waste, and the training of health care employees in identifying and handling such waste.

The U.S. DOT adopted regulations which govern the transportation of both medical waste and hazardous waste as hazardous materials. Although these regulations apply primarily to transporters rather than to health care facilities, each Select Medical facility should assure that the transporters it uses are aware of such regulations.

Each Select Medical facility is responsible for developing procedures for the effective identification and management of medical waste in accordance with all applicable legal and regulatory requirements. Among other things, medical wastes should be segregated at their source to reduce the volume of medical wastes and minimize disposal costs.

3. PHARMACEUTICAL WASTE

Most pharmaceuticals in the inventory of a pharmacy are subject to State law governing non-hazardous solid waste and are not upon disposal hazardous wastes under RCRA. But EPA estimates that up to 5 to 10 percent of all pharmaceuticals on the market are hazardous waste under RCRA upon disposal. Accordingly, it is possible that at least some pharmaceuticals will need to be identified as hazardous and disposed of properly under RCRA. With certain types of pharmaceuticals, the likelihood increases that RCRA applies. When they are disposed of, for example, many of the chemicals used to treat cancer patients during chemotherapy are listed on EPA’s U and P lists of hazardous waste under RCRA, where their brand name appears to facilitate identification. Similarly, certain types of wastes, though not listed by EPA, may display one of the four characteristics (see the hazardous waste section above) which can make a waste hazardous.

4. LOW-LEVEL RADIOACTIVE WASTE

Although radioactive materials are excluded from RCRA’s coverage of hazardous waste, such materials are subject to separate federal and State regulatory programs. Low-level radioactive waste may be a health care facility waste product. Because only time can reduce the toxicity of radioactive waste, it must be handled separately from other categories of waste. Health care facilities generally have low-level radioisotopes in diagnosis and therapy wastes. These wastes may also be mixed with other forms of waste, such as infectious or chemical hazardous wastes. As part of their overall environmental compliance efforts, each Select Medical facility is responsible for implementing compliance with applicable regulations regarding management of radioactive waste, including licensing requirements, radiation safety officer qualifications and disposal methods.

5. UNIVERSAL WASTE

Certain batteries, pesticides, mercury-containing equipment, and fluorescent, high intensity discharge, neon, mercury vapor, high pressure sodium and metal halide lamps are a subset of RCRA hazardous waste known as universal waste and may be subject to additional regulation under State law when they are disposed of.

6. THE JOINT COMMISSION STANDARDS

The Joint Commission has adopted a broader definition of hazardous wastes. Under The Joint Commission standards, hazardous wastes include “all materials and wastes that require special handling in order to address identified occupational and environmental hazards. Infectious wastes falls into the special handling category since there are recognized occupational exposure issues that must be dealt with properly”. Although individual facilities have the discretion to identify “hazardous waste” in their policies, it is safe to say that radioactive, chemical, and medical/infectious waste all exhibit characteristics of occupational and environmental hazards under The Joint Commission standards.

C. AIR QUALITY MANAGEMENT

The federal Clean Air Act (as amended, “CAA”) was established to improve the overall quality of the nation’s air. In 1990, Congress significantly expanded the EPA’s authority under the CAA and expanded the number of pollutants to be regulated. One section of the CAA was amended in 1990 to specify 187 pollutants as hazardous air pollutants (“HAPs”). For each HAP, EPA was directed in 1990 to promulgate a national emissions standard known as a NESHAP.

Under the CAA, the prevention and control of air pollution is the primary responsibility of State and local governments, to which EPA has delegated much of the authority to enforce the CAA. If, however, a State has not timely developed a regulatory plan which satisfies EPA’s CAA regulations and which EPA approves, EPA can then propose and finalize a federal plan that will apply to implement the CAA until the State develops a plan EPA approves.

This section discusses some of the more common areas where air quality management regulatory requirements may apply to activities at Select Medical facilities. Each Select Medical facility is responsible for implementing compliance with all applicable air quality management regulatory requirements.

1. ETO STERILIZERS

Ethylene oxide (“ETO”) is one of the 187 hazardous air pollutants for which Congress directed EPA to promulgate a NESHAP. In 2007, EPA adopted a NESHAP for the reduction and control of emissions of ETO from sterilizers. Under EPA’s regulation, found in the Code of Federal Regulations (“CFR”) at 40 CFR Part 63 Subpart WWWW, existing health care facilities were given until December 29, 2008, and new facilities were required upon startup, to adopt and follow certain management practices. These practices require that facilities using ETO sterilizers sterilize full loads to the extent practicable, keep and maintain records of the date and time of each sterilization cycle, state whether each sterilization cycle was run full or not, and, if the cycle was not run full, further obtain a statement from the health care staff that it was medically necessary not to run full. Local air pollution control districts may have additional specific regulations addressing emissions from ETO sterilizers.

2. INCINERATORS

The CAA authorized EPA in 1990 to promulgate new and stricter performance standards concerning the air emissions allowed from what EPA regulations refer to as “hospital/medical/infectious waste incinerators,” or HMIWIs. The amendments required EPA to distinguish between new and existing incinerators and small and large units. Depending on the size and emissions of various incinerators, EPA has promulgated various emission standards. On October 6, 2009, EPA finalized new source performance standards for new HMIWIs and emission guidelines for existing HMIWIs. If as of October 6, 2011 a HMIWI is not covered by a State plan acceptable to EPA, that HMIWI may be covered by a federal plan which EPA promulgated on May 13, 2013 and which governs both HMIWIs constructed before December 1, 2008 and new HMIWIs.

3. BOILER PLANTS

Health care facility boiler plants may be regulated under CAA through the promulgation of standards of performance for the boiler depending on the type of fuel used in the plant, the size of the unit, and its combustion efficiency, and through the promulgation of NESHAPs for certain hazardous air pollutants emitted from the boiler. Because boilers may release such air pollutants as sulfur dioxide, particulate matter and nitrogen oxides, standards of performance may require monitoring of these emissions. These standards do not apply only to emissions. Adjustments to the boiler’s combustion process itself may be required and records of such adjustments will need to be kept if they are required.

4. LABORATORY FUME HOODS

Some compounds released from laboratory fume hood systems (e.g. radio nuclides and carcinogens) may exceed air emission standards and require treatment such as filtration or absorption prior to release. Without such prior treatment, the CAA could be violated.

D. WATER QUALITY MANAGEMENT

The federal Clean Water Act (as amended, “CWA”) was enacted to restore and maintain the chemical, physical and biological integrity of the nation’s waters. The CWA requires the EPA, in conjunction with State and local authorities to develop comprehensive programs for preventing, reducing or eliminating the pollution of navigable waters. Most states have enacted water pollution statutes and regulations that implement and/or supplement the federal law.

Health care facilities generally discharge water and some waste into a municipal sewer system, which is governed by pretreatment standards enforced through either permits or regulations. Health care facilities that discharge directly into a body of water are required to provide certain treatment technology and obtain a National Pollutant Discharge Elimination System permit from the EPA or the appropriate State environmental agency. Water discharges from health care facilities are not likely to impact soils or ground water (unless the facility uses a septic system or leaching field that received inputs of toxic or radioactive materials).

As part of their overall compliance efforts, each Select Medical facility is expected to implement compliance with all applicable water quality regulations, including ensuring that hazardous chemicals are not released into sewer systems, septic systems, or surface waters.

E. FACILITIES MANAGEMENT

1. UNDERGROUND STORAGE TANKS

Underground storage tanks (“USTs”) used to store petroleum products and other potentially hazardous materials are regulated to ensure that these materials do not leak into the environment. Certain facilities with USTs with a capacity of greater than 110 gallons are subject to regulations that require the reporting of USTs that are discovered to be leaking and require UST owners or operators to carry insurance to cover the cost of any potential cleanups in the event of a leak. The regulations also contain specific standards for new installations and require existing UST systems to be upgraded by specific dates. USTs that are removed are subject to regulatory closure standards and procedures. Certain states and local jurisdictions may have additional or more stringent regulations for USTs. It is Select Medical’s policy to minimize the environmental risks associated with ownership, operation, lease, purchase, finance and use of USTs.

2. RADIOACTIVE MATERIALS

Acting under the Atomic Energy Act (as amended, the “AEA”), the United States Nuclear Regulatory Commission (“NRC”) requires licenses to possess and use certain radioactive materials known under the AEA as byproduct, source and special nuclear material. The AEA authorizes the NRC to enter into agreements with States under which the State enforces the AEA in the State. These States are called Agreement States. Most States in the United States are Agreement States and may act to regulate in accordance with NRC regulations to regulate the diagnostic, therapeutic and medical uses of radioactive materials regulated by the AEA. These States enforce the requirement for a license.

V. DOCUMENT RETENTION POLICIES AND PROCEDURES

“We ensure that records are retained for a uniform time period.”

A. OVERVIEW

Select Medical has adopted Company-wide document retention policies and procedures to ensure that records are retained for a uniform time period throughout the Company and to avoid the unnecessary accumulation of documents unlikely to be required for future business operations. The purpose of the document retention policies and procedures is to: (i) meet current Company needs in record storage (or other electronic media) and retrieval systems; (ii) ensure compliance with the various governmental regulations concerning document retention; (iii) update previously issued records retention schedules; and (iv) ensure uniformity in records retention throughout the Company. These policies and procedures apply to records maintained in computer storage (or other electronic form), written documents and any other form of record. All employees have a responsibility to adhere to the Company's record retention policies and procedures.

B. RETENTION PERIODS

Records shall not be destroyed before the prescribed retention period identified in Company policies and procedures has expired. Records shall not be retained for longer than the prescribed period without first contacting the applicable Department Head. Retention periods are specified for original documents only unless otherwise specified. Duplicates of original documents should generally be discarded after use unless the retention of such duplicate original document is necessary to support current operations. If duplicates are so retained, they should be discarded after they have served their purpose. In no event should they be retained for a period longer than the retention period of the original document. Employees should not selectively discard records or other documents that would normally be retained for a longer period of time because they believe that the documents might be harmful to any employee or to Select Medical. When records meet the prescribed retention period, the records must be destroyed through shredding or incineration.

C. SPECIAL CONSIDERATIONS

The following special considerations apply to the application of Select Medical record retention policies and procedures.

1. RECORDS RELEVANT TO MORE THAN ONE CATEGORY

When records may be subject to more than one category and corresponding retention period, employees must use the longest retention period.

2. COPIES

Only one copy of each record must be retained to comply with record retention requirements. For example, participants in a project should make efforts to arrange for one common file of project documents to be maintained.

3. EXCEPTIONS

Any exceptions to Select Medical's document retention policies and procedures may be made only after consultation with the Legal Department. Any employee who believes that circumstances warrant such a deviation should promptly contact the Legal Department.

4. ASSISTANCE

Employees should never guess as to the retention period applicable to a particular record or category of records. Any questions in this regard should be directed to the Supervisor/Manager who shall consult with the Legal Department as appropriate.

5. INVESTIGATIONS, LEGAL AND ADMINISTRATIVE PROCEEDINGS

Routine application of document retention policies and procedures and all document destruction procedures shall immediately cease in the following circumstances:

- the records may be covered by a subpoena that has been issued (or other existing request) or there is reason to believe that the records may be subpoenaed (or otherwise requested) in a current or impending matter;
- there is an existing or impending internal or governmental investigation, civil litigation or other legal or administrative proceeding that may reasonably require production of the records; or,
- the Company is voluntarily cooperating with governmental authorities or other outside parties in a legal or administrative proceeding that may reasonably require production of the records.

The Legal Department has primary responsibility to promptly notify appropriate Select Medical employees of the occurrence of any of the above events to ensure that a proper "HOLD" is placed on record destruction. Specific instructions regarding the "HOLD" will be appropriately disseminated. If there is any questions whether a particular document is, or should be, subject to a "HOLD" designation, the Legal Department's approval must be obtained prior to the destruction of such documents.

Any employee who has reason to believe that the above-described or any other circumstances warrant retention of Company records beyond the required periods should preserve the records in questions and immediately contact the Legal Department.

6. PRIVILEGED AND OTHERWISE PROTECTED DOCUMENTS

Select Medical is entitled by law to keep certain documents confidential, even when sought by an opposing party in a legal proceeding. Such documents are commonly referred to as privileged. Select Medical's policy is to maintain the confidentiality of privileged documents.

There are several types of protection against disclosure, including the attorney-client privilege, the work product doctrine and, in some circumstances, the self-evaluation privilege. The attorney-client privilege applies to confidential communication between a client (Select Medical) and its attorneys (lawyers in the Select Medical Legal Department or outside lawyers retained to represent Select Medical). The work product doctrine protects documents prepared in connection with, or in anticipation of, litigation that reflect legal strategies and attorney thought processes. The self-evaluation privilege may protect environmental or other compliance audits and similar documents.

In order to maintain the privileged nature of a document, the rules defining the privilege must be strictly observed. One rule common to all privileges is that the privileged document must be kept confidential from third parties. If an otherwise privileged document is shared with a third party, the privilege is lost forever. If you are custodian of documents that might be privileged, please (i) notify the Legal Department, and (ii) ensure that the documents are segregated from your files and marked "privileged and confidential."

7. WORK FILES

Personal work files may be maintained so long as a matter is pending. Once a matter is concluded, records contained in a work file should be categorized and retained or discarded in accordance with the prescribed periods set forth in Company policies and procedures.

VI.

CONCLUSION

SELECT MEDICAL IS COMMITTED TO STRICT COMPLIANCE WITH ALL LAWS AND ETHICAL STANDARDS BY ALL OF ITS EMPLOYEES. ANY QUESTIONS REGARDING ISSUES RAISED BY THIS CODE SHOULD BE DIRECTED TO THE COMPLIANCE OFFICER.

***“Compliance is doing
the right thing, the right way,
each and every time.”***

EXHIBIT A

SELECT MEDICAL
EMPLOYEE COMPLIANCE CERTIFICATION PROCESS

Each employee is required to certify that they have received, read and understand Select Medical’s Code of Conduct (the Code). Select Medical uses an electronic acknowledgement process to meet this requirement.

Please log in to your training schedule on the Select Medical Employee Resource Center (SERC) as instructed in the inside cover of this booklet and acknowledge that you have received and understand the Code of Conduct.

If you have questions about the certification process, you may contact the Compliance Officer or the Compliance Trainer at their phone numbers located at the beginning of the Code of Conduct.

EXHIBIT B

SELECT MEDICAL
MEDICAL DIRECTOR/PROGRAM DIRECTOR/OTHER CONTRACTED PHYSICIANS/ MEDICAL STAFF/
ALLIED HEALTH PROFESSIONALS COMPLIANCE CERTIFICATION FORM

TO: THE COMPLIANCE AND AUDIT COMMITTEE

I hereby certify that I have received, read and understand Select Medical’s Code of Conduct (the “Code”). I agree to comply fully with all of the policies and procedures set forth in the Code, as well as all other policies and procedures that may be implemented from time to time by Select Medical. I understand that my compliance with the Code and Select Medical’s other policies and procedures is a condition of my continued association with Select Medical, and that violation of the Code or such other policies and procedures may result in possible termination of my association with Select Medical.

I also represent to Select Medical that I have disclosed information regarding a) any criminal complaint, indictment or criminal proceeding (involving other than a misdemeanor offense) in which I am named a defendant; b) any criminal investigation or proceeding, whether administrative, civil or criminal, relating to an allegation against me of filing false health care claims, violating anti-kickback laws, or engaging in other billing improprieties; and c) any (past or present) threatened, proposed, or actual exclusion from any federally funded health care program, including the Medicare or Medicaid program.

I further certify that, except as set forth below, I have fully complied with the Code and all other Select Medical policies and procedures, and I am not aware of any Compliance Incident (as that term is used in the Code) committed by others that has not been reported as provided in the Code. Please explain any exceptions using the space below or write “none.” Attach additional sheets if necessary.

PRINT NAME: _____

TITLE: _____

LAST 4 DIGITS OF SOCIAL SECURITY NUMBER: _____

SIGNATURE: _____

DATE: _____

CUT HERE

CUT HERE

Our Mission Select Medical will provide an exceptional patient care experience that promotes healing and recovery in a compassionate environment.

Our Vision

The Select Medical Way is to put the patient first.

The Select Medical Way is to help improve quality of life for the community in which we live and work.

The Select Medical Way is to continually improve by being open to and welcoming of new ideas from all levels of the organization.

The Select Medical Way is to attract, train, and retain the best possible staff.

The Select Medical Way is to stand out from others by fully embracing high-quality clinical care and sharing a commitment to doing well by doing right.

Our Values

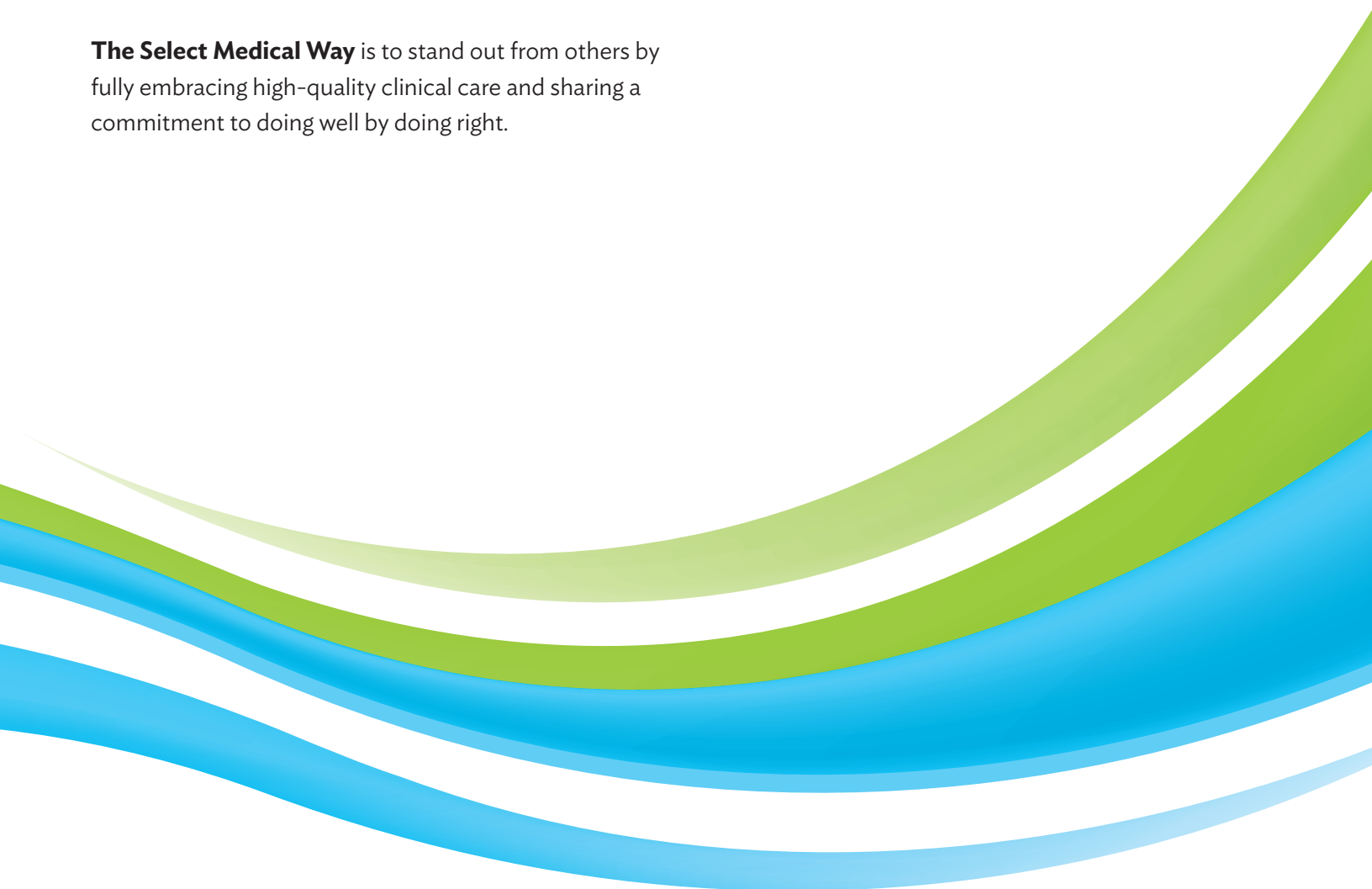
We deliver superior quality in all that we do.

We treat others as they would like to be treated.

We are results oriented and achieve our objectives.

We are team players.

We are resourceful in overcoming obstacles.



Working Ethically Works Best

HOT LINE: (888) 823-8945

