2012

Corporate Compliance Statement

R&M Rehabilitation, LLC

6/13/2012

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MESSAGE FROM THE OWNER

Our success and reputation are not only dependent on the quality of services provided to our clients, but also on the way in which we conduct business. R&M Rehab, LLC's ambition is to become a leader in its core business, Durable Medical Equipment. Becoming a leader means not only providing professional and individualized care for those seeking improvement as well as setting the standard through exemplary business practices and ethical behavior.

R&M and its Sales and Service staff have a long history of adhering to and promoting strong professional ethics. It is, and must continue to be, integral to our corporate culture. Integrity enters into everything we do and is a central part of our philosophy to "do the right thing." We have developed this R&M Compliance Program Guide to establish a shared vision of standards and practices for the organization, grouping them together in a single document. Its principles must guide each one of us in the performance of our daily functions.

"Our goal is to provide the most attentive, knowledgeable service in the business. We supply only the most technologically advanced, proven equipment from the world's most trusted manufacturers and provide comprehensive training through our advanced workshops and seminars."

The long term success of R&M depends on the attention paid by each one of us to uphold the highest ethical standards and business practices. It is our business that requires this and our reputation that is at stake.

The owners, as well as the leadership team of R&M pledge their support to uphold the Compliance Program Guide and support the compliance program. Your commitment is essential to the shared values that unite us as an organization, guide our decisions and actions, and promote the highest quality of care. I expect each one of you to ensure compliance with the rules defined in the Compliance Program Guide. In this way will we be able to achieve our ambition of leadership, which goes hand in hand with the ethical and professional manner in which we must conduct our business on a daily basis

INTRODUCTION

The United States Sentencing Commission defines a compliance program as a "program that has been reasonably designed, implemented, and enforced so that it generally will be effective in

preventing and detecting criminal conduct. Failure to prevent or detect the instant offense, by itself, does not mean that the program is not effective. The hallmark of an effective program to prevent and detect violations of law is that the organization exercises due diligence in seeking to prevent and detect criminal conduct by its employees or other agents."

The compliance program, policies and procedures described in this Compliance Program Guide (Guide) is intended to establish a framework to be used by R&M for in conducting business as a durable medical equipment supplier as well as in all other business components including business development to ensure compliance. It is not intended to set forth all of the substantive programs and practices of R&M that are designed to achieve compliance.

R&M recognizes the need to conduct business with honesty and integrity and in compliance with all applicable federal and state laws. This recognition is supported by an organizational commitment to promote ethical and compliant business operations through the implementation of a compliance plan. R&M is committed to conducting its business according to the highest standards of honesty and fairness. This commitment to observing the highest ethical standards is designed not only to ensure compliance with the applicable laws and regulations in the various jurisdictions where we operate, but also to earning and keeping the continued trust of our clients, shareholders, personnel and business partners.

This Guide is not intended to be an exhaustive guide to all the detailed rules and regulations governing the services provided by R&M. Rather it is intended to establish certain guiding principles and company-wide policies designed to ensure that R&M and our personnel have a common vision of R&M's ethical standards and operate in accordance with those standards.

The Guide is directed at providing business conduct and operational guidance to employees, independent contractors, distributors and consultants who may be engaged in activities that pose specific areas of risk or vulnerability for R&M.

Some specific areas of potential risk or vulnerability include daily activities related to contracting, sales and marketing, claims processing, integrity of data systems and record retention. The Guide establishes minimum standards to be observed by all R&M employees, , consultants, board members, and investors and includes the following policies:

- Quality of Care Policy Statement
- Contract Review Policy Statement
- Employee Background Checks

- Prohibition Against Retaliation
- Discipline for Violations
- Responding to Government Investigations
- Prohibition on Kick-backs
- Record Retention
- Periodic Testing of Claims System
- Conflict of Interest Policy Statement
- Billing and Coding Policy Statement
- Accounting and Financial Reporting Policy Statement
- Training
- Monitoring and Auditing
- Annual Risk Assessment

ANSWERS TO COMMONLY ASKED QUESTIONS

Who does this Guide apply to?

Unless specifically stated otherwise, the policies set forth in this Guide apply to all R&M owners, employees, volunteers and independent contractors doing business with or on behalf of R&M.

What are my responsibilities as an R&M Employee?

As a R&M employee or affiliated distributor you are expected to conduct yourself in a manner appropriate for your work environment, and to be sensitive to and respectful of the concerns, values and preferences of others, including your fellow employees, patients and clients. All R&M employees are expected to familiarize themselves with the policies in this Guide and to abide by them in the daily performance of their job responsibilities. R&M employees are encouraged to promptly report any practices or actions that you believe to be inappropriate or inconsistent with the policies and procedures set forth in this Guide or that you believe may compromise the ethical standards or integrity of R&M.

How do I report misconduct or other matters that I believe should be reported under the policies and procedures set forth in this Guide?

R&M has adopted a policy statement on handling employee complaints as noted in the Employee Handbook. Taking pro-active steps to prevent problems is part of the R&M culture and speaking to the right people is one of your first steps to understanding and resolving what often can be difficult questions. All R&M employees are encouraged to promptly report any practices or actions that they believe are inappropriate or inconsistent with company policy, including but not limited to those policies and procedures set for the in this Guide. Anyone reporting misconduct in good faith will be protected against retaliation.

Employees are encouraged to report to their immediate supervisor or alternatively may choose to report to the Chief Compliance Officer or the HR Manager. Anonymous reporting is also permitted by the use of a written statement to the "suggestion box".

What is a "Hotline"?

A hotline provides a risk free way for you to anonymously report suspected violations of R&M compliance policies or procedures or the code of conduct as outlined in the Employee Handbook. R&M does not have a formal "hotline" but rather the "suggestion box" will operate as the hotline. The "suggestion box" can be found in the kitchen at the Brookfield location.

What should I report to the "Hotline"?

You may use the Hotline to report any and all concerns that you may have about R&M, your fellow employees, distributor, clients and patients. However, the "hotline" should be used primarily to report violations related to employee conduct, violations of R&M compliance policies and any suspected violations of federal, state or local law, which may include but are not limited to the following:

- Medicare/Medicaid rules and regulations
- Other government programs' rules and regulations
- Self-Referral Laws (also known as Stark Violations)
- Anti-kickback Statute, theft or bribe violations
- Fraudulent billings or collections
- Environmental hazards
- Conflicts of interest
- Hiring and/or contracting with individuals or entities excluded from participation in federal healthcare programs

- Any and all potential criminal violations

Who do I contact if I have a question?

The Guide can only serve as a general standard of conduct. It cannot substitute for personal integrity and good judgment and cannot spell out the appropriate response to every type of situation that may arise. If you have questions about the interpretation or application of the policies or procedures of this Guide to a particular situation or if you believe that there is a conflict between the policies of this Guide and other R&M policies, please consult your immediate supervisor, or the Office Manager.

COMPLIANCE AND ETHICS RULES (CODE OF CONDUCT)

Our Professional Ethics reflect R&M's Mission Statement

Professional Ethics at R&M reflect our Mission. This Vision and these Values guide daily behavior and underlie the provisions in this Guide.

MISSION STATEMENT

Our goal is to provide the most attentive, knowledgeable service in the business. We supply only the most technologically advanced, proven equipment from the world's most trusted manufacturers and provide comprehensive training through our advanced workshops and seminars.

COMPLIANCE PROGRAM POLICIES

R&M has established key program policy areas, and as a small practice each of these areas will be scaled to our growth, with emphasis placed upon those areas that have been defined through our annual risk assessment process.

COMPLIANCE COMMITTEE

The R&M Corporate Compliance Committee will administer R&M's Corporate Compliance program. The Office Manager of R&M shall chair the Corporate Compliance Committee. The purpose of this Committee is to monitor the organization to ensure consistent application of relevant laws and rules, including those relating to billing and collection practices, to proactively identify problem areas, and to recommend, establish and implement, as appropriate, solutions and system improvements.

The Corporate Compliance Committee may consist of representatives from the following R&M departments and/or groups:

- Compliance
- Finance
- Human Resources
- Operations Management
- Information Systems and Technology

R&M may engage outside legal counsel and/or expert consultants to assist the Corporate Compliance Committee, as appropriate. R&M's governing body may also approve adjustments to Compliance Committee membership, from time to time.

QUALITY OF CARE POLICY

R&M will provide high quality, cost-effective care to patients and customers in accordance with the highest professional standards. We will respect each patient's dignity and their right to privacy of their medical information in accordance with operative rules and regulations, including the HIPAA privacy regulations. We will listen to our patients, their families, and visitors to understand any concerns or complaints and will involve patients in the decision-

making process regarding their care and quickly and efficiently respond to their questions, concerns and needs.

R&M will maintain complete and accurate medical records and accurately communicate information to patients, families and payers, including insurance companies and health plans as requested and appropriate.

WORKPLACE ENVIRONMENT

R&M will treat employees with respect and will engage in human relations practices that promote the personal and professional advancement. We will implement policies and procedures that promote compliance with laws governing nondiscrimination in personnel actions, including recruiting, hiring, training, evaluation, transfer, workforce reduction, termination, compensation, counseling, discipline, and promotion of employees.

Every employee has the right to work in an environment free of unlawful harassment, abusive, threatening or intimidating behavior and discriminatory retaliation. Unlawful employment discrimination and harassment based on race, color, religion, national origin, age, gender, disability, marital status and sexual orientation is unacceptable, and therefore, prohibited.

All of our employees deserve respect and the opportunity to work in an environment that affords them personal and professional respect.

Unlawful sexual harassment is prohibited. This prohibition includes unwelcome sexual advances or requests for sexual favors and other verbal or physical conduct of a sexual nature. Sexual advances, requests for sexual favors or sexual propositions are examples of potentially harassing behavior.

Our environment is free of harassment, and employees who feel they have concerns in this area are encouraged to contact their supervisor or management if they are not comfortable communicating this with their supervisor.

R&M hires, recruits, trains, promotes, assigns, transfers, lays off and terminates employees based on such factors as their own ability, achievement, experience, and conduct without regard to race, color, religion, sex, ethnic origin, age or disability or any other classification prohibited by law.

COMPLIANCE TRAINING AND EDUCATION POLICY

We recognize and understand that ongoing investment in and commitment to effective training at all levels is essential to attain the desired standards of excellence in service and to adhere to our Compliance Program. R&M's "do the right thing" philosophy is instilled in every employee and the commitment to compliance and ethical behavior begins at new employee orientation.

All R&M employees undergo annual training that contains, as necessary and appropriate to their job title and function, any new, updated or revised information, policies or procedures regarding billing, documentation, confidentiality, privacy, security and other pertinent company policies and procedures. Specialized training for appropriate personnel is also utilized, including customized training that is assigned in response to audit and monitoring findings.

CONTRACT REVIEW POLICY

R&M and KINEX will have all contracts where the other party is a referral source or potential referral source and all other material contracts to which R&M or KINEX is a party, assumes obligations for, or incurs liability under, reviewed by legal counsel prior to R&M or KINEX entering into such agreements.

The term "contract" is defined as any written agreement, including Memorandum of Understanding, Letter of Intent, Letter Agreement, Countersigned Letter of Understanding, Proposal, etc. which R&M or KINEX is a party to, assumes obligations under, or incurs liability for. (A "material contract" is a contract with an annual expenditure greater than $5,000 or with a term longer than one year and for which R&M or KINEX has no ability to terminate without reason or cause prior to expiration of that term.)

Legal counsel is responsible for performing compliance and legal reviews. Directors, or other authorized R&M or KINEX representatives, may not enter into, or sign, any contract with a referral source or potential referral source or any material contract prior to the completion of a contract review and approval by legal counsel.

EMPLOYEE BACKGROUND CHECK POLICY

R&M will conduct routine and customary criminal background checks and investigations for state licensure including sanctions and/or exclusions from any federal health care program, for all employment applicants and independent contractors who are offered a position and who

are: (i) licensed health care providers, or (ii) whose employment or contractor duties involve information technology, finance, billing or claims processing. R&M will not employ or contract with individuals or entities, when a background check or investigation demonstrates that the individual or entity has been convicted of any felony criminal offense or sanctioned and/or excluded from any federal health care program within the past five years. (e.g., Medicare fraud, money laundering, mail fraud, Stark Law violation, anti-kickback statute violation). In addition, R&M will immediately suspend and/or terminate any current employee, or independent contractor, if R&M learns of any said conviction or sanction and/or exclusion.

All employment applicants are required to disclose at the time of application any criminal convictions, sanctions, and/or exclusions from any federal health care program. Any and all employment offers extended on behalf of R&M to persons subject to this policy are contingent upon successful passage of a criminal background investigation.

R&M also requires background checks from any temporary agency providing contracted persons to perform services for R&M. R&M requires written proof that said temporary personnel has not been subject to any criminal conviction or sanction and/or exclusion from any federal health care program prior to starting work with R&M.

Individuals subject to this policy are also subject to periodic background investigations during the term of their employment or independent contract relationship with R&M as follows:

- Criminal Background Check (at a minimum to be every three years); and
- Office of Inspector General's (OIG) list of excluded providers and entities (at least annually).

POLICY AGAINST RETALIATION

R&M strictly prohibits any type of retaliation against any individual who, in good faith, reports any alleged compliance policy violation or illegal activity occurring at R&M or involving a R&M independent contractor. This policy is applicable to any report or violation made to a supervisor, a member of the Executive Management Team, the Chief Compliance Officer, or to any government official or entity.

Any person violating this policy will be subject to disciplinary action in accordance with the R&M Employee Handbook, which disciplinary action may include termination of employment.

POLICY AGAINST KICKBACKS

R&M will not offer, pay, solicit or accept any compensation including any kickback, bribe or rebate, directly or indirectly, overtly or covertly, in cash or in kind in exchange for a referral for products or services; or to induce purchasing, leasing, ordering, arranging for, or recommending the purchase, lease, or order of any good, facility, service or item covered under a federal health care program.

R&M will not engage in transactions that violate relevant and applicable federal or state Anti-Kickback Statutes.

DISCIPLINE FOR VIOLATIONS POLICY

R&M will discipline, as appropriate, any employee or independent contractor who knowingly and willingly engages in activities that violates R&M's Compliance Program policies or procedures and/or applicable federal and state laws. Disciplinary action will be dispensed in a manner consistent with the R&M policy on Rules of Conduct, as defined in the Employee Handbook, and without regard to seniority, position, and/or title of the violator.

ACCURATE BOOKS AND RECORD KEEPING POLICY

R&M will maintain accurate books and records in support of all claims filed for reimbursement from any federal, state or private health care program. R&M's employees and contractors are prohibited from making false statements in any R&M book or record, including but not limited to, all business records, patient medical records and medical billing records, or on any R&M document prepared for or filed with any government or private entity or person.

RECORD RETENTION POLICY

R&M shall retain all recorded information, regardless of medium, that is generated and/or received in connection with R&M transactions and legal obligations, for the applicable required retention period(s) as set forth under federal and state law, or for a period of seven (7) years, whichever is longer. Once original paperwork has been uploaded into the system, it then becomes the original and the hard copy will then only need to be stored up to 1 year from the date of service.

R&M records will be destroyed after all applicable retention periods have expired. Records shall be kept in their original form or in an acceptable alternative form for storage. All records shall be maintained in a usable condition and in an appropriate environment to secure the integrity of the information. Confidentiality of all records pertaining to patient care or billing will be maintained in accordance with applicable federal and state laws and regulations.

BILLING AND CODING POLICY

R&M and KINEX are committed to fair and accurate billing in accordance with all applicable federal and state laws and regulations, payor rules and procedures and R&M policies and procedures. We understand that all claims for services submitted to any private insurance program or payor, Medicare, Medicaid, or other federally funded health care programs must be accurate and correctly identify and document the services ordered and performed. R&M and KINEX will bill only for services and products actually provided and documented in the patient's medical records and will charge for all health care services provided. R&M and KINEX will not engage in and/or permit known up-coding or unbundling of services rendered and/or other improper billing practices intended to increase reimbursement.

R&M and KINEX will require payment of insurance co-payments and deductibles and will only waive required fees following a determination of patient financial need in accordance with R&M and KINEX's applicable policies and procedures; and after reasonable collection efforts have failed. R&M and KINEX will use systematic methods for analyzing the payments received and will reconcile any overpayments in a timely manner after discovery, review and confirmation that overpayment should not be applied to any outstanding accounts receivable owed to R&M and KINEX.

R&M and KINEX will assign diagnostic, procedural, and other billing codes that accurately reflect the services that were provided. R&M and KINEX will periodically review coding practices and policies, including software edits, to facilitate compliance with all applicable federal, state, and private payer health care program requirements and will investigate inaccurate billings and payments to determine whether changes to current protocol or other remedial steps are necessary.

PERIODIC TESTING OF CLAIMS SYSTEM POLICY

R&M and KINEX will periodically audit its manual and automated billing systems, including any contracted billing system, to ensure proper operation of all steps required to generate claims for

health care services. Comprehensive audits should be conducted no less than annually to ensure timely detection and corrective action of system failures or errors. If a billing systems audit reveals system failures or errors, the department manager responsible for the audit should immediately consult with the Chief Compliance Officer to determine whether the failure necessitates corrective action.

REGULATORY INQUIRIES, INVESTIGATIONS AND LITIGATION POLICY

Governmental agencies, regulatory organizations and their authorized agents may, from time to time, conduct surveys or make inquiries that request information about R&M, its patients or others that generally would be considered confidential or proprietary. All regulatory inquiries concerning R&M should be handled by the Chief Compliance Officer and/or the Department Human Resources.

Regulatory inquiries may be received by mail, e-mail, telephone or by personal visit. In the case of a personal visit, demand may be made for the immediate production or inspection of documents. R&M employees receiving such inquiries should refer such matters immediately to the Chief Compliance Officer. A “Red Envelope” containing pertinent information regarding handling of investigators will be posted at the front desk of every R&M location including affiliated distributors.

CONFLICT OF INTEREST POLICY

R&M expects officers, stockholders, employees, distributors, vendors, and volunteers to avoid any activities that may involve a conflict of interest. A “conflict of interest” exists when a person’s private interest interferes or even appears to interfere in any way with the business interests of R&M. Employees should avoid conflicts as well as the appearance of conflicts between their private interests and the business interests of R&M.

A conflict of interest may occur if outside activities or personal interests influence or appear to influence the ability of a person to make objective decisions in the course of their job responsibilities. Any questions about whether an outside activity might be or appear to be a conflict of interest should be directed to the Chief Compliance Officer or the Department of Human Resources.

ACCOUNTING AND FINANCIAL REPORTING POLICY

All accounting entries, as well as all internal and external R&M financial reports must be prepared accurately and on a timely basis in accordance with generally accepted accounting principles (GAAP) and applicable government regulations.

R&M shall maintain a high level of accuracy and completeness in the documentation and reporting of financial records. These records serve as a financial basis for managing R&M's business and are important in meeting our obligations to our patients, employees, suppliers and others. They are also necessary for compliance with tax and financial reporting requirements. R&M maintains a system of internal controls to provide reasonable assurances that all financial transactions are executed in accordance with management authorization and are recorded in a proper manner so as to protect and maintain accountability of company assets.

AUDITING AND MONITORING POLICY

R&M recognizes the need for ongoing internal auditing and monitoring to ensure a successful business and Compliance Program. As such, ongoing internal compliance auditing and monitoring is performed through the coordination of activities administered by appropriate personnel under the direction of the Chief Compliance Officer. Areas of concern or vulnerability are addressed, when applicable, by way of a corrective action plan with appropriate follow-up.

R&M also recognizes the need for ongoing external auditing and monitoring to ensure our clients, investors and employees that its commitment to compliance is supported objectively. Compliance monitoring and auditing will be conducted externally through payor audits, external accreditation agency review, if applicable, and through independent third-party examination of annual financial reports and compliance activity.

ANNUAL IDENTIFICATION OF RISK AREAS

Annually R&M will review key areas of potential compliance risk and set forth a system to identify risk elements in each key area. The annual risk assessment will take into consideration the annual work plans published by the Office of Inspector General of the Department of Health and Human Services. Applicable risk elements will be converted to routine monitoring and auditing activities.

RISK AREAS

Risk assessment is often identified as the 8th key area of compliance in addition to the Seven Federal Sentencing Guidelines that are referenced in the Compliance Guidance published by the Office of the Inspector General. While there are well known and documented areas of risk in the durable medical equipment industry, the process of risk assessment is essential to establishing key vulnerabilities as well as establishing the annual monitoring and auditing plan.

IDENTIFICATION OF RISK AREAS

A number of risk areas for compliance exist in the corporate world, most notably risks associated with being Medicare/Medicaid provider. In addition to Medicare other risk areas are of concern including OSHA (from a safety perspective). On an annual basis R&M will review key areas of potential compliance risk and set forth a system to identify risk elements in each key area. Risk elements will be converted to monitoring and auditing activities that take place throughout the entire company. Employees that feel a potential area of risk needs to be addressed may contact their supervisor or the Chief Compliance Officer and make this recommendation. In addition employees may avail themselves of the hot line to express their opinion regarding potential areas of risk that should be identified. Following is a brief recap of the elements used by R&M management and leadership in identification of the risk areas associated with participation in Medicare and Medicaid as well as other federal healthcare programs.

OFFICE OF THE INSPECTOR GENERAL WORK PLAN – 2012

The Office of the Inspector General of the Department of Health and Human Services (OIG) annually develops a work plan of areas of concern, including areas of concern in the Medicare and Medicaid programs. The Work Plan describes activities that the OIG plans to continue or initiate with respect to the programs and operations of the Department of Health and Human Services (HHS). OIG Work Related to the Centers for Medicare & Medicaid Services (CMS) features work related to such issues as integrity of Medicare and Medicaid payments, prescription drug costs, and quality of care in long term care settings.

The OIG has historically reviewed DME in their Work Plans over the past years.

Medicare Enrollment and Monitoring for Suppliers of Durable Medical Equipment, Prosthetics, Orthotics, and Suppliers

The OIG will review Medicare contractors' processes for enrolling and monitoring suppliers of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS). Enrollment-screening mechanisms and post-enrollment monitoring activities to identify applicants that pose fraud risks to Medicare and the extent to which applicants omitted ownership information on enrollment applications will be investigated. A recent OIG study found that suppliers omitted or provided inaccurate information on enrollment applications, which resulted in improper enrollment. (OEI; 06-09-00230; expected issue date: FY 2012; work in progress)

Reference: Medicare contractors must conduct prescreening, verification, validation, and final processing of Medicare provider enrollment applications. (CMS Medicare Program Integrity Manual, Pub. No. 100-08, ch. 10, § 1.3.)

Medicare Payments for Durable Medical Equipment Claims with Modifiers

The appropriateness of Medicare Part B payments to DME suppliers that submitted claims with certain modifier codes will be reviewed to determine whether payments to the suppliers met Medicare requirements. For certain items to be covered by Medicare, DME suppliers must use modifiers to indicate that they have the appropriate documentation on file and provide, upon request, the documentation to support their claims for payment. Reviews of suppliers conducted by several of CMS's DME MACs found that suppliers had little or no documentation to support their claims, suggesting that many of the claims submitted may have been invalid and should not have been paid by Medicare. (OAS; W-00-10-35305; W-00-11-35305; various reviews; expected issue date: FY 2012; work in progress)

Reference: Payments to any service provider are precluded unless the provider has furnished the information necessary to determine the amounts due. (Social Security Act, § 1833(e).)

Collection of Surety Bonds for Overpayments Made to Suppliers of Durable Medical Equipment

The OIG will review CMS's use of surety bonds to recover overpayments made to DMEPOS suppliers. They will determine the amount of overpayments CMS sought and recouped through DMEPOS surety bonds, and also identify barriers to surety bond collection. By requiring DMEPOS surety bonds, CMS aims to limit fraud risk to Medicare by ensuring only legitimate suppliers are

enrolled and to recoup overpayments resulting from fraudulent or abusive billing practices. (OEI; 03-11-00350; expected issue date: FY 2012; work in progress).

Reference: Certain DMEPOS suppliers must provide and maintain a surety bond of no less than $50,000. (BBA, § 4312(a)(16).)

OIG PUBLISHED FRAUD CASES INVOLVING DME

The OIG has published cases, often referred to as "Fraud Cases" at its website detailing non-compliance with Medicare policies on the behalf of DME suppliers. Each case details the type of related problems that led to the government requesting payment of funds. In most instances repayment amounts were determined by application of the error rate of the reviewed records against the entire population of Medicare claims for a specified period of time. These cases provide an insight into the review process, and will be utilized to assist in the establishment of the monitoring and auditing program.

MEDICARE LOCAL COVERAGE DETERMINATION

Medicare carriers publish local coverage determinations (LCD) that provide guidance to providers and suppliers on compliance with Medicare regulations. The carrier may implement policies on a local basis that affect coverage for service, an example being coverage for cold therapy. R&M has physical locations serving Medicare beneficiaries in the following states: Illinois, Indiana, Iowa, Minnesota, North Dakota, and Wisconsin.

Wisconsin R&M maintains electronic versions of applicable LCDs on the distributor intranet. R&M's monitoring and auditing efforts will follow the requirements of the posted LCDs for each DME MAC jurisdiction.

CREDENTIALING

Staff credentialing is an important aspect of hiring employees to work with our company. Federal programs not only require specific licensure requirements, but also the verification that those providers in the Medicare program have not been disqualified from the Medicare program, or any federal program. R&M plans to audit physician's records to ensure continued compliance with licensure requirements as well as to ensure that there is no criminal activity.

DOCUMENTATION

Medicare has instituted a number of program integrity safeguards to ensure that those billing the Medicare program have complied with the rules and regulations. The carrier may review documentation as part of a probe review, or the CERT contractor may pull records to review for compliance with the Comprehensive Error Rate Testing Program. Recovery Auditors (RAC) and other Program Safeguard Contractors may request records for review in compliance with the Medicare program. In instances where records are reviewed, documentation is scrutinized for compliance with requirements of medical necessity and skilled care, and to ensure that billing is supported by documentation. R&M has an established quality assurance program to review documentation. Results of reviews will be used to update training needs, update and revise documentation forms, and to provide feedback and develop training. This is an ongoing risk and 2012 compliance activities will involve routine monitoring activities as well as quarterly audit activities to ensure ongoing compliance with Medicare documentation, coding and billing requirements.

CODING AND BILLING

Selected coding and billing form the basis of bill submission to Medicare. Codes (and modifiers) support what is billed, and this in turn must be properly reflected in the documentation. Review of codes and modifiers form an important monitoring activity in the compliance process. The purpose of monitoring is to establish a process whereby claims without all proper elements are not billed until complete and accurate.

CERTIFICATE OF MEDICAL NECESSITY

A Certificate of Medical Necessity (CMN) is a form required to help document the medical necessity and other coverage criteria for selected durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) items. CMNs contain patient demographics which are located on the top of the form, this portion is to be completed by the supplier. The bottom portion, which contains the products being prescribed as well as prescription length, is to be completed by a physician. When a Zone Program Integrity Center (ZPIC) is investigating potentially fraudulent behavior by a supplier, it will be the supplier's responsibility to prove the authenticity/validity of the claim(s) under investigation. A ZPIC may require the supplier to prove the authenticity/validity of the signature on the CMN, order, or any other questionable portion of the claim(s) under investigation.

OVERPAYMENTS AND REFUNDS

It is a federal crime to retain medical reimbursement, regardless of payer, to which a provider/supplier is not entitled. This presents an area of risk for R&M and KINEX due to the large volume of insurance billing, including federal programs such as Medicare and Medicaid. Monitoring activities in the finance department will include review of credit balances and refunds.

MONITORING AND AUDITING

An effective monitoring and auditing program at R&M will be based upon our annual risk assessment. The monitoring program is designed to be real time monitoring in order to prevent issues prior to occurrence. The auditing program is designed to retrospectively review topics that have been identified through the risk assessment.

MONITORING ACTIVITIES

Monitoring activities include routine checks and balances to ensure that standards are met. Examples of routine monitoring activities may include:

- Certificate of Medical Necessity (CMN)
- Verification of proper procedure codes prior to data entry
- Verification of timeliness of physician signature on plans of care

KINEX has established an Audit Committee to include monitoring activities as well as informal and formal routine audit activities which also provides service on behalf of R&M. This is done on a daily basis between Kinex Audit Committee and the billing department manager. In addition to these audits, the Compliance Committee will quarterly monitor these forms to ensure accuracy of information.

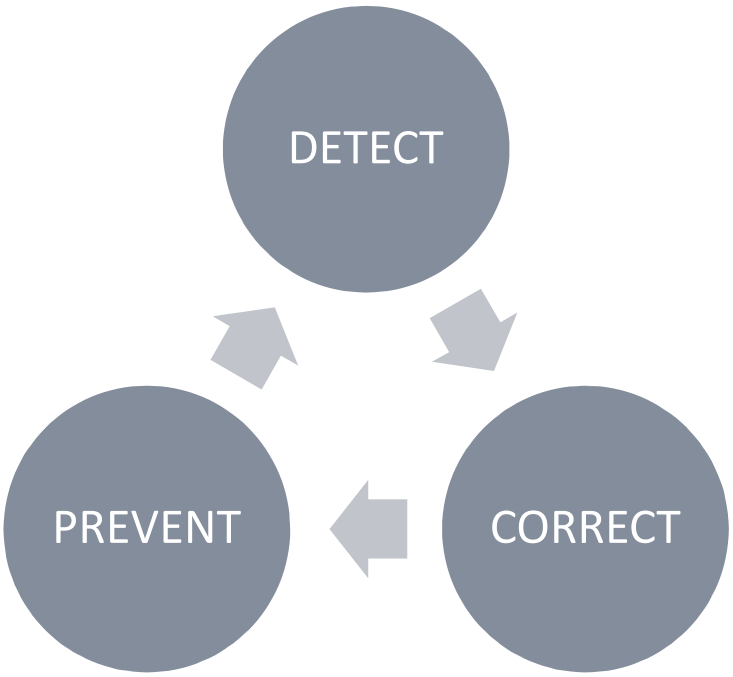
AUDIT ACTIVITIES

R&M conducts informal as well as formal auditing activities throughout the year. Activities are planned for the year and are included in the annual Compliance Calendar. Examples of routine auditing activities may include but are not limited:

- Quarterly chart reviews to determine documentation compliance with Medicare.
- Routine chart reviews to determine compliance with proper procedure coding for the purpose of billing Medicare and other third party payors.
- Review of maintenance logs to ensure that therapy equipment is calibrated and maintained in a safe fashion.
- Selected custom audits based upon findings of routine audits.
- Routine Compliance Activities and Calendar

R&M will be growing in compliance activities through is quality assurance program. There is a striving to ensure that all activities meet the standards required of rehab agencies but the compliance plan as well.

MONITORING & AUDITING PROGRAM



CORPORATE COMPLIANCE STANDARDS

R&M will rely on a variety of sources to develop the company Code of Conduct and Corporate Compliance Program. Key references include those noted below.

DME SUPPLIER CODE OF CONDUCT

R&M sets forth this Corporate Compliance Statement to establish an internal code and expectation of behavior on the company, its officers and directors, employees, business associates, and affiliated independent contractors.

FALSE CLAIMS ACT

The False Claims Act (FCA) is a federal law prohibiting the knowing submission of a false or fraudulent claim for payment to the federal government. It also prohibits the use of false statements or records for the purpose of obtaining an improper payment or concealing the receipt of such a payment. The FCA applies to all claims for payment of an item or service furnished to a beneficiary of Medicare, Medicaid, or other federally-financed health care program such as TRICARE.

The term “knowingly” includes actual knowledge that a claim or statement is false, deliberate ignorance of the truth or falsity of a claim or statement (willful blindness), or reckless disregard for the truth or falsity of a claim or statement.

This does not include honest mistakes or errors, but it may include failure to implement adequate measures to ensure the accuracy of claims or statements or failure to undertake prompt remedial steps to correct improper claims or statements once they are discovered.

Penalties for violation of the FCA can include:

Civil penalties of up to three times (treble damages) the value of any improper payments received as the result of a false claim or statement, plus any additional civil penalties of $5,500 to $11,000 per false claim.

In addition to its substantive provisions, the FCA provides that private parties may bring an action on behalf of the United States. 31 U.S.C. 3730 (b). These private parties, known as “qui tam relators,” may share in a percentage of the proceeds from an FCA action or settlement.

STATE ACTS

The Deficit Reduction Act (DRA) called for implementation of False Claims acts by those states that participate in the Medicaid program. R&M operates in the following states: Illinois, Indiana, Iowa, Minnesota, North Dakota, and Wisconsin and will closely monitor which states have enacted False Claims Acts with qui tam provisions that have been approved by the OIG.

STARK REGULATIONS

A series of regulations enacted to prohibit physician self-referrals have become known as Stark laws or simply referred to as Stark. There are currently three sets of regulations: Stark I, Stark II and Stark III.

In summary, the Stark Law prohibits physicians from making referrals for a "designated health service," payable by Medicare or Medicaid, to any entity with which the physicians have a financial relationship. A financial relationship means either an ownership (including immediate family member) interest or a compensation arrangement. The term "immediate family member" is defined broadly to mean a husband or wife; birth or adoptive parent, child or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild.

The law is wide-ranging. For example, a physician's own practice or group practice may be an entity to which referrals are prohibited. Penalties for violating the Stark Law include denial of payment for the service, civil monetary penalties, or even the possibility of being excluded from the Medicare or Medicaid programs.

For purposes of the Stark Law, a "designated health service" is a service that falls within one of eleven categories of services which include durable medical equipment.

There are a series of general exceptions to the ownership and compensation provisions of the Stark Law. For example, the Stark Law does not prohibit referrals for "in office ancillary services," which are those services furnished by the physicians themselves, another physician in the same group practice, or employees of the physician or of the physician's group practice, if certain requirements are met. A key determinant of this exception is whether a group of physicians may be considered to be members of a "group practice" for Stark Law purposes.

R&M is aware of the Stark regulations and will seek the advice of counsel when establishing relationships that may considered at risk under Stark.

ANTI-KICKBACK STATUTE

The Federal Medicare and Medicaid Anti-Kickback Statute prohibit certain conduct involving improper payments in connection with the delivery of items or services covered by federal health care programs. These prohibitions apply to anyone who knowingly and willfully solicits or receives any payment in return for referring an individual to another person for the furnishing, or arranging for the furnishing, of any item or service that may be paid in whole or in part by the Medicare or Medicaid programs, or other federally-funded health care programs. Similarly, the statute applies where an individual offers or makes payments to another person in order to induce referrals or other prohibited conduct. Illegal payments or solicitations of payments include those in cash or in kind.

Violations of the anti-kickback statute constitute a felony punishable by a maximum fine of $25,000, imprisonment up to five years, or both. Conviction will also lead to automatic exclusion from the Medicare, Medicaid, and other federally-funded health care programs.

WHISTLEBLOWER

The False Claims Act provides protection to qui tam relators who are discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of their employment as a result of their furtherance of an action under the FCA. 31 U.S.C. 3730(h). Remedies include reinstatement with comparable seniority as the qui tam relator would have had but for the discrimination, two times the amount of any back pay, interest on any back pay, and compensation for any special damages sustained as a result of the discrimination, including litigation costs and reasonable attorneys' fees.

PATIENT PROTECTION & AFFORDABLE CARE ACT (PPACA)

The Patient Protection and Affordable Care Act of 2010 contains increased fraud provisions and additionally calls for mandatory compliance programs by 2014:

- Enhanced screening and enrollment requirements
- Stopping payment of claims
- New resources to fight fraud

- Sharing data to fight fraud
- New tools to fight fraud
- Expanded overpayment recovery efforts
- Enhanced penalties to deter fraud & abuse
- Tough new rules and sentences for criminals
- Greater oversight of private insurance abuses

As a result of the increased fraud provisions Durable Medical Equipment has been identified in the “high” risk category in the Medicare supplier application process, and will be subject to site reviews to ensure that the DME supplier is “real” and that the place of practice is open for business.

CREDENTIALING

R&M policy calls for all employees to be verified, as part of this process we will conduct background checks, license verifications and query various data bases to ensure that potential employees have not been sanctioned or excluded from participation in federal healthcare programs, nor have been convicted of criminal conduct.

BACKGROUND CHECKS

All new employees (including employees of distributors) will be subject to a background check to ensure that they do not have a criminal record. Background checks may also be conducted randomly or for cause on existing employees.

LICENSE VERIFICATION

Individuals who are licensed will be subject to license verification for each state in which a license to practice a healthcare profession has been issued and/or maintained. This may include nurse, therapists, physicians, respiratory therapists and others.

SANCTIONED PROVIDERS DATABASE

The Office of the Inspector General of the Department of Health and Human Services maintains a listing of sanctioned and excluded providers. An OIG exclusion has national scope and is important to R&M because the Congress of the United States established a Civil Monetary Penalty for institutions that knowingly hire excluded parties. Accordingly, the OIG maintains the List of Excluded Individuals/Entities (LEIE), a database which provides information to the public, health care providers, patients and others relating to parties excluded from participation in the Medicare, Medicaid and all Federal health care programs.

Bases for exclusion include convictions for program-related fraud and patient abuse, licensing board actions and default on Health Education Assistance Loans. The effect of an exclusion (not being able to participate) is:

> *No payment will be made by any Federal health care program for any items or services furnished, ordered, or prescribed by an excluded individual or entity. Federal health care programs include Medicare, Medicaid, and all other plans and programs that provide health benefits funded directly or indirectly by the United States (other than the Federal*

Employees Health Benefits Plan). For exclusions implemented prior to August 4, 1997, the exclusion covers the following Federal health care programs: Medicare (Title XVIII), Medicaid (Title XIX), Maternal and Child Health Services Block Grant (Title V), Block Grants to States for Social Services (Title XX) and State Children's Health Insurance (Title XXI) programs.

No program payment will be made for anything that an excluded person furnishes, orders, or prescribes. This payment prohibition applies to the excluded person, anyone who employs or contracts with the excluded person, any hospital or other provider where the excluded person provides services, and anyone else. The exclusion applies regardless of who submits the claims and applies to all administrative and management services furnished by the excluded person.

Through the employment process we will verify that prospective employees have not been listed on the LEIE maintained by the OIG.

NATIONAL PRACTITIONERS DATABANK

The NPDB may be queried for all employees subject to healthcare licensure and regulatory review. The NPDB is primarily an alert or flagging system intended to facilitate a comprehensive review of health care practitioners' professional credentials. The information contained in the NPDB is intended to direct discrete inquiry into, and scrutiny of, specific areas of a practitioner's licensure, professional society memberships, medical malpractice payment history, and record of clinical privileges. R&M considers the information contained in the NPDB together with other relevant data in evaluating a practitioner's credentials; it is intended to augment, not replace, traditional forms of credentials review.

HEALTHCARE INTEGRITY AND PROTECTION DATABANK

The HIPDB is a flagging system that serves as an alert to its users that a particular practitioner, provider or supplier may warrant further, more comprehensive review. Querying the HIPDB is an important tool in the effort to combat fraud and abuse as well as to promote health care quality and patient safety.

MEDICARE CREDENTIALING

R&M and affiliated distributors will maintain Medicare certification as a DME supplier. This includes application through the Medicare supplier clearinghouse (PalmettoGBA), as well as accreditation as a DME supplier by an organization that has been granted “deemed status” by CMS.

TRAINING AND EDUCATION

Our commitment to a workplace begins with a commitment to training and educating our employees to R&M values and our “do the right thing” philosophy.

NEW EMPLOYEE TRAINING

New employees will be trained and oriented to R&M’s policies and procedures and will be oriented toward our company compliance standards. New employee training will address the Corporate Compliance Statement and Code of Conduct.

ANNUAL UPDATE TRAINING

All employees will undergo and annual update compliance training that contains any new, updated or revised information regarding Medicare billing and documentation requirement as well as a HIPAA refresher. Employee participation in annual training programs is mandatory and is a requirement of continued employment.

CONTENTS OF TRAINING

The contents of new employee training as well as compliance training and refresher updates is developed based upon regulatory requirements, findings of the annual risk assessment, input from a Medicare compliance consultant, and feedback from management on monthly compliance activities.

RETRAINING

From time to time it may be necessary to provide retraining as a result of performance in compliance activities that does not meet company standards. This type of training is designed to ensure that employees have a clear understanding of regulatory requirements and their role in meeting these requirements.

REPORTING OFFENSES

COMPLIANCE COMMITTEE

As a small practice, R&M does not operate or subscribe to a compliance hotline service. As provided for under the Physician and Small Practice Compliance Guidance, R&M utilizes a Compliance Committee. Employees that have a concern may bring their concern to their supervisor or to a member of the compliance committee.

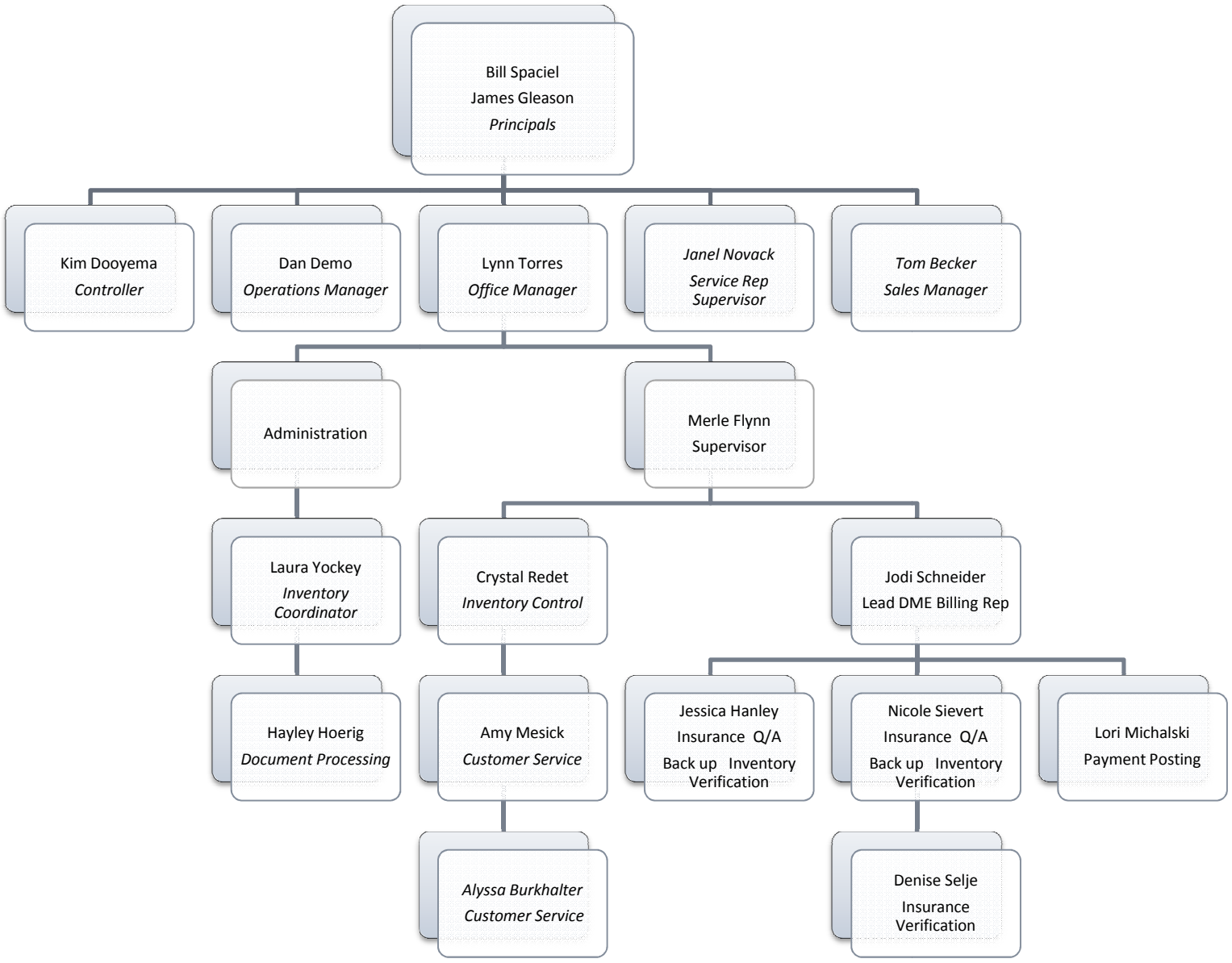
HOW TO REPORT AN OFFENSE

It is the responsibility of all employees to reported suspected offenses of compliance policies. Employees' first line of reporting is their immediate supervisor, but in the event that the employee feels they cannot proceed, a concern may be presented to any member of the Compliance Committee. An organizational chart is noted below that provides the names and positions of

NON-RETALIATION

R&M maintains a non-retaliation policy regarding employee's reporting of suspected offenses.

ORGANIZATIONAL CHART



DISCIPLINARY STANDARDS

Failure to comply with the Code of Conduct and Compliance Policy and the related policies and procedures of R&M will result in disciplinary action. It is the company's responsibility to apply discipline that is sufficient in nature, but not greater than necessary, to ensure that all individuals associated with the system comply with all federal, state, and local laws, regulations, and statutes applicable to its operations. R&M will be guided by the following in determining appropriate discipline for non-compliance:

Discipline will:

- reflect the seriousness of the offense
- promote respect within our company for the Code of Conduct and Corporate Compliance Program
- provide for just punishment for the offense
- strive to minimize or eliminate future violations
- allow for further education and training as may be necessary
- move to protect R&M from further violations

The types of discipline that may be applied are as follows:

- counseling/warning
- reprimand noted in permanent personnel record
- reassignment of job responsibilities
- probation
- demotion
- temporary suspension
- termination of employment/privileges
- or any other action as may be deemed appropriate.

In addition, R&M will, as required by applicable laws and regulations, report violations to the appropriate authorities and pursue any criminal or civil actions that may be required.

PROGRESSIVE DISCIPLINE

The R&M progressive discipline policy and procedure will be utilized in all matters concerning violation of compliance policies and the Code of Conduct. The R&M Progressive Discipline Plan is used as a tool to guide the supervisor in communicating with the employee: recognition, counseling, verbal warning, written warning, final warning, suspension, and termination.

REPORTING TO LICENSING BOARDS

Certain violations may require the mandatory reporting to the appropriate state licensing boards. R&M will comply with any regulatory requirements in this regard and report to state licensing boards as well as national registry boards the required information.

HIPAA

The Health Insurance Portability and Accountability Act of 1996, known simply as HIPPA, includes important provisions regarding the protection of patient protected health information (PHI). R&M has HIPAA policies and procedure in place to guarantee compliance with the many aspects of this detailed federal regulation.

Detailed HIPAA policies and procedures are found in the HIPAA Manual. Initial training regarding staff HIPAA responsibilities is conducted as part of new employee orientation, and is provided again in an annual required refreshed course.

The notice of privacy practices is presented to new patients upon their first visit to the clinic. The patient is asked to acknowledge receipt of our Privacy Practices.

PRIVACY PRACTICES

Our privacy practices have been developed using model HIPAA policies and procedures made available by the Office of Civil Rights. All employees are expected to have a working knowledge of privacy practices specifically as it relates to the performance of their job duties and responsibilities.

NOTICE TO PATIENTS

During the setup of the equipment, the patient will review our Notice of Privacy Practices. The patient will be asked to acknowledge, via signature, their receipt of Privacy Practices, and is offered a copy of their records if they so choose.

POSTING OF NOTICE

R&M's privacy practices are posted in each distributorship's office or storage locations. R&M also posts Privacy Practices to the website.

UPDATING PRIVACY PRACTICES

Privacy practices are reviewed on an annual basis and may be updated due to company changes or regulatory changes. As privacy practices are changed, the effective date of the revisions will be noted on the bottom of any document whether it is a printed or electronic version to ensure that the most current version is utilized.

RESPONDING TO REQUESTS

Our Notice of Privacy Practices educates patients on how to request information regarding our privacy practice in a general sense, and in a more specific sense it allows the patient to request an accounting of disclosure of their protected health information.

RESPONDING TO COMPLAINTS

Complaints regarding HIPAA are taken very seriously, and every attempt will be to ensure that we can address the complaint to the satisfaction of the patient. A patient making a verbal complaint should be referred to the distributorship's territory manager in order so that proper information can be gathered and an investigation be initiated to determine the nature and details of the complaint.

The Federal authority for handling HIPAA complaints is the Office of Civil Rights (OCR). If they receive a complaint from a patient, they will investigate and may request detailed information from the company regarding our privacy practices, as well as documentation surrounding regarding the complaint in questions. In the event that you are contact by the OCR regarding a HIPAA complaint it should be referred to the Chief Compliance Officer, or the Compliance Committee.

COMPLIANCE REPORTING INFORMATION

R&M has established a Compliance Committee. Suspected violations of the Code of Conduct and Compliance Policies may be reported to the Compliance Committee.

Below are some frequently asked questions about the reporting suspected violations to the Compliance Committee.

Who should report concerns to the Compliance Committee?

You should…if you have information about possible violations of the Code of Conduct and Compliance Policy. Your first option is to report your concerns to your supervisor or another member of management. If you are uncomfortable with the direct approach, contact a member of the Compliance Committee.

Why is Compliance Committee important to R&M?

As outlined in the Code of Conduct and Compliance Policy, R&M is committed to conducting all of its activities in compliance with all applicable federal, state, and local laws, statutes, and regulations. The Compliance Committee provides R&M with an additional and an effective way for you to communicate with us about your concerns/suspicions related to violations of the Code of Conduct and Compliance Policies

What should I report to the Compliance Committee?

Contact the Compliance Committee to report violations related to the Code of Conduct and Compliance Policy applicable federal, state, and local laws, statutes, and regulations, which include, but are not limited to, the following:

- Medicare/Medicaid rules and regulations
- Stark anti-kickback statutes
- Health and safety laws
- Environmental laws
- Antitrust laws
- Theft, bribes, and kickbacks

- Fraudulent transactions
- Conflicts of interest
- Any potential criminal violations

Do I have to give my name?

No. You will also be able to anonymously submit a concern in writing You are not required to identify yourself; however, should you need to make any follow-up calls or we need to contact you for additional information related to your report, this code will be essential.

What happens when I report a concern?

Your concern will be documented, and it will be reviewed by the Compliance Committee. After review by the Compliance Committee, the appropriate action will be undertaken.

What if I don't have all the facts?

Call even if you are not sure of the problem. The Compliance Committee will look into all information that you provide and take appropriate action as may be required.

RESPONSIBILITIES UNDER THE CODE OF CONDUCT

This Code of Conduct is the foundation of the R&M Compliance Program and applies to all owners, officers, directors, managers, employees, medical staff, volunteers, contractors, vendors, and other agents of R&M.

RESPONSIBILITIES OF EACH EMPLOYEE UNDER THE CODE OF CONDUCT:

1. Understand how the Compliance Program applies to your job and seek assistance and clarification from your supervisor, the Compliance Officer, or other R&M resources when you have questions about the application of the standards to your job responsibilities.
2. Report any conduct that you think may be in violation of the Code.
3. Listen and respond to questions, complaints or concerns expressed by patients, family members, visitors, or co-workers.
4. Complete all required compliance training.

RESPONSIBILITIES OF MANAGERS AND/OR OTHER SUPERVISORS:

1. Build and maintain a culture of compliance:
    a. Personally lead compliance efforts through regular meetings and proactive steps that include compliance reports and regular monitoring of compliance matters.
    b. Know, understand, and follow the statutes, rules and regulations that govern your area(s) of responsibility.
    c. Encourage employees to raise conduct and ethical questions and concerns.
    d. Use employee actions and judgments in promoting and complying with the R&M Code of Conduct and other policies as considerations when evaluating and rewarding employees.
    e. Ensure that you and all subordinates complete all required compliance training.
    f. Work with the R&M Compliance Committee to ensure that a Culture promoting compliance is engrained.
2. Prevent compliance problems:
    a. Identify compliance risks and propose appropriate policies and procedures to address such risks.

   b. Provide education and counseling to assist employees to understand the Code of Conduct, policies and procedures, as well as applicable law.
3. Detect compliance problems:
   a. Implement and maintain appropriate controls to monitor compliance and mechanisms that foster the effective reporting of potential compliance issues.
   b. Promote an environment that permits employees to raise concerns without fear of retaliation.
4. Respond to compliance problems:
   a. Pursue prompt corrective action to address weaknesses in compliance measures.
5. Apply appropriate disciplinary action when necessary.
6. Consult with the Compliance Committee so that compliance issues are promptly and effectively addressed.

RESPONSIBILITIES OF R&M OFFICERS AND OWNERS

1. Lead by example.
2. Set the mission for the R&M Compliance Program and exercise oversight through the Compliance Committee.
3. Make decisions that are in the best interest of R&M and not affected by conflicts of interest.
4. Receive appropriate reports from the Compliance Committee concerning the status of the Compliance Program and ensure the provision of the resources required to maintain its vitality and response to identified compliance deficiencies.
5. Maintain the confidentiality of all compliance-related information provided, subject to the requirements of applicable law.
6. Complete required compliance training.

RESPONSIBILITIES OF VOLUNTEERS, CONTRACTORS, VENDORS, AND AGENTS:

1. Read Code of Conduct and have a basic understanding of its application to the services provided at R&M.
2. Actively participate in compliance activities, such as education and training, as requested.
3. Understand the various options that are available for raising conduct or ethical concerns and promptly raise such concerns.
4. Cooperate in R&M investigations concerning potential violations of law, the Code of Conduct, the Compliance Program, as well as applicable policies and procedures.
5. Complete required compliance training.

ACKNOWLEDGEMENT OF RECEIPT OF COMPLIANCE CODE OF CONDUCT

This serves as proof that the below named employee has received and read the R&M Medical Compliance Code of Conduct and understands the Compliance Code of Conduct and their responsibilities under the Code.

Employee Name Signature Date