

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

26. Improper Influence on Conduct of Audits

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

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

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

27. Accounting Complaints

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

28. Medicare Part D Prescription Drug Benefit

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

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

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

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

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

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

C. Conclusion

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

III. ADMINISTRATION OF THE COMPLIANCE PLAN

A. Oversight Responsibilities

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

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

B. Employee Training

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

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

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

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

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

C. Monitoring and Auditing

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

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

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

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

Specific audits that may be initiated include:

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

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

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

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

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

D. Reporting System

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

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

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

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

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

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

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

E. Self Reporting to Government Agencies

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

F. Public Company Reporting

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

G. Enforcement and Discipline

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

Guidelines Regarding Disciplinary Action for Violating the Plan

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

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

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

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

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

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

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

Allion will also take disciplinary action against:

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

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

H. Availability and Waivers of Code

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

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

I. Conclusion

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

Allion Healthcare, Inc.
Code Of Conduct – Acknowledgment

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

ACKNOWLEDGMENT

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

(signature)

(print your name)

Date: _____

Dear Allion Employee:

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

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

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

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

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

Sincerely,

Michael Moran
President
Allion Healthcare, Inc.

Attachment 1

COMPLIANCE OFFICER:

COMPLIANCE COMMITTEE MEMBERS:

John Galletta	631-547-6520
Sarah Kelly	800-774-8889
Rick Mabray	415-255-0516
Sharon Milinazzo	305-576-6337
Natalie Rodriquez	310-972-2999

REPORTING FRAUD AND ABUSE

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

From: Michael P. Moran

Date _____

Re: Reporting Fraud and Abuse

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

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

Guy Forte	206-624-1391
John Galletta	631-547-6520
Sarah Kelly	800-774-8889
Rick Mabray	415-255-0516
Sharon Milinazzo	305-576-6337

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

Medicare Part D Certification

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

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

I have disclosed any potential conflict of interests.

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

(signature)

(print your name)

Date: _____