

**DIALYSIS CORPORATION OF AMERICA
COMPANY POLICY
MATERIAL NONPUBLIC INFORMATION
CONFIDENTIALITY; INSIDER TRADING POLICY**

Background

It is important to know that one must deal very carefully with material nonpublic information. Inappropriate disclosure and/or trading in the securities of Dialysis Corporation of America and its subsidiaries and affiliated entities effectively controlled by Dialysis Corporation of America, directly or indirectly (collectively “DCA” or the “Company”) while in possession or just being “aware” of material nonpublic information will result in serious consequences, which include the violation of DCA’s Code of Ethics and federal and state securities laws, both civil and criminal. DCA and its employees must act in a manner that does not misuse material financial or other information that has not been publicly disclosed.

Maintaining integrity and honesty, the cornerstones of our Code of Ethics, and the confidence of shareholders and the public market, are priorities of the Company. The principle underlying DCA’s policy is fairness in dealings with other persons, which requires that management and any employee not take personal advantage of undisclosed information.

Policy

This Policy Statement covers those persons affiliated or otherwise associated with the Company in a variety of circumstances, including:

- officers, directors and other management personnel, and all employees
- investor relations professionals
- consultants, attorneys, accountants, and other independent contractors
- trusts and similar entities with respect to which any of the above parties are trustees or otherwise enjoy beneficial ownership
- family members living in the same household as anyone covered by this Policy Statement (“Family Members”)
- former (up to six months from becoming aware of material nonpublic information while an employee) employees and their Family Members
- anyone in possession or being aware of material nonpublic information

All the above categories of persons shall be referred to and included in the term “employees” for the purpose of this Policy Statement.

Attached are the pertinent portions of the Code of Ethics of the Company, which Code requires confidentiality with regard to proprietary nonpublic information. Such confidential information may only be divulged to those persons who “need to know.” Of course, this requires good judgment.

DCA prohibits the use of confidential Company information for personal gain.

No DCA employee may trade in DCA securities unless that person is sure that he or she is not aware of or otherwise does not possess material nonpublic information (sometimes referred to as “material inside information”). It is also illegal and against Company policy to communicate or “tip” material nonpublic information to others so that such tippees may trade in Company securities based upon that information. Similarly, no employee may trade in securities of any other company unless they are certain that they do not possess any material inside information about that company which they obtained in the course of their employment with DCA, such as information about a major contract or merger being negotiated. See the section below entitled “Requested Procedures for Future Transactions.”

A personal financial emergency does not excuse compliance with this Policy Statement.

Definitions

“Material.” A fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in making an investment decision (buy, sell, hold), or it would alter the total mix of information available. Examples of material information:

- unexpected financial results
- negotiations for a significant merger or acquisition
- sale of major assets
- actual or threatened major litigation, or the resolution of such litigation
- tender offers for or by the Company
- significant changes in senior management
- loss of a key customer or supplier
- projections that significantly differ from external expectations or prior disclosures
- major discoveries relating to the Company’s services or products

Any information that could be reasonably expected to affect the price of the Company’s securities is likely to be considered material. The information may be positive or negative.

“Nonpublic.” Information is considered to be nonpublic until it has been effectively disclosed to the public and there has been adequate time for the market as a whole to absorb and evaluate that information. Release of information to the media does not immediately free any employee to trade. Examples of effective disclosure include the Company’s filings with the Securities and Exchange Commission (“SEC”), press releases, and meetings with members of the press and the public. If the information has been widely disseminated, it is usually sufficient to wait at least 24 hours after publication, assuming that 24 hours covers a business day as opposed to a weekend or holiday. See the Company’s policy regarding “Blackout Periods” under the caption “Special Situations” below.

“Securities.” The term Securities includes common stock, bonds, notes, preferred stock, convertible bonds or convertible preferred shares, put and call options, warrants, among other types of instruments reflecting an interest in the Company.

Prohibited Transactions

As indicated above, the Company’s Code of Ethics provides direction as to how to deal with material nonpublic information and other proprietary and confidential information of the Company. There are extensive prohibitions in the federal and state securities laws relating to insider trading. Suffice

it to say, when an employee is aware of material nonpublic information about the Company, he or she may not:

- buy or sell, directly or indirectly, the Company's securities (known as "trading" in the Company's securities)
- advise others to buy, hold or sell Company securities
- have others trade for him or her in Company securities
- disclose ("tip") the material nonpublic information to anyone else ("tippee") who might then trade in the Company's securities
- engage in short sales (sales of Company securities not yet owned)

Standing orders with a broker should be used for very brief time periods, since an employee has no control over standing instructions to a broker with regard to the timing of the transaction. The broker could very well execute the transaction when the employee is in possession of or is otherwise aware of material nonpublic information.

Special Situations

Rule 10b5-1 Trading Plans

Rule 10b5-1 provides affirmative defenses from insider trading liability under the anti-fraud provisions of the federal securities laws, and in particular, Rule 10b-5 of the Securities Exchange Act of 1934 (the "Exchange Act"). For eligibility for any affirmative defense under Rule 10b5-1, an employee may enter into a "10b5-1 Plan" for trading in Company securities. If the plan meets the requirements of Rule 10b5-1, the Company stock may be purchased or sold without regard to certain insider trading restrictions. A Rule 10b5-1 trading plan must:

- be written¹
- specify the amount of, dates on, and prices at which the securities are to be traded or establish a formula for determining such items
- may not be adopted when the employee is in possession of material nonpublic information about the Company
- not allow employees to exercise any influence over the amount of securities to be traded, the price at which they are to be traded, or the date of the trade
- corporate counsel and Secretary to the Company, currently Lawrence Jaffe, or Joshua Jaffe, each a member of Jaffe & Falk, LLC, the law firm that represents the Company in corporate and securities matters, or a designated member of that firm, must approve the plan

¹ Other than a written trading plan, a person may have an affirmative defense to a charge of fraudulent conduct by trading on inside information if, in addition to the other requirements of Rule 10b5-1, he demonstrates that before becoming aware of material, non-public information, he entered into a binding contract to buy or sell the securities, or provided instructions to another person to execute the trade for the instructing person's account.

Stock Option Plans

Stock options may be exercised if only shares of Company stock are being received. If the exercise of the stock option results in the optionee receiving any cash in lieu of shares at the time of the exercise, the trading prohibitions and restrictions of this Policy Statement apply.

Within the confines of this Policy Statement, it is prohibited to exercise a stock option when the underlying shares are to be sold in the market to fund the option exercise price.

Blackout Periods

As emphasized in this Policy Statement, no employee shall buy or sell securities when there is a potential that he or she might be doing so based upon material nonpublic information. The Company has formalized the following time periods, deemed “blackout” periods, thereby prohibiting any trading in the Company’s securities by any employee, Family Member and other parties to whom this Policy Statement applies, thereby precluding any question of any anti-fraud problems:

- fifteen (15) calendar days prior to the filing of the Company’s annual report on Form 10-K, and ending 24 hours of a business day period from the issuance of a press release relating to the information contained in the annual report
- ten (10) calendar days prior to the filing of any quarterly report on Form 10-Q, and ending 24 hours of a business day period from the issuance of a press release relating to the information contained in the quarterly report
- immediately upon becoming aware of, through any means whatsoever, any event or information that would require the filing by the Company of a current report on Form 8-K, and ending 24 hours of a business day period from the later of such filing or from the issuance of a press release relating to the information contained in the current report
- with respect to mergers, acquisitions, sales of substantial assets of the Company or its subsidiaries, or sales of its subsidiaries, or any similar business combination or transaction out of the ordinary course of business, notwithstanding any other blackout periods provided in this Policy Statement, the blackout period commences at the time of initial negotiations, and continues through the period of 24 hours of a business day period from the issuance of a press release or other publication relating to such transaction, and may continue thereafter; our corporate counsel should be contacted (see “Legal Review” below for the contact information) by any person contemplating a transaction in the Company’s securities in or about this time period
- notwithstanding any of the other blackout periods set forth in this Policy Statement, with respect to any significant event relating to the Company, its financial position, the Company’s results of operations, its business or management, the blackout period shall commence from the knowledge or awareness of such by the employee, and continue through a period of 24 hours of a business day period from the issuance of a public statement or similar press release relating to the same
- fifteen (15) days prior to the distribution to shareholders of a proxy or information statement, which shall continue through the period and end three (3) days after such mailing or distribution to shareholders

The transactions that are prohibited during any blackout period are outlined in this Policy Statement. Certain transactions during the blackout period, however, are permitted:

- exercise of stock options where no Company securities are sold in the market to fund the option exercise
- regular and matching contributions to the DCA retirement or similar benefit plan
- gifts of Company securities, unless the employee has reason to believe the recipient intends to sell the securities during a blackout period
- transfers of Company securities to or from a trust, unless the employee has reason to believe the trust intends to sell the securities during the blackout period
- transactions that comply with SEC Rule 10b5-1 pre-arranged written plans (see “Rule 10b5-1 Trading Plans” above)

The Company may, from time to time, impose other blackout periods, for which employees will be notified.

Regulation FD (Fair Disclosure)

Regulation FD was adopted by the SEC several years ago, and is designed to eliminate the impact of selective disclosure. It relates to communications by senior management, investment relations professionals for the Company, and others who, on behalf of the Company, regularly communicate with market professionals such as broker-dealers, investment advisors and investment companies, as well as security holders. It has no application with regard to communications with the press or ordinary course business communications with customers and suppliers.

Regulation FD is basically a disclosure rule, so that if material inside information is released only to selective parties corrective action must be taken, such as filing a current report on Form 8-K with the SEC to ensure public disclosure of such information. However, a violation of Regulation FD could lead to litigation and governmental or self-regulatory agency proceedings. The disclosure required if there is an intentional selective disclosure must be made simultaneously with such selective disclosure. This simultaneous public disclosure requirement in the event of intentional selective disclosure includes recklessness on the part of the disclosing party in not knowing if the information selectively disclosed was material and nonpublic. If there has been an unintentional selective disclosure of material nonpublic information, then public disclosure of such information must be made promptly, which means within 24 hours, and again, filed on a current report on Form 8-K, coupled with a press release.

Rule 14(e) of the Exchange Act Relating to Tender Offer Situations

Rule 14e-3 under the Exchange Act provides that it is deemed to be a fraudulent act for any person in possession of material information relating to a tender offer either by the Company or for the Company’s securities which the person is responsible to know is nonpublic, when acquired from any of the participants involved in the tender offer, which includes the offeror, the target company, or any of their officers, directors, or other parties acting on behalf of the above parties, to buy or sell any securities of the offeror or the target company, unless within a reasonable time prior to any purchase or sale, such information and its source are publicly disclosed by a press release or otherwise. See “Blackout Periods” under the caption “Special Situations” above.

Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act and the rules thereunder require insiders, which include executive officers, directors and 10% owners, to report their beneficial ownership of the Company securities and changes in beneficial ownership, which includes purchasing, selling, transferring by gift, hypothecating, or other similar types of transactions in the Company's securities which would change beneficial ownership. The SEC is now requiring disclosure of the number of shares pledged as security by named executive officers, directors and director nominees. This disclosure will either be in the Company's annual report on Form 10-K or in its proxy statement.

Section 16(b) of the Exchange Act and the rules thereunder relate to the recovery of short swing profits, namely, strict liability regarding any of the executive officers, directors or 10% owners who obtain profits from buying and selling, or selling and buying, Company securities within a six month period; such profits are recoverable by the Company, since the insider is presumed to have access to material nonpublic information and should not be taking advantage of such position for personal benefit.

The Company's corporate counsel will assist any person required to report under Section 16(a) of the Exchange Act in preparing and filing required reports, but the reporting person retains responsibility for the reports. Company policy requires all executive officers and directors and 10% beneficial owners of the Company's stock who might be affiliated with the Company who are required to file Section 16(a) reports to pre-clear trades in the Company's securities with the Company's corporate counsel. For contact information see "Legal Review" below.

Form 144 Reports

Officers and directors of DCA who hold freely tradable and/or "restricted" securities as defined in Rule 144 under the Securities Act of 1933 ("Securities Act"), and any other person holding "restricted" securities, are required to file a Form 144 before making any public transfer or similar disposition of their DCA securities. Form 144 notifies the SEC, the public and the Company of such party's intent to sell DCA securities. This form is generally prepared and filed by the officer's, director's or other restricted shareholder's broker, and is in addition to the Section 16 reports filed as discussed above. The filing of a Form 144 by officers and directors of the Company, or anyone who is holding "restricted" securities, is necessary to avoid the registration requirements of Section 5 of the Securities Act, presuming that all the conditions of Rule 144 are met (i.e., the manner and volume of the sale and the timeliness of the Company's periodic filings with the SEC).

Requested Procedures for Future Transactions

The SEC has shortened the time frame for filing Section 16(a) Reports (i.e., Forms 3, 4 and 5), and recently has modified the "current report" requirements on Form 8-K effectively increasing the number and type of events that require disclosure while significantly shortening the time period for filing the Form 8-K. Employees and their Family Members are therefore urged, other than with respect to established bona fide 10b5-1 Plans, and any holder of "restricted securities" and all management personnel, whether they hold freely tradable or restricted securities of the Company, are required to communicate with the Company's corporate counsel (see "Legal Review" below for the contact information) sufficiently in advance of a contemplated transaction in the Company's securities. This procedure will not only foster avoidance of illegal and unethical insider trading, but will assist the party involved in the transaction to comply with a variety of filing requirements of regulatory agencies and to comply with the exemptions from the registration requirements of the federal and state securities laws.

Reporting Violations

Any employee who becomes aware of a violation of this Policy Statement should do either or all of the following:

- report such violation to his or her supervisor
- submit an anonymous report to the corporate counsel, currently Lawrence E. Jaffe or Joshua M. Jaffe of Jaffe & Falk, LLC (for contact information see “Legal Review” below)
- contact the Company’s hotline as provided in the Code of Ethics

Penalties for Insider Trading

Noncompliance with this Policy Statement could result in severe civil and/or criminal penalties, which include:

- imprisonment for up to 25 years
- criminal fines up to \$5 million
- civil penalties of up to three times the profit gained or loss avoided
- pre-judgment interest
- private party lawsuits and damages
- damage to reputation
- violation of Code of Ethics, which could result in immediate termination
- may subject the Company and its management to a civil fine of up to the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee’s insider trading violations, and a criminal penalty of up to \$2.5 million

Legal Review

Should any employee have a question about a transaction or compliance with this Policy Statement, or seek any exception from this Policy Statement, he or she should consult with our corporate counsel, currently Lawrence E. Jaffe or Joshua M. Jaffe of Jaffe & Falk, LLC, 777 Terrace Avenue, Hasbrouck Heights, NJ 07604; telephone (201) 288-8282; fax (201) 288-8208, email lej@jaffefalkllc.com or jmj@jaffefalkllc.com. Any advice received from our corporate counsel is not to be deemed investment advice or a guaranty that no liability will arise. All decisions by our corporate counsel with respect to this Policy Statement will be final.