

U.S. PHYSICAL THERAPY, INC.
CODE OF BUSINESS CONDUCT AND ETHICS FOR
THE BOARD OF DIRECTORS

The Board of Directors of U.S. Physical Therapy, Inc. (the “Company”) has adopted this Code of Business Conduct and Ethics to clarify the ethical standards under which the Company Board of Directors (the “Board” or “Board of Directors”) carries out its duties. The Board of Directors may revise this Code from time to time and will publicly announce any changes as they are adopted. Any change to or waiver of a provision of this Code will be made only by the Board of Directors or a committee of the Board. Violators of this Code will be subject to disciplinary action.

Nothing in this Code is intended to require any action contrary to law. If the Code conflicts with any law, you must comply with the law. Nothing in the Code is intended or will be considered (i) to amend the Certificate of Incorporation or Bylaws of the Company, (ii) to change the legal duties imposed upon directors under state, federal and other applicable statutes, rules and regulations, (iii) to expand the liabilities of directors beyond applicable law, or (iv) to affect any rights available to directors under state and other applicable law or the Company’s Certificate of Incorporation or Bylaws. Directors shall also be entitled to the benefits of indemnification to the fullest extent permitted by law and the Company’s Certificate of Incorporation or Bylaws, and to exculpation as provided by state law and the Company’s Certificate of Incorporation or Bylaws. Any questions regarding this Code should be directed to the Compliance Officer or General Counsel.

Role of the Board

All powers of the Company as a legal entity are exercised by or under authority of the Board of Directors and the business and affairs of the Company are managed under the oversight and direction of the Board. The Board’s focus should be on promoting the best interests of the Company and its stockholders. Each duly elected member of the Board shall endeavor to remain for the duration of his or her term, unless earlier removed from the Board consistent with Company Bylaws; provided, however, at the annual shareholders meetings, each Board member must be approved and may be removed with or without cause.

Governance Parameters

The Board of Directors, through multiple sources/processes, will establish corporate governance Parameters (“Parameters”) to be made available to the public. The Parameters will set forth the Company’s approach to key areas of corporate governance including, but not limited to, director qualifications and responsibilities, responsibilities of key committees of the Board of Directors, director compensation and matters addressed in this Code. Among the Parameters will be that at least a majority of the directors must be “independent” as defined by applicable laws or by the rules of any exchange or trading system on which the Company’s securities are traded (an “Exchange”). Parameters will be disseminated and made available as required by applicable law, any Exchange and any governmental agency with authority to regulate the Company (an “Agency”) and will be sufficiently comprehensive to comply with applicable law and the rules of any Agency or Exchange. The Board of Directors may revise the Parameters from time to time as the directors deem appropriate in light of governing law, prevailing practice or changed circumstances.

Duties of Board Members

Directors have a responsibility to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. Directors will discharge their duties with the care an ordinarily prudent person would exercise in a like position and under similar circumstances. In carrying out their responsibilities, directors may rely on information, reports and opinions of (i) Company officers and employees reasonably believed competent in the matters presented, (ii) legal, accounting and other professionals reasonably believed to be within their areas of professional or expert competence, and (iii) committees of the Board of Directors on which the director does not serve.

1. Ethical Conduct and Conflicts of Interest

Directors are required to conduct themselves honestly and ethically, including in connection with the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

A “conflict of interest” exists when a director’s private interest interferes in any way with the interests of the Company. A conflict situation can arise when a director takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when a director, or a member of his or her family, receives improper personal benefits as a result of the director’s position in the Company, whether received from the Company or a third party.

Directors must exercise their powers and responsibilities in the best interests of the Company and not in their personal interest. Because of their leadership and oversight roles, it is especially imperative that directors avoid even the appearance of a conflict of interest unless prior approval has been obtained.

A director must disclose to the Board any interest he or she may have in a potential transaction, arrangement or agreement to which the Company is or will be a party, and refrain from participating directly or indirectly in the transaction unless the Board approves such participation with all interested directors abstaining from the consideration and deliberation of, and any votes concerning, such matter.

Directors and their family members are prohibited from accepting any personal loans from the Company or allowing the Company to guarantee any of their personal obligations, except as may be permitted under applicable federal and state law.

A director who is a member of the Audit Committee may not accept any consulting, advisory or other compensatory fee from the Company or be an affiliated person of the Company or any subsidiary of the Company.

2. Confidentiality

Directors will keep confidential all information of the Company learned during the course of performing their duties as directors until such time as the information has been publicly disclosed by the Company. Directors, whenever feasible, should consult with the Compliance Officer/General Counsel if they believe they have a legal obligation to disclose confidential information. Absent unusual circumstances and subject always to the director’s responsibilities under applicable law, directors should refer media inquiries to the Chief Executive Officer or his designee.

3. Full Disclosure

As a public company, it is of critical importance that the Company’s public filings and disclosures be accurate and timely. Directors are charged with oversight of processes to effectuate full, fair, accurate, and timely disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission, and in other public communications made by the Company.

Directors are prohibited from taking any action to improperly influence, coerce, manipulate or mislead the Company’s internal or outside auditors or to prevent such persons from performing a diligent audit of the Company’s financial statements.

Directors are to comply with Regulation FD in discussions with analysts and investors, and to cause a corrective filing to be made in case the director becomes aware of an inadvertent violation of Regulation FD.

4. Compliance with Laws, Rules and Regulations (including insider trading laws)

Directors are required to comply with all of the laws, rules and regulations of the U.S. and other countries, and the states, counties, cities and other jurisdictions, in which the Company conducts its business or the laws, rules and regulations of which are applicable to the Company, including, without limitation, all prohibitions on “insider trading” and on trading while in possession of material non-public information applicable to the Company and its directors. Any illegal action will be dealt with swiftly and violators reported to the authorities, as appropriate.

Directors must comply with the Company’s insider trading policy. For more information on this policy, please see the Company’s policy on this subject, which is available from the Company’s Compliance Officer or General Counsel.

This Code does not summarize all laws, rules and regulations applicable to the Board of Directors. Directors should seek the guidance of legal counsel in the event that they are unsure of what the law requires.

5. Reporting of Illegal or Unethical Behavior

A director who has knowledge of any illegal or unethical behavior or a violation of this Code shall promptly report such violations to the full Board of Directors or the Audit Committee. The Company will not direct

or allow retaliation for reports of violations of the Code or other illegal or unethical conduct made in good faith. If their concerns require confidentiality, including keeping their identity anonymous, the Company will make every effort to maintain such confidentiality, subject to applicable law, regulations or legal proceedings.

6. Accountability for Adherence to the Code

The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code. Disciplinary action, including, but not limited to, written notices or warnings, reprimands by the Board, demotion or reassignment, suspension with or without pay or benefits, or termination (subject to subsequent Shareholder approval), may result for those directors who fail to comply with this Code. In determining what action is appropriate in a particular case, the Board of Directors or its designee may, but will not be required to, take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Any waiver of the code for any director may be made only by the Board of Directors or a committee of the Board.

7. Oversight of Codes of Business Conduct and Ethics

In performing the oversight role of the Board of Directors over the Codes of Business Conduct and Ethics of the Company, the directors will:

- Establish a Code of Business Conduct and Ethics applicable to all employees and officers, which shall provide that any waiver for executive officers of the Company can only be made by the Board of Directors or a committee delegated such authority and must be promptly disclosed to the shareholders if required by applicable law.
- Establish a Code of Business Conduct and Ethics applicable to the Chief Executive Officer and the senior financial officers which shall provide that any waiver for such officers can only be made by the Board of Directors or a committee delegated such authority and must be promptly disclosed to the shareholders if required by applicable law.
- Establish policies and mechanisms, which may include a designated hotline, to permit employees, officers and others to register complaints, problems or concerns regarding violation of any code of conduct or ethics and to otherwise communicate with the Board and its committees.
- Establish or verify the existence and effectiveness of appropriate reporting mechanisms through the Board Audit Committee and/or Compliance Sub-Committee for directors to keep informed on the Company's financial performance, compliance with applicable laws and material litigation and government regulation.

Oversight activities and functions with respect to particular matters may be delegated to an appropriate committee as determined by the Board.