



CODE OF ETHICS & BUSINESS CONDUCT

NHC's founder, Dr. Carl E. Adams, strongly believed in and was guided by ethical standards emphasizing the love of God to man, and of man to man. Many of his sayings and philosophies are the basis of our company's culture. Among other things, he is quoted as saying:

- *Go when called, be available when needed, your best pay is the appreciation. If you deserve it, you will enjoy it.*
- *There is always room at the top – it's the middle that's crowded.*
- *A person succeeds by hard work. I believe in a good work ethic. Get up early and manage your business with careful attention to detail. You have to keep a balance between quality and earnings. Either one without the other will lead to failure. You can't spend money you don't have and if you don't put money back to improve the services then the business will fail.*

Based upon these and other maxims, the following statements of corporate policy constitute NHC's Code of Ethics and Business Conduct. It reaffirms NHC's corporate motto that "Care is Our Business" and requires that NHC and its Partners conduct their business and operations in accordance with the law and the high standards of business ethics. In a service business, it is not possible to have a "rule book" that covers every decision or action. The following principles outline the guidelines for NHC Partners to use. Disregard of these principles will not be accepted or tolerated.

- All NHC Partners will be honest, fair, and courteous in their dealings with any of our stakeholders.
- All NHC Partners will be vigilant to assure that our services are appropriate, effective, efficient, and accurately recorded or documented.
- All NHC Partners will comply with all applicable state and federal rules, regulations and laws that govern our business activities.
- All NHC Partners will represent the company honestly and accurately in their activities, at home, at work and in their community.
- Every NHC Partner is expected to continue to learn, to improve, and to seek better understanding of the many complex issues that confront them; and to contribute to the evolving art and science of providing health care and hospitality services for current and future patients and residents.

The following is NHC's Code of Ethics and Business Conduct that applies to all directors, officers, Partners, and contractors.

Introduction

The Board of Directors of NHC has adopted this Code of Ethics and Business Conduct (the "Code") in order to:

- promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- promote full, fair, accurate, timely and understandable disclosure in reports and documents that NHC files with, or submits to, the Securities and Exchange Commission (the "SEC") and in other public communications made by NHC;
- promote compliance with applicable governmental laws, rules and regulations;
- promote the protection of NHC assets, including corporate opportunities and confidential information;
- promote fair dealing practices;
- deter wrongdoing; and
- ensure accountability for adherence to the Code.

All directors, officers, Partners, contractors and affiliates are required to be familiar with the Code, comply with its provisions and report any suspected violations as described below in *Reporting and Enforcement*.

Honest and Ethical Conduct

NHC's policy is to promote high standards of integrity by conducting its affairs honestly and ethically.

Each director, officer, Partner, contractors and affiliates must act with integrity and observe the highest ethical standards of business conduct in his or her dealings with NHC's customers, suppliers, partners, service providers, competitors, and anyone else with whom he or she has contact in the course of performing his or her job.

Conflicts of Interest

A conflict of interest occurs when an individual's private interest (or the interest of a member of his or her family) interferes, or even appears to interfere, with the interests of NHC as a whole. A conflict of interest can arise when a Partner, officer or director (or a member of his or her family) takes actions or has interests that may make it difficult to perform his or her work for NHC objectively and effectively.

Conflicts of interest also arise when a Partner, officer or director (or a member of his or her family) receives improper personal benefits as a result of his or her position in NHC.

Loans by NHC to, or guarantees by NHC of obligations of, Partners or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by NHC to, or guarantees by NHC of obligations of, any director or executive officer or their family members are expressly prohibited.

Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided unless specifically authorized below:

Persons other than directors and executive officers who have questions about a potential conflict of interest or who become aware of an actual or potential conflict should discuss the matter with and seek a determination and prior authorization or approval from, their supervisor or the Corporate Compliance Officer. A supervisor may not authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the Corporate Compliance Officer with a written description of the activity and seeking the Corporate Compliance Officer's written approval. If the supervisor is himself or herself involved in the potential or actual conflict, the matter should instead be discussed directly with the Corporate Compliance Officer.

Directors and executive officers must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee.

Compliance

Partners, officers, directors, contractors and affiliates should comply, both in letter and spirit, with all applicable laws, rules and regulations in the cities, states and countries in which NHC operates.

Although not all Partners, officers and directors are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek advice from appropriate personnel. Questions about compliance should be addressed to the Legal Department and/or the Compliance Department.

No director, officer or Partner may purchase or sell any NHC securities while in possession of material non-public information regarding NHC, nor may any director, officer or Partner purchase or sell another company's securities while in possession of material non-public information regarding that company. It is against NHC policies and illegal for any director, officer or Partner to use material non-public information regarding NHC or any other company to:

- obtain profit for himself or herself; or
- directly or indirectly "tip" others who might make an investment decision on the basis of that information.

Disclosure

NHC's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

Each director, officer and Partner who contributes in any way to the preparation or verification of NHC's financial statements and other financial information must ensure that NHC's books, records and accounts are accurately maintained. Each director, officer and Partner must cooperate fully with NHC's accounting and internal audit departments, as well as NHC's independent public accountants and counsel.

Each director, officer and Partner who is involved in NHC's disclosure process must:

- be familiar with and comply with NHC's disclosure controls and procedures and its internal control over financial reporting; and
- take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of NHC provide full, fair, accurate, timely and understandable disclosure.

Protection and Proper Use of NHC Assets

All directors, officers and partners should protect NHC's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on NHC's profitability and are prohibited.

All NHC assets should be used only for legitimate business purposes. Any suspected incident of fraud or theft should be reported for investigation immediately.

The obligation to protect NHC assets includes NHC's proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business and marketing plans, engineering and manufacturing ideas, designs, databases, records and any non-public financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties.

Corporate Opportunities

All directors, officers and Partners owe a duty to NHC to advance its interests when the opportunity arises. Directors, officers and Partners are prohibited from taking for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of NHC assets, property, information or position. Directors, officers and Partners may not use NHC assets, property, information or position for personal gain (including gain of friends or family members). In addition, no director, officer or Partner may compete with NHC.

Confidentiality

Directors, officers and Partners should maintain the confidentiality of information entrusted to them by NHC or by its customers, suppliers or Partners, except when disclosure is expressly authorized or legally required. Confidential information includes all non-public information (regardless of its source) that might be of use to NHC's competitors or harmful to NHC or its customers, suppliers or Partners if disclosed.

Fair Dealing

Each director, officer and Partner must deal fairly with NHC's customers, suppliers, Partners, service providers, competitors and anyone else with whom he or she has contact in the course of performing his or her job. No director, officer or Partner may take unfair advantage of anyone through manipulation, concealment, abuse or privileged information, misrepresentation of facts or any other unfair dealing practice.

Reporting and Enforcement

Reporting and Investigation of Violations

- Actions prohibited by this code involving directors or executive officers must be reported to the Audit Committee.
- Actions prohibited by this code involving any other person must be reported to the reporting person's supervisor, the compliance liaison or the Corporate Compliance Officer.
- After receiving a report of an alleged prohibited action, the Audit Committee, the relevant supervisor or the Corporate Compliance Officer must promptly take all appropriate actions necessary to investigate.
- All directors, officers and Partners are expected to cooperate in any internal investigation of misconduct.

Enforcement

- NHC must ensure prompt and consistent action against violations of this Code.
- If, after investigating a report of an alleged prohibited action by a director or executive officer, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the Board of Directors.
- If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor or the Corporate Compliance Officer determines that a violation of this Code has occurred, the supervisor or the Corporate Compliance Officer will report such determination to the General Counsel.

- Upon receipt of a determination that there has been a violation of this Code, the Board of Directors or the General Counsel will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

Waivers

- Each of the Board of Directors (in the case of a violation by a director or executive officer) and the General Counsel (in the case of a violation by any other person) may, in its discretion, waive any violation of this Code.
- Any waiver for a director or an executive officer shall be disclosed as required by SEC and NYSE rules.

Prohibition on Retaliation

NHC does not tolerate acts of retaliation against any director, officer or partner who makes a good faith report of known or suspected acts of misconduct or other violations of this Code.