

## **HEALTHTRONICS, INC. CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the “*Board*”) of HealthTronics, Inc. (the “*Company*”) has adopted the following Corporate Governance Guidelines. These Guidelines are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. These Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company or as required by applicable laws, regulations and rules to which the Company may be subject.

### **I. ROLE OF THE BOARD**

A. Role and Responsibilities of the Board. The primary role of the Board is to exercise its business judgment to promote the long-term interests of the Company’s shareholders. The Board provides strategic direction to the Company and oversight of management in the performance of the Company’s business activities. The Board’s responsibilities include:

- Review, approval and monitoring of the Company’s significant financial and business strategies as developed by management;
- Review and approval of material transactions and corporate activities not entered into in the ordinary course of business;
- Assessment of material risks facing the Company and review of management’s plans for mitigating such risks;
- Evaluation of performance and compensation of the CEO and oversight of CEO succession planning;
- Oversight of the evaluation of performance and compensation of executive management; and
- Oversight of the Company’s processes and practices for ensuring the Company’s compliance with laws and the integrity of the Company’s financial reporting, internal controls, and public disclosure.

B. Responsibilities of Individual Directors. In addition to the qualifications required of individual Company directors described in the Guidelines, directors are expected to understand the Company’s businesses and markets, to regularly attend and be prepared for Board and committee meetings, and to actively participate in board discussions and decisions. Directors are expected to proactively promote the best interests of the Company and to be generally available between formal meetings for advice and consultation on matters of importance to the Company.

C. Ethics and Conflicts of Interest. Directors are expected to act ethically at all times and to adhere to the Company’s Code of Conduct when they are representing or acting on behalf of the Company. If a director develops an actual or potential conflict of interest with the Company, the director must report the conflict immediately to the Chairman of the Board’s Audit Committee and the Company’s General Counsel. All directors must recuse themselves from any decision affecting their personal, business or professional interests.

## II. BOARD COMPOSITION

A. Board Size. The Company's Bylaws provide that the Board shall consist of not less than one nor more than fifteen members. The exact number is to be determined by the Board and guided by the recommendations of the Nominating and Corporate Governance Committee. From time to time the Nominating and Corporate Governance Committee will evaluate the size and determine whether changing circumstances warrant a change in the size of the Board and, if so, will recommend such change to the Board.

B. Board Independence. The Board is comprised of at least a majority of "independent directors." In determining the independence of a director, the Board will apply the definition of "independent director" as set forth by the Nasdaq Stock Market's rules and other applicable laws, rules and regulations. The Board will review the independence of each director under the applicable requirements annually. In conducting its review, the Board will consider that Board members' independence may be jeopardized if Board compensation exceeds appropriate levels, if the Company makes substantial charitable contributions to organizations with which a Board member is affiliated, or if the Company enters into a material consulting arrangement with (or provides other indirect forms of compensation to) a director or an organization with which a director is affiliated. Based on these findings, the Board will affirmatively determine whether each director is independent under the applicable requirements and the Company will publicly disclose such determinations in accordance with the requirements of the Nasdaq Stock Market's rules and applicable law. In respect of any individual to be appointed by the Board to fill a vacancy or a newly-created directorship, or who would be a nominee who has not previously served on the Board, the Nominating and Corporate Governance Committee will review the independence of such individual under the applicable requirements and will present its findings to the Board.

C. Board Leadership. The Board will periodically appoint a Chairman or Non-Executive Chairman of the Board (the "**Chairman**"). The Chairman will preside at all meetings of the Company's shareholders and the Board.

D. Nomination and Selection of Directors. Directors are elected each year by the Company's shareholders at the annual meeting of shareholders. The Board's Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending a qualified slate of nominees for election to the Board. The Nominating and Corporate Governance Committee may, in the exercise of its discretion, actively solicit nominee candidates; however, nominee recommendations submitted by other directors, shareholders or management will be considered. The Company's Bylaws set forth certain procedures to be followed if a shareholder wishes to nominate a person to be elected as a director. Any vacancies occurring in director positions between annual shareholder meetings may be filled by the Board as determined in its discretion.

E. Board Qualifications. The Nominating and Corporate Governance Committee establishes the qualifications for directors. The Nominating and Corporate Governance Committee seeks candidates who have the background, skills and expertise to make a significant contribution to the Board, the Company and its shareholders, and will consider the independence of candidates. Candidates nominated for election or reelection to the Board should possess the following qualifications:

- Personal qualities and characteristics, accomplishments and reputation in the business community, professional integrity, solid educational background;
- Sound judgment based on broad training and experience at the policy-making level in business, finance and accounting, government, education or technology;
- Expertise that is useful to the Company and complementary to the background and experience of other Board members, so that an optimal balance of Board members can be achieved and maintained;
- Willingness to devote the required time to carrying out the duties and responsibilities of Board membership;
- Willingness to commit to serve on the Board for several years to develop knowledge about the Company's business;
- Willingness to represent the best interests of all shareholders and objectively appraise management performance; and
- Involvement only in activities or interests that do not conflict with the director's responsibilities to the Company and its shareholders.

F. Term Limits. The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies and objectives.

G. Retirement. The Board does not have a mandatory retirement policy for directors. The Board believes that factors such as the age of a director will be appropriately considered by the Nominating and Corporate Governance Committee on an annual basis.

H. Resignations; Change in a Director's Principal Business Activities. Any director may resign at any time by giving written notice thereof to the Chairman, the Chief Executive Officer (the "**CEO**") or the Corporate Secretary. Such resignation shall take effect when delivered unless the notice specifies a later effective date; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any director who experiences a significant change in the director's principal business or other activity in which the director was engaged at the time of the director's election will consult with the Chairman and the Chairman of the Nominating and Corporate Governance Committee. The Chairman and the Chairman of the Nominating and Corporate Governance Committee will review the circumstances and determine whether to recommend a course of action to the Board.

I. Service on Outside Boards by Directors. Service as a director of the Company is a significant commitment in terms of both time and responsibility. Accordingly, each director is encouraged to limit the number of other public or private company boards on which the director serves and to be mindful of the director's other existing and planned commitments, so that such other directorships and commitments do not materially interfere with the director's service as an effective and active member of the Board. Unless approved by the Board, the members of the Board shall be prohibited from serving on more than four boards of directors of other publicly-held companies.

### **III. BOARD MEETINGS AND ANNUAL SHAREHOLDERS MEETING**

A. Annual Board Meeting. The annual meeting of the Board for the purpose of electing officers and transacting such other business as may be brought before the meeting shall be held each year immediately following the annual meeting of shareholders or at such other time and place as the Chairman may designate.

B. Board Meetings; Agenda. Regular meetings of the Board shall be held at such times as the Board may determine from time to time and may be held without notice. Special meetings of the Board may be called at any time in accordance with the procedures set forth in the Company's Bylaws. The Chairman in consultation with executive management will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management, or raise at any Board meeting subjects that are not on the agenda for that meeting.

C. Access to Management. The Company's executive management will afford each Board member with access to the Company's management and employees in order to ensure that directors can ask all questions and obtain all information necessary to fulfill their duties. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered.

The Board has established an Executive Committee to act primarily as a communications liaison between management and the Board in between Board meetings.

D. Board Attendance at Annual Shareholder Meeting. Each member of the Board is encouraged to attend the Company's annual shareholder meeting.

E. Executive Sessions of Non-Management Directors. Non-management directors will meet without management present at least twice annually at regularly scheduled executive sessions and at such other times as they may deem necessary or appropriate. The Chairman (or in the absence of the Chairman or if the Chairman is also a member of management, the Chairman of the Nominating and Corporate Governance Committee) will preside at these meetings and, as appropriate, will report the results of the meetings to the Chairman or invite the Chairman to join the executive sessions for further discussion.

### **IV. BOARD COMMITTEES**

A. Number and Type of Committees. The Board will continue to maintain the following Committees in order to assist the Board in discharging its responsibilities: (i) Audit Committee; (ii) Compensation Committee; (iii) Nominating and Corporate Governance Committee; (iv) Executive Committee; and (v) Strategic Development Committee. The Board may form new committees or remove existing committees as it deems advisable. Each committee will report to the Board on its meetings and activities at the next regularly scheduled meeting of the Board or as otherwise appropriate.

B. Composition of Committees. Each of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, the Executive Committee and the Strategic Development Committee consist solely of directors who meet the applicable qualification requirements set forth in the applicable Committee's charter (if any). The Board is

responsible for the appointment of Committee members and the Chairman of each Committee according to criteria that it determines to be in the interest of the Company and its shareholders.

C. Committee Meetings and Agenda. Each of the Board committees will have a written charter approved by the Board in compliance with applicable listing standards, laws and regulations (unless the Board determines otherwise and such charter is not required by applicable listing standards, laws or regulations). The Chairman of each Committee, in collaboration with appropriate officers, shall develop the agenda for each meeting. The Chairman of each Committee and the Committee members shall determine the frequency and length of Committee meetings consistent with each Committee's charter.

## **V. PERFORMANCE EVALUATION; EXECUTIVE EMPLOYMENT AGREEMENTS; SUCCESSION PLANNING**

A. Annual Compensation Review of Executive Officers. The Compensation Committee will review, at least annually, the performance of the Chief Executive Officer and communicate the results of the review to the Board. The Compensation Committee establishes the evaluation process and determines the specific criteria on which the performance of the Chief Executive Officer is evaluated. The Compensation Committee will, in consultation with the Chief Executive Officer, evaluate the performance of the Company's other executive officers. The Compensation Committee will also annually approve the compensation structure for the CEO, including salary, bonus, and other incentive and equity compensation, and recommend such compensation to the Board for approval. The Compensation Committee will also annually approve the compensation structure for the Company's other executive officers, including salary, bonus, and other incentive and equity compensation.

B. Executive Employment Agreements. The Compensation Committee will review and approve, and recommend to the Board for approval, any executive employment agreements or amendments thereto to be entered into with the CEO. The Compensation Committee will have the authority to review and approve any executive employment agreements or amendments thereto to be entered into with other members of executive management.

C. Succession Planning. Succession planning and management development will be reviewed periodically by the CEO with the Board.

D. Annual Performance Evaluation. The Board is responsible for conducting an annual evaluation of its performance, which evaluation will be conducted in a manner as the Board deems appropriate.

## **VI. COMPENSATION AND STOCK OWNERSHIP GUIDELINES**

A. Board Compensation. The Compensation Committee will, if requested by the Board, review and recommend appropriate compensation and benefits for non-employee directors to the Board. The Compensation Committee will review non-employee director compensation and benefits in comparison with similarly situated companies to consider whether such compensation is reasonable and competitive. Based on such comparison, the Compensation Committee may, from time to time, propose changes in director compensation to the full Board for review and approval.

B. Stock Ownership. In order to align the interests of directors and executive officers with shareholders, the Board encourages directors and executive officers to have a financial stake in the Company.

## VII. GENERAL

A. Access to Independent Advisors. The Board and its Committees have the right at any time to, at the expense of the Company, retain independent outside financial, legal or other advisors as they determine necessary or desirable.

B. Director Orientation and Continuing Education. Upon election to the Board, new directors will be provided with a comprehensive set of materials on the operations, finances, governance and business plan of the Company as well as the policies, procedures and responsibilities of the Board and its Committees. New directors will also meet with senior management and will have the opportunity to visit Company facilities. In addition, the Company will facilitate the participation of directors in relevant continuing education programs when requested by a director or when the Board concludes that such education would be of significant benefit to a director. The Company will pay reasonable fees and expenses associated with attendance at such programs.

C. Shareholder Communications with the Board. In the event that a shareholder wishes to communicate with one or more directors, the shareholder should write to such director(s) at the Company's principal executive offices, to the attention of the Chairman, who shall forward any such communication to the director(s) on a regular basis. The Company will publish this communication procedure in its annual proxy statement as appropriate or required by applicable laws and regulations.

D. Evolving Guidelines. The Board recognizes that its operations and these Guidelines will evolve and, therefore, are subject to periodic review and revision. These Guidelines are not intended to cover all issues which may arise, but rather to provide a general framework of reference to assist the Board in the performance of its duties.

As adopted, effective March 2, 2007.