

# GOVERNANCE GUIDELINES

Corporate governance is the system by which business corporations ensure that they are managed ethically and in the best interests of the Company's shareholders. The Company's Board of Directors has adopted and published the following set of guidelines to provide its shareholders and others with insight into its corporate governance practices. The Company is committed to maintaining high standards of corporate governance, and these guidelines will be reviewed and revised by the Board from time to time as circumstances warrant.

## Board Composition And Director Qualification Standards

- **Size of Board.** The Company's bylaws provide that the Board shall consist of not less than six nor more than fifteen Directors, with the exact number within that range to be set from time to time by the Board. It is the current consensus of the Board that a size of seven to ten Directors is appropriate for the company at this time.
- **Director Independence Guidelines**

**Director Independence.** It is the policy of the Company that the Board consist of a majority of independent directors. The Corporate Governance Committee of the Board has established Director Qualification Standards to assist in determining director independence, which either meet or exceed the independence requirements of the NASDAQ ("Nasdaq") corporate governance listing

standards. The Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the Director, but also from that of persons or organizations with which the director has or had an affiliation.

**Selection Criteria.** Although the Company's Corporate Governance Guidelines do not require that qualified director candidates should be limited by specific selection criteria. Candidates are selected for, among other things, their independence, integrity, diverse experience, leadership ability as well as their ability to exercise sound judgment, scientific expertise and experience at policy-making levels involving issues affecting business, government, education, technology, and experience relevant to the Company's Global Medical Device Microsurgery Businesses are among the most significant criteria. Final approval of a candidate is determined by the full Board of Directors.

**Director Qualification Standards.** To be considered "independent" for purposes of these standards, a director must be determined, by resolution of the Board as a whole, after due deliberation, to have no material relationship with the Company other than as a director. These determinations will be made public tri-annually prior to the directors standing for election to the Board. In each case, the Board shall broadly consider all relevant facts and circumstances and shall apply the following standards:

1. In no event will a director be considered independent if:

- the director is, or has been within the last three years, an employee of the Company; or
  - an immediate family member of the director is, or has been within the last three years, an executive officer of the company.
  - the director has received, or has an immediate family member who has received, (other than directors fees) more than \$60,000 in direct compensation from the Company during any twelve-month period within the last three years.
2. Audit Committee members may not have a direct or financial relationship with the Company other than as directors.
  3. A director who is, or has a family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.
  4. No director, or immediate family member of a director, may serve as a paid consultant or advisor to the Company or to any executive officer of the company, or have a personal services contract with the Company or with any executive officer of the Company.
  5. The Company will not make any personal loans or extensions of credit to directors or executive officers.
  6. To maintain the independence of the Board, all directors are required to deal at arm's length with the Company and/or its subsidiaries and to disclose

circumstances material to the director that might be perceived as a conflict of interest.

7. Contributions by the Company to a particular Charity or Charitable Organization will be restricted to a minimum of less than \$500.00 if a family member of a sitting Company Board Member is either an officer or board member of the Charity or Charitable Organization.

Director Independence Qualifications may be revised should either Nasdaq or Sarbanes-Oxley enforcement standards change.

- Board Leadership. The Board of Directors selects a Chairman of the Board to preside at meetings of the Board. The Chairman is selected by the Board of Directors as it deems to be in the best interests of the Company from time to time, and may be either a management or non-management director.
- Term Limits. The Board does not believe at this time it should arbitrarily limit the number of terms for which an individual may serve as a Director. Instead, the Board believes that decisions about continued service should be made on a case-by-case basis in connection with the director nomination process each year and should include past level of service and contribution.
- Retirement Policy. The Board does not believe at this time that there should be an arbitrary limit on the age until which an individual may serve as a Director. Instead, the Board believes that decisions about continued service should be made on a case-by-case basis in connection with the director nomination

process each year and should include past level of service and contribution.

- **Change in Principal Occupation/ Business Association.** If a Director's principal occupation or business association changes materially during his or her tenure as a Director, that Director is required to advise the Chairman of the Board and submit in writing an offer to resign. The Chairman will refer the matter to the Nominating and Corporate Governance Committee, which in turn will consider, among other things, whether such change in principal occupation or business association results in an unacceptable conflict of interest with the Company or adversely affects the Director's ability to perform his or her duties as a Board member. The Committee will make a recommendation to the Board whether or not to accept the resignation. After considering the recommendation of the Committee, the Board will accept or decline to accept the resignation. The Director who submitted the offer of resignation shall not participate in the Committee's recommendation or the full Board's decision.
- **Service on Other Public Boards.** Directors may not serve on the boards of more than five other public corporations in addition to the Company's Board of Directors. Directors, however, should consult with the Chairman in advance of accepting an invitation to serve on the board of another public corporation to ensure that service on such other board does not interfere with the Director's service on the Company's Board or create an unacceptable conflict of interest. Regardless

of a Director's outside activities, a Director is always required to be able to devote sufficient time and attention to the Company's business and to the performance of the Director's duties as a Board member.

- Election of Directors. In an election of directors where there is only one slate of nominees which were unanimously approved by the Board, any nominee who has a greater number of votes "withheld" from his or her election than votes "for" ("Majority Withheld Vote") such election shall submit in writing an offer to resign to the Chairman of the Board promptly upon certification of the shareholder vote. The Chairman shall refer the matter to the Nominating and Corporate Governance Committee, which shall consider, among other things, the reasons for the Majority Withheld Vote. The Nominating and Corporate Governance Committee shall recommend to the Board whether or not to accept the resignation. After considering the recommendation of the Committee, the Board will determine whether or not to accept the resignation, and if it does not accept the resignation, whether any further action is needed to address the reasons for the Majority Withheld Vote. The Board shall disclose its determination and the basis therefore in the same Quarterly Report on Form 10-Q in which it reports the results of the election of Directors. The Director who received the Majority Withheld Vote shall not participate in the Committee's recommendation or the full Board's decision.

## Responsibilities Of The Board Of Directors

- Oversight Responsibility. The primary responsibility of the Board of Directors is to guide the Company for the benefit of the Company's shareholders. The Board, however, is not involved in the day to day management of the Company and therefore, one of the Board's most important responsibilities is to select, compensate and, if necessary, terminate, the Chief Executive Officer, and to oversee the Company's senior management (including the Chief Executive Officer) to assure that they conduct the Company's business in a manner consistent with the standards and practices of the Company and in accordance with any specific plans, instructions or directions of the Board.

In addition to the selection of the Chief Executive Officer and the general oversight of senior management, the Board is also responsible for, among other things, the following:

- Planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other members of senior management;
- Reviewing, and where appropriate approving, the Company's major financial and business objectives, strategies and transactions;
- Reviewing monthly reports prepared by management ;
- Establishing institutional norms, policies and procedures;
- Ensuring processes are in place for maintaining the integrity of the Company's employees and operations,

including the integrity of the Company's accounting, financial statement preparation and financial reporting and the integrity of the Company's compliance with laws and ethics, both domestically and internationally; and

- Identifying and nominating qualified candidates to serve on the Board of Directors.
- Access to Management. In performing its responsibilities, the Board has complete and unfettered access to contact and to meet with any employee of the Company or any of its subsidiaries. Both Management and Non-Management Employees make presentations to the Board of Directors to provide the Directors with exposure to the day-to-day workings of the Company from a broad range of perspectives. In addition, the Company's independent registered public accounting firm and the Company's Sarbanes-Oxley external consultants functionally reports directly to the Audit Committee and meets privately with the Audit Committee on a quarterly basis.
- Access to Independent Advisors. In performing their responsibilities, the Board and its Committees have the full authority to retain at any time, at the expense of the Company, such independent third party financial, legal or other advisors as they determine to be appropriate.

## Board Compensation

- Non-Management Directors. Only Non-Management members of the Board are compensated for their services. Members of the Board that also serve in a

management capacity do not receive any additional compensation for their service on the Board. It is the Board's general policy that board compensation should be a mix of cash and equity-based compensation. Directors are also reimbursed for their travel expenses incurred in connection with their duties. The Compensation Committee will review annually the compensation and benefits the Non-Management Directors receive for service on the Board and the Committees of the Board.

- **Stock Ownership.** In order to promote ownership of the Company's common stock by the Company's Non-Management Directors and Executive Officers and thereby more closely aligning their interests with the interests of the Company's shareholders, the Board of Directors will adopt stock ownership guidelines requiring the Company's Non-Management Directors and Named Executive Officers to hold the Company's common stock equal to at least one year's worth of compensation based on the stock price at the close of the most recent fiscal year.

The minimum share ownership requirements are required to be achieved within five years of an individual first becoming subject to these guidelines. Unless a Non-Management Director or Executive Officer is in compliance with these guidelines, he or she is required to retain and hold 50% of any "Net Shares" of common stock issued in connection with any equity-based awards granted under the Company's executive compensation plans after such Non-Management Director or Executive

Officer becomes subject to these guidelines. “Net Shares” are those shares that remain after shares are sold or withheld (i) to pay the exercise price and withholding taxes in the case of stock options or (ii) to pay withholding taxes in the case of restricted stock or performance shares.

## Committees Of The Board Of Directors

- Standing Committees. To assist it in discharging its responsibilities, the Board has appointed three standing committees, namely the (i) Audit Committee, (ii) Compensation Committee, and (iii) Nominating and Corporate Governance Committee comprised solely of independent directors. The Non-Management Directors recommend and the Board typically appoints the new Committees and Committee Members each year following the election of the new Board of Directors at the annual meeting of shareholders. The Board may also create new or special purpose Committees, or disband existing or special purpose Committees, as the business of the Company shall from time to time require. The standing Committee charters and members are maintained on the Company’s Website. Independent directors meet periodically based upon a consensus that a meeting is necessary.

## Board Meetings, Reports And Materials

- Meetings. The Board of Directors generally meets at least quarterly at regularly scheduled meetings. In addition to these regularly scheduled meetings, the Board holds special meetings to address specific

issues, as circumstances require. The Board committees meet as necessary for the conduct of their business, except that the Audit Committee and Compensation Committee generally meet at least quarterly. The Directors are generally expected to attend shareholder meetings and meetings of the Board and Committee in person and to participate in Board or Committee meetings by telephone if they are unable to attend in person. The Chairs of the Committees report to the full Board the highlights of their meetings. The Board and its Committees also take action from time to time by written consent, which has the same effect as if the action had been adopted at a meeting.

- **Materials and Reports.** Information that is important to the Board's understanding of the business to be conducted at a meeting is distributed to the Board members in advance of the meeting. For regularly scheduled meetings, the information is provided at least three business days in advance. The company strives to provide sufficiently detailed information so that meeting time is conserved and discussion time is focused on any questions the Board has about the subject matter or materials. Management will prepare a monthly summary of the Company's activities and key financial indicators to be distributed to the Board on a timely basis. In addition, supplemental materials are provided to the Board from time to time, and also upon the request of the Board. In rare circumstances, highly sensitive matters may be discussed at a meeting without materials having first been distributed in

advance to reduce the possibility of inadvertent disclosure of such information.

- Meetings of Non-Management/Independent Directors. At each regularly scheduled Board meeting, there is also scheduled (i) a session where the Non-Management Directors meet privately without any members of management and (ii) if all Non-Management directors are not independent, a session where the Independent Directors meet without any non-independent Directors. The Non-Management/Independent Directors also confer informally between meetings and hold other meetings as needed.
- Director Orientation and Continuing Education. The Non-Management Directors in conjunction with the CEO, CFO and the Company's Securities and Exchange Commission Counsel are responsible for new Director orientation. The orientation is to familiarize new Directors with the Company's business, strategies and issues and to assist new Directors in developing and maintaining the skills necessary for the performance of their Board responsibilities. As part of orientation, new Directors will be encouraged to visit the Company's facilities and to meet with members of senior management to discuss their respective areas of responsibility. The Non-Management Directors in conjunction with the CEO, CFO and the Company's Securities and Exchange Commission Counsel are also responsible for Director Continuing Education programs. The programs may include a mix of in-house

and third party presentations and programs. Directors are encouraged to attend such presentations and programs from time to time.

### Annual Board Assessment

Annual Assessment. The Board of Directors and each Board Committee on an annual basis conducts under the direction of the Nominating and Corporate Governance Committee an annual assessment of the functionality and effectiveness of the Board as a group and Board Committees. The Committee considers individual Director performance at least tri-annually when deciding whether to nominate an incumbent director for re-election by the shareholders at the next annual meeting.