



COMPLIANCE & ETHICS PROGRAM

MISSION STATEMENT

Arthrex, Inc. (“Arthrex”) is committed to conducting its business consistent with all applicable laws and regulations and the highest standards of business integrity. Thus, Arthrex has established this Compliance and Ethics Program to ensure our adherence with all applicable laws, regulations, and guidance, including those that govern the sale and marketing of medical device products. The Arthrex Compliance and Ethics Program is designed to be consistent and in accordance the U.S. Department of Health and Human Services, Office of Inspector General Guidances as well as the “Code of Ethics on Interactions with Healthcare Professionals” from the Advanced Medical Technology Association (“AdvaMed”).

The purpose of our Compliance and Ethics Program is to ensure that our business is conducted in a compliant and ethical manner and to prevent and detect violations of law or company policy. To accomplish these important objectives, this document:

- (1) Sets forth the manner in which Arthrex and its employees must conduct business;
- (2) Establishes a compliance and ethics-training program to ensure a high level of personnel awareness and understanding of applicable law and regulations and the Program requirements
- (3) Establishes a process for reporting and investigating concerns or potential violations;
- (4) Discusses corrective and disciplinary measures to address violations;
- (5) Creates an auditing and monitoring process to ensure compliance. All Arthrex personnel who interact or communicate with U.S. healthcare professionals and/or other healthcare providers, patients, government personnel, and the media must read, fully understand, and comply with this Compliance and Ethics Program. Each employee will be required on an annual basis to certify that he or she has read, understands, and will abide by the Compliance and Ethics Program by signing the Acknowledgment of Understanding.

This Compliance and Ethics Program must be read in conjunction with other applicable Arthrex guidance documents, policies, and procedures, including the Compliance Policy and Code of Ethics. Arthrex recently updated these important compliance materials to reflect the revised and restated AdvaMed Code of Ethics that took effect July 1, 2009.

As part of its commitment to healthcare law compliance and to ensure the effectiveness of its policies and procedures, the Arthrex Compliance and Ethics Committee regularly and periodically reviews the Compliance and Ethics Program and other internal compliance policies and procedures to determine whether any of the organization’s materials should be revised, enhanced, supplemented, or otherwise

updated. The guidelines set forth in this document may be modified as needed, as determined and approved by the Compliance and Ethics Committee and designated Company personnel. This program is a living, dynamic entity, constantly developing and changing to meet the evolving needs and demands of the compliance environment and Arthrex business needs. Arthrex continuously reviews and enhances its compliance program, and reserves the right to continue to do so at any time in the future without notice.

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WHO MUST COMPLY WITH THE ARTHREX COMPLIANCE AND ETHICS PROGRAM?

This Code applies to all of our employees worldwide, as well as to the members of our Board of Directors, temporary agency and contractor personnel working for Arthrex and our independent distributors, agents and representatives. Each employee and affiliate of Arthrex must recognize that he or she has assumed a number of professional and ethical responsibilities by affiliating with Arthrex, including compliance with the Compliance and Ethics Program, the Arthrex Code of Ethics and all other Arthrex policies and procedures. Therefore, it is critical that you read this Compliance and Ethics Program carefully. As in the past, we ask that each of you make a personal commitment to comply with the principles and policies set forth or referred to in this Compliance and Ethics Program. We also ask that you observe your commitment to compliance by signing the Acknowledgment of Understanding annually.

COMPLIANCE WITH THE LAW

Arthrex is committed to refraining from activities that violate or appear to violate any laws that apply to it, including the Federal Anti-Kickback Statute, the Federal Civil False Claims Act, the Federal Food, Drug and Cosmetic Act, federal antitrust and competition laws, and state laws. It is the responsibility of all Arthrex personnel and affiliates doing business with Arthrex to be diligent to avoid any violations of these laws. Below is a summary of the Federal Anti-Kickback Statute, the Federal Civil False Claims Act, the Federal Food, Drug and Cosmetic Act, and the federal antitrust and competition laws.

Federal Anti-Kickback Statute

The Federal Anti-Kickback Statute prohibits the offering of funding or the provision of any other items of value (known in the statute as “remuneration”) with the intent to induce or reward the use of healthcare products, including products such as those manufactured by Arthrex, reimbursed by federal healthcare programs, such as Medicare and Medicaid. The Anti-Kickback Statute is a criminal law that makes offering such financial inducements a felony punishable by fines and imprisonment. Arthrex personnel shall never provide funding or items of value to induce the recipient:

- To prescribe Arthrex products;
- To recommend Arthrex products; or
- To otherwise encourage the use of Arthrex products.

Furthermore, Arthrex personnel should not make decisions about whether to provide funding or other items of value based upon past or future purchases or recommendations to use Arthrex products.

Particular arrangements that should be carefully reviewed to ensure that they do not violate the Anti-Kickback Statute include, but are not limited to:

- Discounts, rebates, or services to customers;
- Product training and education meetings;
- Consulting and advisory payments;
- Business gifts and meals provided to health care professionals or purchasers;
and
- Research and Educational grants

Federal Civil False Claims Act

The U.S. Civil False Claims Act provides that it is a violation of the law for anyone knowingly to make or cause others to make false statements or submit false claims to the federal government. Potential violations of the Civil False Claims Act include:

- Making incorrect or inaccurate statements or claims that are material to reimbursement; or
- Helping a customer, for example, make a false claim or statement, such as by intentionally providing inaccurate invoices.

Therefore, it is very important that only true and accurate reimbursement information, consistent with Arthrex training and applicable policies and procedures, is provided to customers. Violations of the Anti-Kickback Statute can also serve as the basis for a False Claims act suit.

Food, Drug, and Cosmetic Act

The federal Food, Drug and Cosmetic Act ("FDCA") and its corresponding regulations govern activities both before and after the Food & Drug Administration ("FDA") approves a product. Clinical studies conducted in connection with any product subject to FDA approval and all submissions to the FDA must be made in accordance with all FDA requirements. The FDCA prohibits marketing and promotion of a regulated product before the product has received approval by the FDA. Any marketing and promotion of a product approved by the FDA must be limited to uses and indications for the product as approved by the FDA. Arthrex is committed to avoiding any marketing or promotion of a product for any "off-label" use (i.e., for any unapproved use) for anything that is inconsistent with the product's FDA-approved labeling. Arthrex also is committed to ensuring that advertising and promotional materials be truthful and not misleading, and present a fair balance of a product's effectiveness and risks.

In addition to federal government requirements, many states have also implemented laws and regulations that regulate interactions with healthcare professionals. Arthrex is committed to ensuring that its personnel and contractors must conduct their responsibilities in full compliance with any applicable state law, regulation, or policy.

Anti-Trust Laws

The antitrust laws are designed to protect competition. They prohibit companies from reaching agreements with their competitors that have the effect of restraining trade. They also prevent a company from monopolizing or attempting to monopolize a market. The antitrust laws are enforced through serious penalties - including, in some cases, criminal penalties - which can be imposed by various federal and state agencies or in court.

Ordinarily, you should not speak to a representative from a competing company about the prices a competitor intends to charge. Such discussions could lead to an accusation that we have engaged in "price fixing" - the most serious of all antitrust offenses. In addition to price, you should avoid discussions with competitors about matters closely related to price, including discounts, rebates, surcharges, credit terms, bids, or pricing structures or methodologies. If these matters are raised by the representative of a competing company, you should terminate the discussion and seek guidance from counsel before proceeding further.

Other types of agreements, unrelated to price, may also raise antitrust concerns. In particular, you should avoid any agreement to allocate or divide markets with another company. Likewise, agreements with competitors to allocate customers are unlawful. Depending on the circumstances, it may also be unlawful to agree with a competitor not to sell to particular customers, or not to purchase from certain suppliers. In general, you should not discuss with a competitor our business plans or strategies, production plans, licensing plans, or sales or research budgets.

A particular antitrust provision, the Robinson-Patman Act, prohibits discriminatory pricing - i.e., charging competing customers different prices for the same product. However, there are numerous exceptions to the Act's ban on discriminatory pricing. For example, it is lawful to provide a discriminatory discount to a customer in order to meet a price offered by a competitor. These issues are complex and require consultation with counsel.

CORPORATE COMPLIANCE OFFICER AND COMPLIANCE AND ETHICS COMMITTEE

The Corporate Compliance Officer is a member of management who oversees all compliance activities, including the implementation of this Compliance and Ethics Program and other Company compliance policies and procedures. The Corporate Compliance Officer is responsible for developing and implementing policies, procedures, and practices designed to ensure compliance with federal healthcare programs. The Corporate Compliance Officer makes periodic reports regarding compliance activities directly to the CEO and Board of Directors. The Corporate Compliance Officer is Peggy R. Cooley.

The Corporate Compliance Officer heads the Compliance and Ethics Committee, which is comprised of senior managers from various departments, such as Sales, Marketing, Medical Affairs, Contracting, Human Resources, Information Management and Internal Audit. The Compliance and Ethics Committee supports the Corporate Compliance Officer in all activities of the Compliance and Ethics Program. The Committee meets on at least a quarterly basis to discuss compliance and policy issues confronting the organization.

The Compliance Office is key to the effective implementation of the Arthrex Compliance Program. In addition to implementing and administering this Compliance and Ethics Program, the Corporate Compliance Officer duties include:

Implementation of an Investigative Protocol

The Corporate Compliance Officer is responsible for reviewing, assessing, and, as appropriate, investigating reports of possible misconduct from Company employees, independent contractors or anyone contacting the Compliance Hotline (the Compliance Hotline is discussed in further detail below under "Reporting and Investigating Compliance Issues").

Due Diligence Oversight of Employee and Contractor Selection

The Corporate Compliance Officer is responsible for ensuring that Arthrex does not employ or contract with any individual or entity that has been excluded from participation in the federal health care programs. Arthrex also will conduct appropriate additional background checks on potential employees, agents, contractors, and affiliates on a case-by-case basis as it determines is appropriate.

COMPANY POLICIES AND PROCEDURES

Arthrex has developed and implemented written compliance policies and procedures designed to ensure consistency with applicable law and regulations and the highest standards of business integrity. The Corporate Compliance Officer, Compliance and Ethics Committee, and other designated personnel are charged with developing, implementing, communicating, and updating the Company's compliance policies and procedures.

To support its objectives under the Compliance and Ethics Program, Arthrex has implemented the Code of Ethics (the "Code"). The Code summarizes the compliance and ethics standards that govern all Arthrex operations. These standards are further addressed and explained in other Arthrex policies and procedures designed to ensure the business operates in a compliant and ethical manner.

COMPLIANCE AND ETHICS TRAINING PROGRAMS

A critical component to the success of the Compliance and Ethics Program is effective compliance and ethics education and training programs. Therefore, Arthrex is committed to effectively educating and training all Arthrex personnel on healthcare law compliance, including compliance with (1) applicable law and regulations, (2) Arthrex policies and procedures, and (3) ethical issues. All Arthrex compliance and ethics training programs are undertaken under the general direction of the Corporate Compliance Officer.

The Arthrex compliance training programs are designed and implemented in a manner to promote (1) awareness and understanding of applicable law and the Company compliance policies and procedures, including, but not limited to, the mechanisms available to report known or suspected violations, and (2) a spirit of compliant and ethical behavior within the Company. To achieve these goals, all relevant new employees receive thorough compliance and ethics training within thirty [30] days after the start of their employment. Moreover, relevant employees and other personnel (e.g., personnel who interact with healthcare professionals, patients, government entities, etc.) must complete one [1] hour of compliance and ethics training or education per calendar year. All participants are required to sign an attendance sheet at each internal training session attended and certify attendance at any external training sessions.

REPORTING AND INVESTIGATING COMPLIANCE ISSUES

Internal Lines of Communication

Arthrex is committed to fostering dialog and maintaining open lines of communication among compliance personnel, management, and employees. Our goal is that all employees know from whom they can seek answers to questions regarding the Compliance and Ethics Program and report suspected compliance violations. Arthrex is committed to ensuring that employees can discuss such matters with the appropriate personnel without fear of retribution or retaliation. Toward that end, Arthrex has instituted open-door and confidentiality policies with respect to compliance matters. Additionally, Arthrex has established a toll-free compliance hotline for employees who wish to report potential compliance violations anonymously.

Reporting Suspected Violations

All Arthrex personnel, regardless of position, are responsible for reporting to the Company any suspected or actual violation of law, regulation, policy or procedure by another employee or agent. Accordingly, if you become aware of or reasonably believe that there may have been an actual or potential violation of a law, regulation, policy or procedure, you must report the violation or your concerns to Arthrex by contacting the Corporate Compliance Officer or the Compliance Hotline at 877 442-7904.

It is also appropriate to discuss compliance concerns or potential violations with your supervisor, Human Resources, or the General Counsel, John Schmieding. Reports made through the Compliance Hotline may be made anonymously. To the extent possible and consistent with the law and the Arthrex need to investigate the report, any reported information shall remain confidential if requested by the individual making the report.

Arthrex will not retaliate or otherwise take adverse action against an employee who makes a good-faith report of any known or suspected violations or seeks assistance to address a compliance concern.

Investigation Procedures

Arthrex is committed to conducting its business consistent with applicable laws and regulations and Arthrex policies and procedures. It is our policy to respond promptly to potential violations of law or Company policy or procedure and to take appropriate disciplinary or corrective action to address inappropriate conduct and deter potential future violations.

Each potential violation will be considered on a case-by-case basis in accordance with Arthrex procedures. The exact nature of any investigation shall be tailored to suit the circumstances presented. The Corporate Compliance Officer, in consultation with the

Compliance and Ethics Committee as appropriate, shall determine the proper course and resolution of such investigations.

Disciplinary Actions

Arthrex believes it is important to take reasonable and consistent corrective action to address compliance violations and deter potential future misconduct. Disciplinary action for noncompliance may include a broad range of disciplinary measures, including oral or written warnings, remedial compliance training, suspension, termination, or other sanctions, as appropriate. Furthermore, compliance with Arthrex policies and procedures will be a factor in all applicable employee performance reviews.

AUDITING AND MONITORING

Arthrex commits to regularly audits and monitors its compliance policies and procedures to ensure the effectiveness of this Compliance and Ethics Program and other Arthrex compliance guidelines. Auditing and monitoring activities are designed to identify matters and potential or emerging risk areas which require further investigation and opportunities for additional compliance training. Auditing and monitoring results may be used to make changes in business practices or Arthrex policies or procedures. Some audits will be conducted using internal resources whereas other may involve the use of outside consultants or attorneys. Arthrex considers a number of factors in connection with the nature, frequency, and extent of such reviews, including changes in applicable law and regulation or areas of particular concern or interest.

REVISIONS

As part of its commitment to healthcare law compliance and the highest standards of business integrity and to ensure the effectiveness of its policies and procedures, Arthrex requires the Compliance and Ethics Committee to review, on at least an annual basis, the Compliance and Ethics Program and other internal compliance policies and procedures to determine whether any of the organization's materials should be revised, supplemented, or otherwise updated. The guidelines set forth in this document may be modified as needed, as determined and approved by the Compliance and Ethics Committee, in consultation with the Corporate Compliance Officer and other appropriate Company personnel.

Appendix A
Acknowledgement of Understanding

ARTHREX, INC.
CODE OF BUSINESS CONDUCT

**Acknowledgement and Certification of
Receipt, Understanding and Compliance**

I, _____, an employee, officer, director, contractor, sub-contractor, agent or independent distributor of, or temporary agency or contract personnel assigned to, Arthrex, Inc., or one of its affiliated entities, have received, read and understand the requirements that apply to me and that are included in this Code of Business Conduct. By my signature, I agree to follow and support these requirements.

I acknowledge that I have received this Compliance and Ethics Program from Arthrex. I have read and understand, and will abide by the terms of, the Compliance and Ethics Program and any future amendments, modifications, or changes that may be made to it (which are deemed automatically incorporated into this Compliance and Ethics Program). If there is any provision that I do not understand, it is my responsibility to seek clarification prior to signing this Acknowledgment.

I understand that any violation of the Compliance and Ethics Program and related policies and procedures may subject me to adverse consequences, including termination of my relationship with Arthrex, as well as other penalties.

Signature: _____

Print Name: _____

Position: _____

Date: _____

Appendix B

CALIFORNIA SPENDING LIMIT

As required under Section 119402 of the California Health and Safety Code, Arthrex has established an annual company spending limit on promotional items or activities provided to medical or health professionals licensed in California. Arthrex's annual spending limit is \$1,000.00 for activities occurring between July 1, 2009 - June 30, 2010. This limit does not cover payments that are excepted from Section 119401 of the California Health and Safety Code (i.e., financial support for continuing medical education forums, financial support for health educational scholarships, and payments made for legitimate professional services where the payment does not exceed fair market value and otherwise complies with Arthrex's policies and procedures, the OIG Compliance Guidance for Pharmaceutical Manufacturers, and the AdvaMed Code). Arthrex reserves the right to change its annual spending limit at any time, based on changing internal and/or external circumstances.

