



HealthTronics®

COMPLIANCE PLAN

REVISED: August 1, 2008

TABLE OF CONTENTS
Last Reviewed/Revised: August 1, 2008

I.	INTRODUCTION.....	2
	Mission Statement.....	2
	Statement of Values	2
	Code of Conduct Statement	3
	Employee’s Obligation To Report.....	3
	Confidentiality Agreement.....	5
II.	COMPLIANCE PROGRAM.....	8
	Written Standards of Conduct.....	8
	Corporate Compliance Officer (CCO).....	8
	Education and Training.....	9
	Compliance Hotline	9
	Compliance Policies & Procedures.....	9
III.	REFERRAL RELATIONSHIPS	11
	Fraud and Abuse	11
	Anti-Kickback Statute.....	11
	Stark Law	11
IV.	FINANCIAL RELATIONSHIPS	12
	Financial Disclosure.....	12
	Financial Records	12
	Loans.....	12
	Fair Dealing	12
	Securities Laws and Insider Trading.....	13
	Solicitation	14
	Political Activity	14
	Accuracy of Company Records	15
	Billing Arrangements.....	15
	Billing Documentation.....	15
	Civil Monetary Penalties.....	16
	Excluded Parties	16
V.	RELATIONSHIPS WITH PATIENTS.....	17
	Quality Care.....	17
	Patient Information	17
	Patient Rights.....	17
	Offering Inducements to Patients.....	18
	Credit Balances	18
VI.	RELATIONSHIPS WITH EMPLOYEES AND INDEPENDENT CONTRACTORS	18
	Employee Policies.....	18
	Employee Handbook	18
	Controlled Substances	18
	Personal Use of PRIME Resources	18
	Independent Contractors—Licensing and Certification.....	19

VII.	CONFLICTS OF INTEREST	19
	Conflicts of Interest Generally	19
	Outside Employment and Activities	19
	Corporate Opportunities.....	20
VIII.	RELATIONSHIPS WITH COMPETITORS.....	20
	Anti-trust.....	20
	Gathering Information	21
	Marketing and Advertising	21
IX.	RELATIONSHIPS WITH SUPPLIERS AND VENDORS	21
	Anti-Kickback Statute.....	21
	Business Courtesies	22
	Accepting Business Courtesies	22
	Social Events/Entertainment	22
	Training/Education	22
	Gifts	22
	Extending Business Courtesies	22
	Business Courtesies with Government Employees	23
	Selection of Subcontractors and Vendors.....	23
X.	INFORMATION AND INFORMATION SYSTEMS	23
	Business Information	23
	Information Technology	23
XI.	STATE LAW COMPLIANCE ISSUES AND OTHER FEDERAL COMPLIANCE ISSUES	24
	Corporate Practice of Medicine	24
	Fee Splitting.....	24
	Anti-Markup Laws.....	24
	Certificate of Need.....	24
	State Registration and Licensure Requirements	24
	Insurance Laws Relating to Risk-Bearing Provider Networks	25
	HIPAA Issues	25
XII.	GOVERNMENT AND ACCREDITING ENTITIES	25
	Government Inquiries	25
	Execution of a Search Warrant.....	25
	Accrediting Bodies.....	26
XIII.	ENVIRONMENTAL LAWS.....	26

I. INTRODUCTION

Mission Statement

“The Mission of HealthTronics is to bring to our Partners new technologies and services that improve patient care and practice economics through the efforts of our expert and caring employees.”

HEALTHTRONICS is committed to identifying and complying with local, state and federal laws and regulations as they apply to its model of health care delivery. The purpose of this Compliance Plan is to outline the ways in which HEALTHTRONICS employees and partners can ensure that HEALTHTRONICS operates in compliance with such laws and regulations. We recognize that some areas of health care law, including certain statutes and regulations, may be contradictory or unclear. HEALTHTRONICS will use reasoned review and seek assistance from regulatory authorities when appropriate and available. As guidance concerning these laws and regulations continues to unfold, HEALTHTRONICS will continue to respond in a manner that fosters legal and ethical compliance.

Statement of Values

To facilitate continuous compliance with legal, ethical, and accreditation standards applicable to its activities, HEALTHTRONICS hereby formally states its values as a member of the health care community.

- Growth: We are committed to provide our employees a dynamic and stimulating work environment that provides personal and professional growth opportunities aligned with the growth of our company.
- Courage: Our focus on results blended with a team approach will ensure that we provide a place where fresh thinking and innovation are encouraged and rewarded.
- Support: We drive our ability to team and win through direct, open and timely communications.
- Trust: We underpin all of this with our beliefs of keeping our customers first, mutual respect, and unfailing integrity.

HEALTHTRONICS' values reflect our concern for our communities and our commitment to practices which follow high standards of legal, moral, and ethical integrity. These values serve as the foundation for our business decisions and relationships, and the guiding tenets for the Compliance Plan. HEALTHTRONICS will take immediate steps to correct any violation of the Plan, including reporting as appropriate, refunding overpayments, implementing indicated systemic changes, and disciplinary action.

Conduct Expected of Employees and Partners

HealthTronics and its affiliate partnerships are committed to establishing affiliate organizations which provide high quality care to persons receiving and entities purchasing HEALTHTRONICS services. This commitment demands that HEALTHTRONICS maintain high standards of business and personal ethical conduct. To further these goals, HEALTHTRONICS has established this Compliance Plan (the “Compliance Plan” or “Plan”) to assist its management, employees and affiliated providers in complying with State and Federal law and conducting business in an ethical manner.

Compliance requires a team effort. To create a workplace which values commitment to honesty, fairness and compliance with the law, all employees must be familiar with and abide by these standards of conduct. The plan is designed to assist HEALTHTRONICS’ employees and others in resolving issues of ethics, legal compliance and appropriate conduct in the workplace. HEALTHTRONICS depends upon and requires its employees and representatives to bring compliance issues to the attention of their supervisors or the Compliance Officer. *If uncertainty exists, individuals should err on the side of reporting the issue to his or her supervisor or to the Compliance Officer so that it can be resolved.* You may be assured that no action will be taken against you for reporting potential violations. Failure by supervisors and management to report an identified problem may result in sanctions and disciplinary action.

Compliance in all areas of business is a subject we take seriously. We encourage open communication with our employees to and suggest to them: **“when in doubt, ask”**. Whenever they have a question or concern, are unsure about what the appropriate course of action is, or believe that a violation of the law has occurred, ask your immediate supervisor or any member of management with whom you feel comfortable.

This Compliance Plan is applicable to all HEALTHTRONICS employees, directors, and officers, including the Chief Executive Officer and all senior financial officers. It is the intent of HEALTHTRONICS that every person working for or with HEALTHTRONICS knows about this Compliance Plan and abides by it.

EMPLOYEE’S OBLIGATION TO REPORT

If you encounter any situation that you believe may be in violation of the provisions of the Compliance Plan or any other HEALTHTRONICS’ policies or procedures, you should immediately contact your supervisor, another member of the management team, or the Compliance Officer; OR, you may call the Compliance Hotline at (866) 721-4798. Each employee is responsible for ensuring compliance. You may be assured that no action will be taken against you for reporting possible violations of the Compliance Policy.

Additionally, if you become aware of a situation that may be a violation of the Compliance Plan, any other policy or procedure, or any law or regulation, and you do not report the situation, your failure to report may be considered a part of the violation. You may be subject to disciplinary action if you are aware of a problematic situation and do not report it. In other words, your obligation to

HEALTHTRONICS is not only to abide by the Compliance Plan in your own actions, but to help us ensure that all of our operations are within the requirements of our Compliance Plan.

Violations of the Compliance Plan or of other HEALTHTRONICS' rules, policies, practices or procedures may subject an employee to disciplinary action, up to and including suspension or termination.

Please review the Plan thoroughly and address any questions you may have to your supervisor or the Compliance Officer. **Adherence to the provisions of the Compliance Plan is a mandatory condition of employment or affiliation with HEALTHTRONICS.** Your signature below indicates that you have read the Plan and agree to cooperate in achieving the Plan's important goals.

PLEASE RETURN THIS PAGE TO THE HEALTHTRONICS COMPLIANCE OFFICER, 9825 Spectrum Drive, Building 3, Austin, Texas 78717.

I, _____ (fill in your name), acknowledge that I have received and read a copy of the HEALTHTRONICS Compliance Plan. I understand that it is my obligation to read and familiarize myself with the Compliance Plan and the following Policies and Procedures, to the extent relevant to my job description: Employee Handbook; HIPAA Policies and Procedures; Clinical Operations Manual; and other Policies and Procedures provided to me. I agree to abide by the Compliance Plan, all such Policies and Procedures, and all federal, state and local governmental laws and regulations. I acknowledge that it is my responsibility to report any violations to the Compliance Officer or the Compliance Hotline.

I also agree to sign and abide by the HEALTHTRONICS Confidentiality Agreement provided to me in connection with my employment. [A copy of the Confidentiality Agreement follows this signature page.]

Signature

Date

CONFIDENTIALITY AGREEMENT

In consideration of my employment commencing [INSERT DATE] or continued employment (collectively, the “*Employment*”) by HealthTronics, Inc., including its affiliates and subsidiaries (collectively, the “*Company*”), the Company’s disclosure of certain Proprietary Information (as defined below) to me, any compensation now and/or hereafter paid to me, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned (herein referred to interchangeably as “*I*” or “*Employee*”) hereby agrees with the Company as follows:

1. Definitions.

a. The term “*Proprietary Information*” shall mean any and all confidential, proprietary or trade secret knowledge, data or information of the Company and its affiliated entities, including but not limited to the Company’s strategic plans, new product plans, consumer marketing research and information, business results and financial information, ideas, processes, formulas, source and object codes, data, programs, database developments, designs and techniques; research and development; new products; customer lists and information; potential customer information; potential acquisitions and divestitures; specialized training; the compensation of contractors, vendors, suppliers, and consultants; and any other confidential, proprietary or trade secret knowledge, data or information, in whatever form or medium, produced by or for the Company.

b. The term “*Third Party Information*” means confidential or trade secret information that the Company may from time to time receive from third parties or information which is subject to a duty on the Company’s part to maintain the confidentiality of such Third Party Information and to use it only for certain limited purposes.

2. Recognition of Company’s Rights; Nondisclosure: I acknowledge that contemporaneously with my execution of this Agreement and during my employment with the Company, the Company is providing and will provide me with Proprietary Information and/or specialized training. In consideration of the Company’s provision of Proprietary Information and specialized training, I agree that during my employment and thereafter, pursuant to this agreement (the “*Agreement*”), I will hold in strictest confidence and will not disclose, discuss, transmit, use, lecture upon, or publish any Proprietary Information, unless such disclosure (i) is required in connection with my work for the Company, or (ii) is expressly authorized in writing by an officer of the Company. I also agree to the restrictive covenants set forth herein.

3. Third Party Information: I understand that the Company has received and in the future will receive from third parties Third Party Information subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of my employment and thereafter, I will hold such Third Party Information in the strictest confidence and will not disclose (to anyone other than Company personnel who need to know such information in connection with their work for the Company) or use, except in connection with my work for the Company, Third Party Information unless expressly authorized by an officer of the Company in writing.

4. Limitation. Notwithstanding anything to the contrary in this Agreement, Employee shall not be obligated to preserve the confidentiality of any Proprietary Information or Third Party Information that:

- (a) was known by Employee prior to commencement of Employment;
- (b) is or becomes publicly available by other than unauthorized disclosure by Employee;
- (c) can verifiably be shown to have been developed by employee outside the scope of Employment by Employee independently of any Proprietary Information or Third Party Information of the Company;
- (d) is disclosed by a third party, which disclosure does not violate any confidential obligation of such third party to Company that is known to Employee; or
- (e) Employee is requested to disclose pursuant to a valid order issued by a court or governmental agency, provided that Employee provides Company with: (i) a prior written notice of such obligation; and (ii) opportunity to oppose such disclosure or obtain a protective order or similar relief.

5. No Improper Use of Materials: During my employment by the Company I will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person to whom I have an obligation of confidentiality. I will not bring onto Company premises any materials belonging to any former employer or any other person to whom I have an obligation of confidentiality without the consent of the former employer or person and the approval of my direct supervisor.

6. No Conflicting Obligations: I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

7. Return of Company Documents and Other Company Property: When I leave the employ of the Company, I will immediately deliver to the Company any and all drawings, notes, memoranda, specifications, devices, formulas, and documents together with all copies thereof; and any other material containing or disclosing any Third Party Information or Proprietary Information of the Company. I will also immediately return all Company property, including but not limited to laptops, pagers, cell phones, corporate credit cards, keys, and/or access cards.

8. Successors and Assigns: This Agreement will be for the benefit of the Company, its successors and assigns. I expressly agree that the Company has the right to assign this Agreement.

9. Governing Law; Exclusive Forum: This Agreement will be governed by and construed according to the laws of the State of Texas. I hereby irrevocably agree that the exclusive forum for any suit, action, or other proceeding arising out of or in any way related to this Agreement shall be in the state or federal courts in Texas, and I agree to the exclusive personal jurisdiction and venue of any court in Travis County, Texas and waive any defense thereto.

10. Entire Agreement: This Agreement is the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and merges all prior discussions between us. No modification of or amendment to this Agreement, nor any waiver of any rights under this agreement, will be effective unless in writing signed by both parties. Any subsequent change or changed in my duties or compensation will not affect the validity or scope of this Agreement. As used in this

COMPLIANCE PLAN

Agreement, the period of my employment includes any time during which I subsequently may be retained by the Company as a consultant.

11. Severability: If one or more of the provisions in this Agreement are deemed unenforceable by law, then the remaining provisions will continue in full force and effect. Moreover, it is intended by the parties that this Agreement is to be enforced to the fullest extent permitted by law. Accordingly, if a court of competent jurisdiction determines that the scope and/or operation of any provision of this Agreement is too broad to be enforced as written, the Company and I intend that the court should reform such provision to such narrower scope and/or operation as it determines to be enforceable

12. Survival: The provisions of this Agreement shall survive the termination of my employment and shall inure to the benefit of any successor in interest of the Company or other assignee.

I AGREE AND UNDERSTAND THAT NOTHING IN THIS AGREEMENT SHALL CONFER ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH MY RIGHT OR THE COMPANY'S RIGHT TO TERMINATE MY EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

THIS AGREEMENT SHALL BE EFFECTIVE AS OF THE FIRST DAY OF MY EMPLOYMENT WITH THE COMPANY.

I UNDERSTAND THAT THIS AGREEMENT RESTRICTS THE DISCLOSURE AND/OR USE OF THE COMPANY'S PROPRIETARY AND CONFIDENTIAL INFORMATION DURING OR SUBSEQUENT TO MY EMPLOYMENT WITH THE COMPANY.

I HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND ITS TERMS.

Date

Employee's Signature

ACCEPTED AND AGREED TO:
HealthTronics, Inc.

By: _____

Date: _____

II. THE HEALTHTRONICS COMPLIANCE PROGRAM

Written Standards of Conduct

HEALTHTRONICS has instituted this Compliance Plan to reinforce its dedication to compliance with Federal and State law, along with sound ethical and business practices. HEALTHTRONICS will provide a copy of the Plan to each employee. These individuals must sign the Code of Conduct Statement reflecting their understanding of and agreement to abide by the Plan.

If an employee becomes aware of any conduct in violation of the Plan, that employee should report it promptly to a supervisor or the Compliance Officer. If the employee would prefer to report the problem anonymously, the employee may do so by making a report to the Compliance Hotline.

When an employee is in doubt as to how a specific ethical or other situation covered by this Compliance Plan should be handled, the employee should seek assistance from a supervisor or the Compliance Officer. Further, employees should report any incidents in which they believe they may have been requested to engage in illegal or unethical conduct.

This Compliance Plan is intended generally to define appropriate workplace conduct. It is meant to supplement other policies and procedures established by HEALTHTRONICS, such as coding and billing policies and policies contained in the employee handbook. The plan is intended, at a minimum, to promote compliance with state and federal laws. However, in many cases this Compliance Plan exceeds the standards required by law. While this Plan is intended to serve as a guide for workplace conduct, it cannot address every situation that HEALTHTRONICS' personnel may encounter. Therefore, HEALTHTRONICS expects its employees to exercise personal integrity and good judgment in every situation, regardless of whether it is specifically addressed in the Plan.

Corporate Compliance Officer (CCO)

HEALTHTRONICS has appointed a Compliance Officer to implement and monitor this Compliance Plan. The Compliance Officer will have the following duties:

- (1) Coordinate an annual review and update this compliance Plan as necessary;
- (2) Design and conduct or arrange for periodic audits to assess the success of the Compliance Plan;
- (3) Regularly report to HEALTHTRONICS' senior management and the Board of Directors the results of any audits, the status of any investigations, and the existence of any non-compliance with the provisions of this Compliance Plan on the part of HEALTHTRONICS' employees and representatives;
- (4) Provide each new employee a copy of this Compliance Plan immediately after employment and require the employee to read this Compliance Plan and sign an acknowledgment that he or she has read, understands and supports the Plan;
- (5) Arrange for, conduct, and oversee periodic training programs to make sure that all employees understand the Plan and to provide further education to employees regarding compliance with all applicable laws, regulations and standard operating procedures;

COMPLIANCE PLAN

- (6) Be familiar with all applicable laws, regulations, and standard operating procedures relevant to the Plan;
- (7) Maintain records related to the Plan;
- (8) Cause HEALTHTRONICS' agents in charge of contracting to alert third party contractors and providers to the existence of this Plan and HEALTHTRONICS commitment to its principles;
- (9) Put in place adequate programs and procedures to screen potential employees who might engage in illegal activities and prevent the hiring of or contracting with providers who have been excluded from participation in governmental programs; and
- (10) Perform other activities as may be required to achieve a successful application of the Plan.

Education and Training

HEALTHTRONICS commitment to compliance requires training of employees and agents. All employees will receive compliance training appropriate to the requirements of their position upon hire and periodically thereafter as appropriate.

COMPLIANCE HOTLINE

The Hotline number is:

1-866-721-4798

You may use this number to report suspected illegal or unethical conduct or to ask compliance questions. Calls are treated confidentially and may be made anonymously. The Compliance Officer must investigate each call and engage in appropriate follow-up. **HEALTHTRONICS will not take any action against employees or representatives who report violations of HEALTHTRONICS policies because they reported violation or asked for guidance. Failure of an employee to report a known or suspected violation may be grounds for discipline against the employee failing to report. If there is any doubt, employees should be encouraged to report questionable situations. However, providing a false report in bad faith is grounds for dismissal of an employee or representative.**

Compliance Policies & Procedures

HEALTHTRONICS will comply with all laws which govern its conduct and its relationships with other parties inside and outside of the organization.

MANAGERS AND SUPERVISORS MAY BE SANCTIONED FOR FAILURE TO ADEQUATELY INSTRUCT THEIR SUBORDINATES OR FOR FAILURE TO DISCOVER NONCOMPLIANCE WHERE REASONABLE EFFORT ON THEIR PART WOULD HAVE LED TO DISCOVERY EARLIER.

All managers or supervisors of employees or agents involved in coding, claims and the submission process must also:

- (1) Discuss with supervised employees the elements of the Compliance Program, particularly legal requirements.

- (2) Inform supervised employees that strict compliance with the Compliance Program is a condition of employment.
- (3) Disclose to supervised employees that HEALTHTRONICS will take disciplinary action, up to and including termination or, for providers, action as provided in the Partnership Agreement, for violating the Compliance Program.

Violation of the Compliance Program, whether from carelessness or intentional action, puts employees and HEALTHTRONICS at risk. To emphasize the seriousness of such breaches and establish consistent treatment of violators, the following principles will be followed in disciplining violators of the Program:

- (1) Willful or Reckless Violation (knowingly violate the policy): depending on the severity of the circumstances, an employee may be discharged for the first offense.
- (2) Negligent Violation (careless disregard or failure to take appropriate action): up to ten-day suspension without pay for first offense; up to discharge for repeated offense, depending on the severity of the circumstances; if the negligence results in serious negative consequences for HEALTHTRONICS, up to discharge even for first offense.

HEALTHTRONICS will promptly respond to reports or reasonable indications of suspected violations. The first step in that response will be a reasonable internal investigation to determine

- (1) whether a violation of the Compliance Program, HEALTHTRONICS applicable policies or procedures, or Federal or State law occurred, and
- (2) the severity of the misconduct.

HEALTHTRONICS will then take immediate steps to correct the problem, which may include referral to criminal and/or civil law enforcement authorities, a corrective action plan, a report to the government, or the submission of any overpayment. HEALTHTRONICS will also take appropriate disciplinary action against the employee.

III. REFERRAL RELATIONSHIPS

Fraud and Abuse

It is HEALTHTRONICS intent to comply with all laws governing its activities, including those, which address fraud and abuse in the health care industry. Under the law, no one may offer, give, solicit or receive anything of value as an inducement for referrals to HEALTHTRONICS. “Anything of value” is a broad term that encompasses payments, gifts, discounts and rebates.

Anti-Kickback Statute

Physicians affiliated with HEALTHTRONICS are frequently in a position to order therapeutic services using HEALTHTRONICS equipment, facilities and personnel. Since HEALTHTRONICS’ physicians may receive cash distributions from their ownership interests, these relationships could potentially come under scrutiny under the Anti-Kickback Statute. To help insure that its relationships do not violate the statute, HEALTHTRONICS has established transaction standards that it will adhere to in establishing physician partnerships for the provision of therapeutic services and technology advances in a given community.

HEALTHTRONICS looks at compliance in the context of the type of services provided. The fraud and abuse provisions of federal law have been interpreted by federal enforcement agencies as of greatest import to prevent improper incentives that lead to overutilization of health care services and program abuse. The Centers for Medicare & Medicaid Services (CMS) recognizes that overutilization is more likely in referrals for diagnostic services than in referrals for therapeutic services, because the need for therapeutic services can in most cases be objectively determined. This is particularly true for HEALTHTRONICS’ therapeutic services because the indications for lithotripsy, benign prostatic hyperplasia, cryotherapy, and other clinical treatments provided by HEALTHTRONICS are relatively discrete clinically and relatively straightforward to determine.

Stark Law

The Federal Stark Law prohibits a physician from referring patients for “designated health services” to an entity with which the physician or an immediate family member has an investment or compensation interest.

The Stark regulations provide that physician-owned medical ventures (such as those sponsored by HEALTHTRONICS in its urological services division) are not prohibited if they are structured such that no direct or indirect compensation arrangements are created with a provider of designated health services, or the arrangements fit within an available compensation exception(s) to the Stark Law. Because HEALTHTRONICS’ affiliated physicians are in a position to refer patients to an entity contracting with their physician-owned venture for the provision of designated health services (e.g., lithotripsy), the arrangement between such entity and the venture comes under the purview of the Stark Law. In order for these arrangements to comply with the Stark Law (as interpreted by the final regulations) they must either fall outside the Stark Law’s definition of a compensation arrangement, or satisfy the requirements of one or more exceptions to the Stark Law. HEALTHTRONICS believes that its physician-owned ventures’ current financial arrangements are compliant with the requirements of a compensation arrangement exception. To the extent the financial arrangements between HEALTHTRONICS sponsored physician-owned ventures and contracting treatment facilities meet the definition of a compensation arrangement under the Stark Law, HEALTHTRONICS has undertaken a program to modify such arrangements to fit

within the indirect compensation arrangement exception and other applicable exceptions provided in the final regulations and Stark Law. HEALTHTRONICS believes that it will be successful in implementing any necessary modifications pursuant to this compliance program, and that accordingly, HEALTHTRONICS' physician affiliates and their ventures will be able to continue to operate in compliance with the Stark Law.

IV. FINANCIAL AND GENERAL BUSINESS RELATIONSHIPS

Financial Disclosure

As a public company, it is of critical importance that HEALTHTRONICS comply with all securities laws and regulations and communicate with its investors through full, fair, accurate, timely and understandable disclosure in reports and documents. Depending on his/her position, an employee may be called upon to provide information to assure that HEALTHTRONICS' financial reports are accurate and meet all legal, regulatory, and accounting requirements.

We expect all of our personnel to take these responsibilities very seriously and to provide prompt and accurate information related to disclosure requirements. All employees with supervisory duties should maintain appropriate internal accounting controls over all areas of their responsibility to safeguard HEALTHTRONICS' assets and the accuracy of its financial records and reports. We expect all directors, officers and employees to adhere to HEALTHTRONICS' procedures and practices for maintaining controls over financial matters in accordance with internal needs and the requirements of applicable laws and regulations.

Financial Records

The Company intends to fully comply with the provisions of the Sarbanes – Oxley Act of 2002. Accurate and complete financial records are essential to HEALTHTRONICS' business. Each employee must assist in ensuring the accuracy and integrity of these records. If an employee has a reason to believe that any of HEALTHTRONICS' books and records are not being maintained in an accurate or complete manner, the employee is expected to report this immediately to his or her supervisor or the Compliance Officer.

The Company has established an internal audit function as well as an audit committee which is directly responsible for the appointment, compensation and oversight of the Company's auditors.

Loans

Unlawful extensions of credit by our company in the form of personal loans to our executive officers and directors are prohibited. All other loans by our company to, or guarantees by our company of obligations of, officers must be made in accordance with established company policies approved by our Board of Directors or its designated committee.

Fair Dealing

We have built a reputation as a trustworthy and ethical member of our community and our industry. We are committed to maintaining the highest levels of integrity and fairness within our company. If we fail to negotiate, perform or market in good faith, we may seriously damage our

reputation and lose the loyalty of our customers. You must conduct business honestly and fairly and not take unfair advantage of anyone through any misrepresentation of material facts, manipulation, concealment, abuse of privileged information, fraud or other unfair business practice.

Securities Laws and Insider Trading

Because we are a public company, we are subject to a number of laws concerning the purchase and sale of our stock and other publicly-traded securities. Regardless of your position with us, if you are aware of what is known as “material inside information” regarding our company, business, affairs or prospects, you may not disclose that information to anyone outside our company, and you are not allowed to buy or sell our stock or other publicly-traded securities until the material inside information is known not only by individuals within our company, but also by the general public. The improper use of material inside information is known as insider trading. Insider trading is a criminal offense and is strictly prohibited. The United States Securities and Exchange Commission (“SEC”) aggressively investigates and prosecutes insider trading by constantly monitoring and evaluating stock trading patterns and price fluctuations. Even innocent stock trades may draw attention from the SEC if the timing indicates insider trading might be a possibility.

“Material inside information” is any information concerning us that is not available to the general public and which an investor would likely consider to be important in making a decision whether to buy, sell or hold our stock or other securities. A good rule of thumb to determine whether information about us is material inside information is whether or not the release of that information to the public would have an effect on the price of our stock. Examples of material inside information include information concerning earnings, earnings estimates, changes in previously released earnings estimates, a pending stock split, dividend changes, significant merger, acquisition or disposition proposals, major litigation, the loss or acquisition of a major contract and major changes in our management. Material inside information is no longer deemed “inside” information once it is publicly disclosed and the market has had sufficient time to absorb the information. Examples of effective public disclosure are the filing of such information with the SEC, the company’s issuing a press release disclosing such information, or the printing of such information in *The Wall Street Journal* or other publications of general circulation, in each case giving the investing public a fair amount of time to absorb and understand our disclosures.

In addition to being prohibited from buying or selling our stock or other publicly-traded securities when you are in possession of material inside information, you are also prohibited from disclosing such information to anyone else (including friends and family members) in order to enable them to trade on the information. In addition, if you acquire material inside information about another company due to your relationship with us, you may not buy or sell that other company’s stock or other securities until such information is publicly disclosed and sufficiently disseminated into the marketplace.

The following are general guidelines to help you comply with this policy:

- Do not share material inside information with people within our company whose jobs do not require them to have the information.
- Do not disclose any non-public information, material or otherwise, concerning our company to anyone outside our company unless required as part of your duties and the person receiving the information has a reason to know the information for company business purposes.
- If you have material inside information regarding us, or regarding any other publicly traded company that you obtained from your employment or relationship with us, you must not buy or sell, or advise

anyone else to buy or sell, our securities or that other company's securities, until such information is publicly disclosed and sufficiently disseminated into the marketplace.

Penalties for trading on or communicating material inside information are severe. If you are found guilty of an insider trading violation, you can be subject to civil and even criminal liability. In addition to being illegal, we believe that insider trading is unethical and will be dealt with firmly, which may include terminating your employment with us and reporting violations to appropriate authorities.

Solicitation

Solicitation of employees, physicians and patients on Company property is prohibited. Unauthorized sales and solicitations of orders for any type of product or service to anyone on Company property is prohibited as stated below.

Solicitation of employees by other employees and the distribution of associated literature between employees are prohibited during working hours. The term "working hours" means the time when the person doing the solicitation or the person being solicited should be working.

Distribution of literature, pamphlets, and other materials between employees is prohibited in work areas at all times. For this purpose, the term "work area" includes all places where employees regularly work, confer or conduct business. "Work area" does not include break rooms or any other area specifically set aside for non-work purposes.

Any notices or other materials to be posted in or on Company premises must have prior approval of the Company supervisor ultimately responsible for that area.

Political Activity

HEALTHTRONICS will fully comply with all political contribution laws. HEALTHTRONICS funds may not be used for contributions of any kind to any political party, committee, or to any candidate or holder of any government position, unless such contribution is permitted by law and complies with Company policy. Contributions include allowing the use of Company phone, fax, supplies or other support for the benefit of political candidates or parties. Contributions also include tickets to political events; for example, tickets to a political fundraising dinner cannot be submitted on an expense report as a "meal."

Employees may not engage in the following activities during the work day:

- Lobby other employees on behalf of a political candidate; or
- Reimburse an employee for any political contribution or expenditure.

Outside normal office hours, employees are free to participate in political campaigns on behalf of candidates and make personal political contributions.

Employees should contact the Compliance Officer to determine whether a specific company contribution is permitted.

Accuracy of Company Records

All information you record or report on our behalf, whether for our purposes or for third parties, must be done accurately and honestly. All of our records (including accounts and financial statements) must be maintained in reasonable and appropriate detail, must be kept in a timely fashion, and must appropriately reflect our transactions. Falsifying records or keeping unrecorded funds and assets is a severe offense and may result in prosecution or loss of employment. When a payment is made, it can only be used for the purpose spelled out in the supporting document.

Information derived from our records is provided to our stockholders and investors as well as government agencies. Thus, our accounting records must conform not only to our internal control and disclosure procedures but also to generally accepted accounting principles and other laws and regulations, such as those of the Internal Revenue Service and the SEC. Our public communications and the reports we file with the SEC and other government agencies should contain information that is full, fair, accurate, timely and understandable in light of the circumstances surrounding disclosure.

Our internal and external auditing functions help ensure that our financial books, records and accounts are accurate. Therefore, you should provide our accounting department, internal audit staff, Audit Committee and independent public accountants with all pertinent information that they may request. We encourage open lines of communication with our Audit Committee, accountants and auditors and require that all our personnel cooperate with them to the maximum extent possible. It is unlawful for any director, officer or employee to take any action, directly or indirectly, to fraudulently influence, induce, coerce, manipulate or mislead our internal auditors or independent public accountants for the purpose of making our financial statements misleading. Any violation may subject the violator to substantial civil and criminal liability.

If you are unsure about the accounting treatment of a transaction or believe that a transaction has been improperly recorded or you otherwise have a concern or complaint regarding an accounting matter, our internal accounting controls, or an audit matter, you should confer with your immediate supervisor, the controller associated with your business unit, our Chief Financial Officer, or our compliance officer, or you may submit your concern, on an anonymous basis, to the Audit Committee of our Board of Directors by calling the toll free number 1.866.721.4798

Billing Arrangements

HEALTHTRONICS' will comply with all laws governing the submission and review of its bills, and will deal with any billing inquiries in a forthright manner. Requests for information will be answered with complete and accurate information, and we will cooperate fully with payer requests.

HEALTHTRONICS provides certain of its services under arrangement with hospitals, and in such instances does not directly bill state or federal health care programs. To insure that its payment arrangements comply with the law, fees paid to HEALTHTRONICS for its services under arrangement are consistent with fair market value; the methodology for the fees, whether flat fee, per procedure or percentage of global billings, is determined in advance by written agreement between the parties under standard contracts for at least a one year term, and is set without regard for the volume or value of expected referrals.

Billing Documentation

HEALTHTRONICS' physicians and staff will take great care to insure that all of its billings to commercial payors and patients are truthful, accurate and complete. In addition, HEALTHTRONICS will submit information to hospitals, which is sufficient to allow them to bill for services provided under arrangement truthfully, accurately, and completely, and to allow them to comply with all laws governing the documentation and retention of medical records supporting billings and claims for payment. Toward that end, HEALTHTRONICS will seek diligently to:

- (1) Properly and timely document services prior to billing.
- (2) Only bill for claims for which appropriate documentation supports the claim.
- (3) Only bill for diagnosis and reimbursement claims for which medical records and documentation are available to billing staff.
- (4) Not compensate billing consultants in any way to improperly upcode claims.

Civil Monetary Penalties

Federal law imposes civil monetary penalties against any person or entity that knowingly submits or files:

- (1) A claim that the person knows or should know is false or fraudulent.
- (2) A claim for an item or service that person knows or should know was not provided as claimed (this includes the practice of upcoding).
- (3) A claim for services that the person knows or should know was furnished by someone not properly licensed or excluded under the program under which the claim was made.
- (4) A request for payment in violation of the terms of certain agreements with State and Federal authorities.
- (5) A claim that is for a pattern of medical or other items or services that a person knows or should know are not medically necessary.

HEALTHTRONICS will not knowingly file any false or fraudulent claim. HEALTHTRONICS will also comply with similar state laws that apply to claims HEALTHTRONICS submits to commercial and private payors.

Excluded Parties

The federal government may impose civil monetary penalties against health care providers and entities that employ or enter into contracts with individuals who have been excluded from participation in Federal or State health care programs or who have been convicted of a crime recently. Therefore, HEALTHTRONICS will not knowingly employ or contract with individuals or entities that fall into either of these categories. All individuals applying for employment with HEALTHTRONICS are required to disclose any criminal conviction or exclusion action. Additionally, HEALTHTRONICS will screen individuals or entities for exclusion before entering into employment or contractual relationships with healthcare providers. Screening may be accomplished by consulting the Office of Inspector General (OIG) List of Excluded Individuals/Entities located on the OIG web site.

Any investigation of a HEALTHTRONICS' employee or contractor by any government agency should be reported immediately to the Corporate Compliance Officer. Any individual who is indicted, convicted or excluded while an employee or under contract with HEALTHTRONICS will be terminated in accordance with the employment agreement or contract.

V. RELATIONSHIPS WITH PATIENTS

Quality Care

HEALTHTRONICS believes that assistance with the provision of high-quality patient care by its physician partners and its hospital service partners is its core function; therefore, patient care decisions will be made by our patients in consultation with their physicians and caregivers. Only qualified personnel with proper licensure or certification will be permitted to make clinical assessments or to develop plans of treatment. HEALTHTRONICS operates an ongoing quality assurance program which includes tracking, review, and feedback regarding its services to further promote the provision of quality care. HEALTHTRONICS recognizes the importance of Continuing Medical Education (CME) to ensure that physicians have timely access to the information and techniques necessary to insure quality care.

Patient Information

In order to provide quality patient care, HEALTHTRONICS collects information regarding patients' medical condition and medical history. We realize the sensitive nature of this information and are committed to maintaining its confidentiality. We comply with all state and federal laws protecting the confidentiality of these records. HEALTHTRONICS' personnel are prohibited from disclosing confidential information in violation of the privacy rights of our patients. Patient-specific information will be released only to persons authorized by law or by the patient's written consent.

Recently enacted Federal law known as "HIPAA" regulates the protection of all electronically stored or transmitted individually identifiable health information. The HIPAA requirements are broad and dictate that such information may be used, in general, only for specific authorized purposes. The regulations further dictate that security standards be maintained to ensure no unauthorized access to electronically stored health information. HEALTHTRONICS will maintain necessary electronic security to ensure the confidentiality and integrity of patient information.

HEALTHTRONICS has established HIPAA Policies and Procedures which govern its treatment of patient information. Every employee, particularly those who deal with identifiable patient information, is expected to abide by the HEALTHTRONICS HIPAA Policies and Procedures.

Patient Rights

HEALTHTRONICS strives to assist its affiliated physician and hospital service partners in providing quality care to all of their patients. We understand that patients entrust themselves to the care of the physicians and staff performing therapeutic procedures. We treat all patients with respect and dignity and only provide care that is both necessary and appropriate. We assure patients' involvement in all aspects of their care by requiring treating physicians to obtain lawful and appropriate informed consent for treatment. Patients and their representatives are accorded appropriate confidentiality and privacy. In

the provision of care, HEALTHTRONICS makes no distinctions based upon race, color, religion, or national origin.

Offering Inducements to Patients

Federal law prohibits HEALTHTRONICS from offering anything of value (other than items such as medical literature) to a Medicare or Medicaid patient or family member of a patient to influence their selection of a medical service provider. In its efforts to comply with this law and to help ensure that patients choose HEALTHTRONICS affiliated facilities based upon the quality of care rendered, HEALTHTRONICS will not offer any prohibited benefits to patients or clients to induce patients to utilize HEALTHTRONICS' services. Any question regarding whether an item or service is an appropriate patient benefit should be directed to the Compliance Officer.

Credit Balances

If a credit balance remains in a patient's account, HEALTHTRONICS is committed to accurately tracking, reporting, and refunding the balance. HEALTHTRONICS will maintain an information system that allows for accurate tracking of such balances and designate a person to supervise the system.

VI. RELATIONSHIPS WITH EMPLOYEES AND INDEPENDENT CONTRACTORS

EMPLOYEE POLICIES

Employee Handbook

All employees of HEALTHTRONICS are provided with a copy of the HEALTHTRONICS Employee Handbook, and are required to acknowledge that they have received, read, and understand its provisions. It is a requirement of this Compliance Plan that employees, managers, and contractors of HEALTHTRONICS abide by the Employee Handbook. Failure to do so, and any breach of the Employee Handbook, will be considered a breach of the Compliance Plan as well.

Controlled Substances

HEALTHTRONICS' employees may have access to prescription drugs, controlled substances, and other medical supplies. These substances are subject to strict government regulation and may require a physician's order. Unauthorized use of such drugs may subject an individual to criminal charges. Therefore, these substances must be properly handled by authorized individuals. HEALTHTRONICS will not tolerate unauthorized handling or other improper uses of these substances. HEALTHTRONICS' employees should report any such conduct immediately.

Personal Use of HEALTHTRONICS Resources

HEALTHTRONICS' employees must preserve HEALTHTRONICS' assets, including time, materials, supplies, equipment, facilities and information. As a general rule, the personal use of HEALTHTRONICS' assets without prior approval by a supervisor is prohibited. The occasional use of items, such as minimal use of copying facilities for personal items or local telephone calls, where the cost to HEALTHTRONICS is minimal, is permissible. However, use of HEALTHTRONICS' resources for

personal financial gain is strictly prohibited. Employees who become aware of improper use of HEALTHTRONICS' assets should notify their supervisor or call the Compliance Hotline.

INDEPENDENT CONTRACTORS—Licensing and Certification

Should HEALTHTRONICS hire independent contractors, such contractors must meet professional licensure, certification, or other credentialing requirements. HEALTHTRONICS will not allow an independent contractor to perform services without proper licensure or credentialing. To ensure compliance, HEALTHTRONICS may require evidence of current licensure or credentials. HEALTHTRONICS will not allow any employee or independent contractor to work without valid, current licenses or credentials.

VII. CONFLICTS OF INTEREST

Conflicts of Interest Generally

A conflict of interest exists when an employee, supervisor, or board member gains personally, through money or other advantage, at the expense of their employer or organization. Any time a person makes a business agreement or takes a personal action at work, which benefits them personally, the potential for a conflict exists. However, conflicts are often difficult to see upon initial examination, and even the appearance of a conflict of interest can have a severe negative impact. Therefore, the safest course of conduct is to *avoid any business relationship in which you, your family, a close friend, or a business associate benefits materially.*

For example, a conflict of interest may occur if:

- (1) The employee's outside activities influence or appear to influence the employee's ability to make objective decisions in the course of his or her job responsibilities.
- (2) The demands of an outside activity hinder or distract the employee from the performance of his or her job responsibilities.
- (3) The demands of an outside activity cause the employee to use HEALTHTRONICS' resources for personal purposes.
- (4) An employee or close relative can personally profit from a transaction involving HEALTHTRONICS and the employee or a third party.
- (5) The employee places or influences HEALTHTRONICS' business with one of the following:
himself or herself, a privately held enterprise in which the employee, a close relative or his or her family has a financial interest, or a publicly held enterprise in which the employee or close relative has a major financial interest.

HEALTHTRONICS requires employees to remain free from any conflict of interest that may hinder their ability to objectively, effectively, or fairly perform their job responsibilities.

Outside Employment and Activities

Employees should not have outside employment or business activities that materially detract from the time or attention they should devote to their duties, adversely affect the quality of their work

performed, compete with HEALTHTRONICS activities, imply sponsorship or support by HEALTHTRONICS of the outside employment or organization, or adversely affect HEALTHTRONICS' good name. Employees should report any outside employment in which they participate to their supervisor or the Compliance Officer for a determination regarding potential conflicts of interest.

Unless approved in advance by his/her supervisor, an employee should not have a direct or indirect financial interest (excluding modest investments in securities listed on national security exchanges) in a competitor, customer, or supplier, if the employee or his/her subordinates deal directly or indirectly with that competitor, customer, or supplier in the course of his/her job. Prohibited financial interests may include receiving loans or guarantees of other obligations, other than third-party, arm's length transactions in the ordinary course of business, from a competitor, customer, or supplier.

Corporate Opportunities

Employees shall not take for themselves personally opportunities that are discovered through the use of or access to HEALTHTRONICS' property, information, or position; use corporate property, information or position for personal gain; or compete with HEALTHTRONICS. Employees have a duty to always advance the interests of HEALTHTRONICS and to act on its behalf with regard to such property, information, or position when the opportunity arises.

VIII. RELATIONSHIPS WITH COMPETITORS

Anti-trust

HEALTHTRONICS is committed to fair and open competition. Therefore, HEALTHTRONICS seeks to comply with all federal antitrust laws and with the competition laws in every state in which HEALTHTRONICS conducts business. Federal anti-trust law prohibits:

- (1) Competitors from entering into discussions, formal agreements, or informal understandings concerning prices or fees, market share, service market territory, choice of customers, products and services to be offered, sales strategy, customer allocation, and territory allocation.
- (2) An entity from refusing to treat a patient pursuant to an agreement with another person or company, whether formal or informal.
- (3) In some circumstances, tying arrangements, the practice of requiring a customer to purchase one product or service in order to obtain another product or service.
- (4) In some circumstances, restrictions on a customer's ability to purchase products or services from competitors, known as exclusive dealing arrangements.
- (5) Arrangements with suppliers that require the supplier to purchase the buyer's products as a condition to doing business with the buyer or unreasonably restrict the supplier's ability to do business with the buyer's competitors.
- (6) Selling the same product at different prices, or with different terms, services, or allowances to different customers who compete or whose customers compete in the sale of a seller's product.

- (7) Predatory pricing activities, such as pricing below cost, when a company is dominant or potentially dominant in a market.
- (8) Mergers and acquisitions if their effect is to substantially reduce present or future competition or create a monopoly.

Antitrust violations can have very serious consequences, including substantial fines and imprisonment. HEALTHTRONICS will not engage in any of the prohibited activities noted above.

In particular, HEALTHTRONICS' employees should be careful regarding discussions that may arise at trade association meetings in relation to one of the prohibited subjects. If a competitor raises a prohibited subject, the employee should end the conversation immediately. If possible, the employee should request that the refusal to participate in the conversation be documented in the minutes of the meeting. The employee should also notify the Corporate Compliance Officer.

Gathering Information

Information regarding HEALTHTRONICS' competitors must be obtained from publicly available sources. HEALTHTRONICS will not obtain proprietary or confidential information about a competitor in a manner which is illegal or would result in a breach of a confidentiality agreement.

Marketing and Advertising

All promotions, advertising and marketing materials must be submitted for corporate approval. These materials must conform to all applicable state and federal laws and regulations. All advertising should be truthful and not misleading. If a HEALTHTRONICS' employee or representative has concerns about unethical or unlawful advertising or marketing practices, the employee or representative should contact his or her supervisor or the Compliance Officer.

IX. RELATIONSHIPS WITH SUPPLIERS AND VENDORS

Anti-Kickback Statute

No employee of HEALTHTRONICS or other person acting on HEALTHTRONICS' behalf may solicit or receive anything of value, directly or indirectly, in exchange for the referral of patients to a vendor, supplier, or health care provider. When making referrals, HEALTHTRONICS and its employees or agents do not take into account the volume or value of referrals that the vendor or supplier may receive from HEALTHTRONICS.

To promote compliance with this provision, any financial or business relationship with a person or entity that HEALTHTRONICS' refers or might potentially refer to must be in writing and must be approved by the HEALTHTRONICS Legal Department. HEALTHTRONICS will review all contracts and arrangements with vendors and suppliers for compliance with the anti-kickback law.

Employees should be particularly aware of potential transactions with suppliers and vendors that constitute reciprocal relationships, where compensation or benefits are paid to a vendor or supplier in exchange for the supplier or vendor reciprocating in connection with another relationship, such as one where the supplier or vendor steers patients or business to HEALTHTRONICS. Employees should ensure that all payments to suppliers and vendors are strictly in conformity with the written contract between HEALTHTRONICS and the supplier or vendor.

Business Courtesies

It is against HEALTHTRONICS' policy to engage in any form of commercial bribery, including the offer or acceptance of any improper payment, gratuity or gift to obtain business, secure services or influence governmental decisions.

While employees of the company are not encouraged to receive or extend business courtesies, at times, employees may be in the position to do so. The following provides employee guidance with regard to HEALTHTRONICS' policies on the receipt and giving of business courtesies. Employees are to contact the Compliance Officer if there are questions regarding business courtesies that are not addressed in this policy.

Accepting Business Courtesies

Social Events/Entertainment

Invitations to a social event may be accepted from a current or potential business associate in order to further develop a business relationship. Attendance at any such social event must be approved in advance by the employee's appropriate or immediate supervisor. These events must not include expenses paid for any travel costs (other than in a vehicle owned privately or by the host company) or overnight lodging. The cost associated with such an event must be reasonable and appropriate. As a general rule, this will mean that the cost will not exceed \$100.00 per person. Such social events hosted by any particular individual must be infrequent, which as a general rule means not more than quarterly.

Training/Education

Attendance at a vendor-sponsored workshop, seminar, or training session is permitted with department head approval. Arrangements that include travel and overnight accommodations at no cost to the employee or HEALTHTRONICS must be approved in advance by the regional vice president.

Gifts

While not encouraged as a general rule by HEALTHTRONICS, employees may accept a gift with a total value of \$75.00 or less in any one year from any individual vendor or organization which has a business relationship with HEALTHTRONICS. Cash or cash equivalents, such as gift certificates, may not be accepted. Perishable or consumable gifts given to a group are acceptable.

Extending Business Courtesies to Potential Sources of Business Referrals

Reasonable and appropriate meals may be offered in conjunction with a business event. Provided that such events are in furtherance of HEALTHTRONICS' legitimate business purposes, transportation and lodging provided to attendees are reimbursable by HEALTHTRONICS. Any entertainment (business or social) or gifts involving physicians or other persons who are in a position to refer patients to HEALTHTRONICS must be approved by the employee's appropriate or immediate supervisor.

Business Courtesies with Government Employees

Federal and state governments have strict rules and laws regarding business courtesies for their employees. HEALTHTRONICS will not provide any gifts, entertainment, or anything else of value to any employee of the federal or state government. Modest meals and refreshments in connection with business discussions may be provided free of charge in those jurisdictions or with those agencies where government rules permit this practice.

Selection of Subcontractors and Vendors

HEALTHTRONICS will comply with all laws governing its relationships with subcontractors and vendors. HEALTHTRONICS approaches its relationships with vendors and subcontractors in a fair and reasonable manner. We believe that it is in our best interest and our patients' best interests to promote competitive procurement whenever possible. Our relationships with our vendors will be made on the basis of quality, technical excellence, service, maintenance of supply sources, price, and other objective criteria. We will protect pricing information unless release is authorized by our suppliers.

X. INFORMATION AND INFORMATION SYSTEMS

Business Information

HEALTHTRONICS' confidential business information must remain confidential. Such information, which includes personnel, medical, financial and other business-related information must be used only for job-related purposes and may not be disclosed to individuals outside the company. Furthermore, disclosures to individuals inside the company should only be made if the individual has a need to know the information for the purpose of such individual's job duties.

HEALTHTRONICS is committed to the integrity and accuracy of its documents and records. No HEALTHTRONICS' employee may alter or falsify information on any record or document. Medical records and business documents are retained in accordance with law and HEALTHTRONICS' record retention policy and HIPAA Policies and Procedures. HEALTHTRONICS' employees may not tamper with, remove, or destroy records or documents except according to HEALTHTRONICS record retention policy.

Information Technology

Every employee should be familiar with HEALTHTRONICS' policies regarding the use of electronic mail, the internet, and other forms of electronic information technology and communications. Employees must use these technologies properly, in accordance with HEALTHTRONICS' policies and procedures, and should report questions or comments to their supervisor. HEALTHTRONICS requires that employees use passwords, encryption and other information security methods to protect computers, handheld devices, and other computing equipment. Employees should use all reasonable methods to prevent unauthorized access to HEALTHTRONICS' information databases. Do not use unauthorized equipment to do HEALTHTRONICS' business. All email, voicemail and personal files stored on HEALTHTRONICS' computers are company property. Therefore, employees should have no expectation of personal privacy in connection with information stored on HEALTHTRONICS' computers or servers.

XI. STATE LAW COMPLIANCE ISSUES AND OTHER FEDERAL COMPLIANCE ISSUES

Corporate Practice of Medicine

In a majority of states, it is unlawful for a corporation to practice medicine by employing a physician or by controlling the physician's independent medical judgment through contractual or financial means. Penalties for violation include licensure actions and civil fines. These laws often lack significant formal interpretation. Therefore, all HEALTHTRONICS' employees and representatives must submit in writing any proposed business, financial or employment arrangements with physicians to the Compliance Officer for review and written approval.

Fee Splitting

Many states have laws prohibiting physicians or health care providers from splitting or dividing any patient fee with a referring individual. Some states broaden the statute to prohibit fee splitting with anyone, regardless of whether that person is a referral source. To ensure that HEALTHTRONICS complies with state law prohibitions on fee splitting, all HEALTHTRONICS' employees and representatives must submit in writing any proposed business, financial or employment arrangements with physicians to the Compliance Officer for review and written approval.

Anti-Markup Laws

Many states have enacted laws or regulations that prohibit health care providers from marking up the cost of services or tests purchased from another health care provider. Many of these laws place disclosure obligations on the health care provider who purchases services or tests from other providers or suppliers. To promote compliance with such state anti-markup laws, HEALTHTRONICS' employees and representatives should submit in writing any proposed arrangement whereby HEALTHTRONICS will purchase health care services from an outside supplier to the Compliance Officer, for review and written approval.

Certificate of Need

Many states require health care companies to receive state agency permission before acquiring certain major medical equipment or establishing certain health care facilities or services. Such consent is granted through a "certificate of need." To ensure that HEALTHTRONICS complies with all state CON laws, all HEALTHTRONICS' employees and representatives must submit in writing any proposed establishment, construction or acquisition of a health care facility or initiation of a new health care service to the Compliance Officer for review and written approval.

State Registration and Licensure Requirements

Many states have registration or licensure requirements for certain equipment necessary for specified therapeutic services. To make sure the HEALTHTRONICS' complies with all state registration requirements, HEALTHTRONICS has established a process for review of applicable requirements prior to initiation of new operations in any state.

Insurance Laws Relating to Risk-Bearing Provider Networks

Many states regulate the degree to which health care providers and provider-sponsored networks can accept insurance risk in contracting with payors. HEALTHTRONICS' compliance with these laws depends upon the central review and approval of all managed care contracts by senior managed care personnel prior to entering into these contracts.

HIPAA, CLIA, and Laboratory Compliance Issues

As a healthcare provider, HEALTHTRONICS is subject to HIPAA, and all employees are expected to know and abide by the HEALTHTRONICS HIPAA Policies and Procedures. HEALTHTRONICS also operates clinical laboratories, and any employees whose duties involve laboratory issues should abide by the Laboratory Corporate Responsibility Program required under the CLIA regulations. Copies of the relevant documents may be obtained from the Compliance Officer.

XII. GOVERNMENT AND ACCREDITING ENTITIES

Government Inquiries

HEALTHTRONICS intends to comply fully with law enforcement representatives and government investigations, while also protecting the legal rights of HEALTHTRONICS and of its personnel. Employees should notify the Compliance Officer immediately if they receive an inquiry, a subpoena, or other legal document from any individual or governmental agency regarding HEALTHTRONICS' business. If an individual is contacted at home by a governmental agency concerning HEALTHTRONICS' business, he or she has the right to speak to the government official or to decline to be interviewed. Should the employee wish to consult a lawyer about this request, HEALTHTRONICS will arrange for legal counsel to advise the employee and accompany him or her to any interview by a government agent. Should you be contacted by a government official regarding HEALTHTRONICS' related business, you should inform your supervisor and the Compliance Officer as soon as possible.

If an employee is aware of an imminent or ongoing investigation, audit or examination initiated by HEALTHTRONICS or any government agency, the employee should retain all documents (including computer records) in his or her custody or control relating to the matter under review. ***The destruction or falsification of a document in order to impede a governmental investigation, audit or examination may lead to prosecution for obstruction of justice.*** Any questions regarding whether a document can be destroyed should be addressed to a supervisor or the Compliance Officer.

Execution of a Search Warrant — Sometimes the government has a concern, which it believes, requires the immediate onsite review or removal of certain organization documents or other information. When that occurs, the government may send agents to collect that information. The agents will be authorized to conduct this activity by a search warrant that sets out which materials they may take.

Agents usually do not give advance warning. They will often show up early in the morning to execute the warrant. The agents may take anything that is included in the warrant.

Should government agents appear with a search warrant, employees should immediately call the most senior manager available to be present during the search. **ALSO CALL THE CEO AND THE CCO.** When a search is to be executed, remember these points:

1. **Ask to see a copy of the warrant.** Allow the agents to enter and proceed with the search. DO NOT interfere with the agents. It is a crime to obstruct the agents in the lawful exercise of their duties.
2. **Be courteous and professional with the agents.** This is an ongoing process, and good relationships are helpful to everyone.
3. **Remember that you do not have to talk to the agents.** It is your right to speak with them and it is your right not to speak with them. HEALTHTRONICS will provide you with an attorney to accompany you during the interview if you prefer to have an attorney present. **Remember** that anything you say to the agents during the search can be used later, even if they do not write it down at the time.

Agents may contact you at home after the search to conduct an interview. Again, it is your choice whether you speak with the agents when they contact you or whether you wait for a lawyer to be present.

4. **Generally, the search lasts for several hours.** Your goal, however, is to try to get the agents the information they are entitled to as quickly as possible in order to resume orderly operations.
5. **One employee should be designated to deal primarily with the agents.** That employee should take notes during the search, noting everything asked by the agents and listing everything they take. That employee should accompany agents during any search, and if more than one location is being searched simultaneously, should get another employee to accompany the other agents and take notes.

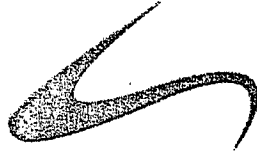
UNDER NO CIRCUMSTANCES MAY ANY HEALTHTRONICS' REPRESENTATIVE DESTROY OR CONCEAL ANY DOCUMENTS OR OTHER INFORMATION IN THIS SITUATION. *The destruction or falsification of a document in order to impede a governmental investigation, audit or examination may lead to prosecution for obstruction of justice.* Any questions regarding whether a document can be destroyed should be addressed to a supervisor or the Compliance Officer.

Accrediting Bodies

HEALTHTRONICS will deal with both government licensing agencies and private accrediting entities in a direct, open and honest manner. We support continuous compliance with accrediting standards, and will monitor compliance with those standards in accordance with established policies and procedures. No action will be taken, and no statements made, which could mislead the accreditors either directly or indirectly.

XIII. ENVIRONMENTAL LAWS

HEALTHTRONICS' provision of health care equipment or technology may in some instances produce waste that is subject to federal, state and local environmental laws. HEALTHTRONICS is committed to complying with all such laws and regulations. HEALTHTRONICS will follow the proper procedures with respect to handling and disposing of hazardous waste, including medical waste. Employees must adhere to all requirements for the proper handling of hazardous materials and immediately alert a supervisor regarding any potential environmental damage.



HealthTronics.

**COMPLIANCE POLICY REGARDING
GIFTS AND BUSINESS COURTESIES
RELATIVE TO CERTAIN EXECUTIVE-LEVEL EMPLOYEES**

The HealthTronics Corporate Compliance Plan applies to all employees of HealthTronics, and sets a minimum level of standards for employee compliance with laws, regulations, and good business practices. However, certain thresholds and levels that are reasonable when applied to service line employees are not reasonable when applied to executive-level employees. Therefore, the following exceptions have been approved by the Compliance Officer and the Chief Executive Officer.

1. The limitations for "Social Events/Entertainment" contained in the Compliance Plan shall not apply to officers of HealthTronics with the title of Vice President (or any higher office). Rather the following limits shall apply, unless specific approval is received from the Compliance Officer and the Officer's direct reporting relationship:

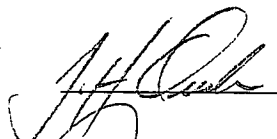
Overnight lodging: \$ 250.00/night (2 day limit)
Travel costs (airfare, cab): \$ 250.00
Ticket/event cost: \$ 500.00
Golf tournament entry fees: \$ 250.00

2. The dollar limit for "Gifts" contained in the Compliance Plan shall not apply to officers of HealthTronics with the title of Vice President or any higher office. Rather, the limit shall be \$250.00. Cash or cash-equivalent gifts shall remain inappropriate.


The Compliance Officer, upon the request of any officer of HealthTronics with the title of Vice President (or any higher office) or the Chief Executive Officer may propose revisions to the above limits or additional provisions, which shall be subject to approval of the Chief Executive Officer or if related to the Chief Executive Officer then to the Chairman of the Audit Committee.

Approved the 18th day of November, 2008.

Jeff Quade, Compliance Officer

 11/18/08

James Whittenburg, Chief Executive Officer

 11/18/08