

**AMERICAN MEDICAL SYSTEMS HOLDINGS INC.
CORPORATE GOVERNANCE STANDARDS**

The Board of Directors, or the Board, of American Medical Systems Holdings Inc. (the “Company”) has established the following guidelines for the conduct and operation of meetings and deliberations of the Board. These guidelines will be reviewed periodically by the Board and may be amended or modified from time to time.

- ❖ **Director Responsibilities:** The fundamental role of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. In addition, all directors are encouraged to attend the Company’s Annual Meeting of Shareholders.
- ❖ **Frequency of Board Meetings:** The Board shall hold regular meetings four to six times per year and such additional special meetings, if any, as the Board determines is appropriate.
- ❖ **Conduct of Board Meetings:** The conduct of meetings of the Board will be governed as follows:
 - **Selection of Agenda Items for Board Meeting.** The Chairman of the Board, or if there is no Chairman, the Chief Executive Officer in consultation with other executive officers, will establish the agenda for each Board meeting. Each Board member shall be free to suggest the inclusion of items on the agenda. Additionally, each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board is expected to review the Company’s long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.
 - **Board Materials Distributed in Advance.** Information and data concerning the Company’s operations and its financial affairs are important to the Board’s understanding and decision making process. Accordingly, management will distribute in advance of each meeting of the Board appropriate written material relating to substantive agenda items. Management will make every attempt to see that this material is as concise as possible while still providing the desired information. Highly sensitive subjects may be discussed at the meeting without advance distribution of written materials.
 - **Management and Advisor Presentations.** The Board encourages the participation of the Company’s executive officers in a portion of each Board meeting. The Board believes it can provide additional insight into certain of the items being discussed because of personal involvement in these areas, as well as being given exposure to the Board members. Board meetings may also be attended from time to time by outside advisors, to the extent such advisors’ participation is deemed necessary and appropriate by the Company’s management, to assist the Board in understanding the material presented to the Board.

- ❖ **Executive Sessions of Independent Directors:** The “independent directors” of the Board (as defined below) will meet separately as a group on a regular basis, and at least two times each year. A director (the “Lead Independent Director”) will be selected by the independent directors and will assume the responsibility of chairing the regularly scheduled meetings of independent directors and bear such further responsibilities that the independent directors as a whole might designate from time to time.

- ❖ **Director Access to Executive Officers and Employees:** Each member of the Board shall have full and free access to officers and employees of the Company. Board members will use their judgment to be sure that any such contact is not distracting to the operation of the Company and that such contact be coordinated, to the extent reasonably practicable, with the Chief Executive Officer or Chief Financial Officer.

- ❖ **Composition of the Board:**
 - **Size of the Board.** It is the sense of the Board to have approximately six to eight members. Should outstanding candidate(s) become available, the Board will evaluate its size.

 - **Mix of Inside and Independent Directors.** The Board will endeavor to be composed of a majority of independent directors on the Board. If at any time the Board consists of less than a majority of independent directors, the Board will seek additional directors to the extent necessary to be composed of a majority of independent directors.

 - **Board Definition of What Constitutes Independence.** An independent director is a director who meets the independence requirements set forth in the federal securities laws and under the rules and regulations established by the Securities Exchange Commission and the Nasdaq Stock Market, as may be amended from time to time, and such other criteria as the Board may establish from time to time. The Board will affirmatively make and disclose in the annual Proxy Statement its determination that each Board member whom it has identified as independent has no material relationship, directly or indirectly, with the Company.

 - **Board Membership Criteria.** The Nominating/Corporate Governance Committee is responsible for reviewing with the Board on a periodic basis, as necessary, the appropriate skills and characteristics required of Board members in the context of the current composition of the Board.

 - **Selection of New Director Candidates.** The Board delegates the screening process for new director candidates to the Nominating/Corporate Governance Committee. The Committee shall provide new directors with access to internal and external orientation programs to ensure that they have sufficient information about the Company and their duties.

- ❖ **Director Compensation:** The Compensation Committee should report once a year to the Board any suggested changes in Board compensation, but with full discussion and concurrence by the full Board.
- ❖ **Committees of the Board:** The committee structure of the Board shall at least consist of an Audit Committee, a Compensation Committee and a Nominating/Corporate Governance Committee. The Board shall establish such other committees as it deems appropriate from time to time.
 - **Frequency and Length of Committee Meetings.** The committee chairperson, in consultation with the committee members, will determine the frequency and length of the meetings of the committee in adherence to the committee charter.
 - **Committee Agenda.** The chairperson of the committee, in consultation with the appropriate members of management and staff and outside advisors (independent auditors, legal counsel etc.), if appropriate, will develop the committee's agenda.
 - **Committee Charter.** Each committee, unless otherwise directed by the Board, shall develop a charter for approval by the full Board. The charter will set forth the purpose, policies, organization, and responsibilities of the committees. The committee charters will be subject to periodic review by the Board.
 - **Committee Membership.** The Audit Committee, the Compensation Committee, and the Nominating/Corporate Governance Committee shall each consist solely directors who meet the independence requirements set forth in the federal securities laws and under the rules and regulations established by the Securities Exchange Commission and the Nasdaq Stock Market, as may be in effect or amended from time to time, and such other criteria as the Board may establish from time to time. In addition, at least one member of the Audit Committee shall be an "audit committee financial expert" under the rules and regulations established by the Securities Exchange Commission. The Board of Directors will appoint committee members.
- ❖ **Directors Who Change Their Present Job Responsibility:** Directors who change employers or materially change the job responsibilities they held when they were elected to the Board shall give written notice to the Board as soon as feasible after a change. The Board will have the opportunity to review the continued appropriateness of Board membership of the individual under the new circumstances, and, if requested by the Board, the individual director should resign. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board.
- ❖ **Board Interaction with Investors, the Press, Customers Etc.:** The Board believes that management speaks for the Company. Individual Board members should not meet or otherwise communicate with various constituencies that are involved with the Company without the prior knowledge and approval of management. The Company's directors will be

subject to conflict of interest policies that the Company establishes from time to time for employees.

- ❖ **Evaluation of the Chief Executive Officer:** The Compensation Committee will conduct an annual review of the Chief Executive Officer's performance, as set forth in its charter and provide a report of such review to the full Board of Directors.
- ❖ **Communication with Directors:** In order to facilitate communication by a shareholder with a member of the Board, a shareholder may send communications to the Company's Corporate Secretary, American Medical Systems Holdings Inc., 10700 Bren Road West, Minnetonka, Minnesota 55343, with an instruction to forward the communication to the particular director. The Corporate Secretary shall promptly forward all such shareholder communications to the particular director.
- ❖ **Modifications to Corporate Governance Standards:** The Board shall review and assess these Corporate Governance Standards periodically and revise them from time to time as changing circumstances dictate.