

## **BUSINESS CONDUCT AND ETHICS POLICY**

This Business Conduct and Ethics Policy (the “Policy”) sets out basic principles for all directors and employees of Respiroics, Inc. and its subsidiaries (collectively the “Company”). All Company managers are responsible for compliance and enforcement of these policies in the areas they manage. Annual certification of compliance with these policies is required of all management personnel and Corporate Directors and is coordinated by the Secretary of the Company. The related documents are subject to internal audit and will be held by the Secretary.

If a law conflicts with a provision in this Policy, you must comply with the law; however, if a local custom or policy conflicts with this Policy, you must comply with the Policy. If you have any questions about these conflicts, you should ask your supervisor how to handle the situation or see Part XII of this Policy.

Those who violate the standards in this Policy will be subject to disciplinary action up to and including termination of employment. *If you are in a situation which you believe may violate or lead to a violation of this Policy, follow the guidelines described in this Policy.*

### **I. Compliance with Laws, Rules and Regulations**

Obedying the law, both in letter and in spirit, is the foundation on which the Company’s ethical standards are built. All directors and employees must respect and obey the laws of the cities, states and countries in which we operate. Although not all employees or directors are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

### **II. Conflicts of Interest**

The Company expects directors and employees to refrain from any “conflict of interest” which means taking or refraining from taking any action where the private interest of the director or employee may conflict with the interests of the Company, including any business or financial activity which may conflict with that of the Company.

Conflicts of interest are prohibited as a matter of Company policy, except as approved by the Board of Directors or the Company’s Corporate Governance and Nominating Committee. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management or the Company’s General Counsel. Any employee, officer or director who becomes aware of a conflict or a potential conflict should bring it to the attention of the Company’s General Counsel or Corporate Governance and Nominating Committee. The following are provided for guidance.

- An employee or director, or any member of his or her immediate family sharing the same household or under the employee or director’s control or direction, is prohibited from holding any substantial financial interest in any enterprise which the employee or director knows to have material business dealings with the Company or which the employee or director knows competes with the Company, without the written approval of the Chief Financial Officer of the Company, or in the case of a director or executive officer the Company’s Corporate Governance and Nominating Committee. An interest in such enterprise would be considered substantial if it might influence the actions of an

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employee or director in dealings between the Company and such enterprise. Holdings by a director of such an interest must be disclosed prior to any vote by the director relating to such enterprise or whenever, in the director's reasonable judgment, there is a potential he or she could influence the Company's action with respect to such enterprise. If any such interest is disclosed, no violation of this Policy will occur so long as the individual observes all restrictions placed by the Company's Chief Financial Officer or Corporate Governance Committee, as the case may be, upon the individual's relations with the entity in which the individual has an interest.

- Acting as a director, officer, employee or otherwise for any business or other institution with which the Company has a competitive or significant business relationship is prohibited without the written approval of the General Counsel of the Company or in the case of a director or executive officer the Company's Corporate Governance and Nominating Committee. Prior to accepting a directorship for any non-charitable organization, directors and executive officers must identify the proposed position to the Corporate Governance and Nominating Committee and the Chief Executive Officer in order to identify and discuss any potential issues. This provision is not intended to apply to situations where an employee or director agrees to serve as a director of a business or other institution on behalf of the Company at the request of the Chief Executive Officer of the Company or the Corporate Governance and Nominating Committee. All persons subject to this policy should report to the Secretary of the Company any situation where members of the employee's or director's immediate family hold positions which are likely to cause the director or employee to have a conflict between the interest of the Company and another institution.
- Acceptance by an employee, or any member of an employee's immediate family sharing the same household or under the direction or control of the employee, of anything of value (extravagant entertainment, trips, etc.) from suppliers of material or services is prohibited. This is not intended to include occasional entertainment by the supplier or the exchange of non-monetary gifts, provided the value is nominal.

### **III. Unauthorized Use of Corporate Funds and Assets Policy**

The use of Company funds or assets for any unlawful or improper purpose is strictly prohibited.

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported to your immediate supervisor for investigation. Company equipment should not be used for non-Company business, though incidental personal use may be permitted.

The obligation of employees to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or even criminal penalties.

#### Examples of Prohibited Activities:

- Illegal corporate political contributions to candidates, parties or government officials, and payments to induce government officials or customers to purchase the Company's goods and services.

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- Legal corporate political contributions are also prohibited unless authorized by the Secretary of the Company.

Facilitating payments or tips in nominal amounts to low-level foreign government employees may be made to obtain or expedite the performance of non-discretionary, legitimate customary duties such as mail delivery, security, customs clearance and the like, where the practice is usual or customary in the country concerned to the extent such payments are not in violation of the Foreign Corrupt Practices Act. All such payments must be reported promptly to the Chief Financial Officer of the Company, and must be fully and accurately disclosed in the appropriate entity's books and records.

#### **IV. Accuracy of Books, Records Policy and Public Statements**

The Company's financial records should accurately reflect the nature and purpose of all transactions.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, you must consult the Company's Legal Department before taking any action with respect to any such records.

The Company's public statements, including press releases and public filings, shall not contain any material incorrect information and shall not omit any information necessary to make the statements contained therein not misleading.

#### Examples of Prohibited Activities:

- The establishment for any purpose of an undisclosed or unrecorded fund or asset of the Company.
- The entry of false or artificial entries in the books and records of the Company for any reason, and the involvement of any employee or director in any arrangement which results in such prohibited acts.
- A payment made on behalf of the Company which is approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment.

#### **V. Insider Trading**

Employees or directors who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the Company's business. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. The Company

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has a separate insider trading policy that applies to directors, officers and certain key employees of the Company (the "Executive Insider Trading Policy"). This policy supplements the Executive Insider Trading Policy and, therefore, individuals subject to the Executive Insider Trading Policy are subject to this policy as well. If you have any questions concerning insider trading, please consult the Company's Legal Department.

## **VI. Corporate Opportunities**

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the consent of the Chief Financial Officer of the Company, or in the case of a director or executive officer the Company's Board of Directors. No employee may use corporate property, information, or position for improper personal gain, and no employee may compete with the Company directly or indirectly. Thus, knowingly competing with the Company in the purchase or sale of any kind of property, tangible or intangible; or diverting from the Company, for the employee's or director's own benefit or otherwise, a business opportunity in which the Company has or is likely to have an interest is prohibited. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

## **VII. Competition and Fair Dealing**

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

To maintain the Company's valuable reputation, compliance with our quality processes and safety requirements is essential. All inspection and testing documents must be handled in accordance with all applicable regulations.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Company director, employee, family member of an employee or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor or, in the case of directors, with the Chairman of the Corporate Governance Committee, any gifts or proposed gifts which you are not certain are appropriate.

## **VIII. Discrimination and Harassment**

The Company provides equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, age, non-job related disability, or status as a Vietnam-era or special disabled veteran in accordance with all applicable federal, state and local laws, including executive orders as appropriate for any federal contracts. This policy applies to all terms and

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conditions of employment, including, but not limited to, hiring, placement, promotion, termination, layoff, recall, transfer, leaves of absence, compensation and training.

The Company expressly prohibits any form of employee harassment. Improper interference with the ability of the Company's employees to perform their expected job duties is not tolerated. This policy extends not only to the Company's employees, but also to all persons with whom the Company's employees deal, such as suppliers and customers.

Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors, and all other verbal or physical conduct of a sexual or otherwise offensive nature, and is prohibited especially where (a) submission to such conduct is made either explicitly or implicitly a term or condition of employment; (b) submission to or rejection of such conduct is used as the basis for decisions affecting an individual's employment; or (c) such conduct has the purpose or effect of creating an intimidating, hostile, or offensive working environment. Furthermore, offensive comments, jokes, innuendoes, pictures, cartoons and other sexually oriented documents and statements are prohibited.

Each member of management is responsible for creating an atmosphere free of discrimination and harassment, sexual or otherwise. Further, employees are responsible for respecting the rights of their co-workers.

If an employee experiences any improper job-related harassment or believes they have been treated in an unlawful, discriminatory manner, they should first attempt to resolve the problem with the individual exhibiting the conduct toward them. If attempting to resolve the issue themselves is inappropriate or not successful, they should promptly report the occurrence to their supervisor, a member of management, or to a representative of the Human Resources Department, who will investigate the matter and take proper action.

If the Company determines that an employee has been harassed, appropriate disciplinary action will be taken against the offender, up to and including termination of employment.

The Company prohibits any form of retaliation against any employee for filing a legitimate complaint under this policy or for assisting in a complaint investigation.

## **IX. Confidentiality**

All employees are subject to the Company's Confidentiality and Non-Disclosure Agreement. The nature of our business makes confidentiality essential. Employees must maintain the confidentiality of confidential information entrusted to them by the Company or its customers, except when disclosure is authorized by an executive officer of the Company or required by laws or regulations.

## **X. Waivers of the Business Conduct and Ethics Policy**

Notwithstanding any other provision of this Policy, any waiver of this Policy for executive officers, senior financial officers or directors may be made only by the Board or a Board committee (including only independent directors if required by law or regulation) and will be promptly disclosed to the extent required by law or regulation.

## **XI. Reporting Any Illegal or Unethical Behavior**

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Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of the Company not to allow retaliation for reports of misconduct by others made in good faith by employees. Employees are expected to cooperate in internal investigations of misconduct.

## **XII. Compliance Procedures**

We must all work to ensure prompt and consistent action against violations of this Policy. However, in some situations it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all questionable situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your Human Resources manager. If that also is not appropriate, call the Company's toll-free Ethics Line, which will put you in direct contact with the appropriate people at Company headquarters. If you prefer to write, address your concerns to: 1010 Murry Ridge Lane, Murrysville, PA 15668-8525, Attention: General Counsel. If your concern deals with internal accounting controls or auditing matters, your concern will be forwarded to the Company's Audit Committee.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected, to the extent possible. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.