

**ARTHROCARE CORPORATION**  
**Policy For Receiving, Investigating And Answering**  
**Complaints Regarding Accounting, Internal**  
**Accounting Controls, Fraud Or Auditing Matters**

**Adopted February 27, 2003**  
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**Policy**

1. It is the policy of ArthroCare Corporation (the “Company”) to treat complaints about accounting, internal accounting controls, auditing matters, or deceptive financial practices seriously and expeditiously.
2. Employees will be given the opportunity to submit confidential and anonymous complaints about accounting, internal accounting controls, auditing matters, or any deceptive financial practices (including but not limited to fraud against investors, securities fraud, mail or wire fraud, bank fraud, or inaccurate statements to the SEC or members of the investing public) for review by representatives of the Company. The Company will protect the confidentiality and anonymity of the employee when so requested. Such complaints are referred to herein as “Complaints” or “Accounting or Securities Fraud Complaints.”
3. Complaints will be investigated by persons that have sufficient familiarity with the subject area to conduct an effective investigation.
4. Company counsel will be advised of the Complaints and will supervise the receipt, documentation, and investigation of Complaints.
5. No employee will be terminated or otherwise retaliated against (as defined below) for lawfully submitting a Complaint under this procedure if the employee reasonably believes that the Complaint involves a violation of federal securities or anti-fraud laws. Retaliatory action includes discharging, demoting, suspending, threatening, or harassing an employee.
6. In the event that the Company contracts with a third party to handle Complaints, the third party will comply with these Policies and Procedures.

**Procedure**

*Confidential, Anonymous Complaint Procedure*

1. This policy allows employees to submit confidential, anonymous Accounting or Securities Fraud Complaints. A summary of this policy will be displayed in an area accessible to all employees.
2. Telephone Hotline: Employees with Accounting or Securities Fraud Complaints can call 1-800-799-4385 to submit their Complaint. Employees who call this number need not leave their name or other personal information. The investigation that follows from this

call will be conducted in a manner that protects the confidentiality and anonymity of the employee making the call. The intake phone call will be received by a third-party contractor specifically engaged to provide the hotline services, or an internal person specifically designated to receive hotline calls. The following information will be requested by the person receiving the call:

- Division of the company in which the caller works;
- Date of the call;
- Any relevant information concerning the allegations; and,
- Name of the caller (unless anonymous).

The information from the call will be documented in a format acceptable to the Company and shall include at a minimum the full written description of the information received concerning the Complaint allegations.

3. Written Complaints: Employees may submit written Accounting or Securities Fraud Complaints to the Vice President, Legal Affairs. Employees submitting this information need not leave their name or other personal information. The investigation that follows from this Complaint will be conducted in a manner that protects the confidentiality and anonymity of the employee submitting the Complaint.

#### *Receipt and Treatment of Complaint*

1. Any Complaint made under these provisions shall be immediately directed to Company counsel, the Vice President, Legal Affairs, who shall report directly to the Audit Committee, on such matters.
2. Within three business days, Company counsel shall review the Complaint, and may assign someone with familiarity with accounting, internal accounting controls, or auditing to investigate the Complaint. If the Complaint contains a credible allegation of actual or potential ongoing criminal wrongdoing, Company counsel shall immediately contact outside counsel and fully inform him or her of the Complaint. The procedure chosen by counsel shall be consistent with the Company's desire to investigate thoroughly any Complaint regarding accounting, internal accounting controls, or auditing matters.
3. Unless otherwise directed by Company counsel, the person assigned to investigate shall conduct a thorough investigation of the Complaint and shall within 25 days report his or her findings or recommendations to Company counsel. The report should be documented and forwarded via e-mail or hard copy to Company counsel. If the investigator is in a position to recommend appropriate disciplinary or corrective action, the investigator also should recommend disciplinary or corrective action.
4. If necessary, the person assigned to the investigation or Company counsel, shall obtain additional resources that may be necessary to conduct the investigation.

5. At least once per each calendar quarter and whenever else as deemed necessary, Company counsel<sup>1</sup> shall submit to the Audit Committee and the Chief Financial Officer of the Company a report that summarizes each Complaint made within the last 12 months and shows specifically: (a) the complainant (unless anonymous, in which case the report will so indicate), (b) a detailed description of the substance of the Complaint, (c) the status of the investigation, (d) any conclusions reached by the investigator, and (e) findings and recommendations.
6. Company counsel, if necessary, shall also provide a summary of such Complaints to the Company's external auditors.
7. At any time with regard to any Complaint, Company counsel may specify a different procedure for investigating and treating such a Complaint, such as when the Complaint concerns pending litigation. The procedure chosen by counsel shall be consistent with the Company's desire to investigate thoroughly any Complaint regarding accounting, internal accounting controls, or auditing matters.

#### *Retention of records*

All Complaints and documents relating to such Complaints made through the procedures outlined above shall be retained for at least five years from the date of the complaint, after which the information may be destroyed unless the information may be relevant to any pending or potential litigation, inquiry, or investigation, in which case the information may not be destroyed and must be retained for the duration of that litigation, inquiry, or investigation and thereafter as necessary.

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<sup>1</sup> This report may be prepared by an employee, but to the extent it contains attorney-client privileged information, or attorney work product, the document should be marked as privileged and confidential, subject to the attorney work product.