



## **Allied Healthcare Products, Inc.**

### **Corporate Governance Principles**

#### *Preamble*

The Board of Directors of Allied Healthcare Products, Inc. has adopted the following corporate governance guidelines specifically tailored to the needs of the Company. These guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing shareholder value over the long term. The Board believes these guidelines should be an evolving set of corporate governance principles, subject to alteration as circumstances warrant.

#### *Role of the Board of Directors*

The business of the Company is managed under the direction of the Board of Directors, which is elected by the stockholders. The basic responsibility of members of the Board is to exercise their business judgment to act in a manner that each director reasonably believes to be in the best interests of the Company and its stockholders. The Board selects the Company's senior management team, which is responsible for the day-to-day conduct of the Company's business.

#### *Composition of the Board*

*Size.* The Board believes that it should generally have no less than five directors and that the size of the Board should be determined from time to time based upon the needs of the Company and the availability of candidates providing diversity of experience without hindering effective discussion or diminishing individual responsibility.

*Independence.* To ensure Board independence, a majority of the Board shall be independent. A director shall be considered independent if he or she: (1) has no material relationship with the Company, either (i) directly or (ii) as a partner, shareholder or officer of a company that provides goods or services to the Company or (iii) as a partner, shareholder or officer of a company that purchases goods or services from the Company; (2) is not currently employed by the Company and has not been employed by the Company in any capacity other than as director within the last five years; (3) has not received any significant compensation from the Company during the last five years; (4) is not currently,

and has not during the past five years, been affiliated with or employed by a present or former auditor (or an affiliate of such auditor) of the Company; (5) is not part of an interlocking directorate in which an executive officer of the Company serves on the compensation committee of another company that employs the director; (6) is free of any relationships with the Company that may impair, or appear to impair, his or her ability to make independent judgments; or (7) is not employed by a not-for-profit organization a substantial portion of whose funding comes from the Company. This policy may be modified temporarily if, due to unforeseen circumstances, strict adherence would be detrimental to the Board's performance. Although it is anticipated that the Chief Executive Officer of the Company will be a member of the Board, the number of executive employees of the Company serving as members of the Board shall be less than 25% of the total number of directors elected at the preceding meeting of stockholders.

*Chairman.* The Chairman of the Board will be selected by the Board. If the Chairman of the Board is not a current or former employee of the Company, holding the position of Chairman will not affect such person's independence. An otherwise independent Chairman of the Board may serve as acting Chief Executive Officer for a limited duration in the event there shall be a vacancy in such position.

*Lead Director.* If the positions of Chairman and Chief Executive Officer of the Company are held by the same person, the Board will select a "lead director" from among the independent directors of the Company.

*Selection.* The Nominating and Governance Committee of the Board shall recommend to the Board nominees for director. The Chief Executive Officer of the Company will periodically review with the Board or its nominating committee the composition of the composition of the Board and the needs of the Company for certain skills and experiences to be represented as members of the Board. Invitations to join the Board shall be extended jointly by the Chairman of the Nominating and Governance Committee and the Chief Executive Officer.

*Time Commitments.* Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director.

*Change in Professional Responsibilities, Term Limits.* Although members of the Board are elected to annual terms of office, it is expected that individual directors who change the responsibility they held when elected to the Board will volunteer to resign from the Board. Such persons should not necessarily leave the Board but there should be an opportunity for the Nominating and Governance Committee to review the continued appropriateness under the circumstances. Similarly, although the Company does not adopt of policy a retirement ages or term limits applicable to continued service on the Board, it is expected that each director's continuation of the Board will be reviewed not less than once in every three years.

#### *Board Processes*

*Agenda & Meetings; Board Information.* Directors are expected to attend Board and related committee meetings and to spend the time needed to prepare for such meetings. The Chairman will establish the agenda for each Board meeting. If the Company has a lead director, the Chairman will consult with the lead director in connection with establishing the agenda. Each Board member may suggest the inclusion of items on the agenda and each Board member may raise at any Board meeting subjects that are not on the agenda for that meeting. Information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to directors in advance of the meeting. Directors have a fiduciary duty to hold in confidence information non-public about the Company obtained in their capacity as a director.

*Committees.* The Board shall establish (i) an Audit Committee with membership and a charter meeting applicable standards required by the NASDAQ Market and the federal securities laws, (ii) a Nominating and Governance Committee which shall promote the principles set forth herein and also develop and monitor codes of ethics applicable to directors and management of the Company; and (iii) such other committees as it shall find necessary or convenient for the discharge of its duties.

*Strategic Planning.* The Board will review the Company's long-term strategic plan during at least one Board meeting each year.

*Chief Executive Officer Evaluation.* The performance of the Chief Executive Officer will be reviewed by the Board at least annually. Such review will follow recommendations from the Compensation Committee with respect to long and short term compensation goals and performance of the Chief Executive Officer.

*Management Succession.* the Chief Executive Officer will report annually to the Board on the Company's program for succession and management development. The Chief Executive Officer should make available to the Board his or her recommendations and evaluations of potential successors.

*Access to Executive Officers.* Directors have full access to executive officers of the Company. The director will use his or her judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, coordinate any such contact with the chief Executive Officer. the Board welcomes regular attendance at each Board meeting of executive officers and other members of senior management of the Company.

*Board Interaction with Company Constituencies and the Public.* Management speaks for the Company. Communications about the Company with the press, media and other constituencies should be made by management. Individual Board members may, from time to time, at the request of the Chief Executive Officer, meet or otherwise communicate with various constituencies of the Company.

*Executive Sessions.* The non-management directors will periodically meet in executive session as a part of regularly scheduled Board meetings. The director who presides at these

meetings shall be the Chairman, or if the Chairman is also the Chief Executive Officer, the lead director.

*Board Evaluation.* The members of the Board shall conduct a self-evaluation of the Board's performance which will be discussed with the full Board on an annual basis. In advance thereof comments shall be directed by each member of the Board to the lead director, if any, or to the Chairman of the Audit Committee.

*Financial Statements.* While the Company's financial statements and disclosures are primarily the responsibility of management, the Board and its committees shall take reasonable steps to be comfortable that the Company's financial statements and disclosures accurately present the Company's condition and results of operations to the shareholders and that they do so in an understandable manner.