

Director Independence

UTMD's Board of Directors has determined that a majority of its directors are independent, as that term is defined in NASD Rule 5605(a)(2), which satisfies the independence requirement of NASD Rule 5605(b)(1). The Board of Directors was not aware of any transactions, relationships or arrangements to be considered in determining that Dr. Payne, Mr. Hoyer and Dr. Beeson were independent under the NASD Rules.

Audit Committee

The Audit Committee of the Board of Directors is composed of all four outside directors, all of whom except one are independent as defined in Nasdaq Stock Market Rule 5605(a)(2) and under Rule 10A-3(b)(1) adopted pursuant to the Securities Exchange Act of 1934. The exception is Paul Richins, who prior to April 2018 had been an employee member of the board of directors since 1998 and had served as the Principal Financial Officer of UTMD. Under Nasdaq Rule 5605, Mr. Richins is not considered independent until three years after his employment ended. That notwithstanding, at the Annual Stockholder Meeting in May 2018, Mr. Richins was elected to continue as an outside director. Nasdaq Rule 5605(c)(2)(B) has an exception that allows one non-independent member of the Audit Committee "if the board, under exceptional and limited circumstances, determines that membership on the committee is required by the best interests of the Company and its Shareholders." The board of directors made that determination based on Mr. Richins' deep understanding of the Company's internal control systems and financial reporting. Mr. Richins may not serve longer than two years and may not chair the Audit Committee under this exception. The remaining three members of the Audit Committee are independent and comprise a majority of the Board of Directors.

Governance and Nominating Committee

The Governance and Nominating Committee of the Board of Directors is composed of three outside directors, all of whom except one are independent as defined in Nasdaq Stock Market Rule 5605(a)(2). The exception is Paul Richins, who prior to April 2018 had been an employee member of the board of directors since 1998 and had served as the Principal Financial Officer of UTMD. Under Nasdaq Rule 5605, Mr. Richins is not considered independent until three years after his employment ended. That notwithstanding, at the Annual Stockholder Meeting in May 2018, Mr. Richins was elected to continue as an outside director. Nasdaq Rule 5605(e)(3) has an exception that allows one non-independent member of the Governance and Nominating Committee "if the board, under exceptional and limited circumstances, determines that membership on the committee is required by the best interests of the Company and its Shareholders." The board of directors made that determination based on Mr. Richins' deep understanding of the Company's internal control systems. Mr. Richins may not serve longer than two years under this exception. The remaining two members of the Governance and Nominating Committee are independent and comprise a majority of the Committee.

Compensation and Benefits Committee

The Compensation and Benefits Committee is composed of three outside directors, all of whom are independent as defined in Nasdaq Stock Market Rule 5605(a)(2).