



CODE OF ETHICS ON INTERACTIONS WITH HEALTH CARE PROFESSIONALS

PURPOSE OF THIS PROGRAM

The Compliance Program in this Code of Ethics on Interactions with Health Care Professionals enable Masimo to ethically and legally promote its products and to avoid activities that may be viewed as improper inducements to increase the purchase or use of products. All references to “Company,” “we,” “us” or “our” refer to Masimo. All references to “employees,” “you,” or “your” refer to Masimo’s officers, directors, employees, agents, representatives, consultants and distributors, as applicable.

Masimo’s Code of Ethics on Interactions with Health Care Professionals should be used by you as a daily reference tool. If you have questions about this Compliance Program, or our policies in general, do not hesitate to contact your supervisor or the Compliance Officer for clarification. We will use every reasonable effort to treat your questions confidentially.

We are committed to complying with all applicable laws (U.S. and Outside U.S.) governing the sale and marketing of, and price reporting for, our products, and to maintaining the privacy of patient health information. Failure to comply with the legal requirements referenced in this Compliance Program can subject you and/or Masimo to criminal and civil penalties, money damages and regulatory sanctions, including exclusion of Masimo from government reimbursement programs such as Medicare and Medicaid. In addition, failure to comply with this Compliance Program can subject you to disciplinary action by Masimo, which may include but is not limited to demotion or termination of your relationship with Masimo.

FUNDAMENTAL GUIDELINES

INDEPENDENT JUDGMENT OF HEALTH CARE PROFESSIONALS

Your interactions with Health Care Professionals should serve to benefit patients and to enhance the practice of medicine by providing Company-approved scientific and educational information about our products. The independent judgment of Health Care Professionals must be respected at all times. You must avoid even the appearance of interfering with any Health Care Professional’s purchasing or clinical use decisions. “Health Care Professionals” includes all individuals and entities involved in the product purchase decision, including persons licensed by state law to prescribe drugs or devices for patients, an officer, employee, agent or contractor of any such person acting in the course and scope of his employment, medical students, members of a drug formulary committee, office and hospital staff, governmental agencies and group purchasing entities.

ANTI-KICKBACK LAWS

The purpose of the “anti-kickback” and other anti-corruption laws is to prevent improper inducements to Health Care Professionals that could result in the referral of business reimbursable

under federal, state, and international health care programs. “Anti-kickback” laws generally make it illegal to offer remuneration or payment of any kind, direct or indirect, if any purpose of the remuneration or payment is to encourage, reward or otherwise influence the prescribing or purchase of any reimbursable product. Remuneration can be almost anything of value, including grants, referral fees, cash, frequent flier miles, lottery tickets, entertainment or gifts. There are a limited number of exceptions (or “safe harbors”) to the anti-kickback laws that allow us to offer certain price concessions to customers without violating the law. Please contact the Compliance Officer for a more comprehensive explanation of the “anti-kickback” laws or if you have any questions regarding their application.

ADMINISTRATION

ADMINISTRATION OF THE COMPLIANCE PROGRAM

Our Board of Directors (the “Board”) is committed to the standards contained in this Compliance Program. Our Board oversees Masimo’s implementation and administration of the Compliance Program.

Our Compliance Officer has overall responsibility for assisting Masimo in effectively implementing the Compliance Program. A Compliance Committee advises the Compliance Officer and provides assistance in the implementation of the Compliance Program. The Compliance Committee is responsible for ensuring that the Compliance Program is periodically reviewed and updated as appropriate to reflect changes in the legal and regulatory framework applicable to Masimo, the business practices within our industry as well as our own business practices, and the prevailing ethical standards of the communities in which Masimo operates. In addition to leading by example, the Chief Executive Officer and other members of senior management will lend their full support to the Compliance Officer, the Compliance Committee and the Board in implementing and enforcing the Compliance Program.

We recognize that rapid changes in business and regulatory framework constantly pose new ethical and legal considerations. No set of guidelines, therefore, should be considered the absolute last word under all circumstances. We encourage you to consult with your supervisor, the Compliance Officer or other members of the Compliance Committee or senior management if there is any doubt as to the proper course of action under this Compliance Program. We are committed to an open and constructive environment in which compliance with this Compliance Program and our best interests are paramount. A shared willingness to raise concerns in good faith is essential to such an environment. We are confident each of you shares our sense of determination in this regard.

TRAINING

Proper education of our employees and agents is critical for maintaining compliance with the laws and regulations affecting Masimo. The Compliance Officer will work to implement training programs both on adoption of this Compliance Program and on a periodic basis thereafter. Such training shall include all employees and other agents of Masimo that have direct or indirect contact with Health Care Professionals, whether or not such employees or agents are involved in sales or marketing functions. Employees with more direct involvement with sales and marketing to Health Care Professionals may receive more intensive, specialized training.

The Compliance Officer shall cause to be maintained records of training, which shall be available to management, including Human Resources, to aid in the periodic evaluation of this Compliance Program and the employees participating in the training.

REPORTING VIOLATIONS OF THE COMPLIANCE PROGRAM

It is the responsibility of each of us to maintain this Compliance Program. We are all required to assist the Compliance Officer and the Compliance Committee in ensuring adherence by everyone with this Compliance Program. Whenever you have information regarding any possible violation that has taken place, is taking place, or is anticipated to take place, you shall promptly report that information consistent with this Compliance Program. We will not tolerate any retaliation for any reason against anyone who has reported a suspected violation or concern in good faith. We will use every reasonable effort to protect the identity of those making reports to the extent possible consistent with applicable law and the need to conduct an adequate investigation.

Whenever you have information regarding any possible violation or incipient violation, you should first consider bringing such information to an immediate supervisor, Human Resources, the Compliance Officer or another member of the Compliance Committee, as appropriate. Management is responsible for maintaining a workplace environment that encourages and solicits frank and open communication regarding compliance. However, if you do not feel comfortable bringing such information to management or the Compliance Officer, or if the possible violation involves the activities of management or the Compliance Officer, you may report the information directly to a member of the Board as provided below.

Masimo encourages anyone who reports information to the Compliance Officer, management or the Board to identify themselves when making such a report in order to facilitate the investigation of the possible violations. The Compliance Officer and the Compliance Committee will use every reasonable effort to protect the confidentiality of the identities of persons reporting information to the Compliance Officer or the Board consistent with the need to perform an adequate investigation of any reported matter. However, you may also report information directly and confidentially to the Compliance Officer or Board on an anonymous basis, by:

- Submitting the information to our Compliance Officer by email at compliance@masimo.com. Persons desiring to report anonymously via e-mail who want to ensure their anonymity should (i) set up an account with a third-party provider, and (ii) inform that third-party provider that the account holder information is confidential and should not be disclosed to anyone.
- Submitting the information to the attention of the Compliance Officer, another member of the Compliance Committee, the Board or one of its members, as applicable, in writing at the following address: Masimo 40 Parker, Irvine, California 92618. To help ensure confidentiality, items addressed to the attention of a particular person will be sent unopened to that person.
- Calling Masimo's hotline number at 1-800-326-4890 Option 3.

Each employee is obligated to cooperate fully with investigations of possible violations of the Compliance Program by Masimo. Any employee who has information relevant to an investigation of possible violations of this Compliance Program must not discuss or disclose such information to any

person not authorized by the Compliance Officer or other member of the Compliance Committee, except as may be required by law or for the purpose of obtaining legal advice.

To report any issues not related to interactions with Healthcare professionals, including product quality or patient safety, follow the process in the Code of Business Conduct and Ethics.

TREATMENT OF REPORTED VIOLATIONS

All reported possible violations will be forwarded to the Compliance Officer for recordation in the log as provided below. Upon receipt of a reported possible violation, the Compliance Officer, or his delegate, will when possible, acknowledge receipt of the report to the sender, unless the reported violation has been submitted anonymously.

Possible violations of the Compliance Program will be investigated and reviewed under the Compliance Committee's direction and oversight by the Compliance Officer, or such other persons as the Compliance Committee determines to be appropriate.

Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Compliance Officer under the oversight of the Compliance Committee to ensure consistent enforcement of this Compliance Program. Such action shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Compliance Program. Except as prohibited by applicable law, appropriate corrective action may include, among other things, written notice of violations, censure, demotion or reassignment, suspension (with or without pay/benefits) and termination of the individual's employment or engagement. In determining what action is appropriate in a particular case, the Compliance Officer, under the oversight of the Compliance Committee, shall take into account all information the Compliance Officer deems in his discretion relevant, which may include the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question has been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

The Compliance Officer will cause to be maintained a log of all reported violations, tracking their receipt, investigation and resolution and shall cause to be prepared a periodic summary reporting thereof for the Board. Copies of reported violations and such log will be maintained in accordance with our document retention policy.

MONITORING AND PERIODIC REVIEW

The Compliance Committee shall monitor the implementation and administration of the Compliance Program. In this regard, the Compliance Committee shall review the operations of Masimo, and developments in our industry, to identify new and emerging risk factors for Masimo in its relationships with Health Care Professionals. The Compliance Officer, on behalf of the Compliance Committee, will report at least annually to the Board as to the status of the Compliance Program, including its implementation and an assessment as to its effectiveness and any areas that need improvement or any changes that can be made to improve compliance.

MASIMO
CODE OF ETHICS
ON INTERACTIONS WITH HEALTH CARE PROFESSIONALS

Adopted: June 23, 2005
Revised: July 1, 2009

Goal and Scope of Code

Masimo is committed to improving patient outcomes and reducing cost of care by taking non-invasive monitoring to new sites and applications™. As part of this mission, we are further committed to adhere to ethical and legal standards in our relationships with Health Care Professionals (as defined below). This Code of Ethics is intended to govern our interactions with those Health Care Professionals.

Note that in this Code, “Health Care Professionals” include those individuals or entities involved in the provision of health care services and/or items to patients that purchase, lease, recommend, use, arrange for the purchase or lease of, or prescribe Masimo products. All references to “Company,” “we,” “us” or “our” refer to Masimo. All references to “Employees,” “you,” or “your” refer to Masimo’s officers, directors, employees, agents, representatives, consultants and distributors.

Our interactions with Health Care Professionals cover a broad range of activities:

- *Promotional Activities.* We promote the sale and use of our products directly, and indirectly through representatives and distributors, to Health Care Professionals.
- *Training and Product Related Education.* We offer instruction, education, training, service and technical support to Health Care Professionals to ensure the safe and effective use of our products.
- *Research and Education.* We support *bona fide* medical research and continuing medical education for Health Care Professionals to increase access to new technology and enhance the delivery of safe, efficacious and cost-effective health care.
- *Advancement of Medical Technology.* We collaborate with Health Care Professionals to demonstrate the effectiveness of our products, to improve the utility and applications of our products and to create new products.

Our reputation for honesty, integrity and fair dealing with our customers, others we do business with, our Employees and the communities we serve is our most important asset. Accordingly, we require that you act in a manner consistent with both the letter and the intent of this Code and the underlying policies. While this Code addresses many of the interactions we have with Health Care Professionals, it is impossible to provide specific guidance for every situation. Matters not specifically addressed in this Code, should be addressed in light of the following principle:

Masimo insists on ethical business practices and socially responsible conduct and shall not use any unlawful inducement in order to sell, recommend, or arrange for the sale or use of its products.

Our failure to adhere to this Code could subject us to severe penalties, including disqualification of Masimo as a vendor, civil fines and injunctions, and criminal prosecution, fines and imprisonment.

Each of you is expected to become familiar with these policies and to affirm your agreement to comply with these policies by signing the Compliance Certificate that appears at the end of this Code. Any questions regarding this Code or matters not covered by this Code should be referred to your immediate supervisor, the Compliance Officer or another member of the Compliance Committee.

I. Sales, Promotional, and Other Business Meetings.

We may conduct sales, promotional, and other business meetings with Health Care Professionals to discuss, for example, product features, sales terms, or contracts. Often, these meetings occur close to the Health Care Professional's place of business. It is appropriate to pay for reasonable travel costs of attendees when necessary (e.g., for plant tours or demonstrations of non-portable equipment) and/or to provide occasional reasonable meals and refreshments in connection with such meetings. However, it is not appropriate to pay for meals, refreshments, travel, or lodging of guests of Health Care Professionals or any other person who does not have a *bona fide* professional interest in the information being shared at the meeting. See Section II for additional principles related to the provision of meals associated with Health Care Professional business interactions.

We may not provide financial support for the costs of travel, lodging, or other personal expenses of non-faculty Massachusetts Health Care Practitioners attending any Continuing Medical Education ("CME") event, third-party scientific or educational conference, or professional meetings, either directly to the individuals participating in the event or indirectly to the event's sponsor; provided, however, that payment or reimbursement for the reasonable expenses, including travel and lodging related expenses necessary for technical training of Health Care Professionals on the use of a medical device are permitted if the commitment to provide such expenses, and the amounts or categories of reasonable expenses to be paid, are described in the written agreement between the Health Care Professionals and us for the purchase of the device. Please note that this applies to Massachusetts Health Care Practitioners not only when they work in the State of Massachusetts but also while traveling to events outside the State of Massachusetts to other states or internationally. As used throughout this document, "**Massachusetts Health Care Practitioner(s)**" means a person who prescribes prescription drugs for any person and is licensed to provide health care in the commonwealth, or a partnership or corporation comprised of such persons, or an officer, employee, agent or contractor of such person acting in the course and scope of his employment, agency or contract related to or in support of the provision of health care to individuals. Hospitals are not Massachusetts Health Care Practitioners.

A. Prohibition on Entertainment and Recreation.

Our interactions with Health Care Professionals should be professional in nature and should facilitate the exchange of medical or scientific information that will benefit patient care. To ensure the appropriate focus on an educational and/or informational exchange and to avoid even the appearance of impropriety, we should not provide or pay for any entertainment or recreational event or activity for any non-employee Health Care Professional. Such activities include, for example, theater, sporting events, golf, skiing, hunting, sporting equipment, and leisure or vacation trips. Such entertainment or recreational events, activities, or items should not be provided, regardless of: (1) their value; (2) whether Masimo engages the

Health Care Professional as a speaker or consultant; or (3) whether the entertainment or recreation is secondary to an educational purpose.

B. Educational Items; Prohibition on Gifts.

We occasionally may provide items to Health Care Professionals that benefit patients or serve a genuine educational function for Health Care Professionals. Other than medical textbooks or anatomical models used for educational purposes, any such item should have a fair market value of less than \$100. We may not provide items that are capable of use by the Health Care Professional (or his or her family members, office staff or friends) for non-educational or non-patient-related purposes, for example, a DVD player or MP3 player/I-Pod. We may not give Health Care Professionals any type of non-educational branded promotional items, even if the item is of minimal value and related to the Health Care Professional's work or for the benefit of patients. Examples of non-educational branded promotional items include pens, notepads, mugs, and other items that have our company's name, logo, or the name or logo of one of its products. We also may not provide Health Care Professionals with gifts such as cookies, wine, flowers, chocolates, gift baskets, holiday gifts, gift cards, or cash or cash equivalents, nor may we provide Health Care Professionals the opportunity to win such gifts through raffles or other promotional giveaway contests.

We may not provide payments of any kind including cash or cash equivalents, equity, "in kind" or tangible items including any "complimentary" items such as pens, coffee mugs, gift cards, etc. to Massachusetts Health Care Practitioners either directly or indirectly, except as compensation for *bona fide* services.

This section is not intended to address the legitimate practice of providing products for evaluation and demonstration purposes, which is addressed below.

II. Reasonable Meals Associated with Health Care Professional Business Interactions.

Our business interactions with Health Care Professionals may involve the presentation of scientific, educational, or business information and include, but are not limited to, the different types of interactions described in Sections I and II - V of this Code of Ethics. Such exchanges may be productive and efficient when conducted in conjunction with meals. Accordingly, reasonable meals may be provided as an occasional business courtesy consistent with the limitations in this section.

Purpose. The meal should be incidental to the *bona fide* presentation of scientific, educational, or business information and provided in a manner conducive to the presentation of such information. The meal should not be part of an entertainment or recreational event.

Setting and Location. Meals should be in a setting that is conducive to *bona fide* scientific, educational, or business discussions. Meals may occur at the Health Care Professional's place of business. However, in some cases the place of business may be a patient care setting that is not available for, or conducive to, such scientific, educational, or business discussions. In other cases, it may be impractical or inappropriate to provide meals at the Health Care Professional's place of business, for example, (1) where the medical technology cannot easily be transported to the Health Care Professional's location, (2) when it is necessary to discuss confidential product development or improvement information, or (3) where a private space cannot be obtained on-site.

Participants. We may provide a meal only to Health Care Professionals who actually attend the meeting. We may not provide a meal for an entire office staff where everyone does not attend the meeting. We also may not provide a meal where its representative is not present (such as a "dine & dash")

program). We may not pay for meals for guests or spouses of Health Care Professionals or for any other person who does not have a bona fide professional interest in the information being shared at the meeting.

Other principles. Depending on the type of business interaction or meeting, additional principles may apply, as described in other sections of this Code of Ethics. Specifically:

- Section I: Sales, Promotional, and Other Business Meetings.
- Section III: Masimo-Conducted Product Training and Education.
- Section IV: Third-Party Educational Conferences.
- Section V: Consulting Arrangements with Health Care Professionals.

In addition, we may not provide or pay for meals for Massachusetts Health Care Practitioners that:

- a. are offered without an informational presentation made by a pharmaceutical or medical device marketing agent or without such an agent being present; or
- b. are offered, consumed, or provided outside of the Health Care Professional's office or a Hospital Setting.

Any meals provided must be modest and occasional in nature.

A “**Hospital Setting**” is a (a) hospital; (b) academic medical center; or (c) pharmaceutical or medical device specialized training facility, where the facility, as certified to the Department by the pharmaceutical or medical device manufacturing company, is specifically designed to approximate the conditions of a surgical suite, or the conditions of a working clinical laboratory or to provide medical training on large and/or technical medical devices, such as surgical equipment, implants, and imaging and clinical laboratory equipment.

III. Masimo-Conducted Product Training and Education

We may conduct Training and Education on our products available to Health Care Professionals. “Training” means training on the safe and effective use of our products. “Education” means communicating information directly concerning or associated with the use of our products, e.g., information about disease states and the benefits of our products to certain patient populations. We shall adhere to the following principles when conducting training and education programs concerning our products for Health Care Professionals:

- Programs and events should be conducted in settings that are conducive to the effective transmission of information. These may include clinical, educational, conference, or other settings, such as hotels or other commercially available meeting facilities. In some cases, it may be appropriate for a Masimo representative to provide training and education at the Health Care Professional's location.
- Programs providing “hands on” training on our products should be held at training facilities, medical institutions, laboratories, or other appropriate facilities. The training staff that we use should have the proper qualifications and expertise to conduct such training. Training staff may include qualified field sales employees who have the technical expertise necessary to perform the training.

- We may provide Health Care Professional attendees with reasonable meals and refreshments in connection with these programs. Any such meals and refreshments should be reasonable in value and subordinate in time and focus to the training and/or educational purpose of the meeting.

Such meals must not be offered, consumed, or provided to a Massachusetts Health Care Practitioner outside of the Massachusetts Health Care Practitioner's office or a hospital setting.

- Where there are objective reasons to support the need for out-of-town travel to efficiently deliver Training and Education on our products, we may pay for reasonable travel and reasonable lodging costs of the attending Health Care Professionals. It is not appropriate for us to pay for the meals, refreshments, travel, or other expenses for guests or spouses of Health Care Professionals or for any other person who does not have a *bona fide* professional interest in the information being shared at the meeting.

We may not provide financial support for the costs of travel, lodging, or other personal expenses of non-faculty Massachusetts Health Care Practitioners attending any CME event, third-party scientific or educational conference, or professional meetings, either directly to the individuals participating in the event or indirectly to the event's sponsor; provided, however, that payment or reimbursement for the reasonable expenses, including travel and lodging related expenses necessary for technical training of Massachusetts Health Care Practitioners on the use of a medical device are permitted if the commitment to provide such expenses, and the amounts or categories of reasonable expenses to be paid, are described in the written agreement between the Massachusetts Health Care Practitioners and us for the purchase of the device.

IV. Third-Party Educational Conferences

Bona fide independent, educational, scientific, and policymaking conferences promote scientific knowledge, medical advancement and the delivery of effective health care. These typically include conferences sponsored by national, regional, or specialty medical associations and conferences sponsored by accredited continuing medical education providers. We may support these conferences in various ways:

- *Conference Grants.* We may provide a grant to the conference sponsor to reduce conference costs. They may also provide grants to a training institution or the conference sponsor to allow attendance by medical students, residents, fellows, and others who are Health Care Professionals in training. We may provide grants when: (1) the gathering is primarily dedicated to promoting objective scientific and educational activities and discourse; and (2) the training institution or the conference sponsor selects the attending Health Care Professionals who are in training. Such grants should be paid only to organizations with a genuine educational function and may be used to reimburse only the legitimate expenses for bona fide educational activities. Such grants also should be consistent with applicable standards established by the conference sponsor and any body accrediting the educational activity. The conference sponsor should independently control and be responsible for the selection of program content, faculty, educational methods, and materials.
- *Conference Meals and Refreshments.* We may provide funding to the conference sponsor to support the provision of meals and refreshments to conference attendees. Also, we may

directly provide meals and refreshments for Health Care Professional attendees if such meals and refreshments are provided: (1) to all Health Care Professional attendees (with the limited exception noted below), and (2) in a manner that is consistent with applicable standards established by the conference sponsor and the body accrediting the educational activity. Meals and refreshments may be provided to fewer than all Health Care Professional attendees if Masimo providing such meals and refreshments satisfies all other principles related to meals set forth in Section II. Any meals and refreshments should be reasonable in value, subordinate in time and focus to the purpose of the conference, and clearly separate from the continuing medical education portion of the conference.

We may not provide:

funding to compensate for the time spent by Massachusetts Health Care Practitioners participating in any CME event, third-party scientific or educational conferences, or professional meetings;

payment for meals directly to a Massachusetts Health Care Practitioner at any CME event, third-party scientific or educational conferences, or professional meetings, although a CME provider or conference or meeting organizer may, at its own discretion, apply any financial support provided by a pharmaceutical or medical device manufacturing company for the event to provide meals for all participants; or

sponsorship or payment for CME, also known as independent medical education, that does not meet the Standards For Commercial Support as established by the Accreditation Council for Continuing Medical Education (“ACCME”) or equivalent commercial support standards of the relevant continuing education accrediting body, or that provides payment directly to a Massachusetts Health Care Practitioner.

- *Faculty Expenses.* We may make grants to conference sponsors for reasonable honoraria, travel, lodging, and reasonable meals for Health Care Professionals who are *bona fide* conference faculty members. We may not provide financial support for the costs of travel, lodging, or other personal expenses of non-faculty Health Care Professionals, either directly to the individuals participating in the event or indirectly to the event’s sponsor.
- *Advertisements and Demonstration.* We may purchase advertisements and lease booth space for Masimo displays at conferences.

V. Consulting Arrangements with Health Care Professionals

We engage Health Care Professionals to provide a wide-range of valuable, *bona fide* consulting services through various types of arrangements, such as contracts for clinical research, product development, development and/or transfer of intellectual property, marketing, participation on advisory boards, presentations at Masimo-sponsored training and other services. We may pay consultants fair market value compensation for performing these types of services, provided that they are intended to fulfill a legitimate business need and do not constitute an unlawful inducement. We should comply with the following standards in connection with consulting arrangements with Health Care Professionals:

- Consulting agreements should be written and describe all services to be provided. When we contract with a consultant to conduct clinical research services, there should also be a written research protocol.
- Consulting arrangements should be entered into only where a legitimate need for the services is identified in advance and documented.
- Selection of a consultant should be made on the basis of the consultant's qualifications and expertise to meet the defined need.
- Compensation paid to a consultant should be consistent with fair market value in an arm's length transaction for the services provided and should not be based on the volume or value of the consultant's past, present or anticipated business.
- We may pay for documented, reasonable and actual expenses incurred by a consultant that are necessary to carry out the consulting arrangement, such as costs for travel, reasonable meals, and lodging.
- The venue and circumstances for Masimo meetings with consultants should be appropriate to the subject matter of the consultation. These meetings should be conducted in clinical, educational, conference, or other settings, including hotel or other commercially available meeting facilities, conducive to the effective exchange of information.
- Masimo-sponsored meals and refreshments provided in conjunction with a consultant meeting should be reasonable in value and should be subordinate in time and focus to the primary purpose of the meeting. We should not provide recreation or entertainment in conjunction with these meetings.
- Our sales personnel may provide input about the suitability of a proposed consultant, but sales personnel should not control or unduly influence the decision to engage a particular Health Care Professional as a consultant. We should consider implementing appropriate procedures to monitor compliance with this section.

Provisions on Payment of Royalties. Arrangements involving the payment of royalties to a Health Care Professional should meet the contractual standards set forth above. Health Care Professionals, acting individually or as part of a group in which they are an active participant, often make valuable contributions that improve products or medical technologies. They may develop intellectual property, for example, patents, trade secrets, or know-how, under a product or technology development or intellectual property licensing agreement. We should enter into a royalty arrangement with a Health Care Professional only where the Health Care Professional is expected to make or has made a novel, significant, or innovative contribution to, for example, the development of a product, technology, process, or method. A significant contribution by an individual or group, if it is the basis for compensation, should be appropriately documented.

The calculation of royalties payable to a Health Care Professional in exchange for Intellectual Property should be based on factors that preserve the objectivity of medical decision-making and avoid the potential for improper influence. For example, royalties paid in exchange for Intellectual Property should not be conditioned on: (1) a requirement that the Health Care Professional purchase, order or recommend any Masimo product or medical technology or any product or technology produced as a result of the development project; or (2) a requirement to market the product or medical technology upon commercialization. (We may, however, elect to enter into separate consulting agreements with Health Care Professionals for marketing services if such services meet the requirements set forth in this Section.) We shall consider whether it is appropriate and practicable to exclude from the calculation of royalties the

number of units purchased, used, or ordered by the Health Care Professional and/or members of the Health Care Professional's practice.

VI. Provision of Coverage, Reimbursement and Other Economic Information

As medical technologies have become increasingly complex, so have payor coverage and reimbursement policies. Patient access to necessary medical technology may be dependent on Health Care Professionals and/or patients having timely and complete coverage, reimbursement, and health economic information. Consequently, we may provide such information regarding its medical technologies if it is accurate and objective. We also may collaborate with Health Care Professionals, patients and organizations representing their interests, to achieve government and commercial payor coverage decisions, guidelines, policies, and adequate reimbursement levels that allow patients to access its medical technologies. Permissible activities involving the provision of coverage, reimbursement and health economic information may include, but are not limited to:

- Identifying the clinical value of our medical technologies and the services and procedures in which they are used when providing coverage, reimbursement and health economics information and materials to Health Care Professionals, professional organizations, patient organizations, and payors.
- Collaborating with Health Care Professionals, their professional organizations, and patient groups to conduct joint advocacy on coverage, reimbursement and health economics issues; supporting Health Care Professionals and their professional organizations in developing materials and otherwise providing direct or indirect input into payor coverage and reimbursement policies.
- Promoting accurate Medicare and other payor claims by providing accurate and objective information and materials to Health Care Professionals regarding our medical technologies, including identifying coverage, codes and billing options that may apply to those medical technologies or the services and procedures in which they are used.
- Providing accurate and objective information about the economically efficient use of our medical technologies, including where and how they can be used within the continuum of care.
- Providing information related to our medical technologies regarding available reimbursement revenues and associated costs.
- Providing information relating to changes in coverage or reimbursement amounts, methodologies and policies and the effects of such changes in order to facilitate a Health Care Professional's decision to buy or use our medical technologies. • Providing accurate and objective information designed to offer technical or other support intended to aid in the appropriate and efficient use or installation of our medical technologies.
- Facilitating patient access to our medical technologies by providing Health Care Professionals with assistance in obtaining patient coverage decisions from payors. This assistance may include providing information and/or training on payor policies and procedures for obtaining prior authorization, and providing sample letters and information on medical necessity and appeals of denied claims. In addition, at the request of a Health Care Professional to facilitate patient access to our medical technology, and subject to appropriate privacy safeguards, we may assist the patient by facilitating the preparation and submission of requests for coverage determinations, prior authorizations, pre-certifications and appeals of denied claims, relating to our own medical technology; however such assistance should not be provided as an unlawful inducement.

We may not interfere with a Health Care Professional's independent clinical decision-making or provide coverage, reimbursement and health economics support as an unlawful inducement. For example, we should not provide free services that eliminate an overhead or other expense that a Health Care Professional would otherwise of business prudence or necessity have incurred as part of its business operations if doing so would amount to an unlawful inducement. Further, we should not suggest mechanisms for billing for services that are not medically necessary, or for engaging in fraudulent practices to achieve inappropriate payment.

VII. Grants and Other Charitable Donations

We may provide research and educational grants and charitable donations. However, we may not provide such grants or donations as an unlawful inducement. Therefore, we should: (a) adopt objective criteria for providing such grants and donations that do not take into account the volume or value of purchases made by, or anticipated from, the recipient; (b) implement appropriate procedures to ensure that such grants and donations are not used as an unlawful inducement; and (c) ensure that all such grants and donations are appropriately documented. Our sales personnel may provide input about the suitability of a proposed grant or charitable donation recipient or program, but sales personnel should not control or unduly influence the decision of whether a particular Health Care Professional or institution will receive a grant or donation or the amount of such grant or donation. Companies should consider implementing procedures to monitor compliance with this section.

a. Research Grants

Research provides valuable scientific and clinical information, improves clinical care, leads to promising new treatments, promotes improved delivery of health care, and otherwise benefits patients. In furtherance of these objectives, we may provide research grants to support independent medical research with scientific merit. Such activities should have well-defined objectives and milestones and may not be linked directly or indirectly to the purchase of products.

Masimo-initiated or directed research involving our products (such as clinical study agreement) is addressed separately in Section V.

b. Educational Grants

Educational grants may be provided for legitimate purposes, including, but not limited to, the examples below. As noted in Section IV, we may make educational grants to conference sponsors or training institutions. We may not make educational grants to individual Health Care Professionals.

- *Advancement of Medical Education.* We may make grants to support the genuine medical education of medical students, residents, and fellows participating in fellowship programs that are charitable or have an academic affiliation, or other medical personnel. (For additional considerations regarding educational grants, see Section IV.)
- *Public Education.* We may make grants for the purpose of supporting education of patients or the public about important health care topics.

c. Charitable Donations

We may make monetary or product donations for charitable purposes, such as supporting indigent care, patient education, public education, or the sponsorship of events where the proceeds are intended for charitable purposes. Donations should be motivated by bona fide charitable purposes and should be made

only to a foundation or other *bona fide* charitable organizations or, in rare instances, to individuals engaged in genuine charitable activities for the support of a bona fide charitable mission. Companies should exercise diligence to ensure the bona fide nature of the charitable organization or charitable mission.

Authorization. Charitable cash contributions must be requested via a purchase order or check request. They may not be paid directly by the employee and submitted for expense reimbursement. The request for the charitable cash contributions or equipment donations must be supported by a letter from the entity requesting the contribution and the purpose of the contribution and confirming that the requesting party is a charitable entity. Any requests for charitable donations other than donations of Masimo equipment shall require the prior approval of the requestor's executive vice-president or president, and are subject to evaluation and approval by the Compliance Committee. Requests for donations of Masimo Equipment should be directed to Brenda Montgomery or Phil Bonwell.

VIII. Evaluation and Demonstration Products

Providing products to Health Care Professionals at no charge for evaluation or demonstration purposes can benefit patients in many ways. These benefits include improving patient care, facilitating the safe and effective use of products, improving patient awareness, and educating Health Care Professional regarding the use of products. Under certain circumstances described below, we may provide reasonable quantities of products to Health Care Professionals at no charge for evaluation and demonstration purposes.

This section is limited to providing evaluation and demonstration products only and is not intended to address any other arrangement.

Masimo products that may be provided to Health Care Professionals for evaluation include single use (e.g., consumable or disposable products) and multiple use products (sometimes referred to as "capital equipment"). These products may be provided at no charge to allow Health Care Professionals to assess the appropriate use and functionality of the product and determine whether and when to use, order, purchase, or recommend the product in the future. Masimo products provided for evaluation are typically expected to be used in patient care.

Single Use/Consumables/Disposables. The number of single use products provided at no charge should not exceed the amount reasonably necessary for the adequate evaluation of the products under the circumstances.

Multiple Use/Capital. Multiple use products provided without transfer of title for evaluation purposes should be furnished only for a period of time that is reasonable under the circumstances to allow an adequate evaluation. The terms of an evaluation of such multiple use products should be set in advance in writing, and may be extended by mutual agreement. Companies should retain title to such multiple use products during the evaluation period and should have a process in place for promptly removing such multiple use products from the Health Care Professional's location at the conclusion of the evaluation period unless the Health Care Professional purchases or leases the products.

Demonstration. Masimo demonstration products are typically unsterilized single use products or mock-ups of such products that are used for Health Care Professional and patient awareness, education, and training. For example, a Health Care Professional may use a demonstration product to show a patient the type of device that will be implanted in the patient. Demonstration products typically are not intended to be used in patient care. Demonstration products also are typically identified as not intended for patient use by use of such designations as "Sample," "Not for Human Use," or other suitable designation on the product, the product packaging, and/or documentation that accompanies the product.

We should provide Health Care Professionals with documentation and disclosure regarding the no-charge status of evaluation and demonstration products.