



MANAGEMENT

MiMedx Style



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FORWARD

This is the third printing of this booklet. It was first printed in January of 1992 for Healthdyne, my original company. It was printed the second time in December of 2003 for Matria Healthcare, which had been spun out of Healthdyne to its shareholders.

While these two previous organizations were much larger than MiMedx, these management principles and tenets still certainly apply. As a matter of fact, MiMedx should grow at a very rapid rate, and it is particularly important that a management team and associates have management guidelines during the rigors of high growth.

I would like each of you to study MANAGEMENT - MiMedx Style. Also, I would ask that you go back once every quarter and take time to review this information again. As you begin to grow and broaden your management responsibilities and those of your subordinates, you will find much more reference material in the booklet.

These principles have served other significant organizations very effectively. I view “participatory management” as the business applications of the Golden Rule. Most organizations do not function in this manner; therefore, I expect you will encounter doubts from new members of the management team and associates during the process of learning to use these principals. However, be tenacious and determined in following the principals, and you will see significant improvements in your management effectiveness, and if you are an associate, in becoming a more effective member of our organization.

I look forward to working with you to grow MiMedx into a significant participant in the orthopedics sector of healthcare.

A handwritten signature in black ink, appearing to read "Pete". The signature is stylized with a large, looped initial 'P' and a trailing flourish.

“Pete” Petit

February 2, 2010

FORWARD

I have decided to have this booklet on management principles reprinted after almost 12 years. These principles served Matria's parent, Healthdyne, and they have certainly served the other corporations that I managed over the years. Matria has now reached the point where it is time to again formalize these principles and philosophies. Therefore, we are having this booklet republished with a few minor changes.

In this publication, we have also included our Operating Principles which include the Bill of Rights and Responsibilities and the Management Tenets. These Operating Principles were developed by a group of over 50 members of our predecessor Company's management team. Many of those members are still with us today. The Operating Principles clearly delineate the "rights and responsibilities" of both management and our employees. Although these principles were developed many years ago, they are all still applicable today.

As I stated in 1992, I want each member of our management team to read this booklet and become very familiar with the philosophies and principles. Please refer to the booklet from time-to-time to renew your knowledge and commitment to these philosophies and principles. Also, as I previously said, I would like you to let me know of your successes and failures using these techniques. As always, I would appreciate having your suggestions for better ways to "Manage-Matria Style."



"Pete" Petit

December 1, 2003

INTRODUCTION

Over the years, I have developed my personal management philosophies. Through my experience gained at Healthdyne and my other business ventures, I have come to certain conclusions about the way organizations are most effectively managed. In many cases, these philosophies have developed as the result of trial and error. In some cases, this was a result of my error that caused someone else's trial! Either way, I think these principles have served Healthdyne effectively in the past and will serve us more effectively in the future if we begin to discuss, challenge, modify and use what should become our philosophies.

It is my goal to disseminate our management philosophies to all management and supervisory associates at Healthdyne. The development of these philosophies within our management culture will be an ongoing process. I plan to spend much more time in face-to-face discussions with our management s on these philosophies and the issues that develop from their use. Therefore, as a first step, we plan to publish this information, and then follow up with all members of the management team to continue to develop "MANAGEMENT—*Healthdyne Style*". Also, this material will become part of our "General Management" training program.

In the following sections, we will discuss the components of management and management tasks. This will provide a basis for a discussion of our philosophy of "participative management".

Please study this material along with our "Operating Principles" manual because of the interrelationships between the texts. Come back and review this material every few months. Finally, write and let me know of your successes and failures with our philosophies and your suggestions for better ways to "Manage—*Healthdyne Style*".



"Pete" Petit

January 10, 1992

COMPONENTS OF MANAGEMENT

It is my personal belief that MANAGEMENT has two major components. These are the “leadership component” and the “administrative component”. You will find in many discussions that leadership and management are treated as separate functions. I believe strongly that the leadership function is an integral component of effective management. I do not believe you can manage effectively without leading. So, I believe it is best that we take a fresh approach and agree that management at MiMedx will include both the leadership function and the administrative function.

If we view management as a set of activities that includes the leadership and administrative components, then it is much easier to deal with the numerous issues related to the development of quality management. If one is able to understand how both the leadership and the administrative functions affect management, then the overall management task is more easily understood and learned.

The leadership component of management generally deals with subjects such as inspiring and motivating subordinates, developing creativity, setting examples, and producing a “vision” or long term strategy for the organization. In many cases, leadership is involved with the “why” an organization must accomplish certain tasks, goals, and objectives and “why” it is in the employees’ best interests to align themselves with these efforts. When leadership is effective, everyone knows and understands where they are going, and they are enthusiastic about participating. Also, good leadership will challenge and produce beneficial “change” in an organization.

The administrative component of management is generally concerned with the delegation and completion of tasks, projects, and goals with the giving of the proper levels of authority for subordinates to accomplish their delegated responsibilities. The administrative component generally deals with the “what”, the “who”, the “where”, the “when”, and the “how” issues related to a management task. Effective administrators “control” and solve problems, and in so doing, they create and maintain “order” within an organization.

If we break management up into these two subcomponents, it is much easier to picture the successes and failures of different management activities. Since management must be accomplished through individuals, the ability to recognize their successes and failures and to categorize them either into leadership issues or administrative issues is very helpful. Also, since an effective and growing organization must balance “change” and “order”, it is imperative that we all understand the personality traits that cause these counteracting forces which result from leadership and administration.

Since staffing is one of the most critical management functions, it is helpful to understand management in its leadership and administrative framework so that personality type can be blended in an organization to achieve optimal and well rounded overall management. Generally, an individual will have a propensity for either strong leadership skills or strong administrative skills. Any organizational unit needs individuals with both of these skill sets to successfully accomplish its objectives. Both of these skill sets must be available through the manager or a top subordinate of the management staff. In other words, managers can learn to complement their strengths and weaknesses with subordinate management if they understand both the leadership and administrative components of management and how they affect their organization's performance.

The excellent manager has a good balance of leadership and administrative skills. There are numerous examples in both business and government where world class managers have emerged. Generally, these individuals get singled out as leaders. However, I submit that they had to be excellent overall managers as well. If they did not also have strong administrative skills, they were wise enough to surround themselves with people who did. However, with contemporary business philosophy, it is not very "in" to single out a national "manager" as opposed to a national "leader".

As a manager at MiMedx, I hope you will be able to objectively determine your strengths and weaknesses. You currently have certain propensities for leadership and for administration. Besides taking an objective look at yourself, seek out other people's opinions. Ask your superiors and subordinates for their honest appraisal of your skills in both of these areas. From this input and self analysis, try to improve your skills where they are weak. Keep in mind that the most important aspect of this self examination process is to be able to understand your strengths and weaknesses and surround yourself with staff that will complement you. When you are able to accomplish that task, you will be on your way to building a very strong and effective organization.

MiMedx uses the "Personal Profile System" as a means for managers to better understand themselves and their subordinates as well as their colleagues and even their boss. This is a simple yet accurate test that can be given in about 15 minutes. Our Human Resources department has the software to quickly produce the completed profile. The results will include the basic behavior patterns, ways to best manage the employee, and the techniques that the employee will use to manage. MiMedx managers and supervisors should give these profiles to all their key subordinates. These profiles can be very effective in team building, counseling, training, career path planning, and the interview and promotion process. Our Human Resources department will assist any manager in administering this program. By taking advantage of this profile system, you will increase your effectiveness as a manager and that of your entire organization!

LEADERSHIP

There are certain personality traits that leaders generally exhibit. Some of these are tenacity and persistence, humility, fairness, unselfishness, honesty, courage, and the ability to communicate.

Tenacity and persistence are important because people are seldom interested in following a “short timer”. They want to follow managers who have stood the test of time or have those qualities that make them comfortable in the belief that they will do so.

Managers who exhibit humility, fairness, unselfishness, and honesty easily and quickly develop trust with their subordinates. Arrogance and unfairness beget apathy and resentment. The ability to laugh at oneself and not take oneself too seriously is also conducive to the development of trust. Trust is the cornerstone of participative management, and we will discuss that in a following section. Unselfishness dictates that leaders should always pass accolades on to their subordinates. Remember, “success comes easily when you do not care who gets credit”.

Courage is another quality that engenders respect from subordinates. If a person is absolutely not afraid to make a potentially devastating decision or to jump into battle, then that is bravery or foolishness. However, if they are afraid of the decision or of the battle, but do it anyway, then that is courage. Subordinates understand and recognize the difference, and they will respond to courageous management.

The key process for obtaining consensus and commitment from subordinates is verbal communications. It is very difficult to lead without the ability to communicate. You cannot communicate effectively without frequently being physically present with your subordinates. You can supplement your direct presence and communication through voice mail, email, written materials, and telephone, but your frequent presence is more important.

The content of your communications is very important if your leadership is to be effective. Generally, your communications should be motivational and clearly delineate the “why” message. Your subordinates must know the shared goals within your organization and “why” they are important in order for them to feel that they are a part of your team. This is very basic to the inspirational and motivational process. Always try to emphasize the positive while being frank about negative issues. If a negative message has to be delivered, then explain how the individual or organization can turn the situation around.

I also have the view that the leadership skill is very difficult to teach. However, administrative skills are much more easily learned. I have had debates with members from the academic community on this subject, but my experience has shown me that it is much easier to take individuals who have the personality traits conducive to leadership and school them in the administrative skills rather than the reverse.

ADMINISTRATION

As previously mentioned, administration generally deals with the delegation and completion of tasks, projects, and goals and the giving of the proper levels of authority for subordinates to accomplish those acts. As such, the formal organizational structure is utilized to “control” and obtain compliance.

Personality traits that good administrative abilities require include skills such as the ability to think logically, to comprehend the interrelationships of tasks, to focus on the critical issues, to organize and develop plans, and possess effective time management skills. Basic intellectual capacity is certainly a requirement, but it is not necessarily a guarantee that an individual can be an effective administrator.

People who can administer effectively have a propensity to organize their own time well. These types of personalities will generally keep daily organizers. Once individuals have learned to manage their personal time well, then administrative tasks that occur from the delegation process will be more easily accomplished.

Some very organized individuals may dedicate the majority of their time to organizing rather than accomplishing. Be certain that your subordinates’ organization activities result in actions rather than additional organizing!

One of the key skills a good administrator should master is the “follow up process” which occurs after the delegation process. Develop ways to check that assigned tasks, projects, or goals are being worked through properly and on the projected schedule. Good administrators will not accomplish the assigned tasks for their subordinates, but they will continually check by several different means to be certain that the project is moving along properly.

Good administrators have a “sense of urgency” and are always aware that time is working against them. They understand how to set priorities so there is always progress occurring on any given project. They realize how to run parallel courses so that one task is not holding up other tasks of the project. They must strike a balance between being too impetuous and being too indecisive or tentative.

COMPARING LEADERSHIP AND ADMINISTRATION

An effective way to better grasp the differences between leadership and administration is to actually compare them on a functional basis. This can be accomplished by noting the differences in the “setting of goals”, the “staffing function”, the “delegation process”, and the “results” which are obtained.

In the “setting of goals”, the administration component of management is concerned with planning and budgeting while the leadership component is concerned with the setting of direction. The planning and budgeting process can be called “tactics” as they have a short time frame. Setting the direction of an organization involves the development of “strategy”, which is of a long-term nature.

With planning and budgeting, the administrator goes through the process of developing schedules and steps for achieving the desired results with an allocation of resources to achieve the tactical goals. The tactical goals support the strategies for achieving the long term goals or vision. On the other hand, leadership is involved with the setting of direction. This is strategy, and it includes the development of the vision for future goals and the techniques for producing the changes needed to achieve that vision (See Figure 1).

Relative to the “staffing function”, there are also major differences. The administrators are concerned with the development of an organizational structure for accomplishing the tactical goals, the staffing of the structure with qualified individuals, the delegation of responsibility and authority, providing policies and procedures to guide the staff, and creating methods and systems to monitor the progress. As a contrast, the leaders align their employees by communicating the direction by words and deeds so as to influence the development of coalitions and teams that understand and accept the validity of the vision and strategy that will achieve the vision (See Figure 2).

With the “delegation process”, administrators are concerned with controlling and problem solving. They will monitor the results versus the plans, identify the deviations, and subsequently plan and organize to deal with the problems. Administrators attempt to keep “bad things” from happening. At the same time, leaders must concern themselves with motivating and inspiring their employees. In the process, they try to make “good things” happen by energizing and empowering their employees to overcome bureaucratic, political, and resource barriers to change. This is accomplished by satisfying and aligning the basic human needs of their employees (See Figure 3).

When we look at the “results” that come from the administration and leadership functions, there are also major differences. The administrative process produces “order”, and it has the potential of producing consistent results that are expected by the various stakeholders. For instance, for customers we will provide a quality service or product; for stockholders, we will provide financial results that meet their expectations. Contrasted to those results, leadership will produce “change”. These changes generally will be significant such as new services, new products, and new approaches to a changing market (See Figure 4).

SETTING GOALS

| ADMINISTRATION | LEADERSHIP |
|--|--|
| <p>Planning and Budgeting:</p> <p>This is TACTICS. Developing schedules and steps for achieving desired results with the allocation of resources to achieve the tactical goals which support the strategies for achieving the long term goals or vision.</p> | <p>Direction Setting:</p> <p>This is STRATEGY. The development of the vision for future goals, and techniques for producing the changes needed to achieve that vision.</p> |

Figure 1

STAFFING FUNCTION

| ADMINISTRATION | LEADERSHIP |
|--|--|
| <p>Staffing and Organizing:</p> <p>Establishing the structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation.</p> | <p>Aligning People:</p> <p>Communicating the direction by words and deeds to all those whose cooperation may be needed so as to influence the creation of teams and coalitions that understand the vision and strategies, and accept their validity.</p> |

Figure 2

DELEGATION

| ADMINISTRATION | LEADERSHIP |
|--|--|
| <p>Controlling and Problem Solving:</p> <p>Monitoring results vs. plan in some detail, identifying deviations, and then planning and organizing to solve these problems.</p> | <p>Motivating and Inspiring:</p> <p>Energizing people to overcome major political, bureaucratic, and resource barriers to change by satisfying very basic, but often unfulfilled, human needs.</p> |

Figure 3

RESULTS

| ADMINISTRATION | LEADERSHIP |
|---|--|
| <p>Produces a degree of predictability and order, and has the potential of consistently producing key results expected by various stakeholders (e.g., for customers, provide a quality service or product; for stockholders, meeting expectations).</p> | <p>Produces changes, often to a dramatic degree, and has the potential of producing extremely useful change (e.g., new services or new products, new approaches to a changing market).</p> |

Figure 4

Thus, we can see that there are some very different results produced by the administrative and leadership functions. However, in an efficient and successful organization, there will be a balance of these functions so that “order” is maintained while “change” takes place! Effective managers will orchestrate all transitions so that “order” is maintained while “change” takes place.

You should reflect on these differences and their importance to your organizational unit. You should subsequently reflect on your management skills and those that exist in your organization and the need to supplement those skills. Reflect on your abilities and those of your subordinates so that you can begin to make improvements that will balance the administrative and leadership components of the management in your organization.

MANAGEMENT TASKS

There are four very important tasks related to management, particularly in our type of businesses. These include staffing, development of subordinates, delegation, and planning. Since people are our most important asset, these four tasks are all related to doing the best job with the management of our most important asset...our employees and team members. These are all administrative tasks, and they relate to controlling and problem solving. The management process at MiMedx starts here; however, leadership will fine tune and finish the process.

STAFFING

Since people are our most important asset, staffing becomes an extremely important task. All managers should continually attempt to upgrade their team by promoting or bringing in better staff. There should be a continual process of singling out qualified individuals from both outside and inside the organization and convincing them to either join the MiMedx team or accept more responsibility. It should be a priority to know who the successful managers, specialists, and sales people are in your markets, areas, or regions and a priority to continually try to convince them to join your team.

Besides being the best qualified for their position, there are only two other real characteristics that must always be present with MiMedx employees. First, we must always seek ethical persons who have integrity. Second, we must always seek individuals who will accept responsibility for their actions and their position.

I wish I could give you a test to administer or specific questions to ask which would determine if individuals have these two important characteristics. I certainly cannot accomplish that task, and I do not think anyone can with any degree of certainty. So, when you offer employment to someone, you always take a chance. However, you also have to monitor the situation very carefully and quickly, and make a change if you have made a mistake.

Relative to the ethics and integrity of individuals, there is one characteristic that is certainly a key indicator...it is their inclination to lie for their own self betterment. There is a line where embellishment becomes a lie. Be careful in checking statements they have made on their employment applications or résumés. You must always find ways to deal with the question of whether a person will do what is right in all situations. Will they put the organization's interests ahead of their own and tell the truth regardless of the circumstances?

Regardless of the position, you should always seek individuals who will act in a responsible manner. It does not matter whether they will have supervisory or management responsibilities, because we certainly want them to take the initiative and take responsibility for their own actions. You must learn to ask questions that will give you some indication of their degree of responsibility. Look for indications

that an individual is a “giver” rather than a “grabber”. In other words, they will put the team’s interests ahead of their own.

When you are hiring or promoting individuals to supervisory or management positions, their ability to accept responsibility is extremely important. I find that many individuals want “the titles” and “the authority” that go with supervisory and management positions. However, while they will accept responsibility easily for successes as a result of their position, few want to accept credit for “failures”. Many individuals do not have the self confidence to accept failures. Try to find people that will accept total responsibility for the good, the bad, and the ugly!

Now, what about the situation where you have made a mistake with your new hire or the promotion of an individual? What are the acceptable ways to make this type of management change? I suggest that you make your assessment of their effectiveness very quickly. Generally speaking, you should know within the first 90 days whether an individual will be effective in a particular position. While there may be some extenuating circumstances, you will see the signs of failure within that 90 day period. Also, you will always suffer from the optimism employed with a new hire. You would not have hired the person if you had not felt very optimistic about the qualities they possess and the successes they will achieve in the position. However, try to examine things without the rose colored glasses. In other words, be objective!

During this 90 day period, you must counsel, counsel, and counsel again. Do not bring anyone into a position without taking the time to train and give significant input during these first 90 days. This is a very crucial period, and the foundation for success or failure is built here.

If you realize that you have made a mistake, what are your alternatives? First, if this is a good employee who has ethics and integrity and will accept responsibility, then try to restructure the position. Modify the duties if necessary. If that is not productive, then explore moving that employee to a different position. If this is accomplished, you must be very honest and frank with the employee in terms of the reasons for the change. However, be careful with this approach. Changing someone’s position in a company can sometimes be extremely devastating to the individual. During this process, you must continually emphasize the strengths and weaknesses that the individual possesses. I would encourage you to “go that extra mile” with any individual who has the basic MiMedx traits and shows a willingness to be flexible. If those conditions are not present, then you have to encourage the employee to seek employment where the individual’s specific skills can be better utilized. When that final meeting takes place, the issues should not be a “surprise” to the individual! If that occurs, then the counseling was not adequate.

Remember one very important thing...you must be decisive! It is only fair to your subordinate, to you, and to other MiMedx employees that your decisions be made in a rapid, orderly, and proper fashion.

One important measurement of an organization's effectiveness that relates to staffing is "turnover". When individuals regularly leave our organization for other opportunities on their own volition, then I generally assume that we have a problem with the management of that unit. I will keep probing until I can determine the issues. You should do the same!

Let me discuss another major issue in the staffing process: whether or not to promote from within. My experience has shown me that when an organization is growing at over 25 percent per year, it is generally impossible to have total compliance with a promotion from within policy. In slow growth corporations, that is a policy that can be followed. However, in a rapid growth environment, it is impossible for the organization to satisfy all its management needs without going outside.

I have seen management problems occur at Matria and Healthdyne because we promoted from within when we should have hired from the outside. While this practice seems to be very fair to existing team members and management, it can actually cause a multitude of problems and result in being unfair to everyone. When internal candidates who are not fully qualified are given additional management responsibilities, it is not only unfair to the individual, it also causes a general organizational malaise. Managers and subordinates lose confidence, become frustrated, and poor performance and financial results occur. If this happens too often within the organization, then a serious organizational malaise will result. It is best that our team realizes that we will always promote from within when it is possible. However, everyone needs to understand that we must periodically go outside the company to bring in additional expertise and experience. When employees see good examples of how this process is managed, then there are very few complaints that develop from these actions. Also, remember to evaluate and judge internal candidates as critically as you would evaluate external candidates. Make as objective a decision as possible without showing favoritism or a bias to either type of candidate.

It is not easy to accomplish the staffing tasks; we will all make some of our worst mistakes here. I have personally made a couple of hiring mistakes that have cost Matria and Healthdyne very dearly. So, be tolerant of your hiring mistakes and those of your subordinates, but correct them quickly.

DEVELOPMENT OF SUBORDINATES

Good managers will be continually coaching, training, and educating their subordinates. If managers are unable to develop qualified subordinates, then their promotion to a more responsible position will be hindered. The quickest way to receive more management responsibilities at MiMedx is to rapidly develop your subordinates.

The development of subordinates is a major balancing act. You must continue to balance the delegation process and the learning process. You must delegate to your subordinates and allow them sufficient flexibility to accomplish their tasks without mistakes taking place where major costs or damage occurs. It will take skill and experience on your part to properly balance this process. Also, there will be costs and expenses employed with the subordinate's learning processes. I like to call these our "tuition expenses" for the management training process.

One of our basic management philosophies is that it is all right to make a mistake at MiMedx . It is up to you to see that the mistakes being made by your subordinates occur in this learning environment and that the "tuition expenses" which result are being offset by the development of the subordinates. The two extremes of this balancing act, namely "micro management" and "delegation without follow up or abdication", will both cause problems so you must seek and find the technique that is correct for each individual subordinate.

This follow up process is not to be misconstrued as a micro management process. You have to leave your subordinates enough freedom to develop and show their management capabilities. You must give the authority to your subordinates and allow them to exercise their management skills and judgment; otherwise, they will not develop. There is certainly a balance in allowing a few mistakes from which they may learn. However, you cannot allow those small mistakes to develop into disasters. As we have often stated, the corporate expenses that occur as a result of mistakes should be viewed as "tuition costs" for our management school!

I realize that it is very difficult to balance this process between allowing subordinates the room to develop and protecting your organization and MiMedx from the costs employed with mistakes. Remember, we are all going through a "learning process", and we want to reap the benefits resulting from our mistakes as well.

I am certain you are aware that your subordinates will tend to form behavior patterns similar to yours. Therefore, as managers, you must be extremely careful about the examples you set. Never expect your subordinates to do things that you are unwilling to do. Continually set examples of how you are willing to accomplish tasks that are generally not relegated to your position. This demonstrates a sense of responsibility and focus on just "getting the job done". Leading by example is a must for all MiMedx managers.

Many years ago I was a flight instructor. It was always a challenge to sit calmly with my arms folded across my chest while the students placed the aircraft in dangerous situations. It was most effective to calmly talk students through the situations so that they corrected their own mistakes. As a flight instructor, you only want to reach out and place your hands on the controls just prior to a disaster while discussing the situation at the same time. Then, you immediately fold your arms again, sit calmly back and review their subsequent actions. Believe me, this takes a lot of fortitude, but I think that

is a key to effective learning and subordinate development. We have to be willing to take risks with our subordinates as they are learning, while continually monitoring their progress. Now, you should remember and I will try to remember that “this ain’t easy”!

DELEGATION

Remember, delegation is one of the primary administrative components of management. One of the major myths of management is that delegation is a simple process. How many times have you had one of your subordinates say, “Well, I gave John the assignment”, but the task was not accomplished. In this case, the delegation process did not take place. What took place was an excellent example of the “abdication process”. In other words, abdication is delegation without the follow up process!

Any time delegation is accomplished, from the simplest to the most complex task, a follow up process must be initiated. The manager that delegates must have a casual and a formal means of following up to see that the delegated tasks are being carried out properly. If the follow up process is not present, then Murphy’s Law will prevail, and the project will be fraught with problems.

Since the delegation process must include a casual and formal means for the follow up process to take place, every manager is continually attempting to beat Murphy’s Law. We must be proactive and think of ways that the project or task can be mismanaged. Insight into these issues will not always be developed at the initiation of the project. Some of these insights only come after the project is under way. In either case, beating Murphy’s Law must be a continual process of checking and monitoring. Of course, this process is much easier if the project or task has had formal goals and checkpoints delineated before it begins.

Any project should have formal periodic reviews to check the intermediate goals. However, most projects and tasks develop problems between these formally scheduled goal reviews. A manager must also find casual ways to be certain that tasks and schedules are unfolding in a proper fashion. One excellent way is by being physically present in the process. In other words, “management by walking around”. Great insights are gained by the practice of being “where the action is” and being able to ask questions. You must be able to find mistakes or pending mistakes, but not always stop the process to correct the minor deficiencies. These mistakes provide you with a report card on your managers, their skills, and where they are in the learning process. You have to let some mistakes play out to see whether the manager has seen the same problem and made a correction by the time the intermediate review takes place. However, you have to be certain that major or debilitating mistakes are not occurring. If they are, then they need to be corrected immediately.

PLANNING

Without planning, the management process becomes chaotic. Therefore, planning needs to be done on a daily, weekly, monthly, annual, and long term basis. Even long term planning is a dynamic process, and it cannot be accomplished once a year and then put away or left on the shelf.

Effective managers will start the planning process with themselves. They learn how to plan their daily, weekly, monthly, quarterly, and annual activities. They set goals for themselves within each of these time periods. In most cases, these tasks and goals will be written down so that they can be referred to constantly in order to monitor progress.

After managers have plans documented, they must immediately begin the process to assure that each of their subordinates has a similar and consistent plan. All subordinates must develop plans that integrate and complement their manager's plans and the organization's plans.

Once managers have tied their organization together on this basis, then good managers will continually monitor these plans in order to reset priorities. Managers certainly have the prerogative to re-adjust priorities of their subordinates, even though continually changing plans should be avoided. Most people do not cope well when their plans are changed rather frequently. However, the managers must maintain the prerogative to be able to shift priorities because of the dynamic environment in which we operate. In fact, in our fast paced environment, priorities should change to take advantage of our numerous opportunities.

One word of caution regarding the planning process...some organizations become so embroiled in the planning process that they do not leave sufficient time to execute. Also, they can become so inflexible once plans are completed that other opportunities pass because they were not in the original plan! Plans should never make you so inflexible that you cannot quickly grasp new opportunities and adjust plans as necessary.

Be proactive in your planning process. Realize that Murphy's Law is always working against your effectiveness. Focus on areas where your subordinates will likely make mistakes. Periodically, check with your subordinates to be certain that those kinds of mistakes are not taking place. Think ahead on tasks and projects, and look for possible problems. Watch for subordinate managers who cannot seem to proactively deal with problems before they develop. This is a sure sign that they are incapable of full implementation of the planning and execution process.

PARTICIPATIVE MANAGEMENT

At MiMedx we are committed to our style of “participative management”. Basically, participative management is the exact opposite of the philosophy of “autocratic management”.

In an autocratic management system, communications only flow down the chain of command. In a participative management culture, communications flow up the chain of command as freely as they flow down. All systems and attitudes are geared to facilitating the process of involving all employees in the management process. All employees believe they are valuable contributors, and their ideas are welcomed.

In our participative management system, all individuals are respected and treated as the company’s most valuable assets. The management structure, policies, and procedures allow subordinates to be heard and actions to quickly result from their input.

Of course, our participative management takes up very valuable management time. It is time consuming to involve subordinates in the management process. However, this process pays very big rewards. Obtaining your subordinates’ input and suggestions ultimately helps them to buy into the task. This up front buy-off helps create quicker and more preferred results in the long run because a consensus is developed. Without a consensus, it is much more difficult to exert leadership and align your subordinates behind the task.

Very simply, our participative management embodies living and working with the Golden Rule. Remember: “Do unto others as you would have them do unto you”. Becoming managers at MiMedx does not mean that individuals receive a license to be served by their subordinates. In fact, the exact opposite is true. Managers have the opportunity and basic requirement to serve their subordinates!

Now, we must not confuse the principles of participative management with the principles of democracy. In a democracy, all the participants have one equal vote. That is not the case in an organization where our type of participative management is effectively utilized. Within each management unit, one person has the responsibility for results and the authority to develop plans and programs to achieve those results. That person should ask for and receive input from subordinates, develop a consensus, and then accept responsibility for decisions. The subordinates should know their input was considered in the decision. This does not mean, however, that every decision goes to a committee meeting, nor does it mean that every person has an equal vote. A good participative manager keeps a balance and knows when to obtain full subordinate input, partial subordinate input, and no subordinate input.

Another major difference between the participative and autocratic management style, particularly at MiMedx , is that it is absolutely all right to make a mistake. We are all human, and we are all involved in a dynamic and rapidly growing organization. As such, our skills are challenged, and we must all continue to develop and enhance those skills; therefore, mistakes will take place.

What we cannot afford is employees that continue to make similar mistakes after receiving quality counseling. Of course, if the same mistakes are recurring, managers must either change the duties of the subordinates, change subordinates' positions, or as a final resort, ask subordinates to find employment where their skills will be better applied.

One of the most debilitating problems an organization can face is concealed mistakes. If all employees in an organization realize that it is all right to make mistakes and learn from the mistakes, then mistakes will surface, and they can be properly managed and corrected before major damage occurs. The worst scenario develops when mistakes are hidden and not disclosed because employees are afraid of reprisals, or they are covering up for their own benefit without regard for the organization. These are the types of mistakes that generally result in major problems within an organization.

The most effective way to deal with mistakes or problems is for subordinates to discuss the mistakes or problems with their managers and ask for help. On that basis, MiMedx managers should be able to say that this is our problem and then work out solutions with their subordinates.

The worst problem happens when a person hides a mistake and is deceitful; then it generally becomes a catastrophe. On that basis, it is not a problem, but remains the individual's problem. Generally, that type of deceit is worthy of a termination. Remember, we all make "honest mistakes", but there is no such thing as an "honest cover up"!

In an organization where participative management is the culture, mistakes can be tolerated because the results of such mistakes are controlled. One should view the costs employed with these types of mistakes as strictly "tuition costs" for the learning process. However, a learning experience must be taking place in the process of correcting employee's mistakes and their subsequent counseling.

Another major difference in participative management versus autocratic management is that it is all right for a subordinate to "jump the chain of command" in certain instances in order to solve problems that have not been resolved. In an autocratic system, managers begin to believe that they are omnipotent, and they become incensed if subordinates take problems above them.

At MiMedx , our system provides a means for our employees to seek solutions to personal or company problems by going above their immediate management. The system requires that attempts first be made to resolve the issues between the subordinate and their immediate management. If problems cannot be resolved at that level, then the subordinates should take the problems above the managers after advising them that they plan to do so.

This particular approach is very beneficial to our organization. It protects against good employees or managers becoming frustrated with an inability to have personal or company problems solved. This type of frustration often leads to the employee or manager leaving our company. In many cases, our management team members are still learning their skills, or there are personality conflicts involved, or management might be misguided by acting in their own self interests. Whatever the case, it is in the best interests of MiMedx that problems be brought to higher levels so that they can be disclosed and resolved.

When this system is used, it can be very effective. However, the system must be managed so that when problems do arise, managers that have been “jumped” are confident that their particular interests and personal management development will be considered when their superiors begin to resolve the issues. If handled properly, this system can be a learning experience for both the managers and subordinates. However, if mismanaged, it can be very counterproductive.

An example of mismanagement occurs when senior managers react improperly to situations. Examples of this include a lack of interest in the problems, not reacting to the problems in a timely fashion, not counseling with the subordinate managers and their subordinates on the issues, or taking a punishment approach with them. When these conflicts arise, an opportunity develops to prove to both the managers and their subordinates that you have an interest in helping them resolve the problem so that both of them mature as individuals or managers at MiMedx . A pattern and solution can be set for future resolution of similar type problems so that they do not escalate to the point where they have to be brought to upper management and can be resolved at the lower management levels. Everyone benefits from such a process.

If those employees with problems have been given proper and timely counseling by their managers, then the managers should feel comfortable in letting the next level in the management chain review the problem. Certainly there is risk in this process, but, if the upper level managers possess the right skills, it is an opportunity to improve communication and understanding throughout their organization.

This system is an “organizational safety valve”. On numerous occasions, it has turned up problems that are occurring with people and systems within the company. This system is a very healthy process if used properly; however, like every other issue, it must be managed properly.

Our “Dear Pete Letters” are an example of the final system for being able to “jump the chain of command” at MiMedx . However, there are clear guidelines in our employee new hire packets, our policy manuals, and posted in our operations as to how these letters are to be utilized. These particular letters provide employees a final “safety valve” for being certain that they are being heard on personal or company problems. It also provides a method of “venting” which is often necessary when high frustrations develop. Further, it is a management tool that allows me to “feel the heartbeat” of the corporation, and as such, ascertain how we are doing in our growth and maturation process.

Now, there will be some who try to manipulate this system for their own benefit. Generally, they will have a vindictive motive. It becomes quite evident when this is the case, and I will deal with those situations appropriately.

One of the worst management offenses at MiMedx is for managers to tell subordinates that they are to never go above them to resolve problems. Unfortunately, this can happen occasionally in spite of everything we do to prevent such an occurrence. When these situations occur, it is a sure sign that those managers have no confidence in their own management skills and judgment.

There is a major difference between participative management and autocratic management RESULTS. An organization that utilizes participative management will be much more effective than an autocratic organization. Take some risk and try it...I know you will like it!

THE CORNERSTONE OF PARTICIPATIVE MANAGEMENT

The one quality that MiMedx managers must develop with their subordinates in order to effectively function in our participative management culture is TRUST.

Trust is the bonding agent that holds any personal relationship together. It does not matter whether this relationship is in a business environment, a family environment, or other organizational environment. The development of trust involves such managerial qualities as fairness, unselfishness, honesty, integrity, empathy, and humbleness. Trust must be earned; it will not develop by trying to “buy” subordinates with rewards. You can ask new subordinates to give you the “benefit of the doubt” until you have the time to develop their trust, but then set to work to earn it!

Trust must exist at all levels of the organization in order for participative management to thrive. All managers must continually work on the development of “trust” within their own organization. Managers must find ways to re-emphasize the fact that they are trustworthy individuals in front of their subordinates. Looking for ways to be open and honest will continually reinforce the fact that you are a “trustworthy” person. When you make a mistake, look forward to exposing that situation to your subordinates in an open fashion. That openness will create a degree of trust because you are being honest and human by admitting your mistakes. Remember, no one is perfect.

Also, realize that you cannot provide leadership without the TRUST of your subordinates! You can administer or you can dictate, but you will be unable to motivate or inspire if you have lost the TRUST of your subordinates.

There is one other personal trait that is very important when dealing with people and managing MiMedx style. It is basically that no one will respond to your management unless they know that you “care”. That is why you have to be empathetic with your subordinates’ problems and concerns. Yes, it does take time, and it can be exasperating sometimes. However, it is an absolute must, and, hopefully, you are the type of personality that does not have a problem being empathetic and sensitive to others. Hopefully, you do not have to work hard at proving to people that you care because, if you do, you will probably have management and credibility problems within the ranks of your subordinates. If that is the case, your leadership skills need improvement quickly.

GENERAL MANAGEMENT

I would like to cover some issues related to “general management”. Basically, I define general management as the overall set of management activities which ultimately includes the responsibility and accountability for profit and loss with a given business unit. Within a general management position, the responsibility for some of the most complex management tasks exist. Managing any enterprise, regardless of size, where a profit must be produced is the most difficult overall management job.

The total spectrum of management skills comes into play when one must provide day to day management in order to produce specific profitability. The talents required to accomplish these tasks are many and varied. Therefore, it is imperative that we properly select the right individuals for these positions and train them to the best of our abilities.

We must also convey to all of our employees that general management is only one career path at MiMedx. Staff positions or functional management positions are all very important and rewarding positions. General management is not for everyone! Therefore, always emphasize to your subordinates the importance of our multi option career paths.

I would like to give you my thoughts on “general management”. These include some of the qualities and talents that we must require from our general managers and some of the particular behaviors that these qualities engender.

I feel that all MiMedx general managers should view themselves as “owners”. They have the ultimate responsibility and authority to manage their individual organization to achieve specific goals, objectives, and profitability. As such, general managers conduct their activities in the same way that owners of businesses function. Of course, owners will have their capital and their future well-being at risk. Hopefully, MiMedx can provide our general managers with some insulation from that risk. However, our shareholders should fully expect our general managers to act with the same qualities and commitments of an independent business owner. Because our corporation provides much of the insulation from risks through the use of our resources, systems, and other management talent, the personal risks for MiMedx general managers are reduced. I am continually trying to seek ways to allow people to have entrepreneurial opportunities with rewards commensurate with the reduced personal risk that positions at MiMedx offer.

Some of the qualities found in most owners of successful, small businesses would be that these individuals are:

- knowledgeable
- tenacious
- empathetic
- focused
- responsible
- proactive
- inspirational
- synthesizers

I would like to provide you with some thoughts about each of these qualities so that you can apply them to yourselves, your subordinates, and your future subordinates.

It goes without saying that one has to have a certain amount of KNOWLEDGE about a subject in order to be able to manage issues related to that subject. However, I have found that there is a major disparity in what many of our general managers think they need to know about their area of responsibility. It is my belief that MiMedx general managers have to be knowledgeable about their organization's technical and clinical activities, the overall industry trends, the competitors' activities, and their subordinates' day to day activities. Excellent general managers will take the time to ask subordinates for education in the technical or clinical areas over which they have responsibility. This is certainly not a sign of weakness, but it is a sign that you have interest in those activities and wish to be professionally competent when discussing them. Also, the general industry trends must be continually monitored in order to be able to modify business approaches. Equally important is specific knowledge about competition. You must know what is going on in a competitive nature in your area of responsibility in order to change tactics and strategies to meet those competitive thrusts. Those general managers who develop a broad knowledge about their areas of responsibility will not have surprises!

One very important area of KNOWLEDGE relates to a general manager's subordinates. It is imperative that the general managers have a feel for the personal attitudes and ambitions of their subordinates. While this is difficult, personal contact with subordinates will provide some feeling as to their attitudes about their current position and their aspirations for other opportunities and advancement. One of the most debilitating things that the organization can face is excessive turnover. When any element of an organization has a significant turnover rate, there are problems. Also, turnover seems to beget turnover. General managers should not be surprised when an employee leaves their organization. Generally, there are warning signs, and, if frequent personal contact is made, then issues can be highlighted and problems solved so that our employees do not leave our organization. So, stay very involved with your employees and seek out signs that indicate that an employee is a candidate to be enticed away from our team.

I think we all realize that the general management function is difficult, and one must have a certain drive and determination to succeed. Therefore, general managers must be TENACIOUS. This basically means that they are persistent and have the physical and mental stamina to cope with the difficulties of the general management process. In addition, they must have the leadership skills to keep their subordinates aligned and satisfied with their jobs.

When individuals achieve a general management position, they must begin to balance a number of varied responsibilities. As individuals progress through functional management, they generally learn to be EMPATHETIC with the needs of their subordinates. They become strong advocates for their organization and their subordinates. Once a general management position is achieved, they must begin to balance the needs of their subordinates and their organization versus the needs of their parent

organization. In general management, it is no longer possible to strictly cater to the personal needs of your subordinates and your local organization. This must be balanced with the overall organizational needs. This is critical to success in a general management role. Also, general managers must become empathetic to the needs of others within the organization. For instance, the corporate staff organizations at MiMedx are very talented individuals who seldom receive sufficient “thank you” from the line organizations. These individuals are performing services for the line organizations every single day, and it is very appropriate for our general managers to properly convey their gratitude and support for these staffs.

I continually facilitate disagreements and issues that develop between the field organization and the corporate staff of our divisions. There is something basic in our human nature that causes a sense of disrespect between a field organization and the “head shed” and the “head shed” and a field organization. This is not a MiMedx only problem; it occurs in the majority of organizations. Generally, this is caused by the fact that few of the personnel from these two diverse groups have ever spent time in the opposite organization. In other words, “they have never walked a mile in the other person’s shoes”. I have found that it is extremely helpful to place different functional groups within an organization together in meetings and other problem solving situations. As the individuals from the different groups (i.e., clinical and sales) share problems, then many barriers will fall and alignments will occur that produce better teamwork. As our employees begin to share their mutual concerns, they will appreciate the fact that they are all on the same team and should be working towards a common goal. Also, it is helpful to see that corporate personnel spend more time in the field and field personnel have an opportunity to see the hectic schedule that is kept by most corporate personnel.

General managers must have the self discipline to remain intensely FOCUSED on their goals, objectives, and tasks. They must be able to set priorities for themselves as well as their subordinates, and then have their whole team follow through on those priorities. They must remain intimately involved so that priorities are not allowed to change within their organization without their knowledge. This will require follow up, follow up, and more follow up!

General managers must be RESPONSIBLE individuals. They must have sufficient self confidence and accept responsibility for their actions and the actions of their subordinates. They will not make excuses for failures or try to deflect responsibility, but will own up to mistakes and try to correct the problem. They should be just as willing to accept responsibility for their organization’s failures as they are to accept credit for its successes.

General managers must be PROACTIVE. They must take control of their areas of responsibility and make things happen. They need to be hands on and decisive. They have to lead rather than be manipulated by their responsibilities. They must influence those “things” over which they have control and limit the damage when “things” happen that are beyond their control. This does not mean that their behavior is impetuous, because in many cases they have to be patient relative to the various situations that

affect their organization's performance. However, they absolutely cannot be unresponsive to the many variables that exist. They must be able to foresee problems and take corrective action before they become overwhelmed. They must continually challenge the way things are being accomplished and approached within their areas of responsibility. In this manner, better and more effective means of accomplishing their goals will continually develop.

General managers must be INSPIRATIONAL to their subordinates. This requires them to communicate frequently and to keep communications open. Their organization should understand their goals, objectives and mission, and the tactics and strategies that work toward achieving those objectives. Frequent personal contact is absolutely necessary to inspire your subordinates.

One final quality that is very helpful to general managers is their ability to SYNTHESIZE. In other words, they have the ability to view a number of unrelated situations, variables, or people and develop added value by assemblage of those unrelated entities. This is the way new plans, new programs, new strategies and new businesses develop.

OPERATING PRINCIPLES BY BILL TAYLOR, PRESIDENT & COO

There are several members of the MiMedx team that have worked with Pete for a dozen years or more in the various companies he has created and led. Being able to thrive in those organizations for so many years means that a person either innately shares the management philosophy and tenets in this book, or he or she very quickly embraces the concepts and uses them daily. A few years ago, one of our teams summarized many of the elements you just read about into four Core Values, and eight related daily Operating Principles. We consider these the “Cliff’s Notes” version of this Management Book.

The Core Values really represent key elements of the culture that we foster in our organization. They are:

- *Integrity*
- *Respect*
- *Innovation*
- *Teamwork*

INTEGRITY essentially has two meanings. First is the adherence to moral and ethical principles and being honest. Every action and decision we make as an organization must be made with Integrity. This is a cornerstone of our culture, and is essential to our way of being. The second meaning of Integrity is the state of being whole, complete, relative to our organization. It means don’t leave things open or undone; finish them, complete your tasks.

RESPECT is also a cornerstone of our culture – treat everyone with respect every day, all the time. This does not mean that you should avoid difficult conversations or subjects – it means treat people with respect, which includes being open and honest with them, in a tactful way. Remember – respect the individual in every one of your interactions, every day.

INNOVATION is critical in any organization that wants to grow and progress. We always need to look for ways to do things better. This does not mean to innovate with no purpose; rather it means to generate new ideas that move the Company forward. Innovation for Innovation’s sake does not have a place in a commercial business – we leave that to other institutions. Continuous improvement is critical, and you must innovate in order to continuously improve.

TEAMWORK is another key to our success – it defines how well we work together and how we can be successful in the marketplace. It is also reflective of communication up and down the management team. This core value is also very intertwined among the other 3 – It is pretty difficult to have good teamwork if you don't treat one another with respect, or one lacks Integrity.

Those four Core Values provide the umbrella under which we all work, and are the pillars that define our company culture. We have daily tenets or operating principles that support these core values. I'm sure there are more, but the eight below are some of the most common and powerful.

- *Do the right thing*
- *Say what you do, do what you say*
- *Lead by example*
- *No surprises*
- *Trust but verify*
- *Get better every day*
- *Turn complaints into actions*
- *Say what is on your mind*

These are pretty simple – but powerful if you really embrace them and use them – use them as a common language to help improve communication among our team members.

Do the right thing relates to both definitions of integrity. In all we do –we take the high ground, always. Also, we don't take the easy way out, we stay in bounds. If you feel someone is out of bounds or are concerned in any way that someone is not doing the right thing, then it is your responsibility to elevate to management as is described here in the book.

Say what you do, do what you say also relates to the second definition of integrity, the completeness or being whole. This is a very simple daily operating principle, but is amazing how many people do not fully embrace it. Those who do are the people who continue to progress up through the organization or are otherwise the most successful people in the organization.

Lead by example it is important that no matter what your role, you show leadership by setting an example for others. You cannot expect others to do something that you are unwilling or otherwise do not do, nor can you really hold anyone accountable for things you don't do yourself.

No surprises If you have a lot of surprises, then you are not managing your responsibilities well. This doesn't mean that bad things do not happen, but we must all communicate! When there is an

issue or problem and you hide it, it is your problem. However, when you raise it up, it becomes our problem!

Trust but verify This relates to the earlier discussion on Delegate, don't Abdicate. Trust people to do their jobs and create verification methods to complete a feedback loop. Without verification, it leaves things to chance and allows Murphy to come in and wreak havoc. Understand, this is NOT micromanagement, but rather an essential element of being an effective manager. If you don't create reasonable verification methods, then you will be surprised, and we all know that is not good!

Get better every day by learning from others and challenging yourself. This relates to continuous improvement and innovation. Demand this of yourself, demand it of your colleagues, demand it of the management team, demand it from everyone in the organization. If you don't, you are running in place. All that does is make you tired but you don't move forward. Mistakes are OK. They are going to happen. This organization is fast-paced and we are going to have more mistakes than a moderate or slow growth company. Admit mistakes, fix them, and then move on. Don't live with them to "save face". Don't dwell on them, don't hang your head. Just fix them and move on.

Turn complaints into actions This is critical in any organization, and more so in a high performance organization, particularly one growing as fast as we are. Complaining hurts morale, sucks energy from the organization and it is non-productive. It does not endear you to other people. Making a proposal to address or fix something, however, does endear you to people and it shows leadership and most importantly, it inserts positive energy into the organization.

Say what's on your mind Our culture relies on open communication. We do not have a hierarchical organization. We have an OPEN policy. This means that again, no surprises to management. Don't funnel information or allow it to be filtered. "I didn't want to bother you" is not acceptable. Management is paid to be bothered. We are moving too fast and we will get bogged down if we allow communication to be filtered.

Also, it's healthy to have genuine disagreements. You need to talk those out. If you disagree with your boss, it's ok to raise the issue up the management chain if you feel strongly enough. Do it the right way; don't go around your supervisor's back. Then, just remember that once the decision is made, everyone needs to get behind it, even if it was not the position you were championing. Also, remember as a member of the management team, it is your **obligation** to listen and to take input from all sources.

Finally, all of these principles have an underlying Sense of Urgency; what we have named at MiMedx, the “Speed of Pete! SOP!” Remember though that the Speed of Pete means Fast, but under control. Going extremely fast but with recklessness is NOT the “Speed of Pete”. Maintaining order and reasonable control is essential, but don’t WAIT! In our organization, WAIT is a 4-letter word! We let our competitors WAIT!

I hope this “Cliff’s Notes” version is helpful to you and your team. These Core Values and Operating Principles are not unique, but in this organization they are very real, and are central to our repeated success year over year. If you embrace them and exemplify them day in and day out, you will make a huge difference!

Thank you for all you do!

A handwritten signature in black ink, appearing to read "Bill Taylor". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Bill Taylor
President & Chief Operating Officer – MiMedx
Former CEO & President of Facet Technologies, a Matria Company

BILL OF RIGHTS AND RESPONSIBILITIES

In this section, we are presenting a Bill of Rights and Responsibilities for our employees and management. We consider these truths to be the foundation for the management of our most important asset, our employees.

You are to use these as guidelines for your behavior and as a means for judging the behavior of your peers and superiors. Do not hesitate to point out to your fellow employees or your management any issues that arise where you feel these truths are not being followed. You should certainly feel free to give this type of constructive criticism down as well as up your chain of command.

It is the belief of MiMedx that our EMPLOYEES are assured the following inalienable RIGHTS:

- *to be informed of their job responsibilities and expectations, including a clear explanation of their authority and accountability;*
- *to receive a job and Company orientation and ongoing training relative to their responsibilities and the Company's philosophy and goals;*
- *to receive performance evaluations at regular intervals with the ability to respond;*
- *to make mistakes, be counseled regarding their mistakes, and learn from those mistakes without retribution as long as their performance improves;*
- *to have opportunities for advancement based on their performance and ability, including the right to accept or refuse any offered position, without retribution;*
- *to receive compensation and rewards based on their experience, ability, performance, and market conditions;*
- *to the availability and the use of an organized system of communication that reaches the Chairman and CEO when necessary and offers a mechanism for both criticism and suggestions;*
- *to have a safe and clean work environment; and*
- *to be treated with respect and dignity by the Company, management, and their fellow employees.*

It is the belief of MiMedx that our EMPLOYEES must assume the following inalienable RESPONSIBILITIES:

- *to understand, appreciate, and strive to achieve MiMedx 's goals and objectives by continually ensuring customer satisfaction and reinforcing these goals and objectives with other employees;*
- *to recognize our people as our most important asset and to constantly strive for personal and professional development; to maintain a healthy physical and mental condition; to maintain high ethical and moral standards;*
- *to treat others the way they would like to be treated by being responsive, empathic, and courteous to customers and fellow employees;*
- *to quickly share mistakes and problems with management so they can be resolved without causing MiMedx or themselves further complications;*
- *to constantly work to improve communications by being informed on the Company's "Communication Policy" and accepting personal responsibility for disclosing individual and corporate problems through the system;*
- *to improve the work environment with suggestions and team work by being cooperative, maintaining a positive attitude, taking the initiative, and making recommendations for improvement;*
- *to appropriately utilize MiMedx 's assets and resources while minimizing waste;*
- *to perform within the guidelines of the Company policies and procedures; and*
- *to accept the moral and legal obligations for the confidentiality of MiMedx's proprietary information.*

It is the belief of MiMedx that our MANAGERS are assured the following inalienable RIGHTS:

- *to manage their subordinates by taking appropriate actions through performance appraisals, acknowledgment, praise, instruction, direction, counsel and disciplinary measures;*
- *to be informed of their job responsibilities and expectations, including a clear understanding of their authority and accountability; to take risks based upon their best judgment, make decisions and have the opportunity to correct and learn from their mistakes so as to achieve the Company' goals and objectives;*
- *to take prudent risks within their management authority because risk is required if MiMedx is to pursue rewarding business opportunities;*
- *to be provided with the appropriate resources, work environment, and authority required for the successful completion of their responsibilities and the Company's mission;*
- *to receive compensation and rewards as recognition commensurate with their experience, responsibility, accountability, ability, market conditions, and performance of their management job function responsibilities;*
- *to have opportunity for career growth within the organization through assignments and promotional advancements based on job performance, ability, and job openings; and*
- *to be treated with respect and dignity by the Company, management, and their fellow employees.*

It is the belief of MiMedx that our MANAGERS must assume the following inalienable RESPONSIBILITIES:

- *to treat all employees with respect and dignity and provide them with a communications system that encourages open, timely, and informative dialogue;*
- *to treat each customer with respect and dignity and engender an attitude with subordinates that acquiring and retaining our customers is their most important responsibility;*
- *to exemplify participative management principles by drawing all subordinates into the decision making process by requesting and respecting their views; to counsel subordinates when they make mistakes in such a way they realize that they are allowed to learn from their mistakes without fear of reprisal;*
- *to meet regularly with all subordinates individually or in groups;*
- *to support employee development through the provision of resources and provide employees with opportunities for personal and professional growth;*
- *to provide employees with impartial, empathic and exemplary leadership and objective and ongoing performance appraisals;*
- *to assure the Company a fair and honest profit by managing the development of high quality, innovative and cost effective products and services;*
- *to ensure that all employees are aware of and adhere to the rights of our patients;*
- *to include the customer in the review of the quality of the Company's products and services;*
- *to support the decisions, efforts, and policies of the Company;*
- *to attract, develop, and retain individuals able to represent the Company's standards of excellence and integrity;*
- *to maintain their own management and professional growth; and*
- *to inspire and engender enthusiasm within all subordinates.*

MANAGEMENT TENETS

In this section, we have included a simplified statement of our “Management Tenets”. These are very simple guidelines that can be used on a daily basis to maintain good interpersonal relations and teamwork within your department and division. You should personally work diligently toward implementing these guidelines, and you should certainly encourage your fellow employees to do the same.

We would like to see our “Management Tenets” framed and placed in a prominent position within all of our operations. If there is not one at your operation, contact our corporate Human Resources department.



MANAGEMENT TENETS

The Six Most Important Words:

“I ADMIT I MADE A MISTAKE.”

The Five Most Important Words:

“YOU DID A GOOD JOB.”

The Four Most Important Words:

“WHAT IS YOUR OPINION?”

The Three Most Important Words:

“IF YOU PLEASE.”

The Two Most Important Words:

“THANK YOU.”

The One Most Important Word:

“WE.”

The Least Important Word:

“I.”

LETTER TO THE CHAIRMAN PROGRAM

In this section we have included information on our “Letter to the Chairman” program or what is sometimes called “Dear Pete” letters. We have always had an open door policy at MiMedx, and this is a program that assists with the implementation of that policy.

We believe that an employee must have the ability to “jump the chain of command” to disclose personal or corporate problems when other means of problem solving have failed. In other words, employees are to use their division’s problem solving system and communication with management until it is evident that the problems are not being solved. Then, employees are free to utilize a letter to the CEO and Chairman of the Board. I will personally take the time to resolve the problem and conflicts.

Remember, it is all right to make a mistake at MiMedx . It is not all right to hide mistakes or problems. This program is designed so that mistakes are freely admitted and discovered, and they can be quickly resolved.

Generally, if management is satisfied that you have devoted time to their employees, or to their problem, or the corporate problem, then managers should not be concerned relative to employees using this form of communication. However, sometimes management is uneasy about this process, and this occurs in spite of the successes of this program. Remember, as management, you are also learning your job so you cannot always expect perfection.

Frequently, employees voice concerns about utilizing our “Letter to the Chairman” program. They are afraid of repercussions from their management. First, the system works very well if each and every employee will “trust” the system. As a corporation, we cannot guarantee that management will always “like” the fact that employees have to resort to this system. However, if you have devoted your time to solving the problem, and it is still not resolved, then you should be comfortable with your employees using this program. Remember, if an employee is ever told by a MiMedx manager, “Do not ever use the Letter to the Chairman program or go above my head or you will be in trouble”, then that should certainly be the subject of a “Letter from the Chairman” immediately from the employee.

The attached letter and form that are used in our “Letter from the Chairman” program are included in all new hire packets and must be framed and placed in a prominent position within all our operations. If you find that these forms are not available, contact the corporate Human Resources department.



Dear MiMedx Employee:

Most of you have personally heard me discuss MiMedx 's management philosophies. We use the term "participative management" to describe our philosophy, and I want to discuss with you a procedure that is in effect to assist all of us.

"Participative management" basically means that every MiMedx employee is involved in the management of the company and that your input and concerns are valued and appreciated and they will be given the proper attention by management.

One of the keys to our management philosophy is creating a "trust" within the organization so that everyone feels comfortable in disclosing "our" problems and being assured that problems will be handled properly. Within some of our subsidiaries and divisions, we have implemented certain "problem-solving" procedures, which we expect you to use. Also, we expect you to utilize the chain of command relative to solving problems. When these processes prove unsuccessful, then I want to make a final process available to you, which I hope will result in your satisfaction relative to "our" problem.

This is a process whereby you can express your ideas and concerns directly to me. We have available in all our subsidiaries and for all employees of the corporation a "Letter to the CEO". A copy of this letter is posted on all bulletin boards and a supply of letters is available to all employees at each work location. This letter has space available for delineating problems or suggestions. You can place your name on the letter if you so desire, or you can omit your name. Either way, it is important to include the subsidiary or division name and department/section information on the letter so that we are able to focus on addressing the issues involved and the particular involved. These letters are **confidential**, and they are opened only by me. I will take the time to understand the problem and be sure that your management responds in the proper fashion.

A "Letter to the CEO" may also be utilized as a means to alert the Company of any actual or potential violation on the part of any employee with respect to business ethics, conflicts of interest, internal controls or compliance with applicable laws and regulations.

No employee will be reprimanded or harassed in any way for using this system. If any member of our management team attempts to do so, that should be the subject of another confidential letter! We have always believed in the "open door" policy at MiMedx , and this is my way of extending and ensuring that this policy remains in effect.

I look forward to you joining with me in this commitment to better management for MiMedx .

Sincerely yours,

A handwritten signature in black ink, appearing to read "P. Petit".

Parker H. Petit
Chairman/CEO

