

# **BIOSPECIFICS TECHNOLOGIES CORP. CORPORATE GOVERNANCE GUIDELINES**

**Adopted December 3, 2009**

## **I. PURPOSE**

The Board of Directors (the “Board”) of BioSpecifics Technologies Corp. (the “Company”) has adopted the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of its duties and responsibilities. The Board may, from time to time, in its discretion, but consistent with its duties and responsibilities to the Company and its stockholders, modify or make exceptions to the Guidelines.

## **II. BOARD COMPOSITION**

The Board shall consist of 3 to 10 members recognizing that retirements, resignations and recruiting delays may result from time to time in the Board consisting of a greater or lesser number. The Board will periodically review its appropriate size and will in accordance with the Company’s Bylaws, adjust the number.

## **III. ROLE OF THE BOARD**

The Board, which is elected by the stockholders, is the ultimate decision making body of the Company except with respect to those matters reserved to the stockholders. It selects the Chief Executive Officer (the “CEO”) and approves the remainder of the senior management team, which is charged with the conduct of the Company’s business. The Board acts as an advisor and counselor to senior management and ultimately monitors its performance.

## **IV. BOARD DEFINITION OF INDEPENDENCE FOR NON-EMPLOYEE DIRECTORS**

The majority of the members of the Board shall be independent directors who shall satisfy the independence requirements of the appropriate regulatory authorities.

The Company defines an “independent” director in accordance with the applicable provisions of the Securities Exchange Act of 1934 and the rules promulgated thereunder (the “Exchange Act”), and the applicable rules of The Nasdaq National Market. Because it is not possible to anticipate or explicitly provide for all potential situations that may affect independence, the Board will periodically review each director’s status as an independent director and whether any independent director has any other relationship that, in the judgment of the Board, would interfere with the director’s exercise of independent judgment in carrying out such director’s responsibilities as a director. The Board will make an annual determination whether each director is “independent” under the applicable provisions of the Exchange Act and the applicable rules of The Nasdaq National Market.

The following guidelines will apply to independence:

1. *Per se Exclusions.* A director will not be deemed independent if:
  - a. the director was employed by the Company or a subsidiary of the Company within the previous three years;
  - b. a family member of the director was employed by the Company or a subsidiary of the Company as an executive officer within the previous three years;
  - c. the director or a family member of the director accepted any compensation (including political contributions and payments pursuant to consulting or personal service contracts) from the Company or any subsidiary of the Company of more than \$120,000 during any period of twelve consecutive months within three years preceding the Company's determination of independence (other than (A) payments for service as a member of the Board or a committee of the Board, (B) compensation paid to a family member who is a non-executive employee of the Company or a subsidiary of the Company, or (C) benefits under a tax-qualified retirement plan, or non-discretionary compensation);
  - d. the director or a family member of the director is a partner in, or an executive officer or controlling stockholder of, any organization to which the Company made or from which the Company received, payments in the current fiscal year or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year or \$200,000, whichever is more (other than (A) payments arising solely from investments in the Company's securities or (B) payments under non-discretionary charitable contribution matching programs);
  - e. the director or a family member of the director is or was employed as an executive officer of another entity that has or had within the past three years as a member of its compensation committee of the board of directors any of the Company's executive officers; and
  - f. the director or a family member of the director is a partner of the Company's independent auditors, or was a partner or employee of the Company's independent auditors and worked on the Company's audit during any of the past three years.

For the purpose of these corporate governance guidelines, "family member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

2. *Board Determinations.* In connection with relationship other than those listed in section (1) above that preclude a determination of independence, the determination of whether the relationship would interfere with the director's independent judgment in carrying out his or her responsibilities shall be made by the Board, subject to applicable listing standards or legal requirements.
3. *Additional Audit Committee Requirements.* Audit Committee members may not be "affiliated persons" of the Company or any Company subsidiary, as defined in Rule 10A-3 under the Exchange Act. At any time during the preceding three years, Audit Committee members may not have participated in the preparation of the financial statements of the Company or any Company subsidiary (other than entities that have ceased to be subsidiaries of the Company).

## **V. BOARD MEMBERSHIP CRITERIA**

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, in accordance with its Charter, the appropriate qualities, skills and characteristics desired of nominees for Board members. The Board, as a whole, should collectively possess a broad range of skills, expertise, industry and other knowledge and business and other experience useful to the effective oversight of the Company's business. In determining whether to recommend a director for reelection, the Nominating and Corporate Governance Committee also considers a director's past attendance at meetings and participation in and contributions to the activities of the Board and committees of the Board on which the director served.

## **VI. SELECTION OF NEW DIRECTOR CANDIDATES**

In connection with its proxy solicitation relating to the Company's annual stockholders' meeting, the Board recommends a slate of nominees for election by stockholders. In addition, the Board fills vacancies on the Board when necessary or appropriate. The Board's recommendations or determinations are made after consideration of the recommendations of, and information supplied by, the Nominating and Corporate Governance Committee as to the suitability of each individual, taking into account the criteria described above and other factors, including the requirements for Board committee membership. Once candidates have been identified, the Nominating and Corporate Governance Committee will confirm that the candidates meet all of the minimum qualifications for director nominees established by the Nominating and Corporate Governance Committee. Based on the results of the evaluation process, the Nominating and Corporate Governance Committee will recommend those candidates that the Nominating and Corporate Governance Committee believes meet the criteria for the Board's approval as director nominees for election to the Board. The Nominating and Corporate Governance Committee also recommends candidates for the Board's appointment to the committees of the Board.

## **VII. BOARD MEETINGS AND PROCEDURES**

1. Board Meetings

- a. *Number of Meetings, Attendance and Preparation.* The Board holds a minimum of four regularly scheduled meetings per year. Directors are expected to attend all regularly scheduled meetings and to have, prior to the meetings, reviewed all written meeting materials distributed to them in advance.
- b. *Selection of Agenda Items.* The CEO or Principal Executive Officer or the director calling the meeting will establish the agenda for Board meetings. Directors may suggest that particular items be placed on the agenda.
- c. *Attendance of Non-Directors.* Where appropriate, other persons may be invited to attend Board meetings.
- d. *Executive Sessions of Independent Directors.* The independent directors shall meet regularly in executive session, without any management directors and any other members of the Company's management (without limiting the ability of the independent directors to invite members of management to address issues or otherwise response to questions that the independent directors may have) who may otherwise be present, to consider matters as they may deem appropriate. The independent directors may meet in executive session at any time to consider issues that they deem important to address without management present.

## 2. Access to Senior Managers and Independent Advisors

Board members have complete and open access to senior members of management. The Board, including the independent members of the Board, has the authority, in its discretion, to retain independent advisors.

## **VIII. OPERATION OF THE BOARD**

1. *Oversight.* To accomplish its mission to maximize long-term stockholder value, the Board will:
  - a. Ensure that the Company operates in a legal, ethical and socially responsible manner;
  - b. Select, evaluate and offer substantive advice and counsel to the CEO or Principal Executive Officer and work with the CEO or Principal Executive Officer to develop effective measurement systems;
  - c. Review, approve and monitor fundamental financial and business strategies and major corporate actions;
  - d. Oversee the Company's capital structure and financial policies and practices;

- e. Assess major risks facing the Company and review options for their mitigation; and
  - f. Provide counsel and oversight on the selection, evaluation, development and compensation of executive officers and provide critical and candid feedback on their successes and failures.
2. *Corporate Governance Guidelines.* The Board will review and, if it deems appropriate, approve changes, including changes that have been recommended to the Board by the Nominating and Corporate Governance Committee.
  3. *Charters.* The Board will review and, if it deems appropriate, approve changes to the Company's Audit, Nominating and Corporate Governance, Compensation and Intellectual Property Committee charters that have been recommended to the Board by such committees.
  4. *Assessing Board and Committee Performance.* The Board will conduct an annual self-evaluation of its performance and an evaluation of each of the Board committees' performance to determine whether it and its committees are functioning effectively. The Board's evaluation is based, in part, on the self-evaluation conducted by each of the committees.
  5. *Assessing CEO OR PRINCIPAL EXECUTIVE OFFICER Performance.* The Board believes that the CEO's or Principal Executive Officer's performance should be evaluated annually and as a regular part of any decision with respect to CEO or Principal Executive Officer compensation. The Board has the responsibility to evaluate the CEO's or Principal Executive Officer's performance in the course of approving CEO or Principal Executive Officer salary, bonus and long-term incentives such as stock and stock option awards.

## **IX. BOARD COMPENSATION**

Fulltime employee directors will not be paid for Board membership in addition to their regular employee compensation. Independent directors may not receive consulting, advisory or other compensatory fees from the Company if the receipt of such fees would result in disqualifying the director as an "independent" director.

## **X. BOARD COMMITTEES**

1. Number of Committees

The Company currently has four standing committees: Audit, Compensation, Nominating and Corporate Governance and Intellectual Property. There will be, from time to time, occasions on which the Board may form a new committee or disband a current committee depending upon the circumstances. The Audit,

Compensation, Nominating and Corporate Governance Committees shall be composed entirely of independent directors.

Each committee has the authority to engage outside experts, advisors and counsel to the extent it considers appropriate to assist the committee in its work.

2. Committee Charters

The charters of the Audit, Compensation, Nominating and Corporate Governance and Intellectual Property Committees shall set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The Board shall, from time to time as it deem appropriate, review and reassess the adequacy of each charter and make appropriate changes.

3. Frequency and Length of Committee Meetings and Committee Agenda

The committee Chairperson will determine the frequency and length of the committee meetings and develop the committee's agenda. The agendas and meeting minutes of the committees will be shared with the full Board.