

EXACTECH, INC.

AUDIT COMMITTEE CHARTER

Role and Independence

The scope of responsibilities of the Audit Committee of Exactech, Inc. (“Exactech” or the “Company”), and how it carries out those responsibilities, including structure, membership requirements, and processes are intended to be in accord with the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the Securities and Exchange Commission (SEC) rules and regulations, The American Institute of Certified Public Accountants (AICPA) guidelines, and the Public Company Accounting Oversight Board (PCAOB) pronouncements.

The Audit Committee’s role flows directly from the Board’s oversight responsibility and is governed by state and federal statutory authority, which provides and mandates the delegation of certain of its duties to committees. Key elements of the Board’s oversight responsibility include:

- Overseeing the integrity of the Company’s financial statements,
- Overseeing the Company’s compliance with legal and regulatory requirements,
- Overseeing the independent auditor’s qualifications and independence,
- Overseeing the performance of the company’s internal audit function and independent auditor, and
- Overseeing the Company’s system of disclosure controls and system of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board have established.

The Audit Committee is responsible for providing an open avenue of communication with the independent auditors, financial and senior management, the internal auditing function, and the Board of Directors.

The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.

The Company shall provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor and to any advisers that the audit committee chooses to engage.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in the Section of this Charter entitled Responsibilities and Duties.

The Audit Committee will report regularly to the Board of Directors regarding the execution of its Responsibilities and Duties

Composition and Meetings

The Committee shall consist of a minimum of three members of the Board of Directors. Each member of the Committee shall be free of any relationship that would interfere with his or her individual exercise of independent judgment and shall be determined by the Board of Directors to be “independent” under the rules of the SEC and the Sarbanes-Oxley Act of 2002. No member of the Committee shall receive any compensation from Exactech other than director’s fees for service as a director of Exactech, including reasonable compensation for serving on the Committee and regular benefits that other directors receive.

All Committee members must understand fundamental financial statements and be generally knowledgeable in auditing matters. One Committee Member must have requisite professional certification in finance or accounting or comparable financial management expertise consistent with regulatory requirements.

The existence of such member(s) shall be disclosed in periodic filings as required by the SEC. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The Board at its annual meeting shall elect the members of the Committee. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

All non-management directors who are not members of the Committee may attend meetings of the Committee, but may not vote. In addition, the Committee may invite to its meetings any director, member of management of the Company, and such other persons, as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

The Committee shall meet as frequently as circumstances dictate. Each regularly scheduled meeting shall include an executive session of the Committee absent members of management and on such terms and conditions as the Committee may elect.

In addition, the Committee shall meet quarterly with the independent auditors and management to discuss the annual audited financial statements and quarterly financial statements, including the Company’s disclosure under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

As part of its job to foster open communication, the Committee should meet periodically with management, the director of the internal auditing function and the independent auditors in separate executive sessions to discuss any matters that the Committee or each of these individuals believe should be discussed privately.

Responsibilities and Duties

The Committee shall carry out the duties and responsibilities set forth below. These functions should serve as a guide with the understanding that the Committee may determine to carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall also carry out any other duties and responsibilities delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in this Charter. The Committee may perform any functions it deems appropriate under applicable law, rules, or regulations, the Company's by-laws, and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the SEC.

The Committee shall be given full access to the Company's Board of Directors, corporate executives, employees, internal audit group, independent counsel and independent accountants as necessary to carry out these responsibilities. While acting within the scope of this Charter, the Committee shall have all the authority of the Board of Directors, except as otherwise limited by applicable law.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditors. It also is the job of the CEO and senior management rather than that of the Committee to assess and manage the Company's exposure to risk.

Documents/Reports/Accounting Information Review

1. Review this Charter at least annually and recommend to the Board of Directors any necessary amendments as conditions dictate.
2. Review and discuss with the CEO and Financial Management the Company's annual financial statements, quarterly financial statements, and all internal controls reports or summaries thereof.
3. Inquire of the CEO and CFO regarding the "quality of earnings" of the company from a subjective as well as an objective standpoint.

4. Review with the independent accountants, the Internal Auditor and Financial Management:
 - The adequacy of the company's internal controls including computerized information system controls and security
 - Any related significant findings and recommendations of the independent auditors and internal audit services together with management's responses thereto.
5. Review with management and the independent auditor the effect of any regulatory and accounting initiatives, as well as off-balance-sheet structures, if any.
6. Review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by the Sarbanes-Oxley Act of 2002 (Sections 302 and 906) and relevant reports rendered by the independent auditors or summaries thereof.
7. Inquire of management and the independent auditors about significant risks or exposures facing the company; assess the steps management has taken or proposes to take to minimize such risks to the company; and periodically review compliance with such steps.
8. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K.
9. Review with financial management and the independent auditors the interim financial statements included in quarterly reports on Form 10Q, prior to its filing or prior to the release of earnings.
10. Review earnings press releases with management, including review of "pro-forma" or "adjusted" non-GAAP information.
11. Discuss with management financial information and earnings guidance provided to analysts and rating agencies. Such discussions may be on general terms (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).
12. Review the regular internal reports (or summaries thereof) to management prepared by the internal auditing department and management's response.
13. Report regularly to the full Board of Directors and provide such recommendations, as the Committee may deem appropriate.

14. Review with the full Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, or the performance of the internal audit function.
15. The report to the Board of Directors may be presented by the Chairman or any other member of the Committee designated by the Committee to make such report.
16. Maintain minutes or other records of meetings and activities of the Committee.

Independent Auditors

17. Appoint (subject to shareholder ratification), compensate, and oversee the work performed by the independent auditors for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditors and remove the independent auditors if circumstances warrant.
18. The independent auditors shall report directly to the audit committee and the audit committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise.
19. Consider whether the auditor's performance of permissible nonaudit services is compatible with the auditor's independence.
20. Review the experience and qualifications of senior members of the independent audit team annually and ensure that all partner rotation requirements, as promulgated by applicable rules and regulations, are executed.
21. Review with the independent auditor any problems or difficulties and management's response, review the independent auditor's attestation and report on management's internal control report, and hold timely discussions with the independent auditors regarding the following:
 - All critical accounting policies and practices,
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,

- Other material written communications between the independent auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
 - An analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
22. At least annually, obtain and review a report by the independent auditor describing:
- The Company's internal quality control procedures;
 - Any material issues raised by the most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - Assess the auditor's independence by reviewing all relationships between the independent auditor and the Company.
23. Review and pre-approve both audit and nonaudit services to be provided by the independent auditor (other than with respect to de minimis exceptions permitted by the Sarbanes-Oxley Act of 2002). This duty may be delegated to one or more designated members of the audit committee with any such pre-approval reported to the audit committee at its next regularly scheduled meeting. Approval of nonaudit services shall be disclosed to investors in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934.
24. Consider, with management, the rationale for employing audit firms other than the principal independent auditors.
25. Establish clear hiring policies for employees or former employees of the independent auditors. These hiring policies shall be compliant with governing laws or regulations, for employees or former employees of the independent auditor. At a minimum, these policies should provide that any public accounting firm may not provide audit services to the Company if the CEO, controller, CFO, chief accounting officer, or any person serving in an equivalent position for the Company was employed by the public accounting firm and participated in any capacity in the audit of the Company within one year of the initiation of the current audit.

Financial Reporting Processes and Accounting Policies

26. In consultation with the independent auditors and the internal auditors, review the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls).
27. Review with management major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
28. Review analyses prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
29. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
30. Review and approve all related party transactions.
31. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting, or auditing matters.
32. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.

Internal Audit

33. Review and concur in the appointment, replacement, reassignment, or dismissal of the Internal Auditor.
34. Annually, review and recommend changes (if any) to the internal audit charter.
35. Periodically review with the internal audit director any significant findings, difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

Ethical Compliance, Legal Compliance, and Risk Management

36. Establish, review and update periodically a Code of Ethical Conduct for all employees of the Company including without limitation senior financial officers and ensure that management has established a system to enforce this Code. Ensure that the code is in compliance with all applicable rules and regulations.
37. Review management's monitoring of the Company's compliance with the organization's Ethical Code, including the anonymous submission by employees and the retention of all submissions.
38. Ensure that management has an appropriate review system in place to validate the Company's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
39. Review, with the organization's counsel, legal compliance matters including corporate securities trading policies.
40. Review, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.
41. Discuss policies with respect to risk assessment and risk management. Such discussions should include the Company's major financial and accounting risk exposures and the steps management has undertaken to control them.

Other Responsibilities

42. Review with the independent auditors, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
43. Ensure that the Audit Committee report required by the SEC is included in the Company's annual proxy statement.
44. Annually, perform a self-assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.

45. Perform any other activities consistent with this Charter, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.
46. Create an agenda for the ensuing year or review and approve the agenda submitted by the CAE.
47. Oversee the preparation of an annual report of the Audit Committee as required by the rules of the SEC and the annual affirmation required by the appropriate listing exchange, if necessary. When required by SEC rules, include in the annual Proxy Statement for the Company a report of the Committee in accordance with the Proxy Rules promulgated by the SEC.