

UROLOGIX, INC.

CODE OF ETHICS AND BUSINESS CONDUCT

INTRODUCTION

| | |
|------------------------------|---|
| <i>Our Commitment</i> | We are committed to conducting our business lawfully and ethically. |
| <i>The Code</i> | It is not possible to develop a detailed set of rules, policies or procedures that cover all circumstances. The best guidelines are individual integrity, common sense and compliance with law. This Code of Ethics and Business Conduct (the “Code”) provides a basic guide to assist our management, employees and others acting on our behalf in understanding their responsibilities. |
| <i>Applicability of Code</i> | This Code applies to each of our directors, officers, employees and other representatives and to their immediate family members. |

OUR RESPONSIBILITIES FOR HONEST BUSINESS

| | |
|------------------------------|--|
| <i>Ethical Conduct</i> | <p>Our reputation throughout the world for legal and ethical behavior is one of our most valuable assets. We are all responsible for safeguarding this important asset.</p> <p>We have a policy of strict compliance with all laws, whether federal, state, local or foreign. The highest standards of moral and ethical behavior are essential to maintaining our good reputation. We do not tolerate unethical or dishonest conduct.</p> |
| <i>Conflicts of Interest</i> | <p>We are committed to avoiding all influences, interests or relationships that might adversely affect our business or distort our business judgment.</p> <p>While it is not possible to develop a comprehensive set of rules covering all circumstances, the following are examples of activities which could be considered a conflict of interest if undertaken by directors, officers, employees or other representatives or members of their household:</p> <ul style="list-style-type: none">– Owning a substantial interest in or providing services as a director, manager, consultant, employee or independent contractor to any outside concern that does business with us or is in a competing business, except with our specific prior knowledge and consent; |

- Employees engaging in any outside employment which is in conflict with an essential business-related interest of the Company or which requires significant time, attention or energy, except with our specific prior knowledge and consent;
- Accepting gifts (other than gifts of nominal value), favors, compensation, loans, excessive entertainment or other similar activities from our competitors or from any other company or person that does business or seeks to do business with us;
- Representing us in any transaction with a person or organization in which directors, officers, employees and other representatives or members of their household have a direct or indirect personal interest or may derive a benefit;
- Competing directly or indirectly with us in the design, manufacture, marketing or sale of products or property rights or interests;
- Taking advantage of any business opportunity which would rightfully belong to us;
- Using or revealing (without proper authorization) any confidential product information, confidential financial information or other confidential information concerning our plans, decisions or activities, including information which is not available to the general public and which could be considered of some importance in a decision whether to buy or sell our stock or our business partners' securities.

Additional guidelines and more detailed information regarding some of the above examples can be found at the “*Confidential Information*” and “*Insider Trading*” sections of this Code.

Undue Influence or Bribery

It is illegal to pay or receive a bribe intended to influence business conduct. Use of Company funds or property to bribe or unduly influence any decision by a director, officer, employee or agent of another company or any governmental employee or official is strictly prohibited.

Gifts, Payments and Donations

Acceptance of gifts, offers of travel, or unusual hospitality from any person or organization in connection with any transaction with us is prohibited. It is permissible to receive unsolicited gifts of nominal value or customary hospitality from persons or entities doing business with us when it is clear that no intent is being

made to influence or obligate.

Business courtesies such as meals, transportation and entertainment shall be modest in amount and related to a legitimate purpose. No director, officer or employee shall provide entertainment, meals or gratuities to any customer or other business associate (or group thereof) of the Company of more than modest value. No business courtesies shall be given with either an explicit or implicit understanding to recommend, use or purchase the Company's products.

We comply with all laws and regulations that prohibit certain payments and donations to physicians and customers. We also adhere to the Advanced Medical Technology Association ("AdvaMed") Code of Ethics as it relates to our business dealings with our customers and physicians.

Company Resources

Our telephones, email and mail service should be used only for Company business. Personal telephone calls and email should be limited. Do not receive personal correspondence at the Company address.

OUR RESPONSIBILITIES IN OUR MARKETPLACE

Regulatory and Clinical Matters

Our products are heavily regulated by governmental agencies worldwide. Every employee is responsible for ensuring compliance with regulatory requirements, including marketing approvals, conduct of clinical studies, good manufacturing practice requirements and standards, design controls, labeling and advertising controls. If you have any concerns with respect to the regulatory compliance of our products, report these concerns immediately to management. We are committed to maintaining an open and professional relationship with regulators on matters of regulatory policy, submissions, compliance, and product performance.

Fair Competition and Antitrust

The primary antitrust concerns in our segment of the industry lie in the communications with our competitors and with our customers. Our competitors include anyone in our geographic markets manufacturing or selling the same or similar products that we manufacture or sell. Our customers are companies that purchase our products.

We are required to comply with antitrust and unfair competition laws. These laws are complex and vary considerably from country to country. The following activities are generally

prohibited under these laws:

- Agreements with competitors that harm customers, including price fixing and allocations of customers or contracts.
- Agreements that unduly limit a customer’s ability to sell a product, including establishing the resale price of a product or service, or conditioning the sale of products on an agreement to buy other of our products and services.
- Attempts to monopolize, including pricing a product below cost in order to eliminate competition.
- Use of theft, deceit, or subterfuge in order to obtain information;
- Engaging in illegal kickbacks, tying, refusals to deal, price discrimination or other illegal competitive practices.

Employees may not discuss information with our competitors or customers relating to such subjects as projected sales for any specific product or service, revenues or expenses, unannounced products and services, pricing strategies, personnel situations and other proprietary information.

If you are in doubt about whether any particular conduct is appropriate, you should seek guidance from management.

Sales and Marketing

Our goal is to build long-term relationships with our customers by demonstrating honesty and integrity. All of our marketing and advertising will be accurate and truthful and in compliance with laws regulating our products. Deliberately misleading messages, omissions of important fact, or false claims about our competitors’ offerings are never acceptable.

Bribes or kickbacks are not acceptable and are strictly prohibited under both state and federal law, including federal Stark laws. No benefit may be given to a customer with an explicit or implicit requirement to recommend, use or purchase our products. Certain discounts, rebates, free products, demos, equipment loaners or warranty services furnished in the ordinary course of business may be permitted. If you are in doubt about whether a particular practice is appropriate, you should seek guidance from management.

Product Quality and Safety

Compliance with our quality processes and safety requirements is

essential. We are committed to producing the highest quality medical devices in the interest of patient safety and to maintain our reputation for excellence in product quality and safety. We will comply with all laws and regulations regarding the safety and efficacy of our products and the standards for our manufacturing facilities.

OUR RESPONSIBILITIES TO EMPLOYEES

Respect

Our employees make a difference in our performance as a company. Without dedicated employees, we would be unable to serve our customers. We expect and require compliance with all requirements of applicable labor laws – including those regarding occupational health and safety, equal employment opportunity, sexual harassment, rates of pay and overtime.

Equal Opportunity

We are an equal opportunity employer. We are committed to providing a work environment that is free from discrimination and harassment of any kind, whether verbal, physical or visual.

Safety

We are committed to complying with Occupational Safety and Health Administration Requirements (OSHA) requirements. You are expected to report all accidents to the appropriate supervisors or management, no matter how slight.

OUR RESPONSIBILITY FOR COMPANY INFORMATION

Confidential Information

Our success depends upon our ability to maintain certain information in confidence. That information includes any non-public information relating to the Company, our customers and suppliers, or anyone else who receives information as part of a business relationship. Non-public information about past results and anticipated future plans should be protected. Confidential information should not be disclosed to anyone outside of the Company or to anyone inside the Company who does not have a need to know that information.

We must protect customer information that is sensitive, private or confidential just as carefully as our own. Only those who have a need to know should have access to confidential information. Both federal and state privacy laws regulate the disclosure and use of information regarding a person's health, treatment or payment for health care. Any use or disclosure of this information, except in compliance with these laws, could result in criminal or civil punishment, as well as disciplinary action up to and including termination of your employment. Consult with our

management if you have questions about these privacy laws.

Our employees are expected to cooperate with reasonable requests for information from government agencies and regulators, and to consult with management before responding to any non-routine requests. All information provided must be truthful and accurate.

*Disclosure of
Corporate News
and Information*

Our financial information is not to be released to anyone unless it is included in a published report, or otherwise made generally available to the public. Questions concerning the disclosure of confidential information should be referred to the appropriate corporate officers. Confidential business matters, which could be of interest to competitors, and customer information should never be discussed with representatives of the media or in any other public forum. All media inquiries or requests for information from financial analysts or our shareholders should be referred to the appropriate corporate officers.

Insider Trading

We have adopted a formal policy relating specifically to insider trading.

You may not purchase or sell our securities (or the securities of our customers or suppliers) if you are in possession of material information which has not been disclosed to the general public. This rule also applies to your family members. Doing so constitutes a violation of the law and is against our policy.

Information should generally be regarded as “material” if there is a likelihood that it would be considered important by an investor in making a decision regarding purchasing, selling or holding the securities. The analysis of whether information is material requires the consideration of many factors. Examples might include unreleased sales and/or earnings figures, projections of future earnings or losses, news of a pending or proposed merger or asset purchase, a major new contract or lawsuit, a change in dividend policies, a change in management, news of a significant sale of assets or the disposition of a subsidiary, and the gain or loss of a major supplier. Either positive or negative information may be material.

Disclosure of material inside information to others who then trade in securities is also prohibited. The potential penalties apply to those who trade on the basis of the “tipped” information as well as those responsible for supplying information (even if the tipped information is received from, and supplied to, persons outside of

the Company).

Our directors and executive officers must comply with additional requirements when trading in our securities. Those requirements include the avoidance of “short swing” trading and the filing of periodic reports relating to their trading activities.

There are no exceptions to this policy and its violation may result in serious criminal and civil penalties, in addition to disciplinary action or discharge.

Personal Investments

Transactions that create the appearance that an individual working for us may be improperly benefiting from his or her relationship with us or violating his or her fiduciary responsibilities should be avoided. This policy applies equally to investments by members of your immediate family.

OUR RESPONSIBILITIES FOR ACCURATE BOOKKEEPING

Accurate Records

Company books and records shall be properly maintained and shall accurately reflect all transactions. No undisclosed or unrecorded funds or assets shall be established for any purpose. All contracts under which funds are disbursed shall accurately state the purposes for which these funds are paid and shall not be misleading. Making false or misleading statements to our independent auditors is prohibited. No officer, director or employee shall improperly influence any audit of the Company. Our financial statements and other disclosure shall be full, fair, accurate, timely and understandable.

Foreign Corrupt Practices Act Requirements

We are subject to the Foreign Corrupt Practices Act of 1977 (the “FCPA”). Our policy is to strictly comply with the provisions of the FCPA, which establishes certain accounting requirements and prohibits the bribery of foreign governmental officials.

Through the FCPA we are subject to two interrelated accounting requirements. First, the FCPA requires that we maintain books, records and accounts which fairly and accurately reflect our transactions and dispositions of assets in reasonable detail. This requirement is designed to improve the accuracy of our financial records and the audits that represent the cornerstone of our financial disclosures. Second, the FCPA requires that we devise and maintain a system of internal accounting controls that are sufficient enough to provide reasonable assurances that our bookkeeping and accounting objectives will be attained.

The FCPA also prohibits us from directly or indirectly giving anything of value to foreign government officials, foreign political parties, candidates for political office, or any person where the payment will inure to the benefit of any of the above parties for the purpose of obtaining special treatment from a foreign government official, even if the payment is requested by that person or organization.

Records Retention

We have established and maintain a formal records retention and disposal policy. You should be aware of this policy and understand the procedure for the retention of business documents.

Never alter or destroy documents or records in response to an investigation or other lawful request.

OUR RESPONSIBILITIES FOR OUR INTELLECTUAL PROPERTY

Protection of Our Intellectual Property

We protect our intellectual property by seeking patent, copyright or trade secret protection and by preventing disclosure or loss of confidential information. Our patents, copyrights, trademarks and other proprietary rights represent valuable corporate assets. You are expected to take appropriate steps to protect our patents, copyrights, trademarks, trade secrets and other valuable corporate assets.

Intellectual Property and Your Employment

Any inventions, designs, discoveries, ideas, concepts, works of authorship and trade secrets created during the employment relationship — or which arise out of an employee’s work or are created using an employer’s time, materials or assets — are owned by the employer. You are expected to cooperate with us in documenting our ownership of all intellectual property developed by you during your employment with us.

Intellectual Property Rights of Others

Industrial espionage or the acquisition of information about other companies or their products and technology through improper means is prohibited. Confidential Disclosure of trade secrets of a technical or business nature from an outside source should be received under the terms of a written agreement that spells out our obligations and rights with respect to the use and protection of the information.

YOUR RESPONSIBILITY IN YOUR COMMUNITIES

Personal Conduct

The success of our business depends on building trust with our customers and the public. This trust is built by the personal conduct of our employees, officers and directors. Business and

personal affairs should be conducted in such a way as to avoid discredit or embarrassment to the Company. Customers and co-workers should be treated with respect and courtesy, whether or not “on the job.”

Political Activities

We believe that it is important for every citizen to take an active interest in political and governmental affairs. Participation in political activities must be done as a purely private citizen and not in the capacity of a representative of the Company. Contributions to particular candidates or ballot propositions are personal and may not be a condition of employment.

We have a right to political expression on issues and we may express ourselves through contributions to campaigns that do not involve the election of candidates and are not prohibited by law.

OUR RESPONSIBILITIES FOR ENFORCEMENT AND ACCOUNTABILITY

*Enforcement and
Accountability*

Violation of the principles of the Code or applicable policies and procedures by any of our directors, officers or employees (or their immediate family members, to the extent applicable) will result in disciplinary action, up to and including discharge of the officer or employee. In some cases, violation of the Code may also be a violation of civil or criminal law and any disciplinary action by the Company would be in addition to any governmental civil or criminal penalties.

Any employee who wishes to request waiver of, or required consent under, any provision of the Code must make a written request to their immediate supervisor; in the case of the Company’s officers and directors, requests for waivers or required consents must be made to the Company’s Audit Committee.

Reporting Violations

We have adopted a Policy on Reporting and Investigating Allegations of Suspected Improper Activities (the “Reporting Policy”) that governs the investigation and reporting of improper activities, including violations of this Code, and allows employees to submit certain concerns in a confidential and anonymous manner.

If you believe that you have discovered a possible violation of the letter or intent of this Code, you may contact a supervisor, manager or officer. In the event an alleged violation involves a member of the Board of Directors or an officer of the Company, a report may be made in writing to the Audit Committee.

All reports of a possible violation will be forwarded unopened, unaltered and anonymously to the Audit Committee with the same “whistleblower” protection as in our Reporting Policy.

Who to Contact Regarding Accounting Concerns

If you have questions or concerns about the accounting or auditing practice of Urologix, including its internal accounting controls, you are encouraged to report these concerns to the Urologix Audit Committee.

These reports should be submitted and will be administered as outlined in our Reporting Policy.

Responsibility Statement

We require that directors, officers, managers, finance personnel and supervisors sign a Responsibility Statement confirming that they have received and read the Code and understand it, and that the Code has been communicated to all employees and agents under their supervision. In addition, periodically, those employees must certify that since their previous certification they have complied with the Code and have no knowledge of any violation that has not been appropriately reported.

Who to Contact with Questions or Concerns on Code of Ethics and Conduct

If you have questions or concerns relating to the Code, you may contact:

Human Resources Director
Urologix, Inc.
14405 Twenty-First Avenue North
Minneapolis, MN 55447
Telephone: 763-475-1400

or

General Counsel
c/o Charles P. Moore
Lindquist & Vennum, P.L.L.P.
4200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
Telephone: 612-371-5771

Under federal law, Urologix, Inc. may not discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in the terms and conditions of employment because of any lawful report regarding a violation of any rule or regulation of the Securities or Exchange Commission or any federal law relating to fraud against shareholders of Urologix.