

## **HEELYS, INC.**

### **DIRECTOR-NOMINATION PROCESS**

**(as amended through November 11, 2009)**

The Company's independent directors, as defined in the rules and regulations of the Nasdaq Stock Market and the Company's By-Laws (the "By-Laws"), acting by a majority, are authorized to recommend individuals to the Company's Board of Directors (the "Board") for the Board's selection as director nominees.

The independent directors (1) shall review and interview candidates to serve on the Board who are qualified to satisfy the requirements for directors set forth in the By-Laws, make recommendations to the Board for nominations to fill vacancies on the Board and select the management nominees for the directors to be elected by the Company's stockholders at each annual meeting or any special meeting for that purpose, and (2) may establish specific minimum age, education, experience or skill requirements for potential directors in addition to those set forth in the By-Laws. The independent directors may take into account all factors they consider appropriate in fulfilling their responsibilities to identify and recommend individuals to the Board as director nominees. Those factors may include, but are not necessarily limited to:

- an individual's business or professional experience, accomplishments, education, judgment, understanding of the business and the industry in which the Company operates, specific skills and talents, independence, time commitments, reputation, general business acumen and personal and professional integrity or character;
- the size and composition of the Board and the interaction of its members, in each case with respect to the needs of the Company and its stockholders;
- regarding any individual who has served as a director of the Company, his or her past preparation for, attendance at and participation in meetings and other activities of the Board or its committees and his or her overall contributions to the Board and the Company; and
- the length of such individual's service on the Board (it being the policy of the Company not to permit an individual to serve more than 15 years on the Board).

The independent directors may use multiple sources for identifying and evaluating nominees for directors, including referrals from the Company's current directors and management and input from third parties, such as executive-search firms retained by the Board. The independent directors shall obtain background information about candidates, which may include information from directors' and officers' questionnaires and background and reference checks, and shall interview qualified candidates. The Company's other directors will also have an opportunity to meet and interview qualified candidates. The independent directors shall determine, based on the background information and the information contained in the interviews, whether to recommend to the Board that a candidate be nominated as a director.

The independent directors shall consider qualified nominees recommended by the Company's stockholders, who may submit recommendations to the independent directors, in care of the Board, through a written notice addressed to the Company's Secretary at the Company's principal executive offices, not less than 120 days before the anniversary of the date on which the Company's proxy statement was released to its stockholders in connection with the previous year's annual meeting of stockholders, or as otherwise provided in the Company's By-Laws. Any such written recommendation must include or be accompanied by (1) all information relating to the recommended person that is required to be disclosed in solicitations of proxies for election of directors under the proxy rules of the Securities and Exchange Commission, including a description of the qualifications of the recommended person, and (2) a written statement from the recommended person that he or she is willing to be named in the proxy statement as a nominee and to serve as a director if elected. Nominees for directors who are recommended by any of the Company's stockholders will be evaluated in the same manner as any other nominee for director, except that, for this purpose, the Chairman of the Board of the Company must chair the meeting or meetings of the independent directors conducting the evaluation and making the recommendation to the Board. Any stockholder of the Company desiring to make a recommendation must satisfy and comply with all of the conditions and requirements set forth in the Company's By-Laws.

The independent directors shall consider each individual designated by any stockholder that has a right to designate any nominee or nominees under any written agreement with the Company and that so designates the nominee in accordance with that agreement. The independent directors shall report to the Board the information that they receive or obtain regarding each such designee.