



CODE OF ETHICS

INTRODUCTION

Our code of Ethics governs our business decisions and actions. The Code is an expression of fundamental values and represents a framework for decision-making. The integrity, reputation, and profitability of Kern Engineering ultimately depend upon the individual actions of our employees, representatives, agents, and consultants. Each is personally responsible and accountable for compliance with our Code. In addition, any representative, agent, or consultant utilized by the Corporation shall be prohibited from acting on its behalf in any manner that is inconsistent with the standards of conduct applicable to employees under the Code of Ethics.

These Standards of Conduct serve to assist in defining our ethical principles and are not all-encompassing. The Standards must be interpreted within the framework of the laws and mores of the jurisdictions in which we operate, as well as in light of Kern Engineering policies and good common sense. Reasons such as "everyone does it," or "it's not illegal" are unacceptable as excuses for violating our Standards. We must each be mindful of avoiding at all times, on and off the job, circumstances and actions that give even the appearance of an impropriety or wrongdoing which could discredit the Corporation.

These Standards of Conduct will be enforced equitably at all organizational levels.

1.0 CUSTOMERS AND SUPPLIERS

1.1 Conflicts of Interest

Kern Engineering employees must deal with suppliers, customers, and others doing business with the Corporation in a manner that avoids even the appearance of conflict between personal interests and those of the Corporation. This requirement applies equally to business relationships and personal activities.

1.2 Antitrust Compliance

Kern Engineering will comply with the Antitrust laws of every jurisdiction in which the Corporation does business, both within and outside the United States. Every employee, no matter what position he or she holds in the Corporation, is responsible for compliance with the applicable antitrust laws.

1.3 U S. Government Procurements

As a supplier to the United States Government, the Corporation expects all Kern Engineering employees and any consultants used by the Corporation to comply with the laws and regulations governing Government procurements.

Special care must be taken to know of and comply with the unique and special rules of the Government procurement process and to ensure the accuracy of all data submitted to the U.S. Government.

The Corporation is also committed to compliance with foreign government procurement laws which are applicable to Kern Engineering business activities outside the United States.

1.4 Product Quality and Safety

All operating units of the Corporation have the responsibility to design, manufacture, and deliver quality products. All required inspection and testing operations must be properly completed.

Likewise, all Kern Engineering products must be designed, produced, and delivered with the safety and health of our customers and product users as a primary consideration.

These standards of product quality and safety must be reflected in the operating policies and procedures of Kern Engineering entities worldwide.

1.5 Marketing and Selling

It is our responsibility to understand our customers' requirements and to satisfy those requirements by offering quality products and services at competitive terms and prices.

We will sell our products and services honestly, based upon their merits, and will not pursue any sale that requires us to act unlawfully or in violation of these standards to win.

1.6 Consultants, Representatives, and Agents

When it is necessary to engage the services of an individual or a firm to consult for or otherwise represent Kern Engineering, special consideration must be given to avoiding conflicts of interest between the Corporation and the person or firm to be employed. Consultants, representatives, and agents of the Corporation must act on the Corporation's behalf in any manner that is consistent with the standards of conduct applicable to employees under the Code of Ethics or any applicable laws or regulations.

1.7 Protection of Proprietary Information

All Kern Engineering employees will respect the proprietary information and trade secrets of our customers and suppliers. New employees are not to divulge the proprietary information of their former employers. Kern Engineering employees will not disclose any proprietary information of customers or suppliers unless the release or disclosure is properly authorized by the individual or firm owning the information.

1.8 Suppliers, Vendors, and Subcontractors

It is Kern Engineering policy to purchase all equipment, supplies, and services on the basis of merit. Kern Engineering suppliers, vendors, and subcontractors will be treated with fairness and integrity and without discrimination.

1.9 Error Reconciliation

It is Kern Engineering policy to advise customers and suppliers of any clerical or accounting errors and promptly to effect correction of the error through credits, refunds, or other mutually acceptable means.

1.10 Business Gifts

A "business gift" is anything of value given or received as the result of a business relationship and for which the recipient does not pay fair market value. A gift can be in any form. For example: food, theater or sporting event tickets, discount or "all-expense paid" trips, promotional items, and golf green fees - to name a few - can all be considered business gifts. A business gift is never permitted if:

- A. Prohibited by law or regulation.
- B. Prohibited by more stringent Kern Engineering policies applicable to
 - , 'business relationships with U.S. Government employees or applicable to Kern Engineering employees in purchasing functions;
- C. Prohibited by known policies of the employer of the intended recipient; or
- D. Intended to: improperly influence; or would have the appearance of improperly influencing, the recipient.

Business gifts, which a Kern Engineering employee intends to give, must be reported to the employee's supervisor, whether or not reimbursement is sought from Kern Engineering. If the cost is reimbursable by Kern Engineering, the full cost must be identified in the employee's expense report, together with the name and business relationship of the recipient. Supervisors are responsible for assuring strict adherence to Kern Engineering policies on business gifts.

Business gifts received by a Kern Engineering employee must be reported to the employee's supervisor except for:

- A. food and beverage consumed at a business function.
- B. entertainment (e.g., sporting events or theater having a value of less than \$100.00) when the Kern Engineering employee is in travel status; or
- C. a business gift having a retail value of \$50.00 or less.

For the purpose of measuring value, the \$50.00 limit will be applied to each person separately, but the value of a function will be aggregated for each person. For example, cocktails, dinner, and theater of the same evening would be considered a single function.

Aside from the restrictions, additional limitations apply to those employees who have direct purchasing liabilities. This includes all employees in the purchasing department and others, if designated by the business unit such that the affected employees can be readily identified. The additional designations could include, for example, employees who are supplier quality assurance representatives, employees responsible for source selection, or employees authorized to make credit card purchases. Such employees may only accept (a) beverages, light snacks, and business meals served during business meetings held at the facilities of subcontractors, vendors, or suppliers, (b) business meals when in travel status, (c) promotional or advertising items having truly nominal value, such as ball caps or pads of paper, and (d) any other gift, entertainment, or other gratuity if reported to and approved in writing by the Ethics Advisor.

Business relationships with U.S. government agencies and departments and the Congress are tightly controlled by laws and regulations. Kem Engineering policy forbids offering or giving anything to a government employee unless clearly permitted by government regulations and flatly prohibits anything to a government employee in a procurement function. A payment, gift, or other thing of value from a subcontractor, vendor, or supplier to a government contractor at a higher tier, when given for the purpose of improperly obtaining or rewarding favorable treatment (a "kickback"), is a criminal violation. Questions should be referred to the Ethics Advisor or entity legal counsel.

2.0 EMPLOYEES

2.1 Equal Employment Opportunity

It is Kem Engineering policy to offer equal employment opportunity to qualified individuals regardless of their race, religion, color, national origin, age, sex, handicap, or other factors not related to Kern Engineering's legitimate business interests.

This policy applies to all phases of the employment relationship, including hiring new employees, promotions, selection for training programs, compensation administration, and benefit programs.

2.2 Workplace Environment

Kern Engineering is committed to providing its employees a workplace that is free from recognized safety and health hazards and a work environment free from discrimination, harassment, or personal behavior not conducive to a productive work climate.

2.3 Drug and Alcohol Abuse

All Kern Engineering entities worldwide will abide by applicable laws and regulations relative to the possession or use of alcohol and drugs. Kern Engineering policy prohibits the illegal use, sale, purchase, transfer, possession, or presence in one's system of drugs, other than medically prescribed drugs, while on Company premises.

Similarly, Kern Engineering policy prohibits the use, sale, purchase, transfer, or possession of alcoholic beverages by employees while on Company premises, except as authorized by the Company.

2.4 Employee Privacy

Kern Engineering operates on the firm belief of respect for employee privacy and dignity. It is Kern Engineering policy to acquire and retain only employee personal information that is required for effective operation of the Corporation or that is required by law in the jurisdictions in which we operate. Access to such information will be restricted internally to those with a recognized need to know.

Kern Engineering will comply with all applicable laws regulating the disclosure of personal information about employees. In any location where applicable law does not regulate the release of such information, the Company will adopt policies designed to protect such information from unreasonable disclosure.

The Corporation's respect for employee privacy normally precludes any concern relative to personal conduct off the job, unless such conduct impairs the employee's work performance or affects the reputation or legitimate business interests of the Corporation.

2.5 Open Communication

Kern Engineering will provide its employees with timely information on business results, product performance, customer relations, and employee achievements. Communication channels will be provided that encourage self-expression and open dialogue relative to employee opinions, attitudes, and concerns.

2.6 Employee Development

The Corporation is dedicated to promoting employee self-development through assistance in improving and broadening work-related skills.

2.7 Compensation and Benefits

Kem Engineering compensation programs and levels will be based on attracting, motivating, and retaining competent, dedicated personnel. Compensation and benefits programs will be consistent with remaining competitive in our worldwide marketplace.

3.0 SHAREOWNERS

3.1 Return on Investment.

It is one of Kem Engineering's basic objectives to earn a profit in an ethical manner to make investments in the Corporation's future and to provide a superior return on our shareowners' investments.

3.2 Protection of Assets

3.2.1 Tangible Assets

Every Kem Engineering employee is responsible for the proper use, conservation, and protection of Corporate assets, including its property, plants, and equipment. The management of each Kem Engineering entity is responsible for establishing and communicating to employees the policies and procedures necessary to meet these responsibilities.

3.2.2 Intellectual Property

Kern Engineering employees frequently have access to the intellectual property of the Corporation, such as inventions, sensitive business information, and sensitive technical information, including computer programs, product designs, and manufacturing expertise. All employees are charged with the responsibility to use and protect these assets.

3.3 Accuracy of Company Records

Kern Engineering business transactions worldwide must be properly authorized and be completely and accurately recorded on the Company's books and records in accordance with generally accepted accounting practice and established Kern Engineering financial policy. Budget proposals and economic evaluations must fairly represent all information relevant to the decision being requested or recommended. No secret or unrecorded cash funds or other assets will be established or maintained for any purpose.

The retention or proper disposal of Company records shall be in accordance with established Kern Engineering financial policies and applicable statutory and legal requirements.

3.4 Shareowner Communication

Kern Engineering will comply with all laws and regulations governing the public disclosure of business information. All public statements, whether oral or written, must be accurate with no material omissions.

4.0 WORLDWIDE COMMUNITIES

4.1 Political Contributions

Kern Engineering will comply with all national, state, and local laws regulating its participation in political affairs, including contributions to political parties, national political committees, or individual candidates.

4.2 Employee Involvement in the Political Process

Kern Engineering encourages all employees to be informed voters and to be involved in the political process. Personal participation, including contributions of time or financial support, shall be entirely voluntary.

Employees, representatives, consultants, or agents who are designated to represent the Corporation or its entities must comply fully with all applicable laws and Kern Engineering policies relevant to participation in political and public affairs.

4.3 Export Control

It is the policy of Kern Engineering to comply fully with the export control laws of the United States and all other jurisdictions in which we operate worldwide.

4.4 Environment Issues

The Corporation will conduct its worldwide operations in a manner that safeguards the natural environment.

4.5 Community Support

As a good steward, Kern Engineering policy is to support the organization and activities of the communities in which we reside. We urge employees to take personally in civic affairs. The Corporation will strive to support worthwhile civic and charitable causes.

5.0 COMPETITORS

5.1 Antitrust Laws

Kern Engineering employees must never exchange information with competitors regarding prices, market share, or any other data that could be in violation of United States Antitrust Law.

5.2 Competitive Information

In the highly competitive global marketplace, information about our competitors is a necessary element of business. Such information will be accepted only when there is reasonable belief that both receipt and use of information is lawful.

5.3 Marketing, Selling, and Advertising

Kem Engineering will compete in the marketplace on the basis of the merits of our products and services. Legal and ethical considerations dictate that marketing activities be conducted fairly and honestly. Marketing and selling practices should be based on the superiority of our product offerings. In making comparisons to competitors, care must be taken to avoid disparaging a competition through inaccurate statements.

6.0 EMPLOYEE RESPONSIBILITIES

6.1 Compliance

It is the responsibility of all Kem Engineering employees to comply with these Standards of Conduct and implementing policies. Any questions of applicability or interpretation should be addressed to the Ethics Advisor.

Failure to comply with these Standards and associated Kern Engineering policies will result in appropriate employee sanctions, to be determined by management. As with all disciplinary matters, principles of fairness and equity will apply.

6.2 Reporting Violations

It is each employee's personal responsibility to bring violations or suspected violations of the Kem Engineering Standards of Conduct to the attention of their supervisor or the Ethics Advisor, as policy prohibits any retribution against employees for making such reports.

In the event that the Management, Directors or Owners of Kem Engineering are committing violations or suspected violations, the employee should contact either of the following:

Emanuel Anton - Legal Counsel for Kem Engineering (303) 801-1100

Department of Defense Hotline (800) 424-9098

Any other questions please contact:

Kevin Nunez, General Manager (909) 664-2440
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