



# **CODE OF BUSINESS ETHICS AND CONDUCT**

Aero Gear Administrative Policy # AG4011

(EFFECTIVE DATE: AUGUST 18, 2014 / REV. 0)

## **CORE OBJECTIVES**

This Code of Business Ethics and Conduct (“Code”) sets forth the requirements and expectations for conducting the business of Aero Gear (or the “Company”) consistent with applicable laws, regulations, and the highest standards of business ethics. The Code is designed to fulfill Aero Gear’s responsibilities to comply fully with the both the spirit and letter of Federal Acquisition Regulation (“FAR”) 52.203-13 Contractor Code of Business Ethics and Conduct.

The Code applies to every individual acting on behalf of Aero Gear, including its officers, employees, agents, and subcontractors, and representatives of the Company (hereinafter referred to as the “individual” or “employee”). Every individual must strictly comply with all applicable federal, state, local, and foreign laws and regulations, and with this Code. Aero Gear is committed to more than just adherence to laws and regulations. In each of our actions, we strive for the highest level of integrity and ethics in our dealings with each other, our customers, our suppliers, the public, and the government agencies we serve. Each of us has an obligation to behave at all times with honesty and integrity.

While this Code attempts to address the more common issues you are most likely to encounter, it is intended to be general in scope and is not exhaustive. It is not possible for this Code to address every potential issue you may face. Additionally, while this Code summarizes many laws and regulations governing Aero Gear’s business, these summaries are designed solely to sensitize you to potential issues you may encounter but are not meant to be a substitute for reviewing and analyzing the applicable regulations and laws when issues emerge. Similarly, the laws and regulations in this area periodically change and, thus, consultation with the source of the legal principle summarized herein is critical when issues emerge.

Aero Gear expects that in the event you have any questions, you feel uncomfortable about a situation, or have any doubts about whether an act is consistent with Aero Gear’s ethical standards, you will raise the issue with your supervisor, the Ethics & Compliance Officer (“ECO”), the President, or report the matter using the Company’s Ethics Hotline. Just as with every rule, there may be exceptions to some of the rules stated herein. The exceptions may sometimes derive from specific legal exemptions, but more often will result from a combination of seasoned judgment and consideration of all pertinent facts. All individuals are encouraged to seek advice in matters of corporate policy if there is any doubt relating to proper conduct.

## AERO GEAR'S ETHICS PROGRAM

### OUR CORE VALUES

Aero Gear has a higher duty of ethical conduct than many companies because of the critical nature of its products and, because when it is performing work for the Department of Defense and the warfighter, Aero Gear's work ultimately is taxpayer funded. In light of the serious and important nature of its work, Aero Gear is committed to live up to the highest standards of ethical business conduct. This requires all of us working together to create a culture of honesty, responsibility, and accountability. Each of us at the end of our working day should feel proud of what we have accomplished and the manner in which we accomplished it. Aero Gear will be a world-class leader in every aspect of our business.

We are committed to continuous improvement, personal development and upholding our core values. Our core values are identified below:

- ✓ **INTEGRITY.** Be honest, forthright and trustworthy. Use straight talk; no hidden agendas. Respect and know the laws and regulations governing our company. Always reflect the highest level of ethical conduct.
- ✓ **COMMITMENT.** Honor commitments to customers, shareholders, suppliers, the community, and each other. Accept personal responsibility to meet commitments; be accountable.
- ✓ **EXCELLENCE.** Our company insists on excellence in everything we do. Maintaining this level of excellence depends on individual commitment from each of us to act with integrity, accountability and respect.
- ✓ **RESPECT.** Our company strives to create an environment of mutual trust and mutual respect. We take a team approach to everything we do and treat every individual with dignity and respect.

You are expected to embrace these values and allow them to guide each and every decision you make on behalf of the Company. We are confident that our trust in you is well placed. Aero Gear also will do everything in its power to live by these standards.

### ROLE OF THE ETHICS & COMPLIANCE OFFICER ("ECO")

Every employee of the Company has an independent obligation to conduct themselves in a manner that is consistent with the Company's core values and governing laws and regulations. To ensure that employees have a "go to" person to raise any and all ethics and compliance-related questions or concerns, the Company has appointed an ECO to serve as the principal point of contact for questions concerning the Ethics Program.

The ECO reports directly to the President and leads the Company's Ethics and Compliance Program. The ECO ensures that all employees understand the Company's expectations regarding ethics and compliance, receive adequate training to enable them to adhere to such expectations, and can effectively and safely raise concerns

without fear of retaliation or other negative consequences. Aero Gear's ECO is: Mr. Don Dastoli who can be reached at: **DastoliD@aerogear.com** and **(860) 688-0888 extension 156.**

### **ETHICS HOTLINE POLICIES AND PROCEDURES**

While we hope that you always feel comfortable raising concerns or questions directly with your supervisor, the Human Resources Manager, the ECO, or the President, to implement its commitment to an ethical work environment, Aero Gear wanted to provide you with a mechanism by which to report concerns anonymously. Toward that end, Aero Gear has retained an independent third-party, Employee Network Incorporated ("ENI"), to operate a confidential Ethics Hotline on behalf of the Company. ENI administers the ethics hotlines of countless employers and is a company that is entirely separate and independent from Aero Gear. When you contact the Ethics Hotline:

- You will be treated with dignity and respect.
- Your concerns will be addressed and, if not resolved at the time you call, you will be informed of the outcome.
- Calls to the Ethics Hotline may be made anonymously. If you remain anonymous when you make the report, your identity will not be available to ENI or the Company. If you disclose your name but request that it be maintained in confidence, your confidentiality will be maintained to the greatest extent possible unless disclosure is required by law.
- You are not at risk of retaliation for using the Ethics Hotline. People in a position of authority are subject to disciplinary action up to and including termination of employment if they try to coerce you or prevent you from using the Ethics Hotline or retaliate against you.

To use the Ethics Hotline, you may call **(866) 494-3161** and enter **PIN No. 4011**. Posters displaying this hotline information are displayed in the Company's facility. After a report is made to ENI, the Company will receive a copy, which will enable it to investigate the matter and, where appropriate, to take corrective action to mitigate against reoccurrence. In certain instances, Aero Gear also may have an obligation to disclose the matter to the government.

### **ETHICAL DILEMMAS**

At some point in your career, you may face an ethical challenge or dilemma at work. This may be a situation where the right course of action is not entirely clear or a situation where you are being asked to do something that makes you feel uncomfortable, even if you cannot articulate the reason you are concerned. There is no instruction manual for handling these situations, but there are some questions that you should ask before you act:

- **Do I know all the rules?** Especially in a highly regulated industry such as government contracting, rules can be complex. Make sure that you understand the rules or inquire with the people who do before deciding how to act. You are not expected to know all of the answers—you are only expected to raise a question when something does not seem right.
- **Am I the right person to make this decision or take this action?** Each day, you have the ability to take actions potentially affecting all Aero Gear's employees and their families. Your choices have

consequences. Before making a decision or taking action, you must ensure that you are indeed the right person to do so.

- **Even though I might mean well, how would this look to someone who doesn't know me, to my children, or in the newspaper?** Often, the wrong thing is done for the right reasons. Regardless of the pressures that you are facing, a bad decision cannot be undone. Take the time to examine the situation objectively; if you cannot, contact one of our resources who can help you do so.
- **Why am I afraid of contacting someone about my concerns?** When ethical issues arise, especially those involving the conduct of others, reaching out can be difficult. You might wonder what would happen if you were wrong or how your choice might affect the other person involved. Think about how you would feel if you ultimately learn that your concerns were justified and you did nothing.

Aero Gear supports you. Many resources are available to you to help you reach a decision that you can not only live with but also take pride in. Remember that we encourage you to ask questions and raise concerns, and our non-retaliation policy protects you when you do so.

## **REPORTING OBLIGATIONS**

As an employee of the Company, you are obligated to bring any issue concerning a suspected violation of the Code, law, or regulations to the immediate attention of the Company, either through your supervisor, ECO, the President, or the Ethics Hotline.

Aero Gear will consider it a breach of this Code if an individual knows or suspects of a violation and does not report it. Any supervisor who receives such a report should immediately notify the ECO. All reports are treated confidentially to the maximum extent consistent with the enforcement of the Code. When Aero Gear investigates such reports, every employee has an obligation to cooperate with the investigation consistent with each employee's rights under the law.

## **NON-RETALIATION POLICY**

Aero Gear will not retaliate against an employee who reports known or suspected violations of the law, regulation, or this Code. In fact, Aero Gear prohibits retaliation against an employee who reports known or suspected violations. Additionally, no adverse action of any kind will be taken against an employee for making a report where the report is done in good faith. Our commitment to non-retaliation assures you that in posing any question, raising any concern, reporting suspected misconduct, or cooperating in any investigation, you will not suffer any negative consequences for doing so. Anyone who violates this non-retaliation policy is subject to discipline.

However, in raising any question or reporting any concern, or cooperating with any investigation, you must act in good faith. This does not mean that you need to be right, nor does it mean that your question or concern must have substantial facts to support it. It only means that you are prohibited from intentionally submitting inaccurate, misleading or false information. Making an intentionally inaccurate, misleading, or false report is subject to disciplinary consequences.

In addition, the firm complies with all statutory and regulatory requirements related to reporting concerns about a government contract, including in certain instances reporting such information to the government.

## **AERO GEAR'S GENERAL CORPORATE POLICIES & PROCEDURES**

### **PROTECTION AND USE OF AERO GEAR'S ASSETS**

Employees should protect Aero Gear's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness, and waste have a direct impact on Aero Gear's profitability. The use of Aero Gear funds or assets for any unlawful or improper purpose is prohibited. To ensure the protection and proper use of Aero Gear's assets, each employee should:

- Exercise reasonable care to prevent theft, damage, or misuse of Aero Gear property;
- Report the actual or suspected theft, damage, or misuse of Aero Gear property to a supervisor;
- Use Aero Gear's telephone system, other electronic communication services, written materials, and other property for business-related purposes;
- Safeguard all electronic programs, data, communications, and written materials from inadvertent access by others; and
- Use Aero Gear property only for legitimate business purposes, as authorized in connection with your job responsibilities.

Employees should be aware that Aero Gear property includes, in addition to all written communications, data and communications transmitted or received to or by, or contained in, Aero Gear's electronic or telephonic systems. Employees and other users of this property should have no expectation of privacy with respect to these communications and data. To the extent permitted by law, Aero Gear has the ability, and reserves the right, to monitor all electronic and telephonic communication. These communications may also be subject to disclosure to law enforcement or government officials.

### **CORPORATE OPPORTUNITIES**

As an employee of Aero Gear, you have an obligation to advance Aero Gear's interests when the opportunity to do so arises. If you discover or are presented with a business opportunity through the use of corporate property, information, or because of your position with Aero Gear, you should first present the business opportunity to Aero Gear before pursuing the opportunity in your individual capacity. You should disclose to your supervisor the terms and conditions of each business opportunity that you wish to pursue. Your supervisor will contact the President to determine whether Aero Gear wishes to pursue the business opportunity. If Aero Gear waives its right to pursue the business opportunity, you may pursue the business opportunity on the same terms and conditions as originally proposed and consistent with the other ethical guidelines set forth in this Code. No employee may use corporate property, information, or his or her position with Aero Gear for personal gain, and no employee should compete with Aero Gear.

## **PERSONAL CONFLICTS OF INTEREST**

Showing favoritism or having conflicts of interest - in practice or in appearance - runs counter to the fair treatment to which we are all entitled. A personal conflict of interest occurs whenever the private interests or relationships of an individual interfere or appear to interfere with the interests of Aero Gear. Avoid any relationship, influence, or activity that might impair, or even appear to impair, your ability to make objective and fair decisions when performing your responsibilities for Aero Gear.

Identifying potential conflicts of interest may not always be clear-cut. The following is not intended to be a comprehensive list, but rather are basic tenets that would raise the specter of a conflict of interest:

- **Outside Employment.** Aero Gear employees have a primary business responsibility to the Company and should avoid any activity that may interfere, or have the appearance of interfering, with this responsibility. No employee should be employed by, serve as an officer, director, agent, or representative of, or provide any services to a company that is a customer, supplier, or competitor of Aero Gear.
- **Improper Personal Benefits.** No employee should obtain any material (as to him or her) personal benefits or favors because of his or her position with Aero Gear.
- **Financial Interests.** No employee should have a significant financial interest (ownership or otherwise) in any company that is a customer, supplier, or competitor of Aero Gear. A “significant financial interest” means: (i) ownership of greater than 1% of the equity of a customer, supplier, or competitor; or (ii) an investment in a customer, supplier, or competitor that represents more than 5% of the total assets of the employee.
- **Loans or Other Financial Transactions.** No employee should obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a customer, supplier, or competitor of Aero Gear. This guideline does not prohibit arms-length transactions with banks, brokerage firms, or other financial institutions.
- **Service on Boards and Committees.** No employee should serve on a scientific or business advisory board, board of directors or trustees, or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably would be expected to conflict with those of Aero Gear or otherwise provide advice on a continuing basis for such entity, unless they have prior written permission from Aero Gear’s President.
- **Lectures and Presentations.** Employees may not give or participate in any speaking engagement outside of Aero Gear on any subject that relates to Aero Gear’s business or their work for Aero Gear without the prior approval of their supervisors. Employees may not submit articles for publication that contain information involving Aero Gear without prior approval of their supervisors. It is the supervisor’s responsibility to obtain clearance from Aero Gear’s President as appropriate.
- **Actions of Family Members.** The actions of family members of employees of Aero Gear outside the workplace may also give rise to the conflicts of interest described above because they may influence an employee’s objectivity in making decisions on behalf of Aero Gear. For purposes of this Code, “family members” include anyone related to you by blood, adoption, or marriage, including your spouse or life-partner, siblings, parents, grandparents, in-laws, and children.

When in doubt, share the facts of the situation with your supervisor. Aero Gear requires that employees disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to your supervisor or the President. Your supervisor and the President will work with you to determine whether you have a conflict of interest and, if so, how to address it.

### **CONFIDENTIAL INFORMATION**

Employees have access to a variety of confidential information while employed at Aero Gear. Confidential information includes all information that is internally generated by Aero Gear concerning its business and includes all non-public information that might be of use to competitors, or, if disclosed, harmful to Aero Gear or its customers. It may also include information obtained from sources outside Aero Gear, including information regarding Aero Gear's partners, customers, or suppliers.

The following types of information and documents are examples of information considered confidential and should be safeguarded to ensure access is only provided for authorized business use (note that this is not intended to be an exhaustive list): Proposed trademarks; commercial relationships; contracts; customers; inventions; non-public financial information; memoranda, correspondence and internal records of the organization; collaborations with other companies and the information learned through these relationships; and all personnel information, including names, addresses, home telephone numbers, payroll records, benefit plans, and medical records, unless such disclosure is required by law.

Employees have a duty to safeguard all confidential information of Aero Gear or third parties with which Aero Gear conducts business, except under controlled circumstances with prior approval of the President.

An employee's obligation to protect confidential information continues after he or she leaves Aero Gear. Unauthorized disclosure of confidential information could cause competitive harm to Aero Gear or its customers and could result in legal liability to you and Aero Gear. Employees should not discuss confidential information with anyone outside Aero Gear except under controlled circumstances with prior approval from the President. Any questions or concerns regarding whether disclosure of Aero Gear information is legally mandated should be promptly referred to the President.

Care must be taken to safeguard confidential information. Accordingly, the following measures should be adhered to:

- Employees should conduct their business and social activities so as not to risk inadvertent disclosure of confidential information. For example, when not in use, confidential information should be discreetly stored. Also, review of confidential documents or discussion of confidential subjects in public places (*e.g.*, airplanes, trains, taxis, etc.) should be conducted so as to prevent overhearing or other access by unauthorized persons.
- Within Aero Gear's offices, confidential matters should not be discussed within hearing range of visitors or others not working on such matters.
- Confidential matters should not be discussed with other employees not working on such matters or with friends or relatives including those living in the same household as an Aero Gear employee.

- Any consultants or experts who are used to facilitate review of business transactions or assist the organization in its business activities should be subject to a confidentiality agreement before any exchange of information takes place. Furthermore, employees should limit the disclosure of information to these entities to only that which is within the scope of the confidentiality agreement and only to the extent needed to complete their particular task.

## **WORK SAFETY**

Aero Gear's policy is to maintain a drug-free, safe, and healthy work environment. Each of us is responsible for compliance with environmental, health, and safety laws and regulations. We must observe posted warnings and regulations. Aero Gear expects you to report immediately to your supervisor any drug use, accident, or injury sustained on the job, or any environmental or safety concern you may have.

## **EQUAL EMPLOYMENT OPPORTUNITY**

Aero Gear is committed to encouraging, enhancing, and celebrating diversity. Our collective talent includes the unique qualities that each employee brings to Aero Gear. We value things that make us similar and different, such as job experience, education, age, national origin, religion, physical ability, race, gender, and sexual orientation. By bringing varied viewpoints and experience to the workplace, Aero Gear will be better positioned to develop the innovative products, services, and solutions we need to be competitive in a global environment. In addition, when we work toward a diverse workplace in which everyone is included and respected, we all benefit. Employees get more supportive leadership, better potential for advancement, and programs aimed at career development. Employees who feel that their viewpoints and contributions are valued are more productive and more reliable and take pride in their work. That makes Aero Gear a better workplace for all of us.

The Company's policy on equal employment opportunity prohibits discrimination based on race, color, religion, national origin, sex, sexual orientation, gender identity, age, physical or mental disability, and qualifying veteran status. This policy applies to all terms and conditions of employment, including recruiting, hiring, transfers, promotions, terminations, compensation, and benefits.

Employees may file an internal or external complaint if they believe that they have been subjected to work-related discrimination or harassment that is prohibited by company policy or applicable law. To file an internal complaint, promptly notify your supervisor, the Human Resources Manager, the Ethics & Compliance Officer, the President, or report the matter using the Company's Ethics Hotline. All complaints will be thoroughly investigated, and effective corrective action will be taken where appropriate. Retaliation for filing a complaint or cooperating with an investigation is strictly prohibited and will not be tolerated.

For more information on Aero Gear's General Corporate Policies and Procedures, refer to the Aero Gear Employee Handbook.

## **AERO GEAR'S GOVERNMENT CONTRACTING COMPLIANCE POLICIES & PROCEDURES**

### **AERO GEAR ONLY DOES BUSINESS WITH RESPONSIBLE COMPANIES AND INDIVIDUALS**

Aero Gear is committed to maintaining an ethical work environment and, toward that end, Aero Gear only desires to transact business with individuals and companies that also are committed to this principle. If Aero Gear does business with another company that is found to have engaged in inappropriate conduct, Aero Gear's reputation could suffer. Therefore, business integrity and responsibility are key requirements for the selection and retention of those who represent Aero Gear.

Subcontractors, vendors, agents, representatives, partners, or consultants must comply with Aero Gear's Code. Each of us are responsible for ensuring that these individuals and entities have the highest integrity and ethical standards. In addition, procurement personnel shall ensure that contracts with such individuals and entities reflect the requirements of applicable laws, regulations, government contract requirements, and Aero Gear's Code.

Before entering into any business relationship, Aero Gear, at a minimum, intends to screen the prospect using the government's database known as the System for Award Management ("SAM"), which identifies all parties that are ineligible for government contracts and subcontracts and non-procurement transactions, such as grants and cooperative agreements. SAM is available at: <https://www.sam.gov/portal/SAM/#1>. Where a prospective individual or entity appears on the excluded list, Aero Gear will not do business with the party. Additionally, Aero Gear expects all employees to report any concerns they have pertaining to a prospective or existing business partner.

### **COMPLIANCE WITH GOVERNMENT CONTRACTING LAWS**

Our work for the United States government, including our contracts and subcontracts, impose unique requirements of which we must be aware and to which we must adhere. The Company provides periodic training to ensure you are sensitized to the most common issues you may encounter. You have a responsibility to comply with all applicable laws, regulations, and contract requirements. Accordingly, it is your responsibility to be familiar with the laws and regulations applicable to your job responsibilities, as well as applicable contract clauses that are incorporated into our contracts and subcontracts by reference, and to seek guidance and instruction whenever questions arise.

### **COMPLIANCE WITH OUR GOVERNMENT CONTRACTS AND SUBCONTRACTS**

It is Aero Gear's policy to adhere strictly to the requirements of our contracts. Aero Gear is committed to delivering quality products and services that meet all contractual obligations and quality standards. To achieve this objective, it is mandatory that employees understand the requirements of the contracts on which they are working. Supervisors must ensure that their subordinates understand the requirements and are complying fully. Such contract requirements include, but are not limited to, technical requirements, testing and inspection requirements, including first article testing requirements, adherence to delivery schedules, contract quality standards, packaging requirements, and billing requirements, among any other applicable requirements.

We value our relationships with our customers and believe adherence to the following principles will ensure our customer relationships remain strong for years to come:

- When we enter into a contract, we do so fully intending to comply with each and every term;
- We do not enter into contracts that contain ambiguous terms or requirements, terms we do not understand, or terms we cannot fulfill;
- Where the contract is ambiguous on a particular requirement, and we identify this ambiguity post-award, we will notify the customer promptly, propose a solution, and seek input from the customer. We will ensure that any resolution is memorialized clearly and unmistakably;
- We will maintain open lines of communication with our customers and keep them apprised of developments where appropriate;
- In the event unexpected delays are encountered, we will notify our customer promptly and work diligently to minimize, if not eliminate, the impact of the delay; and
- Where we are asked to do something outside the terms of the contract, we will insist on a formal contract modification. It is critical to maintain a written agreement that mirrors the parties' agreement.

When we follow these principles, we can be confident that our customers will continue to use us in the future. Each and every contract we receive is another opportunity to further develop and strengthen an existing relationship.

#### **ACCURATE REPRESENTATIONS & CERTIFICATIONS**

All individuals acting on behalf of Aero Gear are required to make accurate representations and certifications on its behalf, including in oral and written communications. This requirement extends to both affirmative representations and certifications as well as to implicit representations and certifications. Every time an employee stamps, initials, or signs a document, he or she is approving of the representations contained within the document and independently representing that the statements are accurate. It is a breach of this Code to make any misrepresentations or false statements to any customer, subcontractor, individual or entity you encounter in your dealings on behalf of Aero Gear. Furthermore, such misrepresentation or false statement may constitute a violation of federal law if the ultimate customer is the U.S. Government.

#### **CONTRACT NEGOTIATIONS AND DISCLOSURES**

When you are negotiating with the government or a prime contractor on behalf of Aero Gear, including but not limited to, contracts, subcontracts, termination settlement proposals, modifications, or other agreements, you must at all times be accurate and complete in all representations. The submission of false, incomplete, or misleading information can result in contractual, administrative, civil, and/or criminal liability for Aero Gear and the involved individuals.

#### **COMPLETE AND ACCURATE RECORDS**

All of Aero Gear's records must be complete, accurate, and reliable in all material respects. Undisclosed or unrecorded funds, payments, or receipts are inconsistent with our business practices and are prohibited. All business and financial transactions must be executed in accordance with applicable law and Company policies and procedures. No one should even consider misrepresenting facts or falsifying records of any type or even attempt to rationalize doing so. Such actions are illegal, will not be tolerated, and will result in disciplinary

action up to and including termination of employment. You are responsible for understanding and complying with our record keeping policy.

All records must be stored in a safe and secure location for the period of time required by law or Company policy, whichever is longer. Old records that are no longer needed will be disposed of securely and in accordance with applicable document retention schedules or legal statutes.

Certain laws and regulations govern the proper retention of many categories of records and documents that are commonly maintained by companies. Any record, in paper or electronic format, relevant to a threatened, anticipated, or actual internal or external inquiry, investigation, matter, or lawsuit may not be discarded, concealed, falsified, altered, or otherwise made unavailable, once an employee has become aware of the existence of such threatened, anticipated, or actual internal or external inquiry, investigation, matter, or lawsuit. When in doubt regarding retention of any record, an employee must not discard or alter the record in question and should seek guidance.

### **TIME RECORDING & COST CHARGING**

Every employee must record their time accurately, completely, and in a timely manner. Time mischarging, even if unintentional and inadvertent, is serious and could expose the individual and Company to contractual, civil, criminal, and administrative liability, including suspension and debarment. Overreporting, underreporting, or misstating time or other entries on a report—even time devoted to non-billable activities such as marketing, proposal, or administrative work—may result in mischarging labor costs to clients.

Any allocation of costs to a government contract or subcontract contrary to the contract provisions or related laws and regulations is improper. Such improper allocation includes, but is not limited to, charging unallowable costs, the improper execution of employee time cards, charging time to one contract when it should be charged to another contract(s), charging unsupported overhead costs, incorrectly or inaccurately classifying costs, shifting costs between contracts, or inaccurately representing costs on payment vouchers or progress billing invoices. It is critical that each and every statement and amount contained on a Company invoice be 100-percent accurate.

### **Employee responsibilities:**

- It is imperative that you understand how to account for and charge your time;
- If you are ever unclear in any way on how to account for and charge your time, seek guidance from your supervisor before charging any time. Do not make any assumptions, and do not charge any time until you obtain such clarification and fully understand what is expected of you; and
- If you suspect time mischarging by a fellow employee, you are obligated to report such suspicions using one or more of the available reporting channels.

## **Supervisor responsibilities:**

- You need to ensure that your subordinates understand how to account for and charge their time;
- While employees are familiar with how to account for and charge their time under Aero Gear’s standard fixed-price work, it is important that you periodically remind them and reinforce Aero Gear’s policy;
- Prior to the commencement of performance of any non-fixed priced contract (a cost-type contract, time-and-materials contract, etc.), you are required to ensure each member of your team understands how to account for and charge their specific time under the contract;
- It is your responsibility as the supervisor to oversee each team member’s time charging for the period and exercise appropriate diligence and scrutiny in reviewing time entries;
- If you ever have any question or concern regarding an employee’s recorded time entry regardless of the amount of time involved, you must notify the accounting department immediately and, where appropriate, the ECO;

## **BILLING & INVOICING**

Prior to issuing an invoice to a customer, including a government customer or a prime contractor under a government contract, it is imperative that the responsible employees review and evaluate each entry on the invoice to ensure the billing is wholly consistent and compliant with the Company’s contractual, legal, and regulatory obligations under the contract. All entries appearing on an invoice must clearly and precisely identify the nature of the supplies provided, the work performed, and the costs associated with the supplies and work. The customer should never have to guess as to what services or supplies are included in a particular entry. Such transparent and explicit billing ensures that our customers are fully aware of the work and costs underlying the invoice and, in the highly unusual instance that a mistake is made, such a practice affords the customer the opportunity to raise questions or concerns in a timely fashion before the mistake has reoccurred multiple times.

## **COOPERATION WITH INTERNAL INVESTIGATIONS AND GOVERNMENT INVESTIGATIONS**

Aero Gear employees must be truthful and honest and cooperate with internal investigations and government investigations into the Company’s business. Employees must preserve all documents, data, and other materials related to any matter subject to investigation, audit, or review. It is Aero Gear’s policy to cooperate with any reasonable and lawful request by federal, state, and municipal government investigators seeking information concerning Aero Gear’s operations for law enforcement purposes. At the same time, Aero Gear and its employees are entitled to the safeguards provided by law, including the representation of counsel. Therefore, if you are contacted by any authority, notify the ECO and President immediately.

## **TRUTH IN NEGOTIATIONS ACT (“TINA”)**

Aero Gear must comply fully with TINA in conducting business directly with the government or, indirectly, through subcontracting opportunities. Where applicable, TINA requires disclosure of “cost or pricing data” to the contracting officer (or designated representative) or prime contractor and certification that, as of a mutually agreed-to-date, such data is current, accurate, and complete.

The purpose of TINA is to give the government an effective means of negotiating a fair and reasonable price with contractors. The rationale is that contractors have a superior bargaining position in negotiated procurements and, thus, TINA, was designed to level the bargaining positions of the parties and requires contractors to disclose all the cost or pricing information a reasonable person would deem relevant to the expected costs of contract performance. Since the government uses and relies on the cost or pricing data submitted in evaluating a contractor's proposal, any defect or omission may lead to a price reduction under the Price Reductions clause of the contract, administrative liability, civil liability, or criminal liability.

"Cost or pricing data" is defined as "all facts that, as of the date of price agreement, or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price, prudent buyers and sellers would reasonably expect to affect price negotiations significantly. Cost or pricing data are factual, not judgmental; and are verifiable. While they do not indicate the accuracy of the prospective contractor's judgment about estimated future costs or projections, they do include the data forming the basis for that judgment. Cost or pricing data are more than historical accounting data; they are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred." FAR 2.101.

In addition to accounting data, cost or pricing data includes but is not limited to: (1) vendor quotations; (2) nonrecurring costs; (3) information on changes in production methods and in production or purchasing volume; (4) data supporting projections of business prospects and objectives and related operations costs; (5) unit-cost trends such as those associated with labor efficiency; (6) make-or-buy decisions; (7) estimated resources to attain business goals; and (8) information on management decisions that could have a significant bearing on costs.

TINA is complicated and consultation with the applicable regulations is necessary where issues or questions arise. TINA generally applies to fixed-priced contracts and subcontracts, including modifications to either, where the contract or subcontract exceeds a certain dollar threshold. Presently, that threshold is \$700,000. However, in certain circumstances, the head of a contracting agency can authorize a contracting officer to seek cost or pricing data for contract actions exceeding the simplified acquisition threshold.

Where TINA applies, the contractor must submit such information and a Certificate of Current Cost or Pricing Data certifying that to the best of its knowledge and belief, the cost or pricing data submitted is current, accurate, and complete as of the date of agreement on price or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price. Typically, the date of agreement is the date of the handshake.

### **EXCEPTIONS TO TINA**

There are several exceptions to TINA. First, TINA only applies where the value of the contract action is \$700,000 or greater. Where the dollar threshold is met, there are several exceptions, including: (1) where the prices are set by a governmental body through law or regulation (*i.e.*, utility rates); (2) where commercial items are being procured (includes modifications to commercial item contracts); (3) where adequate price competition exists; or (4) where TINA is waived.

- **Prices set by law or regulation:** Pronouncements in the form of periodic rulings, reviews, or similar actions of a governmental body, or embodied in the laws, are sufficient to set a price.

- **Where commercial items are procured:** Any acquisition of an item that the contracting officer determines meets the commercial item definition in FAR 2.101, or any modification, as defined in paragraph (3)(i) of that definition, that does not change the item from a commercial item to a noncommercial item, is exempt from the requirement for certified cost or pricing data. The FAR provides additional rules on the TINA exception for commercial item acquisitions.
- **Adequate price competition:** Adequate price competition exists in each of the following: (a) the government receives two or more, independent, responsible offers that satisfy the government's requirements; (b) one offer is submitted but the contracting agency had a reasonable expectation that two or more, independent, responsible offers would submit offers; (c) where the price analysis of the offer demonstrates that the price is reasonable in comparison with current or recent prices for the same or similar items purchased under comparable terms and conditions under contracts that resulted from adequate price competition; or (d) where waived, in writing, by the head of the contracting agency.
- **Waiver of the TINA requirements:** The head of the contracting activity (“HCA”) may, without power of delegation, waive the requirement for submission of certified cost or pricing data in exceptional cases. The authorization for the waiver and the supporting rationale shall be in writing. The HCA may consider waiving the requirement if the price can be determined to be fair and reasonable without submission of certified cost or pricing data.

## **INFORMATION OTHER THAN COST OR PRICING DATA**

Even if TINA is not applicable, the contracting officer may request and obtain information other than certified cost or pricing data “to the extent necessary to determine the reasonableness of the price of the contract.” Such information does not need to be certified, but any false information could lead to criminal or civil liability.

References: FAR 2.101; FAR Subpart 15.4.

## **RESTRICTIONS ON OBTAINING NON-PUBLIC SENSITIVE INFORMATION**

Companies are prohibited, when competing for the award of a U.S. government contract or subcontract, from knowingly obtaining “source selection information” or “bid or proposal information.” There are also laws and regulations restricting one company from improperly obtaining and utilizing a competitor’s confidential business information.

## **SOURCE SELECTION INFORMATION**

Source selection information includes: proposed costs or prices submitted to the government; source selection plans and technical evaluation plans; evaluations of technical and cost/price proposals by the government, competitive range determinations, rankings of bids, proposals, or competitors, and/or reports and evaluations of source selection panels, boards, or advisory councils; and any other information marked Source Selection Information.

## **CONTRACTOR BID OR PROPOSAL INFORMATION**

Contractor bid or proposal information may include any information submitted by a contractor to a federal agency as part of or in connection with a bid or proposal to enter into a federal agency procurement contract, if that information has not been previously made available to the public or disclosed publicly. Examples include: cost or pricing data; indirect costs and direct labor rates; proprietary information about manufacturing processes, operations, or techniques; or information marked by the contractor as “contractor bid or proposal information” or containing a similar restriction on disclosure.

These restrictions also prohibit current and former government employees from knowingly disclosing source selection information or bid or proposal information. Accordingly, special training will be provided to former government employees hired by the Company to ensure that they comply with these restrictions.

## **OTHER CONTRACTORS' CONFIDENTIAL BUSINESS INFORMATION**

Furthermore, just as Aero Gear does not want competitors trying to obtain or use Aero Gear's confidential business information, Aero Gear does not seek to obtain a competitor's confidential business information. This restriction would pertain to all competitor confidential business information, even if not submitted to the government in connection with a procurement.

We do not gather any proprietary information about our competitors for competitive purposes that is not in the public domain or otherwise available publicly. You may not seek to obtain such information for such purposes either on your own or by acting through a third party. When we team on an opportunity or engage a competitor as a subcontractor, we often receive proprietary or other sensitive information under contractual confidentiality restrictions that limit how that information may be used. When this is the case, you must use the information only for the purposes allowed by the contract and no others.

Similarly, as a result of prior employment elsewhere, you or other employees might possess a company's or client's proprietary information. You may neither disclose that information to other employees nor use it in conducting the Company's business unless the information has since become available publicly. This rule applies regardless of whether or not you signed a non-disclosure agreement (“NDA”) with your former employer. You also may not ask other employees for proprietary information obtained from their prior employers.

These restrictions do not pertain to information that is publicly available.

References: FAR 3.104.

## **POST-GOVERNMENT EMPLOYMENT RESTRICTIONS**

Laws and regulations concerning conflicts of interest apply to employment discussions with and the hiring of former or current government personnel. These rules include provisions governing contact or negotiations with current and former government employees to discuss their potential employment with Aero Gear, the hiring of such former government employees, and their retention by Aero Gear as consultants or subcontractors. They also cover what activities former government employees may not engage in after leaving government service. These rules are complex. You are required to consult the President before contacting any former or current government employee regarding employment, or if any such person approaches you regarding employment with or consulting for Aero Gear. Below is a brief summary of the restrictions.

## **RESTRICTIONS ON EMPLOYMENT DISCUSSIONS**

The restrictions pertain to government officials who participate personally and substantially in a competitive federal agency procurement in excess of the simplified acquisition threshold. Where a government official receives an unsolicited contact regarding employment from an offeror competing for such a procurement, the official must notify his supervisor and the designated ethics official immediately, and promptly reject the employment opportunity or disqualify himself from further participation in the procurement until the discussions have concluded without employment or the contractor is no longer an offeror in that procurement.

## **ONE-YEAR COOLING OFF PERIOD ON HIRING CERTAIN FORMER AGENCY OFFICIALS**

A former official may not accept compensation from a contractor that has been awarded a competitive or sole source contract, as an employee, officer, director, or consultant of the contractor within a period of 1 year after such former official --

- Served, at the time of selection of the contractor or the award of a contract to that contractor, as the procuring contracting officer, the source selection authority, a member of a source selection evaluation board, or the chief of a financial or technical evaluation team in a procurement in which that contractor was selected for award of a contract in excess of \$10,000,000;
- Served as the program manager, deputy program manager, or administrative contracting officer for a contract in excess of \$10,000,000 awarded to that contractor; or
- Personally made for the federal agency a decision to -- (A) award a contract, subcontract, modification of a contract or subcontract, or a task order or delivery order in excess of \$10,000,000 to that contractor; (B) establish overhead or other rates applicable to a contract or contracts for that contractor that are valued in excess of \$10,000,000; (C) approve issuance of a contract payment or payments in excess of \$10,000,000 to that contractor; or (D) pay or settle a claim in excess of \$10,000,000 with that contractor.

## **RESTRICTIONS ON A FORMER GOVERNMENT OFFICIAL AFTER LEAVING FEDERAL SERVICE**

The restrictions bar a former government employee from representing another person or entity by making a communication to or appearance before a federal department, agency, or court concerning the same “particular matter involving specific parties” (e.g., the same contract or grant) with which the former employee was involved while serving the Government. Depending upon the government official’s prior involvement in and role with the government, the restrictions vary:

- If the matter was pending under the employee’s official responsibility during the employee’s last year of government service, the bar lasts for two years;
- If the employee participated in the matter “personally and substantially,” the bar is a lifetime ban;
- In addition, certain high-level officials are subject to a so-called “cooling-off” period. For a period of one year after leaving a “senior” position, a former senior employee may not represent another person or entity by making a communication to or appearing before the former employee’s former agency to seek official action on any matter; and

- A former “very senior” employee is subject to a similar prohibition, except that the bar lasts for two years and extends to contacts with specified high-level officials at any department or agency.

References: FAR 3.104; 18 U.S.C. § 207.

## **COMPLIANCE WITH ANTITRUST LAWS**

Aero Gear values open and fair competition. We want to win, but only with integrity. We do not knowingly enter into business arrangements that eliminate or discourage competition or that provide us an improper competitive advantage, as such arrangements undermine the free marketplace on which our business depends.

The antitrust/anti-competition laws of the United States are intended to promote free and open competition. Antitrust/anti-competition laws are vigorously enforced and include criminal and/or civil penalties. It is incumbent upon employees to be familiar with these laws and to seek guidance and instructions whenever any questions arise. All individuals are expected to conduct themselves in a manner designed to promote Aero Gear’s compliance with antitrust laws, and no employee shall discuss with any competitor prices or terms of sale, division of territories, allocation of customers, or boycotts of customers or suppliers.

You should be aware that any of the following may violate antitrust laws:

- Price fixing;
- Boycotting suppliers or customers;
- Pricing intended to run a competitor out of business;
- Disparaging, misrepresenting or harassing a competitor;
- Teaming with companies to try to block competitors and prevent market entry;
- Bribery, kickbacks, or stealing trade secrets;
- Entering into agreements or understandings with competitors to divide the market in which they compete by allocating territories or markets, and/or limiting the production or sale of products or product lines;
- Conditioning the sale of one product/service on the sale of another unwanted product/service; and/or
- Conditioning the sale or purchase of products/services on the requirement that the seller or purchaser not do business with competitors of the corporation.

You must avoid engaging in or discussing any of the above activities with competitors, suppliers, or customers, and must report any suspected violations.

References: FAR Subpart 3.3.

## **GIVING OR ACCEPTING ITEMS OF VALUE**

It is improper and a violation of this Code to give, solicit, or receive any item of value from customers, vendors, subcontractors, or competitors or to any public official to receive favorable treatment in connection with a prime contract or subcontract relating to a prime contract with the U.S. Government. Accepting or providing any item of value, even if not done to receive favorable treatment, may be a violation of law and/or raise appearances of impropriety and questions as to Aero Gear's business ethics. This includes, but is not limited to, cash or the equivalent, tickets to any events, meals, entertainment, gifts, or personal fees, travel costs, commissions or other forms of remuneration.

The Company has devised the following policy:

- Unless otherwise approved by the President, you are prohibited from giving any customer, including our government customers, any item of value and, similarly, are prohibited from accepting any item of value and if you are offered any item of value, you must report it to your supervisor.
  - Exceptions:
    - Aero Gear recognizes, however, that occasionally inviting a non-government customer to lunch, dinner, or an event can give both parties an opportunity to get to know one another better, improve overall communications, and ultimately foster an enhanced professional working relationship. Accordingly, the President has approved of occasionally, inviting a non-government customer to join you for a meal or event. This entertainment should be sporadic and occasional and it should be avoided entertaining the same person on a weekly/monthly basis. (Note: this only pertains to non-government customers; employees are prohibited from providing any item of value to government customers).
    - Similarly, you are prohibited from accepting any item of value (with the exception of inconsequential non gift items) from a supplier or contractor without disclosure to your supervisor. It is permissible to go to lunch or dinner with a supplier or contractor on a sporadic and occasional basis to further the professional working relationship, but never to gain preferential treatment.

Under governing laws and regulations, federal executive branch employees may accept the following items:

- Publicly-available discounts and commercial loans;
- Inconsequential items or items of a nominal value if offered infrequently, such as coffee, donuts, greeting cards, and certificates;
- Other unsolicited gifts with a market value of \$20 or less per occasion, aggregating no more than \$50 in a calendar year from any single source;
- Gifts motivated by a family relationship or personal friendship;
- Free attendance at certain widely-attended gatherings, such as conferences and receptions, when the cost of attendance is borne by the sponsor of the event; and

- Food, refreshments, and entertainment at certain meetings or events while on duty in a foreign country.

Each executive branch agency also maintains supplemental gift rules.

Due to the complexities of the gift rules governing federal employees and concerns regarding appearances of impropriety, Aero Gear has adopted a simple policy as it relates to government customers. Aero Gear's policy is not to provide government customers with any item of value unless expressly approved, in writing, by the President.

References: FAR 3.101-2; 5 C.F.R. Part 2635.

### **BRIBERY & ILLEGAL GRATUITIES**

It is improper to give or accept bribes and illegal gratuities.

Bribery refers to a situation where an individual or company corruptly gives or offers anything of value to a public official with the specific intent to influence an official act or induce the public official to commit some fraud or violate an official duty. In the bribery context, the gift is viewed as a “quid pro quo” for the official action taken by the government official.

In the illegal gratuities context, the government need not prove corrupt intent or that a “quid pro quo” existed; just that there is an offer or acceptance of anything of value “for or because of an official act.” As a practical matter, the illegal gratuities statute prohibits all gifts to public officials made as a reward for an act that they would perform anyway. Oftentimes even permissible gifts create the appearance of an illegal gratuity, Aero Gear prohibits all employees from providing gifts to government officials.

References: FAR 52.203-3 Gratuities; FAR Subpart 3.2.

### **KICKBACKS**

Aero Gear is committed to ensuring that all transactions and business dealings with its prime contractors, subcontractors, and suppliers are conducted in compliance with the provisions of the Anti-Kickback Act. The Anti-Kickback Act prohibits prime contractors and subcontractors from offering, soliciting, providing, or accepting anything of value for the purpose of obtaining or rewarding favorable treatment in connection with the award of government prime contracts and subcontracts. A “kickback” includes anything of value, including: any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind that is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a government prime contract or subcontract.

Aero Gear deals fairly and honestly with its suppliers and its prime contractor customers. This means that our relationships are based on price, quality, service, and reputation, among other factors. Employees dealing with suppliers should carefully guard their objectivity. Specifically, no employee should accept or solicit any personal benefit from a supplier or potential supplier. Similarly, no employee should offer or provide any personal benefit to a prime contractor customer.

It is Aero Gear's policy that:

- Employees must never pay, offer, or give a kickback in an effort to receive a contract or subcontract;
- Employees must never solicit or receive a kickback from any party seeking a contract;
- Employees must never include, directly or indirectly, the amount of any kickback: (i) in the contract price charged by Aero Gear’s subcontractor to Aero Gear; or (ii) in the contract price charged by Aero Gear to the government or to a prime contractor, or to any higher-tier contractor with whom we work; and/or
- Any employee, who offers, provides, solicits, accepts or discusses offering or accepting a “kickback” will face prompt disciplinary action.

Should you suspect that a kickback or attempted kickback has occurred, you must report it immediately to the Company so the Company can investigate the matter and determine whether it has any mandatory reporting obligations.

References: FAR 3.502-2; FAR 52.203-7 (Anti-Kickback Procedures).

### **COMPLIANCE WITH IMMIGRATION LAWS**

Federal immigration law requires all employers to verify both the identity and employment eligibility of all persons hired to work in the United States. It is Aero Gear’s policy to hire only employees who are legally authorized to work in the United States. Aero Gear verifies all prospective employee’s eligibility for employment prior to their hiring. Aero Gear expects you to notify your supervisor of any information indicating that an individual who is working for Aero Gear is ineligible to work in the United States.

References: FAR Subpart 22.18.

### **COMPLIANCE RISKS FACING INTERNATIONAL PROCUREMENT TRANSACTIONS**

#### **BUY AMERICAN ACT**

The Buy American Act (“BAA”) establishes a domestic preference for the use of articles, materials, and supplies manufactured in the U.S. when the government purchases such for use within the United States. This is a preference and does not prohibit the use of foreign materials where the cost of the domestic end item is found to be unreasonable, an issue discussed in further detail below. The BAA applies to supply and construction contracts and “contracts for services that involve the furnishing of supplies,” but does not apply to pure service contracts; separate rules govern construction contracts and are not addressed herein.

- BAA applies to contracts above the micro-purchase threshold; and
- A two-part test must be satisfied in order for the product to qualify as a “domestic end product.”
  - First, the product must have been manufactured (assembled) in the United States. The assembly of an end product’s components in the U.S. will constitute domestic manufacture so long as it is more than simple assembly; mere reassembly of foreign components will not constitute domestic manufacture. Further, work on components that does not alter the form or use of the components does not necessarily constitute manufacturing.

- Second, the cost of domestic components comprising the product must exceed 50-percent of the cost of all the components. Components are defined as “an article, material, and supply incorporated directly into an end product or construction material.” The country where the component is mined, produced, or manufactured becomes the component’s country of origin; there is no subcomponent cost test for determining a component’s country of origin test. In determining the cost of a component, for purchased components, transportation costs should be factored in. For manufactured components, all costs associated with the manufacture should be included, including transportation, overhead but exclude profit. *This component test has been waived for the acquisition of commercial items meaning that you need only satisfy the first part of the test.*
- For DoD acquisitions, the component test is expanded to include U.S. and “qualifying country components” as opposed to just “domestic” components.
  - “Qualifying country” means a country with a reciprocal defense procurement memorandum of understanding or international agreement with the United States in which both countries agree to remove barriers to purchases of supplies produced in the other country or services performed by sources of the other country.

## **EXCEPTIONS TO THE BAA**

The BAA contains several exceptions, which were designed to give procuring agencies flexibility. In relevant part, these include:

- **Use outside the U.S.:** BAA does not apply to contracts where the solicitation calls for end products that will be used outside the U.S.
- **Information technology commercial items:** BAA does not apply to acquisitions of information technology commercial items where the procurement is at a certain threshold.
- **Unreasonable cost:** Where the price of the domestic end product is “unreasonable,” award may be made to the lowest priced foreign offer. The cost of a domestic end product is “unreasonable” if it is not the low offer when the evaluation factors are applied to the foreign offers. Civilian agencies add a 6 percent or 12 percent evaluation factor to the price of the foreign offer depending upon whether the “lowest domestic offer” is a small or large business. If the adjusted price of foreign end product is lower than the price offered for the domestic end item, the domestic price is deemed unreasonable and award is made to the lowest priced foreign offer.
  - Notably, for DoD, a 50 percent evaluation factor is added to the price of the foreign offer. (DFARS 225.502(c)). The FAR contains a list of items that have been determined to be unavailable.
- **Non-availability of product:** BAA does not apply to products that are not reasonably available in commercial quantities and satisfactory quality, as determined by the agency.
- **Public interest:** Where the application of the BAA would not be in the “public interest,” it may be waived. This exception applies where an agency has an agreement with a foreign government that provides a blanket exception to the BAA; qualifying countries are listed at DFARS 225.872-1.

## **TRADE AGREEMENTS ACT**

The Trade Agreements Act (“TAA”), where applicable, waives the BAA requirement for supplies from certain designated countries under certain circumstances. Designated country end products are treated the same as domestic end products and no evaluation factor is applied. The designated countries are countries that are parties to certain trade agreements with few exceptions. To encourage countries to become parties to such trade agreements, the TAA, however, creates an absolute prohibition on the procurement of foreign end products that are not from a designated country. Thus, where the TAA is applicable to the procurement, a contractor is prohibited from supplying end products from certain countries (*i.e.*, China). As a general rule, the TAA is only a relevant consideration where the supply contract exceeds a certain dollar threshold and the threshold depends upon the origin country.

A product is considered to be a “designated country end product” if it is “wholly the growth, product, or manufacture of the designated country.” “Designated country end product” includes World Trade Organization Government Procurement Agreement country end products, Free Trade Agreement country end products, least developed country end products, and Caribbean Basin country end products.

Where the article, in question, consists in whole or in part of materials from a non-designated country, it may, nonetheless, qualify as a designated country end product where it “has been substantially transformed [in a designated country] into a new and different article of commerce with a name, character, or use distinct from that of the article or articles from which it was transformed.” The concept of substantial transformation is fact intensive and focuses on whether the product was subject to a manufacturing process in that country which resulted in a “new and different” article of commerce bearing a new name, character or use. Rulings from the U.S. Customs Service have developed five general characteristics of manufacturing operations in deciding whether a manufacturing process caused a substantial transformation.

Unlike the FAR implementing provisions, which base waivers to the BAA solely upon whether a designated country is involved, the DFARS provisions restrict the TAA waiver to the BAA to *designated products* from designated countries (*i.e.*, products that fall within one of the specified “Federal supply groups” (“FSG”), and further states that “[i]f an end product is not in one of the listed groups, the trade agreements do not apply” meaning that the TAA does not apply to the procurement and the BAA applies.

## **EXCEPTIONS TO THE TAA**

The TAA does not apply to: (1) acquisitions set aside for small businesses; (2) the purchase of arms, ammunition or war materials or purchases indispensable for national security or for national defense purposes; (3) acquisition of end products for resale; (4) acquisitions not using full and open competition if authorized by certain sections of the FAR; (5) where offers of domestic or eligible products are either not received or are insufficient to fulfill the government’s requirements; and (6) where DoD has waived the TAA and entered into a reciprocal procurement agreement or memorandum of understanding with a country.

Any questions concerning the application of the BAA or TAA to a particular contract shall be brought to the attention of the Ethics and Compliance Officer or the President.

## **BERRY AMENDMENT**

The Berry Amendment applies to DoD procurements exceeding the simplified acquisition threshold and requires that DoD procure food, clothing, fabrics, specialty metals,<sup>1</sup> and hand tools from domestic sources or, in certain instances, qualifying countries. The Berry Amendment, unlike the BAA, applies to contracts performed within the U.S. and outside the U.S. The Berry Amendment requires that the end item be entirely domestic (*i.e.*, there is no component test allowing up to 49-percent of foreign components as with the BAA).

As to procurements where specialty metals are being delivered as the end item, the Berry Amendment requires that any specialty metals delivered shall be melted or produced in the United States or its outlying areas.

As to procurements for an end item containing specialty metals, the Berry Amendment applies to procurements for the following items or components of the following items if such items or components contain specialty metal: (A) aircraft; (B) missile or space systems; (C) ships; (D) tank or automotive items; (E) weapon systems; and (F) ammunition. Allows specialty metals to be melted or produced in a “qualifying country” in addition to the United States or its outlying areas.

However, it no longer applies to acquisitions outside the U.S. in support of combat operations or for acquisitions of food, specialty metals, or hand tools in support of contingency operations or times of unusual and compelling urgency.

There are exceptions to the Berry Amendment and it can be waived under certain circumstances.

## **BALANCE OF PAYMENTS PROGRAM**

The Balance of Payments Program applies to contracts for the purchase of supplies for use outside the United States and restricts the purchase of supplies that are not domestic end products for use outside the United States. Its restrictions are similar to those of the Buy American Act.

References: FAR Part 25; DFARS Part 225.

## **FOREIGN CORRUPT PRACTICES ACT**

The Company is committed to fair and open business conduct throughout the world. Underlying this commitment is the conviction that businesses should compete on the basis of price, quality and service, and in full compliance with applicable law. One of the applicable laws is the Foreign Corrupt Practices Act (“FCPA”). This law prohibits U.S. companies and their representatives from trying to obtain or retain business by offering improper gifts or payments to foreign officials.

The FCPA and other anti-bribery laws and regulations prohibit payments of money or giving any gifts or other items of value, directly or indirectly, to any non-U.S. Government officials to obtain or retain business or to secure any improper business advantage. Specifically, it prohibits you, directly or through a third-party intermediary, from giving, offering, or promising anything of value to non-U.S. Government officials—defined very broadly—or political parties, officials, or candidates for the purpose of influencing them to misuse their official capacity to obtain, keep, or direct business or to gain any improper advantage.

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<sup>1</sup> The term specialty metals is defined in FAR 252.225-7008 Restriction on Acquisition of Specialty Metals, and FAR 252.225-7009 Restriction on Acquisition of Certain Articles Containing Specialty Metals.

## **PROHIBITED DEALINGS WITH CERTAIN COUNTRIES**

Sanctions imposed by the United States may restrict or prohibit business or personal dealings with certain countries and with companies or individuals from those countries. Please contact the President in the event you encounter a potential transaction or business arrangement involving a company or individual located in a foreign country.

## **EXPORT CONTROL COMPLIANCE**

The United States has export control laws governing strategically necessary technologies and products. These laws are extremely important, and they are extremely complex. Moreover, they change and take unpredictable turns as governments adjust to new geopolitics and security pressures. Violations of export controls can harm U.S. national security and foreign policy. Penalties for violations are severe and can include monetary penalties, imprisonment, and suspension of export and Government contracting privileges.

Early coordination with export experts is critical. The applicable regulatory regime depends on the type of goods, technology, or services being exported and the intended destination. The identity of the customer and the intended end user (if different) are also critical. The major U.S. export laws include:

- **International Traffic in Arms Regulations (“ITAR”)**. The ITAR, administered by the U.S. Department of State in furtherance of the Arms Export Control Act, controls exports and temporary imports of a military nature, including defense articles, services, and technical data. Such products and services are identified on the U.S. Munitions List contained in the ITAR. The ITAR contains the requirements for export licenses and other approvals for permanent export, temporary export, or temporary import transactions.
- **Export Administration Regulations (“EAR”)**. The EAR, administered by the U.S. Department of Commerce, controls exports of commercial and “dual-use” commodities and technology. Dual-use items are products, software, and technical data developed for civil applications, but which can be used militarily without further modification. Items requiring export licenses appear on the Commerce Control List (“CCL”) contained in the EAR. Items on the CCL are subject to U.S. export control whether they are exported from the United States or are re-exported from one non-U.S. country to another.
- **Foreign Assets Controls**. To comply with the Trading with the Enemy Act or the International Emergency Powers Act, and in some cases to comply with sanctions imposed by the United Nations, the United States imposes sanctions and embargoes on certain countries. The Department of Treasury Office of Foreign Assets Control (“OFAC”) administers regulations that can involve blocking property, prohibiting exports and re-exports, and other activities with respect to those countries. OFAC maintains a list of “Specifically Designated” nationals or persons, who are also subject to restrictions under the regulations.
- **Anti-boycott Regulations**. In addition to export and import controls, the EAR contains anti-boycott provisions, which prohibit companies from complying with foreign-nation imposed boycotts of countries friendly to the United States. The Internal Revenue Code also imposes tax penalties for agreements to comply with such boycott actions.

## **POLITICAL CONTRIBUTIONS**

Contractors such as Aero Gear are prohibited from making political contributions to the campaigns of candidates for federal and Connecticut state office.

- **Aero Gear cannot make political contributions:** Under federal law, Aero Gear cannot contribute corporate funds, goods, or services (*i.e.*, employee' work time), directly or indirectly, to any national political party, committee, or candidate for federal office. The prohibition does not apply, however, to personal contributions by employees, partners, shareholders or officers of Aero Gear; nor does it apply to separate segregated funds (*i.e.*, Political Action Committees ("PACs") established by Aero Gear).
- **Aero Gear cannot make political contributions in the name of another person or entity:** Under federal law, Aero Gear cannot indirectly make political contributions by asking an employee, officer, or any other individual to make the contribution or by subsequently reimbursing an individual for a political contribution the individual previously made.
- **Connecticut law prohibits state contractors and principals from making political contributions:** Under the laws of certain states, Aero Gear is prohibited from making political contributions to the campaigns of candidates for state offices. In Connecticut, state contractors are prohibited from making contributions to candidates for statewide office, state legislative offices, and also political party committees. The prohibition extends to principals of state contractors, including the principal's spouse and/or dependent children over the age of 18.

The laws in this area are complex. While there are differences between federal and state law and exceptions to federal law that allow corporations to establish and administer segregated funds, Aero Gear will not make any contributions, directly or indirectly, to candidates for federal, state, or local offices or to PACs.

These restrictions pertain solely to the company and, in certain instances, principals of the company, and do not restrict your decision as a non-principal employee to personally participate in civil affairs and the political process and to support the political parties and candidates of your choice. Your involvement and participation in the political process must be entirely separate and independent from your work for the company and be on your own time, using your own personal resources, and at your own expense. Do not reference or associate Aero Gear with any political contributions you make.

References: 2 U.S.C. § 441f; 2 U.S.C. § 441c; 11 C.F.R. Part 115; 11 C.F.R. 110.4(b); Conn. Gen. Stat. 9-612(g).

## **MANDATORY DISCLOSURES TO THE GOVERNMENT**

Consistent with FAR 52.203-13 Contractor Code of Business Ethics and Conduct, the Company, through its counsel, will make timely disclosures, in writing, to the appropriate government officials, including where applicable to the appropriate Office of Inspector General and/or Contracting Officer(s), whenever, in connection with the award, performance, or closeout of any government contract or subcontract performed by the Company, the Company has "credible evidence" that a principal, employee, agent, or subcontractor of the Company has committed a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 U.S.C. or a violation of the civil False Claims Act (31 U.S.C. §§ 3729-3733). The Company similarly will disclose to the agency Contracting Officer credible evidence of a

“significant overpayment.” Failure to comply with this rule could subject the Company and individuals involved to potential suspension or debarment from government contracting, among other consequences.

Consistent with FAR 52.203-7 Anti-Kickback Procedures, the Company, through its counsel, will also make timely disclosures, in writing, to the appropriate government officials, whenever the Company has “reasonable grounds” to believe a violation of the Anti-Kickback Act (“AKA”) of 1986 (41 U.S.C. §§ 51-58) occurred. The AKA prohibits: (1) providing or attempting to provide or offering to provide any kickback; (2) soliciting, accepting, or attempting to accept any kickback; or (3) including, directly or indirectly, the amount of any kickback in the contract price charged by a prime contractor to the United States or in the contract price charged by a subcontractor to a prime contractor or higher tier subcontractor.

#### **INTERNAL REVIEWS TO ENSURE COMPLIANCE**

The Company will periodically conduct internal reviews of its business practices to monitor and assess compliance with this Code and to identify areas where increased attention and focus is needed. Aero Gear is committed to continual improvement as a government contractor.

#### **VIOLATIONS OF THE CODE OF CONDUCT**

An employee who violates any part of this Code, governing laws, or governing regulations may be subject to disciplinary action in the form of oral reprimand, written reprimand, suspension and/or termination. The previous list is not all-inclusive, as the nature and seriousness of the violation may warrant other disciplinary action. Aero Gear reserves the right to take whatever disciplinary action it deems appropriate. Additionally, violations of this Code, governing laws or regulations may require disclosure to the government, which may also take action including, but not limited to, criminal, civil, or administrative action, including suspension or debarment from government contracting.

## **EMPLOYEE ACKNOWLEDGMENT & ANNUAL CERTIFICATION**

The Code addresses a host of complex laws, regulations and related principles governing Aero Gear's business operations. Aero Gear does not expect each employee to be an expert in each of these areas. The purpose of the Code is to ensure employees are aware of these legal and ethical principles and, where a potential issue arises or where they have concerns, to report such matters to the appropriate Aero Gear personnel. Aero Gear asks that all employees sign the below acknowledgement indicating that they have received and read the Code, generally understand the principles and concepts discussed in the Code, and agree to comply with the Code as a condition of employment. Employees are required to periodically review the Code, at least once annually, and to acknowledge and re-certify, annually, their commitment to comply. Records of employee acknowledgments will be maintained by Aero Gear.

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Signature

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Employee's Name (Please Print)

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Date

### **Contacts**

#### **My Supervisor is:**

Name: \_\_\_\_\_

#### **The Ethics and Compliance Officer is:**

Name: \_\_\_\_\_

#### **The Human Resources Manager is:**

Name: \_\_\_\_\_

#### **The President is:**

Name: \_\_\_\_\_