

POLICY STATEMENT ON ETHICAL STANDARDS OF BUSINESS PRACTICE

Introduction

The Board of Directors of Telkonet, Inc. (the “Company”) has adopted the following Policy Statement on Ethical Standards of Business Practice (the "Code") and has created the Compliance Committee (the “Committee”) to ensure that the Code is clearly communicated to all directors, officers and employees of the Company. The Committee is also responsible for monitoring, training and other programs to enforce compliance with the Code, investigate alleged violations of the Code, and where appropriate, recommend disciplinary actions for violations of the Code. The Committee consists of the General Counsel, the President of the Company, the Chief Financial Officer of the Company, and one outside director of the Company. The Vice President of Human Resources of the Company shall be the Compliance Administrator of the Code and report to the committee.

The Company operates in a market which is increasingly competitive and subject to ever expanding regulatory schemes. The Company is regulated by the Securities and Exchange Commission and/or certain other federal and state agencies. The Code has been designed to enhance the ability of the Company to compete effectively in today's environment by setting forth, in a clear concise manner, a standard of business conduct which will protect the Company, its employees, officers and directors. The Code is in complete compliance with *Sarbanes-Oxley Act of 2002 - Section 404: Management Assessment of Internal Controls*.

The Code must be adhered to by every employee, officer and director of the Company. The Code touches on many types of activities and behavior which, if engaged in by employees, officers or directors could expose the Company and its employees, officers and directors to civil and possibly criminal liability. Violations or breaches of the Code may lead to disciplinary action including, where appropriate, dismissal from employment. Every employee, officer and director of the Company is responsible to report suspected violations of the code to the Committee.

Applicability

The Code applies to every director, officer and employee of the Company and governs activities taken in connection with the Company or any of its subsidiaries or affiliated companies. The Code will be distributed to all directors, officers and employees of the Company. Each director, officer and employee of the Company upon attaining such position and annually thereafter must sign the Acknowledgment attached to the Code and return it to the Compliance Administrator or his designee.

Administration

The Compliance Administrator is responsible for the administration of the Code and will make an annual report to the Board of Directors of the Company on behalf of the Committee detailing the status of the compliance program. Employees, officers and directors who have questions regarding the applicability of the Code, the interpretation of or compliance with any of its provisions should contact the Compliance Administrator.

While the Compliance Administrator is the officer directly responsible for administering the Code, it is the responsibility of all officers to ensure compliance within their respective departments or groups. Employees, officers and directors are required to report any potential violations of the Code to the Compliance Administrator, or in such individual's absence or in any situation involving a conflict of interest, to another member of the Committee.

The Company will preserve the confidentiality of all communications regarding potential Code violations. Employees who report conduct which they believe in good faith is or might be a violation of the Code will face no adverse consequences for their report, even if the reported activity does not violate the Code. If the Committee determines that an employee has, in bad faith or with disregard for the truth, reported conduct to the Committee which is not in violation of the Code, such employee will face disciplinary action which may include an immediate termination of employment.

Certain sections of the Code may name specific officers of the Company as the individual to whom alleged violations of the Code or questions regarding its applicability or enforcement should be directed. If the named officer is an individual who is alleged to have violated the Code, then the communication regarding this alleged violation should be directed to the Committee.

Business Conduct

1. Integrity

It is required that each employee, officer and director deal honestly and truthfully with the Company, its customers, borrowers, lenders, regulators and others working with the Company. For example, any time the Company employee requests reimbursement for travel, entertainment or other work-related expenses, the employee is required to generate a report that accurately reflects the nature of the expenses incurred, the persons entertained and the reason for the expense. Management of the Company must be able to rely on the accuracy of expense reports in reaching business decisions and meeting the Company's requirements as a business enterprise.

Any failure by an employee or officer of the Company to conduct oneself with integrity is a violation of the Code, constitutes grounds for termination, and, in circumstances where the employee or officer gains a personal benefit from the violation, may constitute criminal fraud.

2. *Corporate Assets*

The Company's officers and employees are expected to utilize corporate assets such as stationery, supplies and equipment in the normal course of employment. The misuse or removal without authorization from an appropriate officer of the Company of any of its property is prohibited. This policy applies to all assets of the Company including, without limitation, computer equipment, office supplies and equipment and furnishings. This policy also applies to any property designed, created, obtained, purchased, leased, or copied by the Company for its own use, including, without limitation, files, reference manuals, user guides, reports, forms, policies, computer programs and software, data processing systems and databases.

It is a violation of the Code to make any copies of computer software programs purchased or leased by the Company for its use, except as provided within the particular software licensing agreement. It is also a violation of the Code to (i) install any software acquired personally on a Company computer without approval of the network coordinator, which may involve checking the software for compatibility and the existence of defects, viruses, etc., or (ii) use any software acquired personally in violation of such software's licensing agreement.

3. *Communications with Governmental Agencies and Regulators*

Any employee, officer or director of the Company who, in the course of employment at the Company, comes into contact with any governmental agency (federal, state or local) in relation to the Company should only make thoughtful, honest and accurate statements to such agency or its personnel. It is a violation of the Code for an employee, officer or director to make any false or misleading statements (verbal or written) to any regulatory agency. This policy applies to documents filed with the Securities Exchange Commission and state securities regulators; federal, state and local income tax returns, and the like. Misstatements to governmental officials may expose both the Company and the employee, officer or director involved to civil and/or criminal penalties.

All contacts with governmental agencies involving the Company that are out of the ordinary, or do not occur in the normal course of the regular duties of an employee, officer or director, must be reported immediately to the General Counsel or, in such individual's absence, to the Chairman of the Committee. Reportable contacts include any investigation involving the Company and/or any of its affiliates or subsidiaries -- even "informal, off-the-record" discussions. Other types of contact which need to be reported immediately include the receipt of a subpoena, written correspondence or telephone or personal contacts. Delays in responding to these types of documents could adversely effect the Company's legal position.

4. *International Business*

All employees, officers and directors are expected to obey the laws and respect the customs of all countries in which the Company transacts business. If the laws do not address a particular situation or the laws are unclear or conflicting, consult the General Counsel of the Company.

All employees, officers and directors must also comply with the Foreign Corrupt Practices Act (“FCPA”), which makes it illegal to offer or give a bribe to a foreign official with the intent to corruptly influence his or her acts or decisions.

The law also makes it illegal for the Company and its employees to participate in an unsanctioned boycott or restrictive trade practice. If any the Company employee is asked to participate in such an activity, he or she should notify General Counsel or the Compliance Administrator immediately.

5. *Bribery, Gratuities and Improper Payments*

It is a violation of the Code for any employee, officer or director of the Company to offer or receive a bribe, kickback, gratuity or other improper payment in order to achieve a desired business result. Employees, officers or directors who become aware of a request for, or the offering of, any bribe, kickback or other improper payment, whether or not they are personally involved, are required to report such occurrence to the General Counsel.

No employee, officer or director of the Company is permitted to offer anything of value to a government official in an effort to influence such official or to receive preferential treatment for the Company or any of its affiliates or subsidiaries. Any questions regarding the application of this portion of the Code should be directed to the General Counsel.

When contacting representatives of any company (e.g. real estate brokers, law firms, or officers of companies), no employee, officer or director may extend or receive a gratuity or kickback or other improper payment to influence the placement of business. This prohibition extends to the provision or receipt of free or compensating services for which the recipient would normally incur an expense. Provision or receipt of free services may create an actual conflict of interest and may seem inappropriate, even if completely innocent in nature. Offers of such a gratuity, kickback or free services must be reported to the General Counsel immediately.

In the normal course of conducting routine business activities, many employees, officers and directors entertain (or are entertained by) customers, vendors and others outside of the Company. Any entertainment must be reasonable and not excessive. It is impossible to prescribe a hard and fast rule for defining "reasonable" entertainment. A good way to measure the reasonableness of the entertainment is to think how you would explain the entertainment at a later date. If the entertainment in question is of such magnitude that it could be perceived as a major factor in the business decision that was reached, such entertainment is probably unreasonable and should be avoided. Examples of entertainment that would appear to be reasonable would include a sporting event or dinner. Examples of entertainment that would appear unreasonable could include the provision of free season tickets for a professional sports team, free travel to resort areas, and the like.

This is an area where a great deal of caution must be exercised by all employees and officers. Employees must consult with the Compliance Administrator any time they have a question about the propriety of an entertainment expense they are about to incur or for entertainment benefits they have been offered.

6. *Proper Accounting Practices*

The Company has a duty to its regulators and its stockholders to maintain its books and records in a manner so that all financial reports and statements accurately reflect the nature of the Company's business affairs. This Code cannot outline each and every accounting standard or practice applicable to the Company's business operations. Management must rely on the truthfulness and honesty of its employees to meet its financial reporting and disclosure requirements. Any employee, officer or director who is aware of misstatements or omissions (intentional or otherwise) in the Company's financial statements is under an obligation to report this information promptly to the Chief Financial Officer, the General Counsel or to the Chairman of the Committee.

All communications with outside auditors must be true and complete. The auditors have a responsibility to determine whether the financial statements of the Company are presented fairly in all material respects. All employees, officers and directors must cooperate fully with the representatives of the outside auditors by responding promptly, accurately and completely to all inquiries received from such representatives.

7. *Political Activity*

All companies are precluded by the laws of the United States, the State of Maryland and of many other states from participating in the political process. No contribution of money, property or services may be provided to any political party or candidate on behalf of the Company or any of its subsidiaries or affiliates. It is a violation of the Code for any employee, officer or director to contribute money or services on behalf of the Company or any subsidiary or affiliate. Examples of impermissible activity would include the purchasing of tickets to political fund-raisers by an employee, officer or director, and then submitting the receipt to the Company for reimbursement, use of the Company supplies or equipment to copy campaign materials, or the provision of office space to a candidate or political party at reduced rental rates. Engaging in such activities may expose both the Company and the employee, officer or director to civil and/or criminal liability.

The Company does encourage all employees to become involved in the political process and exercise their rights as citizens. However, employees must take care that their own personal involvement is not attributed to the Company.

It is a violation of the Code for any employee, officer or director to directly or indirectly require another employee to make personal contributions to any political candidate, party or political action committee. Questions regarding campaign contributions should be directed to the Compliance Administrator.

8. *Conflicts of Interest*

It is the policy of the Company to respect and encourage the right of its employees, officers and directors to invest in private enterprise and to engage in outside activities of a private nature, with the understanding that, in all aspects of their duties with the Company, they are expected to act in the best interests of the Company.

Each employee, officer and director owes a duty of loyalty in business and financial affairs to the Company and its stockholders. They must avoid any situation which might involve a conflict, or the possibility of a conflict, between their personal interests and the interests of the Company. To that end, the Company must have at all times complete information about all employees', officers' and directors' significant personal interests, including positions as directors, officer or consultant, in other business organizations.

The Company requires that the Chief Executive Officer or Chief Operating Officer of the Company or another senior officer not involved in the situation, and in appropriate cases, the General Counsel, approve in advance participation by any employee, officer or director in any arrangement which could involve a conflict or possibility of a conflict of interest.

It is impossible to describe every circumstance that may give rise to possible conflicts of interest. The following examples, will, however, serve as a guide to prohibited types of activity:

Services for a Competitor -- The rendering of management or consulting services to any concern which does business with, or is a competitor of, the Company or an affiliated or subsidiary company.

Negotiations -- Representation of the Company or an affiliated or subsidiary company in transactions in which the employee or any close relative has a substantial interest.

Use of Information -- Disclosure or use of confidential information concerning any aspect of the business, finances or operations of the Company, or confidential information acquired regarding companies with which the Company is, or is considering, doing business, whether or not motivated by any actual or anticipated personal profit or advantage. Any information is "confidential" until it has been disclosed to, or is otherwise generally available to, the public in the press, periodicals, financial or business publications, or similar sources.

Competition -- Competition with the Company or an affiliated or subsidiary company, directly or indirectly, in the purchase or sale of property or interests in property.

Corporate Opportunities -- Use of any business opportunity, knowledge of which is acquired through a relationship with the Company or an affiliated or subsidiary company without first offering such opportunity to the Company or such affiliated or subsidiary company.

Acquisition of Ownership of Affected Property -- Acquisition of any interest in property, the value of which may be affected by the actions taken by the Company or an affiliated or subsidiary company.

Outside Employment -- Employees and officers are expected to devote their full working time to the duties of their positions. Exceptions must be approved in advance by the Chief Executive Officer of the Company.

Outside Directorships -- Outside directorships of officers and employees of the Company in business corporations must be approved in advance by the Chief Executive Officer of the Company.

9. *General Compliance with Laws*

Compliance with all applicable laws and regulations, including those applicable to the environment, health and safety, is expected of all businesses in which the Company has an interest and these legal responsibilities are deemed to be part of the Code.

Confidentiality

It is imperative that information regarding the Company, its affiliated and subsidiary companies and their results of operations and future projections and plans be maintained in strict confidence. Improper use or disclosure of confidential information relating to the Company or its subsidiaries or affiliates, may subject the Company and its subsidiaries and affiliates, employees, officers and directors, to liability, including penalties relating to insider trading. This section of the Code is also applicable to members of the immediate families and personal households of directors, officers and employees of the Company. The term "employee" when used in this section of the Code applies to any such individual.

1. *Confidential Information*

Information relating to the operations and results of operations of the Company or any subsidiary or affiliate, past, present and future, or their respective officers, directors and employees, business or customers, which has not been publicly disclosed or any information designated by management as "confidential" shall not be used by any such employee except in the course of their employment or activities with the Company.

Information relating to the competitive plans of the Company or any subsidiary or affiliate including, without limitation, business plans, marketing plans or promotions, pricing schedules or customer lists, is to be kept confidential. No such competitive information shall be disclosed to any person outside the Company, except as required in the normal performance of the activities of an employee, officer or director of the Company.

All employees, officers and directors are expected to take the appropriate precautions to maintain confidential and proprietary information of the Company and its subsidiary and affiliates which is under their control.

2. *Non-Public Information and the Securities Laws*

It is a violation of the Code for any officer, director or employee to use or disclose material, non-public information that such person obtains as a result of employment or association with the Company. Such non-public information may pertain to the Company or any of its subsidiary or affiliated companies or any other company (whether or not affiliated with the Company).

It is a violation of the Code and state and federal securities laws to use non-public information in connection with any securities transaction in which the employee has a beneficial interest. It makes no difference that the security traded is not one issued by the Company. It is also improper to pass on or communicate any non-public information to individuals outside the Company who may use such information to purchase or sell securities.

Any person (whether a director, officer or employee of the Company) who (i) buys common stock of the Company ("Company Stock") knowing of material favorable non-public information about or affecting the Company, or (ii) sells Company Stock knowing of material unfavorable non-public information about or affecting the Company may be sued in both civil and criminal proceedings for "insider trading". Any person convicted of insider trading may be liable for up to three times the amount of profit gained or loss avoided as a result of any such unlawful sale or purchase transaction. Liability may also arise if such person discloses or "tips" material non-public information to any other person who then trades in the Company Stock. The person receiving the tip (the "tippee") can be liable even when the tippee does not knowingly engage in insider trading. Further, the person giving the information (the "tipper") and tippee may be liable for the communication of the tip and the resulting transaction.

In order to form a basis for liability under federal securities laws, the information which is in the possession of a person trading in Company Stock or which is communicated to another person must be both non-public and material. For this purpose, information should be considered non-public for at least one full business day (a day on which the New York Stock Exchange is open for trading) after the information has been released to a national wire service.

Information is considered "material" if there is a substantial likelihood that a reasonable investor would consider such information important in making an investment decision. The following information illustrates the type of information generally deemed to be material: the announcement of a rights offering; an earnings estimate or revision of a previously released estimate; a stock split; a significant expansion or curtailment of operations; a significant increase or decrease in sales or earnings; a purchase or sale of substantial assets; a significant increase or decrease in defaults or claims; a tender offer for the Company Stock; the development or impending announcement of a significant new product or acquisition; extraordinary corporate borrowing or a default under a corporate borrowing; major litigation; liquidity problems; and extraordinary management developments. This list is not intended to be exhaustive, and other corporate developments may be material depending upon the circumstances at that time.

Any questions regarding confidential information and trading in securities should be directed to the General Counsel or in his absence to the Chief Financial Officer.

3. *Communications with the Public*

The Chief Operating Officer (in general) and the Chief Financial Officer (regarding information pertaining to all financial matters) are responsible for the Company's communications with the public and arranges for any permitted or required release of the Company's financial information.. Employees who receive general inquiries relating to the Company from outside sources must refer such inquiries to the COO or in that individual's absence, the CFO, CEO or the General Counsel. Such requests may come from reporters, government officials or others. Requests for information from securities analysts, stockholders, or investors should be referred directly to the CFO or the General Counsel.

Accidental disclosure of information about the Company can be as harmful as a deliberate leak. An accidental disclosure could occur, for example, if sensitive information is discussed in public places, if confidential documents are left in public areas, or if confidential corporate information is the subject of family discussions. Premature disclosure of the Company's financial results could result in severe and unfavorable consequences for the Company.

It is the obligation of every employee, officer and director of the Company to take such steps as are prudent and reasonably necessary to preserve the confidentiality of the Company's business information. The preservation of this confidentiality extends to all written communications, including, but not limited to, correspondence, memorandums, email messages, and chat room discussions.

Violations of any of the foregoing provisions of the Code may subject an employee to disciplinary action and may be considered as grounds for dismissal. Failure to comply with certain provisions of the Code may violate applicable federal and state statutes and subject the employee and the Company to civil and criminal liability.

Any employee who becomes aware of any violation of this section of the Code should immediately report the violation(s) to his or her immediate supervisor and advise the Compliance Administrator or the General Counsel.

Workplace Conduct

1. *Equal Opportunity Employment*

The Company recognizes the freedom, rights and dignity to which each individual employee and applicant for employment is entitled. It is a violation of the Code and applicable laws to make employment decisions based upon an employee's or applicant's race, creed, color, age, sex, marital status, national origin, religion, sexual preference, physical or mental disability, or veteran status. The Company is committed to providing equal employment opportunities. Each officer is responsible to ensure that this policy is followed. If an employee believes he or she has experienced discrimination or harassment, including sexual harassment of any type, the employee should follow the procedures outlined below. Should an employee feel that he or she has not been treated with the impartiality that this policy requires, the employee should contact the Compliance Administrator (Vice President of Human Resources) or the General Counsel.

2. *Sexual Harassment*

The Company is committed to maintaining a work environment that is free of inappropriate and disrespectful conduct of a sexual nature. The Company strongly opposes sexual harassment in any form. Sexual harassment by an employee, officer, director, or non-employee, including any vendor or customer, will not be tolerated. It does not matter if the victim is male or female. Sexual harassment is a violation of the Code and is also a violation of Title VIII of the Civil Rights Act of 1964, as well as the laws of the Maryland and other states in which the Company does business.

A. *Prohibited Conduct*

Sexual harassment refers to behavior of a sexual nature that is not welcome, is personally offensive, debilitates morale or interferes with the work performance and effectiveness of its victims.

Sexual harassment includes not only sexual favors as a condition of employment or promotion but also any behavior tending to create a hostile working environment for employees of either gender. Actions, including but not limited to the following, are grounds for disciplinary action, up to and including discharge:

Unwelcome sexual advances;

Requests for sexual acts or favors;

Abusing the dignity of an employee through insulting or degrading sexual remarks, vulgar language, jokes, or conduct;

Creating an intimidating, hostile or offensive working environment through offensive sexual comments or conduct;

Displaying “pinup” calendars or sexually demeaning pictures, objects or writings including any obtained through use of computers or the Internet.

Threats, demands or suggestions that an employee’s work status is contingent upon her or his toleration of or acquiescence to sexual advances; or

Retaliation against employees for complaining about such behavior;

Sexual harassment is a violation of the Code, regardless of whether submission to such conduct is made a condition of employment.

The Company will not accept as an excuse to a complaint of sexual harassment that an employee was "only joking" or "didn't think the other employee would object".

B. Reporting

An officer, director or employee encountering such behavior from anyone connected with the Company or from customers, clients or other third parties with whom the Company deals has three options available.

- (1) to confront the harasser, making it known that the behavior is unwelcome and/or inappropriate and should stop (this has been found often to immediately stop any harassment);
- (2) to notify the supervisor of the offending person of the harassment, or;
- (3) to directly contact the Compliance Administrator.

If circumstances preclude reporting it to the Compliance Administrator, or if the Compliance Administrator is the source of the alleged sexual harassment, report the behavior to the General Counsel or a designee of the General Counsel.

This is the proper and required course. Instigating or spreading rumors of alleged sexual harassment is not the proper course. In addition, employees are also cautioned against making false accusations of sexual harassment. Any employee who is found to have made false accusations of sexual harassment will be subject to discipline up to and including discharge.

Supervisors at all levels bear a responsibility to explain this policy to employees and to enforce its provisions. In the interest of administrative consistency, a supervisor who receives a complaint of sexual harassment, or who otherwise learns that harassment may be taking place, is required to consult with the Compliance Administrator to discuss appropriate investigation and resolution.

C. Action on Complaints

Information about, or accusations of, sexual harassment are sensitive and can be embarrassing. Furthermore, if the harassing behavior involves events in the complainant's practice or work group, a reluctance may exist to bring the concern forward. Therefore, the employee has the option at all times to contact directly the Compliance Administrator or the General Counsel. However, the employee should always consider alerting the supervisor to the problem.

All complaints will be promptly investigated and, if found to have merit, immediate steps will be taken to end the harassment, including if appropriate discharge of the offending person. It is intended that the privacy of all persons involved will be protected, and the identity of the employee(s) involved will be revealed only on a strict "need to know" basis. Appropriate corrective action will be taken to remedy all violations of this policy. Under no circumstances will the complaining employee be subjected to retaliation for having registered a complaint.

3. Substance Abuse

The Company is committed to providing a safe workplace and to establishing policies that promote and encourage high standards of employee health and safety. It is impossible to maintain a safe, healthy working environment if any employee allows the abuse of alcohol or drugs to interfere with the performance of such employee's job. The use or possession of illegal drugs is expressly forbidden. Similarly, employees are expected to be responsible in their use of alcohol, and any excessive use of alcohol is also expressly prohibited. Alcohol use is expressly forbidden on the Company's premises, except for the Company sponsored events. Any violation of this policy is a violation of the Code and should be reported to the Committee.

4 Use of Company/Customer Materials and Equipment

During the course of your employment with the Company, fulfillment of your job requirements may necessitate the use of materials and/or equipment (e.g., computers, telephones, copiers, tools, vehicles, etc.), some of which are owned and/or leased by the Company and some of which are made available through the auspices of our customers. Additionally, the Company may provides access to non-tangible resources, such as the Internet, which, for the purposes of this policy, should be considered he same as tangible materials of the Company.

Such materials and/or equipment must be used only in the fulfillment of requirements of the individual job responsibility or contract under which such items are being made available. All information contained on such equipment remains the property of the Company and the Company retains the right to access it at anytime. Individual passwords are established for the purpose of protecting Company privacy, not individual privacy, and employees should not expect any individual privacy rights with regards to any information maintained on Company equipments or protected by passwords.

Unauthorized or improper use of any Company or customer materials and/or equipment by an employee will result in appropriate disciplinary action being taken against the employee.

Furthermore, the use of any computer and/or associated equipment for a purpose other than those which are directly job related is viewed with great seriousness by Company due to the severe damage and monetary loss which could be incurred by the Company. The use of this equipment, therefore, for any non-job related or contract related purpose is considered grounds for termination.

5. *Antitrust*

The Company is committed to vigorous competition in the marketplace. Conduct or behavior aimed at limiting competition is inconsistent with this commitment and may violate state and federal antitrust statutes. The following sections of the Code outline some significant prohibitions on conduct. This brief overview cannot address the complexities of antitrust regulations. Employees should refer any questions regarding the application of these policies to the General Counsel.

6. *Specific Activities Prohibited by the Antitrust Laws*

A. *Price Fixing*

It is a criminal violation of the antitrust laws to enter into any agreement or understanding, no matter how informal, with the competitor concerning the price of a product or service. This prohibition applies to any agreement or understanding to increase, decrease, or stabilize prices, agreement or understandings concerning any component of a price, and any agreements or understandings concerning the terms or conditions of a sale of a product. The simple exchange of price-related information between competitors, such as costs, profit margins and internal returns on equity, can be used by the government to infer an agreement or understanding to fix prices.

B. *Agreements to Divide Markets/Customers*

It is a criminal violation of the antitrust laws for competitors to agree to allocate markets, distribution channels, business opportunities, territories, or customers among themselves. The Company cannot agree with a competitor to discontinue certain products, to refrain from competing in certain markets, or to deal with or not deal with particular customers or classes of customers. Market allocation agreements or understandings are prosecuted vigorously by the federal government. Involvement in such activities exposes the Company to significant potential liability and may also expose the individuals involved to serious personal liability. Employees and officers of the Company are prohibited from any agreements, understandings or discussions with competitors concerning markets, customers and territories.

C. Other Agreements Among Competitors

Certain instances exist where cooperative activities among and between competitors are permissible. Prior to participating in any such arrangements with competitors, employees must consult with the General Counsel.

D. Group Boycotts/Refusals to Deal

The Company has the right to select those companies and individuals with whom it will and will not conduct business. The Company cannot agree with any of its competitors, customers or others not to do business with another person or entity. It is a violation of the Code and applicable law for employees of the Company to agree, or even to participate in discussions, with a competitor, customer or other individual or entity concerning the status of any of the Company's business relationships.

Any request for a boycott or refusal to deal with any individual or entity should be reported immediately to the General Counsel.

E. Tying or Reciprocity

"Tying" or "Reciprocity" are the mirror images of each other. Tying is the refusal to sell one product or service unless the customer buys another product or service. Reciprocity is the refusal of a purchaser to buy a product or service unless the seller agrees to buy some other product from the purchaser.

Government regulators monitor such agreements for the potential illegal use by a company of its power in one market to obtain an unfair advantage in another market. Any tying or reciprocal agreements raise potential antitrust concerns and must be reviewed in advance by the General Counsel.

F. Agreement Regarding Salary Levels or Hiring Practices

It is a violation of the Code and applicable laws for the Company, or any director, officer or employee of the Company, to agree with other employers to limit pay increases to a given amount or percentage. It would also be a violation of the Code to agree with a competitor to refrain from hiring employees from each other or in any other way not to compete with each other. Discussions or arrangements with other employers regarding salary levels or hiring practices, from which agreements concerning compensation and hiring practices might be inferred, are prohibited.

G. Trade and Professional Associations

Trade associations and professional groups provide opportunities for valuable business, social and educational activities for their members. These activities are legal and permissible under the various antitrust statutes. There are risks associated with trade and professional groups. Trade association meetings of necessity bring together competitors and thus present opportunities for activities which would not be permissible. Any discussions relating to issues and information of a sensitive, competitive nature must be avoided.

If in connection with a trade or professional association meeting, any discussion begins that deals with competitively sensitive issues, the Company employees in attendance should attempt to stop the discussion immediately. If the discussion continues, the Company employees must leave the meeting. Prior to leaving an effort should be made to have an entry made into the formal minutes (if any) of the meeting detailing the reason that the Company's employees chose to leave. A detailed written report on the incident should be prepared and forwarded to the General Counsel.

H. Collection of Competitive Information

The Company is entitled to collect information on topics concerning the competitive practices of competitors of the Company and its affiliated and subsidiary companies. Such market information enables the Company and such other companies to offer services and products in the marketplace that are competitively priced and better than those of the competition. These activities will not violate antitrust laws if certain guidelines are followed. Every employee, officer or director of the Company should avoid obtaining competitive information (even if the information is publicly available) directly from a competitor. It is possible that a regulator could infer an antitrust conspiracy from an exchange of information between competitors. Similarly, no Company employee, officer or director should provide competitive information to a competitor. It is permissible to obtain competitive information from third parties such as customers, brokers, etc. It is also acceptable to obtain the information from public sources such as the Securities Exchange Commission. Whenever an employee, officer or director obtains a competitor's competitive information, such person should document the source of the information so that it can be demonstrated that the information came from a legal source.

ALL OFFICERS, DIRECTORS AND EMPLOYEES OF THE COMPANY WILL BE REQUIRED TO READ THIS STATEMENT, AND ACKNOWLEDGE SAME, WHEN THEY BECOME AN OFFICER, DIRECTOR OR EMPLOYEE AND ANNUALLY THEREAFTER.