



**CODE OF BUSINESS CONDUCT AND ETHICS
APPLICABLE TO UNITED STATES GOVERNMENT
PROCUREMENT ACTIVITIES
(modified November 11, 2011)**

TABLE OF CONTENTS

Introduction	1
Differences Between the Public and Commercial Sectors	1
Entertainment, Gifts, and Gratuities	2
Conflicts of Interest	3
Prohibition Against Obtaining Procurement Information	7
Proprietary, Confidential, and Sensitive Information	8
Prohibition Against Kickbacks and Bribes	8
Lobbying Restrictions	9
Use of Consultants, Agents, and Representatives	10
Contingent Fee Agreements	10
Bidding, Pricing, and Negotiating Government Contracts	11
Antitrust Policy	12
Subcontracts, Teaming Agreements, and Collaborative Ventures	13
Suspended and Debarred Contractors	14
Statements and Certifications	14
Record Retention and Audit Responsibility	14
Drugs and Alcohol	15
Export Controls	15
Obligation to Report Violations and to Provide Cooperation	15
Consequences for Violation	16
Training	16
Employee Certification of Acknowledgment	16

**CODE OF BUSINESS CONDUCT AND ETHICS
APPLICABLE TO UNITED STATES GOVERNMENT
PROCUREMENT ACTIVITIES**

This Code of Business Conduct and Ethics Applicable to United States Government Procurement Activities (“Code”) applies to Bennett Environmental Inc. (“BEI” or the “Company”) and its subsidiaries performing work in connection with U.S. Government contracts and subcontracts. This Code supplements BEI’s existing Code of Business Conduct and Ethics, which summarizes the principles that guide all BEI employees. Without exception, all BEI employees must comply with the Company’s general Code of Business Conduct and Ethics. In addition, because of laws and rules unique to doing business with the U.S. Government, all BEI employees performing work in connection with U.S. Government contracts and subcontracts must also adhere to the policies and procedures outlined in this Code.¹

It is BEI’s policy to maintain the highest ethical standards and to comply with all applicable U.S. and local/national laws, rules, and regulations where BEI does business. Our commitment to ethical behavior applies to all BEI employees, members of the Board of Directors, agents, consultants, contract labor, suppliers, subcontractors, and any other individual/organization acting on behalf or in support of the Company. Those who violate the principles set forth in this Code will be subject to disciplinary action.

Policies and procedures related to BEI’s standards of business conduct are available through the Company website or by contacting the Company’s Chief Financial Officer (“CFO”). To the extent there are inconsistencies between this Code and the Company’s general Code of Business Conduct and Ethics, such perceived inconsistencies should be brought to the attention of the CFO (905-339-1540). In addition, should you need further guidance regarding the standards and requirements described in this Code, you should contact the CFO for guidance.

DIFFERENCES BETWEEN THE PUBLIC AND COMMERCIAL SECTORS

Doing business in the public sector is very different from doing business in the commercial marketplace. The laws related to contracting with the U.S. Government are far-reaching and complex, placing responsibilities on the Company that are beyond those faced in the commercial/private sector. Accordingly, it is essential that BEI’s employees dealing – directly or indirectly – with the U.S. Government understand the rules governing business transactions with the U.S. Government. Many of these rules apply to both prime contracts and subcontracts with the U.S. Government.

Statutes and regulations define the way in which U.S. Government contracts are conceived, structured, competed, awarded, performed, and completed. Contract terms and the manner in which contracts are administered also are defined by these statutes and regulations. This means that many behaviors that are acceptable and expected in a commercial setting are strictly prohibited in the U.S. Government contract context.

¹ Most state and local governments in the U.S. follow similar ethical standards. Therefore, the guidance in this Code is generally applicable and should be followed in all dealings with government entities in the U.S.

In the public sector, even the natural desire to “please the customer“ can result in unexpected consequences. For example, certain types of gifts, meals, and entertainment that are a standard part of doing business with commercial customers are forbidden in the U.S. Government contract context.

The failure to comply with an applicable law or contractual obligation can have consequences in a commercial, as well as a U.S. Government contract, setting. However, violations such as submitting an invoice or filing a claim that relies upon false supporting data under a U.S. Government contract can also result in civil fines or penalties, and even criminal prosecution in the most serious cases. Similarly, improper conduct by a contractor can result in price reduction, contract termination, or the contractor’s suspension or debarment from doing business with the U.S. Government. While such conduct is prohibited in the private commercial marketplace, the negative impact of such conduct is compounded when dealing with the U.S. Government under Government contracts.

In sum, doing business with the U.S. Government – as a prime contractor or subcontractor – exposes BEI and its employees to a range of monetary and other sanctions for failure to comply with applicable laws and regulations. Thus, it is imperative that BEI employees conduct the Company’s business in accordance with all applicable laws and regulations. An employee’s violation of such laws and regulations (or a violation of this Code) will result in disciplinary action, up to and including termination of employment.

This Code should be examined carefully by all employees who participate, directly or indirectly, in the Company’s efforts to obtain and perform contracts with the U.S. Government. This Code is not intended to cover every requirement or scenario in connection with the award or performance of a U.S. Government contract, but knowledge of its contents will help ensure that neither you nor our employees nor the Company itself engages in unlawful conduct. Again, any questions about the application of these requirements should be referred to the CFO.

ENTERTAINMENT, GIFTS, AND GRATUITIES

BEI’s success in the marketplace results from providing superior products and services at competitive prices. As a result, the Company’s contracting efforts with U.S. Government entities should always be free from the perception that favorable treatment was sought, received, or given in exchange for business courtesies such as entertainment, gifts, or gratuities.

U.S. Government employees and officials are governed by laws and regulations that limit their ability to accept entertainment, meals, gifts, gratuities, and other things of value from firms and persons with whom the Government does business or over whom they have regulatory authority. BEI’s policy is to comply strictly with those laws and regulations according to the guidelines set forth below.

BEI employees are prohibited from giving anything of value to U.S. Government employees and officials, except as follows:

- BEI advertising or promotional items of little intrinsic value (generally \$20.00 or less) such as a coffee mug, calendar, golf balls, or similar item displaying the company logo;
- Modest refreshments such as soft drinks, coffee, and donuts on an occasional basis in connection with business activities, but not offered as part of a meal; or
- Business-related meals and local transportation valued at \$20.00 or less per occasion, provided that such items do not in the aggregate exceed \$50.00 in a calendar year. Although it is the responsibility of the U.S. Government employee to track and monitor these thresholds, no BEI employee shall knowingly provide meals or transportation exceeding these limits.

Importantly, prior to providing any gift that arguably could violate the letter or spirit of this policy, the input of the CFO should be received. For illustrative purposes, a few examples are provided below.

Examples

- *A Company employee goes to a deli with an EPA employee during the course of a conference they are both attending. When the bill for their sandwiches arrives, the Company employee pays for the EPA employee's sandwich. This is acceptable as long as (i) the sandwich does not exceed \$20.00, and (ii) the Company does not exceed the \$50.00 total for the calendar year for gifts provided to this particular EPA employee.*
- *A Company employee works closely with an out-of-town Government employee during the course of an investigation. On a regular basis during the investigation, the Company employee drives to the airport on his way to work and gives the Government employee a ride to the Company's plant. Cab fare for this trip would be \$25.00. The Company employee has regularly violated Company policy by providing gifts (transportation) valued at more than \$20.00 to a federal employee, as well as gifts (transportation), in the aggregate, of more than \$50.00 per year.*

CONFLICTS OF INTEREST

Integrity in a business relationship means that all participants are working together for the common good and are not making decisions based on improper self-interest. BEI employees should avoid any relationship, influence, or activity that might impair – or even appear to impair – the employee's or the Company's ability to make objective and fair business decisions.

1. Hiring and Employment Discussions With Government Employees

Former Government employees often are subject to “revolving door” rules that limit their efforts to influence Government decision-making. Former U.S. Government employees are

permanently barred from appearing before a Government agency on matters in which they personally participated or had a direct and substantial interest while employed by the Government. There also are two-year and one-year restrictions on former U.S. Government employees holding certain positions within the Company or representing the Company in connection with certain matters or activities.

In addition, it is improper to even communicate with a U.S. Government employee regarding employment if the Company is involved in a procurement valued in excess of the simplified acquisition threshold (currently this is \$150,000) and the Government employee is participating “personally and substantially” in that procurement. Personal and substantial participation has been interpreted broadly, so this rule may apply to a wide range of Government employees.

These rules on employment of U.S. Government employees are complex and, if violated, can have significant adverse effects for both the Company and its employees. All employees therefore must be sensitive to and abide by these rules whenever the Company is:

- Contemplating the hire of a former Government employee with specialized knowledge of an agency or program; or
- Employing a former Government employee.

As a rule, no Company employee should contact a current or former U.S. Government employee, regardless of seniority, about employment with the Company (as either an employee or consultant) without the approval of the Company’s Chief Executive Officer (“CEO”). In addition, the Company may require current or former Government employees to seek advice from their agency’s Compliance Officer or Legal Department before taking on: (i) any assignment related to their former agency; or (ii) any tasks that relate to matters that they know or should have known were pending under their official responsibility during their last year of employment.

For illustrative purposes, a few examples are provided below.

Examples

- *A former senior official of the Department of Defense (“DOD”) approaches the Company about employment. He is interviewed by the Company and, seven months after leaving the Government, is hired by the Company or retained by it as a consultant. Shortly thereafter, the former DOD official learns that the DOD is considering soliciting offers for a new service contract. He offers to intercede with the DOD on behalf of the Company to determine whether the service can be procured using the Company on a noncompetitive or sole-source basis. The Company and its employee may have violated the conflicts of interest rules. As a former senior DOD official, he is prohibited, within one year of his termination from Government*

service, from attempting to influence his former agency.

- *A contracting officer with whom the Company has dealt on a current U.S. Government contract is planning to retire from the Government. Four months before his planned retirement date, he mentions to a Company sales manager that he is helping to draft the statement of work for the follow-on contract. In the same conversation, he also tells the sales manager that the Company has done a superb job on the current contract and he hopes to work for a similarly successful company upon his retirement. The sales manager thanks the Government employee, tells him that the Company has openings in its Sales group, and invites the Government employee to submit his resume for consideration. The Company may have violated the hiring rules because prior to the award of the follow-on contract (for which the Company is likely to compete), the Company had employment discussions with a federal agency procurement official who is personally and substantially involved in the procurement.*

2. Organizational Conflicts of Interest

In the public procurement context, an Organizational Conflict of Interest (“OCI”) arises when factors create an actual or potential conflict of interest for the Company on a U.S. Government contract, or when the nature of the work to be performed by the Company on one U.S. Government contract creates an actual or potential conflict of interest on a future U.S. Government procurement. In brief, the presence of an unmitigated or otherwise unresolved OCI could negatively impact the Company’s eligibility to compete for and be awarded U.S. Government contracts.

In deciding whether an improper conflict exists, the two underlying principles are:

- Preventing the existence of conflicting roles for the Company that might bias the Company’s judgment in one of those roles; and
- Preventing an unfair competitive advantage, including situations in which the Company may obtain access to proprietary or competitively sensitive U.S. Government information.

A common OCI problem involves “bid writing” by a contractor. When a contractor develops the specifications or statement of work for a competitive procurement, and the same contractor (or an affiliate) then submits a proposal under that procurement, an OCI typically arises. In this instance, to avoid a situation in which the contractor could draft specifications or work statements favoring its own products or capabilities, the U.S. Government typically disqualifies the contractor from competing in the procurement.

Example

- *BEI received a consulting contract valued at \$50,000 to advise the Department of Defense regarding the Government's requirements for a future environmental remediation procurement. BEI is tasked with preparing the specifications, which the Department of Defense ultimately incorporates into a solicitation subject to full and open competition. The solicitation is issued and BEI decides to compete for the contract. Because the Department of Defense used the BEI-created specifications in a competitive acquisition, the Company may not submit a bid or proposal for, or be awarded a contract for, the supplies responsive to the specifications.*

Another OCI problem arises when a contractor provides systems engineering and technical direction (or system test and evaluation services) on a program. In this instance, the contractor typically may not be awarded a U.S. Government contract or subcontract to supply the system or any of its major components.

Similarly, if a contractor in one capacity legitimately obtains access to proprietary information of a competitor (for example, performing advisory and assistance services for an agency), the contractor and its affiliates may be disqualified from further participation in later stages of the procurement involving that information.

If the Company wishes to participate in a procurement that may involve any of the foregoing circumstances, the CEO should be consulted for advance review and approval of the effort. Although an OCI may exist, participation in the procurement is possible if the U.S. Government contracting officer agrees that sufficient actions have been (or will be) undertaken to avoid, neutralize, or mitigate the actual or apparent OCI. Federal agencies and contractors have implemented various techniques to identify, avoid, and mitigate actual and potential OCIs. These techniques vary in complexity depending upon the nature and severity of the potential conflict, and a technique that may be sufficient to address one type of conflict may be insufficient to address another.

Questions or concerns regarding the need for, or development of, an OCI mitigation plan should be directed to the CEO.

3. *Personal Conflicts of Interest*

In the public procurement context, a Personal Conflict of Interest ("PCI") arises when an individual has a financial interest, personal activity, or relationship that impairs the individual's ability to act impartially and in the best interest of the Government when performing under a Government contract or subcontract. In order to prevent a PCI, BEI employees may not have any employment, consulting, or other business relationship with a competitor, customer, or supplier, or invest in any competitor, customer, or supplier (except for moderate holdings of publicly-traded securities) unless the employee (i) provides notice to the CEO of the business relationship and (ii) obtains advance written permission of the CEO.

Outside employment may constitute a PCI if it (i) places an employee in the position of appearing to represent the other company, (ii) involves providing goods or services substantially similar to those BEI provides or is considering making available, or (iii) lessens the efficiency, alertness, or productivity normally expected of employees on their jobs. All outside employment that raises any question in this regard must be approved in advance by the CEO.

PROHIBITION AGAINST OBTAINING PROCUREMENT INFORMATION

U.S. law prohibits contractors from knowingly obtaining contractor bid or proposal information or source selection information before the award of a Government procurement contract or subcontract to which that information relates. Contractor bid or proposal information means the type of information the Company would not want its competitors to obtain (*i.e.*, pricing information, proprietary processes and techniques, and any information marked with a legend prohibiting disclosure outside the Government). Source selection information means information the Government develops or relies upon internally to conduct a procurement (*i.e.*, source selection plans, ranking of offerors, information marked “Source Selection Information - See FAR 2.101 and 3.104”). Significant civil fines and criminal penalties, including imprisonment for up to five years, may apply to violators. The Government also can take administrative actions, such as terminating or rescinding a contract or reducing the contract price.

BEI does not solicit or otherwise attempt to obtain such information prior to the award of a Government contract or subcontract. If you become aware that such information has been obtained, inadvertently or otherwise, your responsibility is to stop reading the information as quickly as possible, quarantine the information immediately, and promptly notify the CFO.

Examples

- *A recently retired military officer is hired by the Company to coordinate business development activities at a particular location. The former officer helped draft the agency source selection plan on a procurement for which the Company intends to compete. Prior to the submission of the Company's proposal, he discusses the agency's source selection plan with other Company employees. This may violate the Procurement Integrity Act. The Company has obtained source selection information (the source selection plan) prior to the award of a federal procurement contract (the new contract).*
- *After submitting a proposal to the Army for a services contract, the agency elects to conduct discussions with offerors before accepting final proposal revisions. At the conclusion of the discussions, an Army technical representative in attendance leaves a copy of an independent government cost estimate on the conference room table. Without reviewing it anymore than is necessary, you should secure the document in an envelope and contact the CFO or CEO immediately.*

PROPRIETARY, CONFIDENTIAL, AND SENSITIVE INFORMATION

BEI employees must be careful not to disclose proprietary or confidential business and technical information to anyone outside of the Company, unless they have received proper authorization. Proprietary and confidential information includes trade secrets, patents, copyrights, market surveys, business and marketing plans, financial information, expansion plans, manufacturing information, research, and accounting data. In some instances, such information will have been developed by BEI. In others, the information will have been provided to the Company by a third-party in connection with performance of a U.S. Government contract. Note that such information may be subject to contractual terms limiting disclosure (*e.g.*, non-disclosure agreements).

To avoid making an inadvertent disclosure of confidential or sensitive information, BEI employees should not discuss Company business in public locations, such as trade association (or similar type) meetings, restaurants, stores, or elevators. Additionally, BEI employees should not take confidential or sensitive Company materials with them to public locations. Care must be taken in speaking about business with family members or friends because even innocent conversations may lead to the public disclosure of proprietary or confidential information. Any questions regarding the protection of proprietary, confidential, or sensitive information should promptly be addressed to the CFO.

PROHIBITION AGAINST KICKBACKS AND BRIBES

U.S. law prohibits the giving or receiving of “kickbacks” – *i.e.*, anything of value for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or subcontract. “Favorable treatment” is defined broadly, and can include, for example, the award of a subcontract, the granting of unwarranted waivers of deadlines, or the acceptance of non-conforming services. Including the cost of a kickback in the price of a contract also is a violation. Civil and criminal penalties are possible for violations of this prohibition.

The anti-kickback regulations require a company with a prime contract or subcontract exceeding \$150,000 to have in place and follow “reasonable procedures designed to prevent and detect possible violations [of the Anti-Kickback Act].” If “reasonable grounds” exist to believe a violation has occurred, the regulations further require the contractor (or subcontractor) to promptly report in writing the possible violation to the contracting agency’s Inspector General, the head of the contracting agency if the agency does not have an Inspector General, or the Department of Justice. The contractor (or subcontractor) must cooperate in any investigation. The contracting officer also can order the refund of a portion of the contract or subcontract price affected by the kickback. The Company strictly forbids conduct that presents even the appearance of a kickback or bribe.

Examples

- *Another contractor has been awarded a services contract at a military base. BEI intends to compete for a subcontract. A representative from the prime contractor approaches you and*

states that if BEI makes a contribution to the prime contractor's charity fund for education, BEI will be awarded the subcontract. If BEI makes the payment, it may be violating the Anti-Kickback Act. Despite its charitable nature, the payment is still a thing of value that is provided in order to improperly obtain a subcontract.

- *BEI requires certain services under a subcontract with a consultant. The consultant misses the first two scheduled dates for delivery of the services. BEI is contacted by a sales representative from the consultant who offers BEI a month of free training on its latest product offerings in exchange for a waiver of these missed deliveries. If BEI accepts the offer, it may be violating the Anti-Kickback Act. The payment (free training) in exchange for unwarranted favorable treatment (delivery-date slippage) under the subcontract may qualify as a kickback.*

LOBBYING RESTRICTIONS

Federal law provides that recipients of U.S. Government contracts, subcontracts, or financial assistance agreements that exceed \$150,000 must not use appropriated funds (*i.e.*, contract payments) to influence or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress regarding the award of a contract, grant, cooperative agreement, or loan.

To the extent that non-appropriated funds (*i.e.*, dollars obtained through commercial business) are used for such activities, the contractor or subcontractor must disclose to whom such funds will be paid, and the amounts. Finally, offerors are required to certify their compliance with these requirements as a condition of the award of contracts. The restrictions do not apply to reasonable amounts paid to company employees for lobbying activities, or to employees or consultants providing technical or professional services in preparing bids or proposals.

Contractors and subcontractors also must monitor carefully the expenditure of lobbying funds – particularly by outside consultants – and ensure that those funds are not included in overhead pools used to compute contract prices. For this reason, BEI requires that all lobbying activities and related expenditures be pre-approved by the VP Government Relations or the CFO.

Example

- *The EPA issues a solicitation for a major new soil remediation services contract. The Company determines that, because of the contract's potential size, assistance should be sought from congressmen with remediation sites in their districts. A well-connected firm is retained to emphasize to these congressmen how important it is for the Company to obtain the contract.*

The costs for the lobbying firm are accounted for in the Company's books as overhead. The overhead costs are then allocated to all Company contracts. The Company may have violated the lobbying restrictions, because the costs of the lobbying will be included in the price charged to federal agencies — by reason of the accounting system's distribution of non-operating costs. As a result, "appropriated funds" (contract payments by the Government) will be paying part of the lobbying costs.

USE OF CONSULTANTS, AGENTS, AND REPRESENTATIVES

Honesty and integrity are key standards for the selection and retention of those who represent BEI in the public sector. Paying bribes or kickbacks, engaging in industrial espionage, obtaining the proprietary data of a third party without authority, or gaining inside information or influence are just a few examples of what could give us an unfair competitive advantage in a U.S. Government procurement and could result in serious violations of law.

Use of "marketing consultants" is particularly scrutinized on the theory that contractors may obtain proprietary and Government-sensitive information by acquiring the services of marketing consultants. Contractors are required to make inquiries of marketing consultants to ensure that the consultant has provided no unfair competitive advantage.

BEI's policy is that agents, representatives, or consultants must be willing to certify their compliance with the Company's policies and procedures and must never be retained to circumvent our ethical and business standards. In addition, the CFO and the CEO must review and approve all consulting agreements for the Company.

Example

- *The Company hires a consultant to assist in the preparation of a large proposal for a U.S. Government contract. Within the past year, the consultant worked for the Company's principal competitor on a similar project, and he volunteers to brief the proposal team on the competitor's cost structure and likely bidding strategy. If the Company accepts such information from the consultant, it may be disqualified from the competition. It also may face Trade Secret actions brought by the competitor.*

CONTINGENT FEE AGREEMENTS

The U.S. Government generally prohibits contractors from entering into contingent fee agreements to obtain U.S. Government contracts. For all Government contracts exceeding \$150,000, the Company is required to warrant that it has not employed or retained any person or selling agency under a contingent fee agreement to solicit or obtain the contract.

An exception to this general prohibition exists for any contingent fee agreement made with a “bona fide agency,” or an established commercial or selling agency maintained by the contractor to obtain business. The Company therefore requires that the VP Government Relations pre-approve any effort to retain an employee or consultant to facilitate Government business. Similarly, any BEI employee approached regarding entering into a contingent fee arrangement with a person or agency should contact the VP Government Relations immediately.

BIDDING, PRICING, AND NEGOTIATING GOVERNMENT CONTRACTS

BEI employees who are involved in proposal/bid preparation or contract negotiations must be certain that all statements, communications, and representations are accurate and truthful. Each BEI employee must be truthful and accurate in his or her business communications. There are no exceptions to this rule. If a BEI employee believes his or her representations have been misunderstood, the misunderstanding must be resolved. If information required to be provided by the Company was inadvertently omitted, the information must be supplied promptly.

The need to be truthful and accurate in business relationships routinely arises in the everyday activities performed by BEI employees. These types of activities and the Company’s related expectations are described below.

1. Bid / Proposal Preparation and Negotiation

In negotiating public contracts, be accurate and complete in all representations. BEI employees who prepare bids, proposals, or quotations to be submitted to a U.S. Government agency or other customer must be certain that there are no misrepresentations or intentional omissions in any of the information provided.

2. Charging Labor and Materials

BEI employees who complete time cards must be particularly careful to report all hours correctly. Employees must also make certain to charge materials used on specific projects to the appropriate charge number.

Occasionally mistakes will occur when labor or materials are charged. Mistakes shall be corrected, but changes to Company documents can only be made using proper methods and with a supervisor’s approval. Supervisors are responsible for assuring that BEI employees on their projects properly charge their time and materials. Additionally, supervisors are responsible to ensure that all discounts (*e.g.*, supplier discounts) owed to the U.S. Government are, in fact, forwarded to the Government.

3. Maintaining Records

BEI employees must maintain accurate and complete records. Transactions between the Company and the U.S. Government must be promptly and accurately entered in the books and accounted for in accordance with accepted accounting principles and, when applicable, T.I.N.A.

and the FAR Part 31 Cost Principles. No BEI employee should rationalize or even consider misrepresenting facts or falsifying records. Such action will not be tolerated and will result in disciplinary action.

4. Requests for Payment

Employees charged with responsibility for submitting invoices, Requests for Equitable Adjustments (“REAs”), claims, and other requests for payment to the U.S. Government must make certain that the invoices, REAs, claims, and their supporting documentation reflect accurate and truthful information. BEI employees are obligated to ensure that Government forms (for example, prompt payment certificates, invoices, cost estimates, etc.) are filled out accurately.

If a BEI employee becomes aware that the Government has potentially overpaid on a BEI invoice, the employee must promptly notify the CFO. The Company is required to remit any overpayment to the contracting agency and provide a description of the circumstances resulting in the overpayment.

Failure to comply with this obligation may result in civil (or even criminal) liability for the Company and the employees involved. Because of the potentially severe consequences of making untruthful or inaccurate statements to our customers, BEI will take disciplinary action against any employee who fails to comply with this requirement.

ANTITRUST POLICY

Antitrust is a term used for strict Government laws that protect the free enterprise system. Such laws deal with agreements and practices “in restraint of trade” such as price fixing, restrictive agreements, exclusive or reciprocal dealings, price inducements, boycotts, and discriminatory allowances. They also bar pricing intended to drive a competitor out of business; disparaging, misrepresenting, or harassing a competitor; stealing trade secrets; engaging in bribery; and illegal kickback activities.

Moreover, for contracts with the U.S. Government, FAR 52.203-2 (“Certificate of Independent Price Determination”) requires BEI to certify that its prices proposed “have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other offeror or competitor relating to (i) those prices; (ii) the intention to submit an offer; or (iii) the methods or factors used to calculate the prices offered.” Accordingly, it is BEI’s policy that Company employees should not have any relationship with a competitor or supplier, financial or otherwise, which has the appearance of, or may cause, a conflict of interest or other impropriety.

SUBCONTRACTS, TEAMING AGREEMENTS, AND COLLABORATIVE VENTURES

1. Subcontracts

- ***Selection of Subcontractors and Pricing of Subcontracts***

The U.S. Government is generally bound to promote fair and open competition. When BEI serves as a prime contractor, the Company is bound to select subcontractors that offer fair and reasonable prices. The Company understands that our Government customer will bear the ultimate costs of these supplies and services, and thus, BEI will use competitive procedures to obtain the best value for our Government customer.

When we are doing business with the U.S. Government, extra diligence is required to ensure that BEI's purchasing practices are fair and free of impropriety. The Company enters into subcontracts and supply agreements based on competition and not as a result of kickbacks in any form. BEI does not agree to improper contingency fees, commissions, rebates, or discounts. If a Company employee has any question that a payment could constitute a kickback or other improper payment, he or she must refer the matter to the CFO.

- ***Subcontract Flow-Down Requirements***

When working with subcontractors, BEI must be careful to "flow down" appropriate FAR/DFARS clauses and other terms and conditions of its contract/subcontract, to its subcontractors. BEI employees should review and report to the CFO any failure by subcontractors to comply with applicable business ethics and conduct obligations.

- ***BEI as a Subcontractor***

When working as a U.S. Government subcontractor, BEI is bound by the terms of the applicable subcontract. Nevertheless, even if directed by the prime Government contractor or otherwise permitted by the terms of the subcontract, BEI may not violate the principles and policies outlined in this Code. For example, if BEI employees are directed by a prime Government contractor to do something in violation of the business ethics and conduct obligations outlined in this Code, the BEI employees should not follow the prime contractor's directive without first consulting with the CFO.

2. Teaming Agreements and Other Collaborative Ventures

Teaming agreements and joint ventures are permissible and commonly used in major Government procurements. Nonetheless, these business arrangements warrant particular attention when used in the context of U.S. Government procurement.

First, Government agencies sometimes encourage companies to enter into such arrangements believing that they will result in better overall proposals. Such encouragement

from a procuring agency, however, does not remove these arrangements from the operation of the normal antitrust rules. Accordingly, rules related to collusive pricing, bid rigging, market allocation, boycotts, and trade association activity, among others, are enforced.

Second, the Government generally must be notified in the proposal of the existence of such arrangements, as well as the parties' relationships to one another. If the arrangement is agreed upon after award, the Government must be informed before it takes effect. The Government has been known to require the dissolution of such arrangements where they are deemed to violate antitrust laws.

All teaming agreements or joint ventures that the Company is contemplating must be reviewed and approved in advance by the CEO and the CFO.

SUSPENDED AND DEBARRED CONTRACTORS

Contractors that have committed certain specified offenses that indicate a lack of business integrity or responsibility may be suspended or debarred from doing business with the U.S. Government. The names of these contractors appear on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs ("excluded parties list"), which is available on-line at <https://www.epls.gov>. U.S. law generally prohibits contractors from entering into subcontracts in excess of \$30,000 with companies that have been suspended, debarred, or proposed for debarment.

BEI's policy is to refrain from doing business with any contractor or subcontractor that has been suspended or debarred by the U.S. Government. Any employee who has reason to believe that a contractor with whom we intend to contract is suspended or debarred must notify immediately his or her supervisor or the CEO.

STATEMENTS AND CERTIFICATIONS

Contracts involving public entities often require BEI to provide certifications or other representations that specific procedures have been performed, particular materials have been used, or required tests or inspections have been conducted. Additionally, BEI is required to file annual representations and certifications as to business size and compliance with various socio-economic and financial control obligations. BEI employees who prepare such statements and certifications in connection with a customer's requirements or Governmental regulations must ensure that the representations are current, complete, and accurate.

Under no circumstances may a BEI employee make a false or misleading statement, representation, or certification when dealing with any customer, including the U.S. Government.

RECORD RETENTION AND AUDIT RESPONSIBILITY

The U.S. Government generally requires contractors and subcontractors to maintain books and records pertaining to a contract or subcontract for three years after final payment. Unless advised otherwise by the CEO, all documents (regardless of media) related to any

Government contract or subcontract performed by the Company must be maintained for this period in a secure and accessible location.

In addition, the U.S. Government frequently conducts audits and investigations as means to address procurement fraud. If approached by an investigator or a Government auditor for any reason, contact the CEO immediately. Moreover, do not alter, destroy, or conceal any documents relating to an investigation or take any action that could hinder an investigation. Violations of these laws are punishable by fines and/or imprisonment.

DRUGS AND ALCOHOL

In brief, all BEI employees are responsible for ensuring a healthy, drug-free work environment. BEI will not tolerate illegal drugs or alcohol in the workplace. As a U.S. Government contractor, BEI is under additional scrutiny. BEI employees will not possess, use, or be under the influence of illegal substances in the workplace. Employees who do not comply with this standard are subject to disciplinary action, including mandatory counseling programs or even termination.

EXPORT CONTROLS

Under U.S. law, the definition of “export” is broad and can include conversations of a technical nature with a citizen of another country. Export control regulations are quite complex, and any BEI employee involved in sending information (correspondence) or goods overseas should first consult with the CFO to ensure compliance with applicable export control laws.

OBLIGATION TO REPORT VIOLATIONS AND TO PROVIDE COOPERATION

If a BEI employee has concerns about any aspects of his or her compliance obligations or those of the Company, the employee should talk to his or her supervisor, or the CFO. BEI employees are expected to report any suspected violation of this Code or any other irregularity to their supervisor or to the CFO. Any employee who discloses an actual or potential violation of this Code, with honest intentions and having done nothing wrong himself, should not fear repercussions in any shape or form. In the case of an employee who was involved in a violation of this Code and whose voluntary disclosure of the violation prevents damage to the Company, the employee’s voluntary reporting will be considered when assessing potential sanctions against the employee. Reports of violations shall be treated confidentially to the extent practicable, consistent with fair and rigorous enforcement of this Code.

Importantly, if a BEI employee is aware of or becomes aware of a potential violation of law, regulation or Company policy or procedure, or a substantial and specific danger to public health or safety, then that employee must promptly notify the CFO.

BEI employees are required to cooperate with any investigations the Company may undertake in connection with the policies contained in this Code.

CONSEQUENCES FOR VIOLATION

If a BEI employee should violate the standards set forth in this Code, the Company will act in good faith in investigating the violation and taking appropriate disciplinary action, which could include termination of employment. In addition, noncompliance may lead to civil sanctions and/or criminal prosecution.

In brief, any violation of this Code is cause for disciplinary action up to and including termination of employment.

TRAINING

It is the intent of the Company to clearly define the specific ethical responsibilities of BEI employees through periodic education and training programs and to provide assistance in resolving questions involving business ethics and conduct.

BEI employees are responsible to make themselves available and actively participate in training opportunities as offered/required.

EMPLOYEE CERTIFICATION OF ACKNOWLEDGEMENT

As a condition of employment, each BEI employee will receive and review this Code and complete an “Employee Certification and Acknowledgment Form” (attached). Upon completion, the form should be returned to the CFO. The form must be completed and returned on an annual basis.

EMPLOYEE CERTIFICATION AND ACKNOWLEDGMENT

I acknowledge that I have received, reviewed, and have read my personal copy of the BEI Code of Business Conduct and Ethics Applicable to United States Government Procurement Activities (“Code”).

I certify that:

- I understand the Code;
- I agree to strictly comply with the Code;
- I understand that I will be subject to disciplinary action if I violate the Code;
- I understand that I have the responsibility to ask questions, seek guidance, and report suspected violations of the Code;
- I am, to the best of my knowledge, currently in compliance with the Code; and
- I will continue to comply with the Code.

Signature

Print Name

Date