

## **NanoDynamics**

### **Business Conduct Compliance Program**

#### **Introduction**

NanoDynamics' ability to realize and sustain its vision depends on sound and ethical behavior by every employee. The choices and actions of each employee impact the reputation of the entire Company. The foundation of our long-term success will be business excellence consistent with the highest ethical standards and compliance with the law. Employees of NanoDynamics and its affiliates must maintain the highest ethical standards in the conduct of Company business, so that they and the Company are always above reproach.

Each Employee is responsible for conducting the Company's business with honesty and integrity, and for complying with all applicable laws and regulations. These responsibilities include:

- Avoiding situations where personal interests are, or appear to be, in conflict with Company interests, and promptly disclosing any apparent or actual conflict. Employees are responsible for recognizing and avoiding such conflicts of interest and must notify their supervisor if they believe a potential conflict of interest may exist in a specific situation.
- Safeguarding and properly using Company assets, including maintaining confidentiality of nonpublic information and not acting on such information for personal gain.
- Being truthful and accurate in all communications, records, and reporting.
- Treating customers, suppliers, and fellow employees honestly and fairly.
- Maintaining the highest ethical standards in dealings with public officials and government employees.
- Respecting the rights of others.
- Being familiar with Company policies that govern relationships with third parties.
- Adhering to Company standards for protecting the environment and the safety and health of our employees, our customers, our communities and our contractors.
- Exercising good judgment in making legal political contributions or in using political influence.
- Understanding and complying with the laws and regulations relevant to their job.

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## Conflicts of Interest

Employees must avoid any situation that may involve a conflict between their personal interests and the best interest of the Company. In dealings with current or potential customers, suppliers, contractors or competitors, Employees should act in the best interests of the Company to the exclusion of personal advantage. When representing the Company in transactions, and when carrying on the Company's business in any manner, Employees should not seek to obtain any personal profit or gain from any outside activity related in any way to their responsibilities at the Company. Personal interests that do, may or might appear to conflict with Company interests or improperly influence the performance of our duties must be avoided at all times.

This policy applies to each Employee and, depending on the circumstances, may apply to the Employee indirectly as the result of actions by members of the Employee's household.

Examples of conflicts of interest include:

- Ownership of a material interest in any outside enterprise that does or seeks to do business with or is a competitor of, the Company
- Serving or acting for an outside enterprise that does or seeks to do business with, or is a competitor of, the Company. Examples include serving as a director, employee, officer, partner, or consultant.
- Incurring significant indebtedness to any concern whose business may be affected by the Employee's actions on behalf of the Company.
- Acting as a broker, finder, or intermediary for the benefit of a third party in transactions involving the Company or its interests.
- Any arrangement or circumstance, including family or other personal relationships, that might cause the Employee not to act in the best interest of the Company, or that presents the appearance of a conflict of interest.
- Using for personal gain any Company property, including opportunities that are discovered through the use of Company property, information, or position.

If in doubt about a potential conflict of interest, Employee should speak with his or her Department Head, HR Director or Legal Counsel.

When an actual or potential conflict arises, the Employee must make prompt and full disclosure in writing to his or her Department Head, HR Director or Legal Counsel (Very often, issues of conflicts of interest or apparent conflicts of interest involving household members are resolved in this manner.) Unless the Department Head, HR Director or Legal Counsel (or the Company's Compliance Officer, to whom more difficult issues should be referred) determines that a conflict of interest does not exist, or waives the conflict consistent with the Company's best interest, the Employee must refrain from engaging in the activity in question.

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## **Protection and Use of Company Assets**

Proper protection and use of Company assets, including proprietary information, is a fundamental responsibility of each Employee. Employees must comply with site security programs to safeguard physical property and other assets against unauthorized use or removal, as well as against loss by criminal act or breach of trust.

### *Proper Use of Company Property*

Unauthorized removal from the Company's facilities of Company property is prohibited. This applies to furnishings, equipment (including computer equipment), and supplies. It also applies to property created or obtained by the Company for its exclusive use, including originals and copies of customer lists, files, personnel information, reference materials and reports, computer software, and data processing systems and databases. Employees must obtain prior written authorization in accordance with the security policy before removing Company property from the Company's facilities or using Company property for purposes other than the Company's business.

The Company's products and services are its property. Contributions made by any Employee to their development are also the Company's property, and remain the Company's property even after the Employee's employment terminates.

Each Employee has an obligation to use productively the time for which he or she receives compensation from the Company. Work hours should be devoted to activities directly related to the Company's business, except for non-business activities authorized by the Employee's manager. Management and professional employees should advise the HR Director or Company Compliance Officer in advance of any moonlighting or outside work activities whether or not competitive with the business of the Company.

Company assets, including equipment, facilities, information resources, and "corporate opportunities" (business opportunities that an Employee discovers in the course of his or her employment, but that rightfully belong to the Company) should be used for business purposes only. This includes Company-provided e-mail and Internet access.

### *Confidential Information/Insider Trading*

Employees who receive Company confidential information must hold it in confidence and must not communicate it to anyone, including family members, not authorized to see it. This includes a fellow Employee who has no need for such information. This type of information that Employees must safeguard includes unannounced products, research and development programs, product formulae, designs and processes, manufacturing processes, sales data, customer lists, nonpublic financial information, and ongoing projects, including proposed acquisitions and divestitures. Protecting these types of information is critical for the Company to remain competitive and that translates to our future

and our jobs. The same guidelines apply to confidential and proprietary information belonging to suppliers or customers, which is shared with Employees.

Employees are prohibited from using for personal profit nonpublic information obtained as a result of their employment. It is a violation of Company policy, and a violation of law, for an Employee to trade in NanoDynamics stock on the basis of material nonpublic information, or to transmit material nonpublic information to another person, including family members, who may trade, or advise others to trade, NanoDynamics stock on the basis of such information. (Information is "material" if it would affect a

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reasonable investor's decision to buy, sell, or hold the stock in question. Information is "nonpublic" until it has been broadly disclosed publicly, typically by means of a press release.) Also prohibited is the use by Employees of such information (a) to trade or cause others to trade in securities of any other company, or (b) to acquire or help others acquire a property interest of any kind, including real estate.

### *Accounting and Reporting Integrity*

The Company is required to report its results, including its financial results, accurately and completely.

To ensure that the Company's reports to third parties, including shareholders, creditors, and government entities, are accurate and complete, Employees must ensure that internal reports are equally accurate and complete.

All Company financial reports, accounting records, research reports, sales reports, expense accounts, time sheets, and other documents must accurately and clearly represent the relevant facts or the true nature of a transaction. Improper or inaccurate accounting, documentation, or financial reporting are contrary to Company policy and may also be in violation of applicable laws. Intentional accounting misclassifications (e.g., expense versus capitol), sham transactions (e.g., sales where the company is obligated to repurchase products, or sales in excess of customer's reasonable requirements), and improper acceleration, deferral or recognition of expenses or revenues are examples of prohibited reporting practices. Also prohibited are payments made with the understanding that they will be used for something other than the stated business purpose. Finally, it is a violation of Company policy, and possibly a violation of law, to assist third parties, including customer and suppliers, with improper accounting and reporting.

The Company maintains a system of internal controls to ensure the following:

- Transactions are executed in accordance with management's authorization, and are properly recorded and posted.
- Company assets are safeguarded from loss, unauthorized access, waste, fraud, and abuse.
- Company resources are used in an efficient and effective manner.
- The Company accurately and timely discloses required financial and non-financial information
- All legal requirements are satisfied.

The Company has established internal control standards and procedures to ensure that assets are protected and properly used and that records and reports are accurate and reliable. Employees share the responsibility for maintaining and complying with required internal controls. The Company's system of internal controls includes written policies and procedures, budgetary controls, supervisory review and monitoring, auditing, a roll-up process for internal certifications for accuracy and completeness, ongoing self-evaluations, and safeguards such as password protection to access computer systems.

Responsibility for compliance with these policies rests with all Employees, not solely with the Company's Accounting Personnel. Each Employee is required to be familiar and in compliance with the internal controls and disclosure controls related to his or her job.

All Employees must be truthful and open in dealing with the Company's internal and independent auditors. Employees may not directly or indirectly take any action improperly to influence, coerce, mislead, or manipulate the Company's internal or independent auditors.

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Employees must comply with NanoDynamics written record retention policy. Employees are prohibited from tampering with or destroying electronic or paper documents supporting a required audit trail or financial reporting until the guidelines show those documents are no longer required.

Employees who have concerns regarding Company financial reporting must promptly report concerns to their immediate supervisor, Human Resources Representative, or the Company Compliance Officer.

### *Signing Authority*

Only authorized employees can sign contracts and other documents and agreements on behalf of NanoDynamics and its subsidiaries. This authority is granted to Employees, by the Bylaws, CEO or by resolution of the Board of Directors. Signing authority is not derived from internal administrative designations or titles.

Individuals who have been authorized to sign a legally binding agreement on behalf of the Company have been notified. An Employee who is uncertain about his or her signing authority should check with their Department Head or the Controller.

### **Fair Dealing**

Employees must treat customers, competitors, and suppliers fairly and without manipulation, concealment, or abuse of privileged information.

The Company does not seek to gain advantage through the improper use of favors or other inducements. Good judgment must be exercised to avoid misinterpretation and adverse effect on the reputation of the Company or its Employees. Offering, giving, soliciting, or receiving any form of a bribe is prohibited. A basic guide regarding gifts and entertainment is that Employees should not give (or accept) gifts or entertainment unless authorized by the Company's Compliance Officer.

### *Gifts*

Without approval of the Company's Compliance Officer, neither an Employee nor a member of the Employee's family may give or accept gifts, favors, entertainment, or other inducements, of more than token value (\$25), or offered at less than market value, from any person or organization that does or seeks to do business with, or is a competitor of, the Company. Employees should not accept payments, fees, services, discounts, valued privileges or other favors where these would, or might appear to, improperly influence you in performing your duties for NanoDynamics.

It is never acceptable to give or receive a gift in cash, stock, or a cash or stock equivalent. It is also unacceptable to receive the benefits of a loan or loan guarantee from any entity doing business or seeking to do business with the Company. The use of bribes, secret compensation or kickbacks is improper and will result in immediate disciplinary action.

There may be times, especially in foreign countries, where the receiving or giving of a gift is simply an expected social courtesy and is not intended to corrupt or influence a particular business decision and authorization of the Company Compliance Officer should be sought by the Employee. For their own protection, Employees dealing with customers or suppliers should advise the customers or suppliers of this Company Policy at the outset of the relationship, preferably in writing.

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## **Antitrust**

NanoDynamics complies with antitrust laws applicable to its business activities. Employees must comply with the antitrust laws of the United States and corresponding laws of other nations. An area of particular concern involves agreements and discussions with competitors. Employees must not participate in any discussion, understanding, agreement, plan, or scheme, whether formal or informal, with any competitor or potential competitor that involves prices, price levels, territories or customers to be served.

Antitrust laws forbid the following:

- Price discrimination
- Monopolization
- Contracts, combinations or conspiracies that unreasonably restrain trade or tend to reduce competition.

Compliance to Antitrust Laws is not to be comprised. Any employee who violates the Antitrust Laws will lose their jobs and also face legal prosecution.

All Employees who regularly deal with customers or competitors must be generally familiar with relevant Antitrust Law and related Company Policy.

## **Government Relations**

NanoDynamics and its subsidiaries will cooperate fully with the U.S. Government in assuring its requirements are met. Best efforts will be used to comply with all applicable laws and regulations governing government contracting. Employees must adhere to the highest standards of ethical conduct in all relationships with government officials, employees, and candidates for public office. Employees involved with government contracts should be familiar with appropriate government regulations.

### *Government Procurement of Company Products*

Many governments around the world have comprehensive laws governing the purchases of products from private suppliers such as NanoDynamics. These laws are intended to assure that government entities obtain goods and services at competitive prices, often prices at least as good as the supplier's best price to a commercial customer. When selling company products to government procurement agencies, Employees must comply with all applicable procurement laws.

### *Payments to Government Officials and Employees*

Employees are prohibited from making payments, directly or indirectly, to any government official or employee if the payment is illegal under the laws of the country having jurisdiction over the transaction, or if it is intended to influence or induce the recipient to do, or omit to do, any act in violation of his or her lawful duty.

However, in some countries, certain payments to public officials or government employees are acceptable under law and are usual business practice. In these countries, modest payments to procure the performance of routine governmental actions may be permissible but only with the authorization of the Company Compliance Officer. Examples of such actions are:

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- Expediting the processing of permits, licenses, or other official documents to qualify a person to do business.
- Processing governmental papers, such as visas and work orders.
- Expediting mail pick-up and delivery.
- Scheduling inspections related to transit of goods.
- Providing utilities such as phone service, power and water supply.
- Loading and unloading cargo, or protecting perishable products or commodities from deterioration

*Political Activities*

The Company will not make political contributions (including in-kind contributions such as the use of corporate facilities or personnel) unless permitted by applicable law, and approved by the Company Compliance Officer.

Since an Employee’s political activities could be attributed to the Company, Employees must, before engaging in any political activity, including fundraising activity, that occurs during working hours or that involves the use of Company facilities or personnel services in connection with such activity, obtain the prior written approval of the Company Compliance Officer.

**Rights of Others**

*Fair Treatment of Employees*

We know that in the end, the commitment and contribution of our Employees will determine our success. NanoDynamics believes in the fundamental dignity of the individual. Our workforce consists of a rich mixture of people of diverse nationality, race gender and opinion, and this diversity will continue to be a source of our strength. We value the unique ability of each individual to contribute, and we intend that every employee shall have the opportunity to participate fully, to grow professionally and to develop to his or her highest potential.

NanoDynamics hires and promotes Employees on the basis of their ability, skill and performance as it relates to the Company’s business needs. Wherever we do business, we will comply with all ethical and legal standards in the recruitment, selection, retention, and promotion of our Employees. We will apply these same standards when discipline or termination is necessary.

NanoDynamics does not tolerate any form of discrimination or harassment. We are committed to creating a business environment that values each person for his or her unique contribution. We have a “zero” tolerance against harassment of any kind, including any action in the workplace that intimidates, insults,

offends, or ridicules an employee because of race, color, age, religion, national origin, sexual orientation, disability, or veteran status. This policy applies to all Employees in all Company locations, Company sponsored social events, and all activities in which you represent the Company. This policy also applies to non-NanoDynamics personnel working with or within NanoDynamics. All violations of this policy must be reported to Human Resources, immediately.

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Additionally, NanoDynamics is committed to providing a safe and productive work environment. This includes a workplace free of drugs and alcohol.

*Health, Safety & the Environment*

All Company facilities worldwide operate under the basic principle that health, safety, and environmental responsibilities are fundamental to NanoDynamics values. Employees are responsible for ensuring that the Company complies with the health, safety, and environmental laws of the countries in which we do business.

We strive to meet and often exceed the level of compliance the law requires and continually aim to be a leader in health, safety & environmental protection. In practice, this means that NanoDynamics provides a safe work environment for its Employees and will not adversely affect the living environment of our neighbors. This is only possible, of course, with the personal attention of all of us. This requires that we work to prevent issues from arising and that we be aware of how to mitigate environmental, health or safety issues should they occur.

We will continually work to make sure that our products and services are safe, effective and accurately described for their intended uses. We will openly communicate the nature and characteristics of our products to our employees, suppliers, transporters, distributors and customers.

*Copyrights and Software*

No one employed by NanoDynamics, whether an employee, contractor or consultant, may duplicate copyright materials without permission of the license holder. This includes printed materials for public distribution, duplication of music or recorded materials and duplication of licensed computer software.

Licensed computer software or related documentation should not be duplicated for use either on Company premises or elsewhere unless the Company is expressly authorized to do so by agreement with the licensor. Employees must not give software to any outsiders including clients, customers, contractors and others. Employees shall use software on local area networks or on multiple machines only in compliance with license agreements.

*Third-Party Confidential Information or Intellectual Property*

The Company frequently enters into written confidentiality agreements under which the Company undertakes an obligation to protect confidential information obtained from third parties. If the third parties follow the contractual procedures for disclosing their confidential information, Employees who become aware of such information must maintain it in confidence, in accordance with the terms of the confidential agreement.

No one employed by NanoDynamics, whether an employee, contractor or consultant, may knowingly use the intellectual property including, patents, patent applications or trade secrets, of any third party without the permission of the owner.

*Privacy*

The Company respects the privacy rights of its Employees, customers, and suppliers. Employees are responsible for complying with all relevant data privacy laws when accessing the personal data of others.

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**Miscellaneous**

*One-Voice Policy*

The Company anticipates and responds to the public’s valid interest in its business activities. In doing so, the Company speaks with “One Voice”, to ensure its public reputation is based on fact rather than hearsay or rumor. Employees should not initiate contact with representatives of the media to discuss or disclose Company business. If contacted by representatives of the media, employees should direct the media to the Company President or CEO.

*Third-Party Inquiries*

Employees should immediately refer all inquiries from Government Officials and lawyers representing third parties to the Company Compliance Officer or Legal Counsel. Inquiries from any law-enforcement agency should also be referred to Legal Counsel or Human Resources.

*Volunteerism, Community Service, and Solicitation*

NanoDynamics strives to be a good corporate citizen in each community where it operates. The Company encourages community volunteerism among its Employees.

Employees must not commit company funds, products, in-kind services, or other assets to outside organizations with which they are associated without the approval of the Company President.

Generally speaking, distribution by employees of non-work-related literature, for any reason, is prohibited during work time in work areas. However, management may permit limited solicitation for non-profit charitable organizations, or for fundraising in connection with school-age children’s activities in non-work areas.

*Approval of Publications and Presentations*

Employees must obtain advance approval from an Officer of the Company of all copy and presentations involving Company-related materials for delivery outside the Company. These may include:

- Present or prospective business of the Company, its products and practices.
- Market areas where the Company participates or has a potential interest.
- Any materials that identify the Employee in terms of his or her association with the Company.

**Compliance**

Employees must comply with applicable law and Company policy. When in doubt, Employees must see clarification from their supervisor or, if necessary, from Human Resources, Legal Counsel, or the Company Compliance Officer.

*Waivers*

Situations will occasionally arise where the Company deems it appropriate to waive compliance by an Employee with a Company policy. All such waivers must be in writing.

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## *Violations*

Violations of this Business Conduct Compliance Program are grounds for disciplinary action, up to and including termination of employment. Frequently, such violations also constitute violations of law, which can subject the Company to monetary damages and fines, and can subject Employees to fines and the possibility of imprisonment.

## *Reporting*

All Employees at NanoDynamics benefit from an atmosphere of ethical and legal conduct. Employees who suspect violations of law or Company policy must report such matters in accordance with Company policy.

## *Confidentiality and Non-Retaliation*

General speaking, Employees may report suspected violations confidentially. Confidentiality will be honored to the fullest extent reasonably practicable within the legitimate needs of the law and any Company investigation.

The Company does not permit retaliation against an Employee acting in good faith who reports information or raises questions about possible violations of law or Company policy.

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