



STANDARDS OF ETHICAL BUSINESS CONDUCT

To All Employees of Earl Industries:

Ethics is a word familiar to many of us, and a word for which there are many definitions. However, for Earl Industries I want to stress that our focus of ethical behavior shall be that of knowing the difference between right and wrong and doing the right thing.

As a member of our company, you and every other employee of Earl Industries are part of a tradition of providing quality workmanship to satisfied customers using a well trained and diverse workforce that prides itself in being a leader within our industry.

As with all great companies we have an outstanding reputation, and that reputation is based on our values. In that light, we must conduct all levels of our business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations.


In conducting our business we build our integrity, or standard of excellence. To maintain this, we must continue to practice and perform to the highest ethical standards, honor our commitments, take personal responsibility for our actions, and treat everyone fairly with respect and trust.

Commitment to our customer and delivering a quality product is essential to our success. A job well done must be our norm. Our strength is in our people, and teamwork must always be part of our daily routine. We must be continually learning, sharing ideas and knowledge with each other in a spirit of understanding and support.

All employees have the responsibility to act in an ethical manner. For those of you working in management or supervisory positions, you have the additional responsibilities of setting an ethical example of behavior. I ask you to be the person whom you would respect. Second, you must be responsible for helping other employees make the right decisions as they search for tough answers to ethical questions. Finally, managers and supervisors are responsible for helping all other employees follow through and actually undertake the ethical option once the appropriate choice has been identified.

Often, ethical questions enter an area that is ambiguous, or uncertain. I have placed my personal trust in each and every one of you to do your part in fostering a climate of making the right choice, and if you continue to have questions, seek out the help of someone within the company, a manager or director, for your answer. Often, it is best to have multiple inputs before rendering a conclusion. You may also call the company's confidential and toll free Help Line at 1-877-473-9086.

Please read over the enclosed Standards of Business Conduct, and if you have any questions, call the Help Line, see your supervisor, or our Human Resources Director and Ethics Advisor, Missy Thomas. Thank you.



Jerry Miller
President

11-4-09

Date

Accounting / Manufacturing

750 Chautauqua Avenue
Portsmouth, VA 23707
Phone 757/ 397-4568
Fax 757/ 397-5874

Florida Operations

2999 Old Mayport Road
Jacksonville, FL 32233
Phone 904-249-7772
Fax 904/241-1476

California Operations

3039 Hoover Avenue
National City, CA 91950
619/ 474-3252
Fax 619/ 474-2380

United Coatings Division

P.O. Box 7156
650 Chautauqua Avenue
Portsmouth, VA 23707
Phone 757/ 398-0785 Fax 757/ 397-4119



Earl Industries, LLC Standards of Ethical Business Conduct

1. CODE OF ETHICS.

a. This policy covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it does set basic principles to guide all management and non-management employees of Earl Industries, LLC. All of our employees must conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

b. If a law conflicts with any part of this policy, you must comply with the law. If you have any questions about the contents of this policy or are not sure about a conflict you may have, you should ask your supervisor how to handle the situation. All employees are responsible for understanding the legal and policy requirements that apply to their jobs and reporting any suspected violations of law or company policy.

2. ETHICS DEFINED. There are many definitions of the term "ethics." However, one common explanation of the term seems to be present in a majority of discussions relating to the subject. That is, ethics commonly refers to the rules or principles that define right and wrong conduct.

a. Ethical dilemmas in the workplace are generally more complex than ethical situations outside the workplace. They involve societal expectations, competition, social responsibility as well as the potential consequences of an employee's behavior to customers, fellow workers, competitors and the public.

b. Conscience, morality and legality are also frequently heard when the subject of ethics is discussed. Morality refers to the values that are subscribed to and fostered by society in general and individuals within that society. Naturally, if a potential course of action is not legal, no further consideration of it is in order. If the action is not legal, it is also not ethical. Ethical questions are rarely black and white. They typically fall into a gray area between the two extremes.

c. This policy stands for a fundamental commitment by all employees of Earl Industries. That is, to comply with all applicable legal requirements and the high ethical standards set forth in this policy, wherever we operate. To help us meet this commitment, the policy defines what is expected of employees regardless of location or background. It provides both guidance in key areas and sources for further direction.

Authorized Signature: _____

Date: 11-4-09



Earl Industries, LLC Standards of Ethical Business Conduct

d. Employees must follow the guidelines contained in this policy. Failure to do so is taken very seriously and may result in disciplinary action up to and including termination of employment. Further, violations of this policy may also be violations of the law and may result in civil or criminal penalties for you, your supervisor and/or the company.

3. **ETHICS ADVISOR.** If you have a question or concern about legal or ethical standards, you have some options as outlined below, but the most important thing is that you use one of these options.

a. A good place to start is with your supervisor. He/she is in the best position to render an expeditious solution. If you are uncomfortable, or do not desire to ask your supervisor, your department head, manager, or foreman is available for discussion.

b. Human Resource representative. The Director of Human Resources has an assigned ethics coordinator. You can set an appointment to visit this office, or you can email your concerns to ec@earl-ind.com, and your questions will be welcomed in an atmosphere of respect and confidentiality.

c. Human Resources Director. This person is assigned the title of Ethics Advisor and has overall responsibility for the program. You may gain access to this individual by calling the office and setting an appointment, or emailing ea@earl-ind.com.

d. If you ever feel unsure about where to go for help, or are uncomfortable using one of the other resources identified above, one additional resource that can help is the Ethics Help Line. Our help line is available twenty-four hours a day, seven days a week. A response will be provided expeditiously. All inquiries are treated as strictly confidential. Call: 1-877-473-9086.

4. **SELF TESTS – some ways to approach problematic questions.** All employees must work to ensure prompt and consistent action against violations of this policy. However, in some situations, it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that we have guidance in our approach to new question or problem. These are the steps to keep in mind:

a. Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.

b. Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.



Earl Industries, LLC

Standards of Ethical Business Conduct

c. Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems. If you are uncomfortable discussing the problem with your supervisor, you can talk to your general manager, the ethics coordinator, or the senior vice president. You can also use the company toll free, Ethics Help Line, 1-877-473-9086. If you prefer to write, address your concerns to the Ethics Advisor or the Ethics Coordinator. Anonymous reports can be made in writing and sent to the ethics coordinator or advisor, or by calling the Help Line.

d. You may report violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The company does not permit retaliation of any kind against employees for good faith reports of suspected violations.

e. Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

f. All employees of Earl Industries are subject to the contents of this policy. Failure to adhere to this policy by any employee will result in disciplinary action, up to and including termination of employment.

g. Guidelines for Determining Ethical Behavior. At times it will be necessary to distinguish the gray area between clearly right and clearly wrong decisions. A person's behavior can be well within the scope of the law and still be unethical. The following is a quick quiz to assist you in determining ethical behavior; it assumes the behavior in question is legal. When making a questionable decision, ask yourself:

(1) Morning-after test. If you make this choice, how will you feel about it tomorrow morning?

(2) Front page test. Make a decision that would not embarrass you if printed as a story on the front page of your local newspaper.

(3) Mirror test. If you make this decision, how will you feel about yourself when you look in the mirror?

(4) Role reversal test. Trade places with the people affected by your decision and view the decision through their eyes.

(5) Common sense test. Listen to what your instincts and common sense are telling you. If it feels wrong, it probably is.



Earl Industries, LLC

Standards of Ethical Business Conduct

5. CODE OF ETHICAL BUSINESS CONDUCT.

a. Company proprietary information. All employees of Earl Industries must maintain the confidentiality of proprietary information entrusted to them by the company or its customers or suppliers, except when disclosure is authorized in writing by the President, Senior Vice President, or Chief Financial Officer, or required by law. Proprietary information includes all non-public information that might be of use to competitors or harmful to the company or its customers or suppliers if disclosed. It includes information that suppliers and customers have entrusted to us. The obligation to preserve proprietary information continues even after employment ends.

b. Competition and Fair Dealing.

(1) We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or including such disclosures by past or present employees of other companies is prohibited. All employees should endeavor to respect the rights of and deal fairly with the company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other illegal trade practice.

(2) No employee is permitted to engage in price fixing, bid rigging, allocation of markets or customers, or similar illegal anti-competitive activities.

(3) To maintain the company's valuable reputation, compliance with our quality processes and safety requirements is essential. All inspection, testing, and related documents must be handled in accordance with all applicable specifications and requirements.

(4) The purpose of business entertainment and gifts in our industry is to create goodwill and sound working relationships. Please see paragraph 5.i. for further information related to gifts, gratuities, and entertainment.

c. Compliance with laws, rules and regulations. Obeying the laws, both in letter and in spirit, is the foundation on which this company's ethical standards are built. All employees must respect and obey the laws, rules and regulations in cities and states in which we operate. Although employees are not expected to know all the details of each of these laws, rules and regulations, it is important to know enough to determine when to seek advice from supervisors, managers, or other designated personnel. When in doubt, ask.



Earl Industries, LLC

Standards of Ethical Business Conduct

d. Conflicts of Interest.

(1) A conflict of interest exists when a person's private interest interferes in any way – or even appears to interfere – with the interests of the company. A conflict situation can arise when an employee, or a member of his/her family, receives improper personal benefits as a result of his or her position in the company. Loans to, or guarantees of obligations of, employees and their family members by the company may create conflicts of interest and in certain instances are prohibited by law.

(2) It is a conflict of interest for an employee to work for a competitor, customer or supplier. You should avoid any direct or indirect business connection with our customers, suppliers or competitors, except as required on behalf of the company.

(3) Conflicts of interest are prohibited as a matter of company policy, except as approved by the president or senior vice president of Earl Industries. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or follow the procedures outlined in paragraph 6 of this document. Also, any employee that becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager, or other appropriate person as outlined in paragraph 6.c. of this document.

e. Conforming to contract specifications. When we act as a government contractor or subcontractor, we have a special obligation not only to the government and the beneficiaries of those government programs, but also to the public at large to ensure that we perform with the highest degree of integrity. Some supervisor and/or management employees may be required to sign certifications or receipts, either internal or to the government, regarding the accuracy of information or the company's performance under the contract(s). All material and supplies ordered for use on government contracts will strictly conform to all specification requirements invoked in the contract(s).

f.. Distribution, sale, and/or use of controlled substances. As employees of a government contractor, our efforts to provide quality services and materials impact directly on the national security of our country. Therefore, Earl Industries is committed to maintaining an alcohol/drug free workplace for all employees. Employees will not engage or in any way be associated with the sale, distribution or use of controlled substances while on company property, on government or contractor property, or while engaged in company business.

g. Environmental. The company expects all employees to follow all applicable environmental laws and regulations. If you are uncertain about your responsibility or obligation, you should check with your supervisor, manager or any of the designated ethics advisors.



Earl Industries, LLC

Standards of Ethical Business Conduct

h. **Gambling.** Employees shall not indulge themselves in such practices as betting, gambling and speculative activities to an extent which may be deemed imprudent or which may cause embarrassment to the company.

i. **Gifts, gratuities and entertainment.** The nature of our business requires that we be especially attentive to the strict standards that government agencies have established for their employees. Therefore, the purpose of business entertainment and gifts in our setting is to create goodwill and sound working relationships, not to gain unfair advantage with customers, suppliers, or vendors. Offering, providing, soliciting or accepting anything of value to or from anyone in return for favorable consideration on a government contract or subcontract is called a kickback and is a crime. No gift or entertainment should ever be offered, given, provided or accepted by any company employee, family member of an employee, or agent unless it: 1) is not a cash gift, 2) is consistent with customary business practices, 3) is reasonable in value, 4) cannot be construed as a bribe or payoff, and 5) does not violate any laws, regulations or applicable policies of the other party's organization. Gifts to Government personnel are strictly prohibited unless: (a) of normal marketing related materials, and of (b) modest value which is defined as \$20 per gift per Government employee with a limit of no more than \$50 per year per Government employee. While these numbers are absolute with respect to Government personnel, they also serve as guidelines for the definition of modest gifts or marketing materials to commercial customers or suppliers.

j. **Government/former government employees.** Current and former U.S. Government employees are subject to federal conflict of interest laws and regulations that may limit the ability of the company to recruit and hire certain of those individuals, and may limit the activities they will be able to perform for the company. Accordingly, no discussion with a current U.S. Government employee concerning possible employment may occur without authorization from the President or Senior Vice President.

k. **Health and Safety.** Earl Industries strives to provide each employee with a safe and healthy work environment. Each employee has the responsibility of maintaining a safe and healthy workplace for all employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence and threatening behavior are not permitted.

l. **Improper influence on conduct of auditors.** All employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the company's independent auditors for the purpose of rendering the financial statements of the company materially misleading.

m. **Marketing/Sales.** Proper marketing and sales practices emphasize the quality, service, and competitive features of the services and products of Earl Industries. Marketing and sales efforts must focus on providing our customers accurate information so they can make informed



Earl Industries, LLC Standards of Ethical Business Conduct

decisions. Any practice or activity that could harm the company, its employees, its customers, or any government agency is prohibited regardless of the justification for such practice or activity. Prohibited activities include:

- (1) Using deceptive or misleading statements
- (2) Attempting to induce individuals to place their personal interests above those of the company's or organizations they represent.
- (3) Attempting to restrict competition by
 - (a) Inducing a competitor or customer to breach a contract with a third party.
 - (b) Obtaining unauthorized access to classified or proprietary information or documents
 - (c) Securing an unfair competitive advantage
- (4) Violating any law or regulation.
- (5) Engaging in any activity that could damage the company's reputation

Employees may only use legal, ethical, and proper methods to maintain markets for products and services of Earl Industries and to secure additional business.

n. Relationships with suppliers. The suppliers to Earl Industries play a critically important role in our ability to operate and provide our products and services. Accordingly, we must choose suppliers carefully based on merit, and with the expectation that our suppliers will act consistently without compliance and ethics requirements. Good procurement conduct includes the following:

- (1) Use established company-wide supply agreements.
- (2) Obtain competitive bids when company-wide agreements do not exist.
- (3) Confirm the financial and legal status of the supplier.
- (4) Verify quality and service claims on a regular basis.
- (5) Make sure that purchase agreements clearly state the services or products to be provided, the basis for earning payment, and the applicable rate or fee.
- (6) Avoid reciprocal agreements.



Earl Industries, LLC

Standards of Ethical Business Conduct

(7) Encourage support for small, disadvantaged, and minority-owned businesses and other appropriate classes such as Service Veteran, Vietnam Era Veteran, and Service Disabled Veteran.

(8) Purchase in support of environmental, health and safety values.

(9) The fee or price paid for goods and services by Earl Industries must represent the value of the goods or services provided.

(10) Earl Industries will not knowingly use suppliers who participate in the following activities:

- (a) Supply unsafe products or services,
- (b) Break laws or regulations,
- (c) Use child labor, forced labor, or illegal immigrant labor.

o. Discrimination and Harassment.

(1) Earl Industries provides equal employment opportunity to all employees regardless of race, color, religion, sex, national origin, age, disability, status as a veteran or special disabled veteran, or other protected groups under state, federal or local equal opportunity laws.

(2) All employees have the right to a work environment free from intimidation and harassment. The company prohibits any physical, verbal or visual harassment.

(3) Any employee believing he/she is a victim of illegal discrimination or harassment should report the incident to their immediate supervisor or designated manager.

(4) For more specific information regarding this subject, the employee should consult the company handbook.

p. Use of company assets. Company resources are only to be used for company business. No employee may commit theft, fraud, or embezzlement, or misuse company property. All employees should protect the company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on profitability. All company assets are to be used for legitimate company purposes. Any suspected incident of fraud or theft should be immediately reported for investigation.



Earl Industries, LLC

Standards of Ethical Business Conduct

q. Record-keeping .

(1) Earl Industries requires honest, accurate and timely recording and reporting of information, including hours worked, in order to make responsible business decisions. This information can exist in many ways, such as documents, files, graphs and databases, and may be kept on paper, electronically, or on film. Honest, accurate and objective recording and reporting of information – whether financial or non-financial – is essential to:

- Our credibility and reputation,
- Meeting our legal and regulatory obligations,
- Informing and supporting our business decisions and actions.

(2) Properly label and carefully handle confidential, sensitive, and proprietary information. Secure it when not in use and refer all destruction questions to your supervisor or manager.

(3) Some personal employee information is very sensitive and cannot be made public under many laws. This includes certain payroll records and medical history records. Employees charged with protection of this information must ensure that such information is available only to those who have a need to know for the performance of their job. All supervisory and management employees are to regularly advise their subordinate personnel who handle this information of their duty to protect this information.

(4) Business records and communications often become public, and employees should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that may be misunderstood. This applies equally to e-mail, internal memos, and formal reports.

(5) Records should always be retained or destroyed according to the company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation, employees should consult with their manager, the company senior vice president, or the ethics coordinator. Do not destroy official company documents or records before the retention time has expired, but do destroy documents when they no longer have a useful business purpose.

6. TRAINING. Any variety of training material can be used to convey the message of this policy to the employees of Earl Industries, such as videos, CD Roms, scenario based training, focus groups, informal sessions, etc.

a. Orientation. Each new employee of Earl Industries shall have a portion of his/her orientation period devoted to ethics awareness. Within that presentation shall be the employee's



Earl Industries, LLC Standards of Ethical Business Conduct

responsibility to uphold the contents of this policy as well as the company's commitment to ethics.

b. Periodic training shall be established using the methods of top-down, i.e. president, senior vice president training their respective staffs who, in turn, train their managers and supervisors. The movement cascades down through the entire company with employees hearing the company's ethics message from their immediate supervisor.

c. Annual Training. At least annually, each employee of Earl Industries will receive updates to this policy by way of any method identified above and/or informal discussion groups, such as safety meetings, employee forums, etc.

7. SENIOR MANAGEMENT.

a. The President, Jerrold Miller, of Earl Industries, LLC has the overall responsibility for development, implementation, and monitoring of this policy.

b. The conduct of our ethical behavior is not a matter to be taken lightly. Senior management recognizes there will be times when our actions will be questioned and even criticized, but following the guidelines above will consistently result in a positive solution.

c. Any senior manager within our organization has the responsibility of guiding other management and non-management employees when needed or requested.

d. Any waiver of this policy shall only be authorized by the president or senior vice president and will be promptly disclosed as required by law or regulation.

8. ANNUAL ACKNOWLEDGEMENT. To help ensure compliance with this policy, employees within Earl Industries will review, on an annual basis, this policy and acknowledge their understanding and adherence in writing on the attached form.



Earl Industries, LLC
Standards of Ethical Business Conduct

Your Personal Commitment to the

Earl Industries, LLC
Standards of Business Conduct

I acknowledge that I have received a copy of the company Standards of Business Conduct dated _____, that I have read the Standards and that I understand them. I will comply with the Standards. If I learn that there has been a violation of the Standards, or if I need specific guidance prior to acting, I will contact my supervisor, general manager, ethics coordinator, human resources director, or help line, 1-877-473-9086. I acknowledge that the Standards are not a contract, and that nothing in the Standards is intended to change the traditional relationship of employment-at-will.

Dated: _____

Signature

Printed Name