

# **Flaherty Technical Services**

## **Code of Conduct**

July 2011

# Table of Contents

The Code.....	1
What is the Code of Conduct for?.....	1
Who must follow this Code of Conduct?.....	1
Your personal pledge to do the right thing. ....	1
What about those who supervise others? .....	1
Does this Code of Conduct explain all the standards I need to know?.....	2
Asking Questions & Raising Concerns .....	3
Your duty to speak up.....	3
With whom do I report violations of laws, of this Code of Conduct or other concerns that I may have? .....	3
Anti-retaliation.....	3
The Compliance Officer .....	4
Conducting Business.....	5
Confidential information.....	5
Information about competitors.....	6
Other business practices.....	6
Accurate and complete books, records and accounting. ....	7
Labor and other costs.....	7
When the government is our client. ....	7
Guidelines .....	7
False Claims Act.....	9
Mandatory Disclosure .....	9

Conflicts of interest.....	10
Defining of Terms.....	10
Presumed Conflicts which MUST be Disclosed and Resolved.....	10
Where to Go to Disclose and Resolve Conflicts of Interest .....	11
Giving and receiving gifts, entertainment and travel guidelines .....	11
Defining of Terms.....	12
Guidelines .....	12
Gifts that are NEVER Allowed.....	12
For Government Recipients .....	13
Approval Process .....	13
Recordkeeping .....	13
Compliance with Laws, Rules and Regulations. ....	14
Acknowledgement of Code of Conduct.....	15

## **The Code**

### ***What is the Code of Conduct for?***

At FTS, high standards of professional conduct and ethics are essential for us to achieve our goals. We rely on the good judgment of our officers, employees, and agents (including subcontractors and consultants) to comply with the law, act with integrity, and safeguard the company's reputation in every situation. Our culture is based on trust, mutual respect and high standards of professional conduct and ethics. The Code of Conduct makes clear our basic expectations of employees and all those with whom we do business.

FTS is fully committed to maintaining a high degree of integrity, ethics and compliance, conducting every business transaction in compliance with the spirit and letter of the law and FTS policies. Strict adherence to the Code of Conduct will help to ensure that FTS and its employees prosper and maintain this objective of doing business with integrity.

The Code of Conduct provides an introduction to important laws and policies that must be followed. The Code of Conduct is designed to help each of us:

- Understand and follow the basic ethics and compliance rules that apply to our jobs; and
- Know when and where to ask for advice.

### ***Who must follow this Code of Conduct?***

This Code of Conduct applies to all FTS employees, including officers, regardless of the contractual basis of their employment. No one has the authority to direct or authorize anyone to violate any law or engage in unethical conduct.

This Code of Conduct may also apply to independent third parties hired by or working with FTS.

### ***Your personal pledge to do the right thing.***

This Code of Conduct represents a commitment by FTS to do business with integrity. By working with FTS, you are agreeing to uphold this commitment. Understanding this Code of Conduct and the company policies that apply to you is an essential function of your job. Employees who fail to follow these standards put themselves, their co-workers, and FTS at risk. Such employees are also subject to disciplinary action up to and including termination of employment.

### ***What about those who supervise others?***

Supervisors and managers have an affirmative duty under this Code of Conduct to:

- Set an example – showing what it means to act with integrity;
- Ensure that those they supervise have adequate knowledge and resources to follow the Code of Conduct's standards;
- Consult with FTS ethics and compliance advisers to obtain clarity or support on ethics and compliance issues;
- Monitor compliance of the people they supervise;
- Enforce the standards of the Code of Conduct and all other related company standards;
- Support employees who in good faith raise questions or concerns about compliance and integrity;
- Never retaliate or permit retaliation;<sup>1</sup> and
- Report instances of noncompliance to the proper management level.

***Does this Code of Conduct explain all the standards I need to know?***

This Code of Conduct is the cornerstone of FTS's commitment to integrity. However, this Code of Conduct is not intended to describe every law or policy that may apply to you. Make sure you know the additional rules that apply to you. To learn more about the other laws, regulations, standards and policies that may apply to you, consult the terms of the contract applicable to your work, or speak with your manager or his/her superior or the Compliance Officer.

---

<sup>1</sup> There must never be any form of retaliation against an employee who raises questions or concerns regarding compliance and integrity in good faith.

## **Asking Questions & Raising Concerns**

### ***Your duty to speak up.***

FTS strives to create a culture based on trust and individual responsibility. Employees may, however, encounter unethical or illegal behavior while at work. FTS is committed to providing a comfortable environment for employees to report such behavior. Each employee has the responsibility to speak up if something does not seem right.

See something? Hear something? Say something!

### ***With whom do I report violations of laws, of this Code of Conduct, or other concerns that I may have?***

FTS strives to foster and maintain an environment of open, honest communication. However, if you have a concern about a legal or business conduct issue, you have options. The most important thing is that you ask the question or raise the concern.

Confidentiality will be maintained to the extent consistent with the best interest of the employees involved, the company and the company's obligations to act ethically and responsibly.

Your supervisor is typically the best place to start with a compliance or integrity issue. However, you may also seek advice or report concerns to any manager of FTS or the Compliance Officer.

### ***Anti-retaliation.***

FTS prohibits retaliation, or taking any action with the intent to retaliate, against any employee who makes a report in good faith of a potential violation of the Code of Conduct or participates in an investigation of any such reports. No employee making such a report in good faith will be discriminated against in terms and conditions of employment as a result of having made a report. Retaliation or a threat of retaliation is a serious violation of this Code of Conduct that will result in appropriate disciplinary action, up to and including termination of employment of anyone who retaliated against an employee.

## **The Compliance Officer**

This Code of Conduct is more than just a description of FTS's standards, it is the centerpiece of the company's compliance and integrity program supported by FTS management and ownership. The compliance program is administered by a Compliance Officer.

The Compliance Officer's responsibilities include:

- Periodically reviewing FTS's compliance policies and procedures, as well as relevant laws and regulations. The Compliance Officer is also responsible for revising FTS's compliance policies and procedures, and/or implementing new compliance policies and procedures, as necessary.
- Scheduling and overseeing initial compliance training for new employees and annual compliance training for all employees. Although FTS may engage an outside party to develop training materials and conduct this training, the Compliance Officer is responsible for ensuring that all employees receive the required training and for maintaining a record of the training received for each employee.
- Ensuring that each employee reviews and acknowledges the Code of Conduct. These policies will also be reviewed and acknowledged by new employees. The Compliance Officer is also responsible for maintaining a record of this acknowledgement for each employee.
- Reviewing the results of internal and/or third party audits, if any. The Compliance Officer is also responsible for implementing any corrective actions necessary as a result of an audit and for maintaining a record of audit findings and related corrective actions.
- Initiating and overseeing an investigation when a report is received, no matter what the source. If deemed necessary, FTS may engage an outside party to assist the Compliance Officer in conducting an investigation. The Compliance Officer is responsible for implementing any corrective actions necessary as a result of an investigation and for maintaining a record of the report, investigation, conclusions, and corrective actions.
- Recommending disciplinary or other corrective action to senior management for determined violations of applicable law, regulation or company policy.
- Being reasonably available, either in person or by telephone, to answer questions from FTS employees about the company's compliance policies.

## **Conducting Business**

FTS is fully committed to maintaining a high degree of integrity, ethics and compliance, conducting every business transaction in compliance with the spirit and letter of the law and FTS policies. High standards of professional conduct and ethics are essential for FTS to achieve its goals. We rely on the good judgment of our employees to comply with the law, act with integrity and safeguard the company's reputation in every situation. Our culture is based on trust, mutual respect and high standards of professional conduct and ethics. This Code of Conduct makes clear our basic expectations of our employees and all those with whom we do business.

### ***Confidential information.***

In the course of performing your duties, you may, from time to time, be placed in a position of trust and confidence in which you receive or contribute to the creation of confidential, proprietary and/or government sensitive information, including classified information, relative to the operations of FTS or its clients. This confidential, proprietary and/or government sensitive information includes, but is not limited to: business, marketing, legal and accounting methods, policies, plans, procedures, strategies and techniques; information concerning FTS's earnings and methods for doing business; research and development projects, plans and results; trade secrets (*e.g.*, formulas, methods, processes and specifications) and technical information; trademarks; the names and addresses of FTS's employees, suppliers, vendors, clients and potential clients; client lists; pricing, credit and financial information; other government sensitive information (*i.e.*, classified material); and any other data or information relating to the business of FTS which is not generally known by and readily accessible to the public.

You may not use or disclose this confidential, proprietary and/or government sensitive information during your employment with us or after your employment with us has ended, except as necessary in the course of performing your job responsibilities for FTS. In particular, all incoming calls or inquiries received concerning the company's business activities must be referred to the appropriate manager or supervisor. If in doubt, please refer the matter to the Compliance Officer for clarification.

One category of information you should always be aware of is export-controlled information, sometimes marked as FOUO. Based upon the type of services we provide, if you are traveling overseas, sending information overseas or talking to a foreign national, whether in the United States or abroad, you should consider whether your actions could be deemed to be an export of defense services, or associated technical data. For example, if you send an e-mail containing a schematic for a DoD security system, whether or not it is marked FOUO, you should consult with the Compliance Officer. Violation of export regulations may expose the company to liability including suspension or debarment.

With regard to classified or unclassified sensitive information including export-controlled information such as defense services and associated technical data, FTS employees will strictly abide by the applicable laws and regulations. If an employee is uncertain of the applicable law,

regulations or the handling of classified or other sensitive information, contact the Compliance Officer immediately.

### ***Information about competitors.***

To compete in the marketplace, it is necessary to gather competitive information fairly. But some forms of information-gathering can violate the law. At FTS, we are committed to avoiding illegal and improper information-gathering, so it is important to know what you can and cannot do and what you must be careful about.

Legitimate sources of competitive information include any publicly available information or that which is not subject to contractual or government disclosure restrictions. The following information should never be accepted or used by FTS employees:

- A competitor's confidential or proprietary information, government sensitive information related to the competitor, or something similar belonging to anyone else.
- Confidential or proprietary information or government sensitive information related to a competitor in any form that new hires have from prior employers (including prior employment with the government).
- Non-public information about a competitor's bid if you are involved in bidding, especially on government contracts.
- Information on a competitor that someone offers to sell.

If you come into possession of any of the above prohibited information, contact the Compliance Officer immediately. If you have any questions about whether it is appropriate to accept or possess certain information, contact the Compliance Officer.

### ***Other business practices.***

FTS competes for business, but some conduct in the name of competition is not consistent with the law or FTS's commitment to integrity. Never compete by using unfair or illegal practices such as:

- Disparaging or false statements about competitors, their products or their services;
- Stealing or misusing competitor's trade secrets;
- Cutting off a competitor's sources of supply;
- Inducing clients to break contracts with competitors; or
- Paying bribes to help FTS or to hurt a competitor.

If you have any questions regarding your activities or the activities of another FTS employee, contact the Compliance Officer immediately.

***Accurate and complete books, records and accounting.***

The integrity and completeness of recordkeeping is not only FTS's policy, it is also mandated by law. FTS is required to keep books, records, and accounts that fairly reflect the transactions and dispositions of its assets. Proper accounting for all transactions is essential to FTS's control of its affairs and the accuracy of its financial reporting. To maintain the integrity of the accounting records, all entries in FTS's books must be prepared carefully and honestly and must be supported by adequate documentation to provide a complete, accurate and auditable record of the transactions they describe. All employees have a responsibility to assure that their work is complete and accurate. No false or misleading entries may be made for any reasons, and no employee may assist another person in making such entries. These policies apply to all recordkeeping of financial records, including timesheets and expense reports, and client and vendor reporting.

***Labor and other costs.***

FTS employees are responsible for understanding and complying with applicable labor recording policies and procedures. Employees are also responsible for properly accounting for labor, travel, material and other costs, and ensuring that they are accurately recorded and charged to FTS's records. These costs include, but are not limited to, normal contract work, work related to independent research and development, and bid and proposal activities. Knowingly mischarging the time that you work or falsifying your time keeping violates FTS policy and the law. No employee shall knowingly charge time or other costs to an incorrect account or cost objective, or knowingly approve such mischarging. Transactions between FTS and outside individuals and organizations must be promptly and accurately entered in FTS's books in accordance with generally accepted accounting practices and principles.

Under no circumstances should you misrepresent facts or falsify records. You must promptly report such matters to your supervisor or to the Compliance Officer whenever you believe that labor time or other costs may have been recorded or charged improperly. **If you do not understand how labor or materials should be charged, ask for guidance.**

***When the government is our client.***

FTS does substantial business with government entities. While integrity is the foundation for all dealings with clients, special rules apply when the government is a client. Violations can result in criminal and civil penalties as well as exclusions from bidding on future government contracts.

***Guidelines:***

Those involved in bidding on or providing service under a government contract need to know these rules:

- Never seek or accept confidential bid information or government sensitive information related to a competitor;
- Never give or authorize the giving of any cash payment from FTS funds to any government official;
- Never give or authorize the giving of payments in goods to any government official;
- Never offer or provide gifts, gratuities or entertainment to any government official without prior written approval by the Compliance Officer;
- Be familiar with the contract you are working under and conform strictly to the contract's terms and conditions;
- Billings must always be accurate, complete, and in full compliance with all rules and regulations;
- Labor hours and other costs, especially when performed under cost-reimbursable, time and materials, and labor-cost type contracts must always be accurate, complete, and in full compliance with all rules and regulations.
- Be truthful, accurate, and complete in all invoices, representations and certifications;
- Know your government client's specific rules and regulations; and
- Do not initiate any discussions about employment with any current or former government employee or agency with whom you have had a business relationship without first consulting the Compliance Officer. This includes employment with FTS or with a government agency.

If you have any further questions or concerns, please consult the Compliance Officer.

### *Kickbacks*

Know and follow anti-kickback rules. Be suspicious of requests from primes or higher-tier subs for "rebates" or any other sorts of payments. Also, be skeptical of offers from current and potential lower tier subs to make such payments. Kickback restrictions also preclude gifts by those seeking business from the government and from government contractors, including suppliers in the supply chain. As with other compliance rules, err on the side of caution where you suspect a potential scheme to give or receive kickbacks and ask the Compliance Officer for advice.

*False Claims Act:*

The False Claims Act prohibits the knowing submission of false or fraudulent claims to the federal government to obtain payment from the federal government or to decrease an obligation owed by the federal government. The False Claims Act also prohibits knowingly making false statements whether made to the federal government or another contractor, subcontractor, or grantee to obtain a false or fraudulent claim paid by the federal government or to decrease an obligation owed by the federal government.

Ensure that all statements made to government officials are accurate and to the best of your knowledge. If you are aware of the potential of a significant government overpayment, bring it to the attention of the FTS Compliance Officer.

*Mandatory Disclosure:*

FTS may be suspended and/or debarred as a government contractor for a knowing failure by a principal to timely disclose to the Government, in connection with the award, performance, or closeout of a Government contract or a subcontract awarded thereunder, credible evidence of:

- a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code;
- a violation of the civil False Claims Act; or
- credible evidence of a significant overpayment, other than overpayments resulting from contract financing payments as defined in FAR 32.001.

For contracts greater than \$5 million and longer than 120 days, the Federal Acquisition Regulation (FAR) requires that a clause be inserted requiring FTS to timely disclose, in writing, to the agency Office of the Inspector General (OIG), with a copy to the Contracting Officer, whenever, in connection with the award, performance, or closeout of a Government contract or any subcontract thereunder, FTS has credible evidence that a principal, employee, agent, or subcontractor of FTS has committed either:

- A violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code; or
- A violation of the civil False Claims Act.<sup>2</sup>

If the violation relates to an order against a Government-wide acquisition contract, a multi-agency contract, a multiple award schedule contract such as the Federal Supply Schedule, or any other procurement instrument intended for use by multiple agencies, FTS must notify the OIG of the ordering agency and the Inspector General of the agency responsible for the basic contract.

---

<sup>2</sup> Even though there is no contractual requirement to disclose significant overpayments, failure to disclose significant overpayments is always a basis for potential suspension or debarment.

If you have any questions relating to these requirements seek the guidance of the Compliance Officer. If you believe one of the various offenses detailed in this subsection have occurred, this Code of Conduct requires you to report the matter to the Compliance Officer and cooperate with any subsequent action taken.

### ***Conflicts of interest.***

FTS depends on the continued trust of our clients, subcontractors and other stakeholders. Conflicts of interest, or the appearance of such conflicts, undermine the trust in FTS's good name. A conflict of interest arises in any situation in which a FTS employee's personal, social, financial or political activities have the potential of interfering with his or her objectivity or work at FTS. FTS employees must avoid any situation that would create a conflict, or even the appearance of conflict, between their private interests and the interests of FTS.

Conflicts of interest can take many forms; the Code of Conduct addresses several of them. It is the responsibility of each employee to prevent conflicts of interest or the appearance of one by seeking advice when there may be a conflict. It is also each employee's responsibility to disclose all situations that might present a real or perceived conflict of interest.

#### *Defining of Terms:*

In disclosing and assessing whether a real or potential conflict exists, employees must consider situations involving themselves and their "family members," defined as a spouse, domestic partner, or "significant other", parents, children, a spouse's parents, the employee's or spouse's siblings and their spouses, and any person in the employee's household. Similarly, third parties that must be considered by associates in disclosing and assessing conflicts of interests are defined as follows:

- Competitor – A person offering for sale, selling, or planning to offer or sell products or services in competition with FTS, or any party with which FTS has teamed or contracted with on a particular project.
- Client – Any person or entity who FTS seeks as a client or who currently buys, rents, or otherwise procures from FTS, any goods or services.
- Vendor – Any person who does or seeks to provide any goods or services to FTS.

#### *Presumed Conflicts which MUST be Disclosed and Resolved:*

Employees must disclose any of these circumstances that involve themselves or their family members:

- An employee's position at FTS involves dealing with a family member as a competitor, vendor, or client of FTS.

- Employment at FTS and at any other place at the same time if the employment negatively impacts the time or attention that must be devoted to FTS's affairs.
- Employment by FTS and by anyone else at the same time that is a present or potential competitor, vendor, or client of FTS.
- Holding of any substantial financial interest in any competitor, vendor, or client of FTS. "Substantial" means an interest valued at more than 50% of your annual FTS salary. The term "financial interest" refers to any form of ownership or partial ownership, but does not include interests in publicly traded mutual funds, index funds, or similar pooling of securities. NOTE: Ownership of securities acquired as part of a stock purchase plan for employees during prior employment need not be disclosed, but additional purchases of such stock must be disclosed if in excess of 50% of FTS salary.
- Acceptance of membership on the board of directors of any competitor, vendor, or client of FTS, or as a consultant or advisor to any such board of directors or to the management of such firm or person.
- Lending money, guaranteeing debts, borrowing money, or accepting gifts or favors in a way that could appear to place an employee under obligations to a competitor, vendor or client of FTS.

*Where to Go to Disclose and Resolve Conflicts of Interest:*

Any employee that becomes aware of any transactions or relationships that may give rise to a conflict of interest must disclose the transaction or relationship. An employee's direct supervisor or the Compliance Officer are the appropriate resources for assessing potential conflicts of interest.

Disclosure of a conflict may not resolve the conflict. Once a conflict is disclosed, the supervisor or Compliance Officer will work with the employee to address the risks associated with the conflict. This process may include termination of the arrangements that created the conflict.

***Giving and receiving gifts, entertainment and travel guidelines.***

FTS's business depends on creating productive successful relationships with vendors and clients. These relationships must be based on sound, fair business decisions. These guidelines are intended to:

- Help employees who work with vendors and clients to understand the common sense principles to apply when offered gifts, entertainment or travel from vendors or clients.
- Clarify how to ensure that decisions relating to clients and vendors remain completely objective and there are not real or perceived conflicts of interest.

- Provide specific information on when associates may accept gifts, entertainment or travel and when they must seek approval from their supervisor.

*Defining of Terms:*

- Gifts, entertainment and travel – This includes any thing of value provided for the benefit of an employee or immediate family member (defined as a spouse, domestic partner, or “significant other”, parents, children, a spouse’s parents, the employee’s or spouse’s siblings and their spouses, and any person in the employee’s household), such as meals, tickets, travel, golf expenses, transportation, discounts, or personal objects (*e.g.*, jewelry, golf equipment, etc.).
- Source – This is an outside company or operating unit of a company with which the FTS gift or entertainment recipient has or could potentially have a business relationship. This policy does not govern acceptance of gifts, entertainment and travel funded by FTS for its employees.

*Guidelines:*

While the laws allow business persons to accept modest gifts and entertainment, FTS has determined that the risk of an appearance of impropriety could have severe consequences given our special role as trusted advisors to the federal government. Therefore, all FTS employees must consult with the FTS Compliance Officer whenever they want to give or receive any gift or entertainment from a vendor, supplier or customer with a value greater than \$20. The law limits gifts to federal employees to \$20 per gift with an annual limit of \$50 for all direct or indirect gifts. Indirect gifts are gifts given to a parent, sibling, spouse, child or dependent relative. In an abundance of caution, FTS imposes those same thresholds on gifts to or from any source, unless you have the prior written approval of the FTS Compliance Officer.

FTS employees must be aware of the low dollar threshold when interacting with their customers. For example, buying your customer a meal will likely result in a conflict of interest violation. A gift also includes the value of services that a Flaherty employee provides to its customer. For example, a Flaherty employee uses their pick-up truck to deliver a new appliance to a customer employee’s home.

When Flaherty provides food and drink as part of a working meeting with federal employees a contribution jar must be provided to allow government employees to contribute to the cost of the food and drink. Federal employees are not required to contribute, but the contribution jar demonstrates Flaherty’s intent to comply with the conflict of interest regulations.

*Gifts that are Never Allowed:*

There are clear and generally obvious forms of gifts, entertainment and travel that are NEVER allowed and constitute a clear violation of the Code of Conduct. These include:

- Cash (including chips for gambling), loans, stock, or stock options;
- Any item which is provided in direct exchange (*i.e.*, quid pro quo) for a reciprocal action;
- Any item that is illegal, sexually explicit, or would violate FTS's commitment of respect towards all those the company deals with;
- Any item offered during the process of a competitive bid or contract negotiation with a vendor or client; and
- Excessive, lavish or frequent gifts, entertainment or travel (*e.g.*, season tickets, club memberships, expensive jewelry, a computer system, etc.).

*For Government Recipients:*

- Never give or authorize the giving of any cash payment from FTS funds to any government official;
- Never give or authorize the giving of payments in goods to any government official;
- Never offer or provide gifts, gratuities or entertainment to any government official without prior written approval by the Compliance Officer;
- Know and follow anti-kickback rules, including restrictions on gifts by those seeking business from the government and from government contractors, including prime contractors and suppliers in the supply chain to such contracts;

*Approval Process:*

For gifts, entertainment and travel requiring approval, consult the Compliance Officer. If you believe there have been any past violations of this policy, please notify the Compliance Officer immediately.

*Recordkeeping:*

Recordkeeping is an important component of the guidelines. Just as employees use expense reports to record all company-related expenses, all employees are also required to keep a record of all forms of gifts, entertainment and travel.

Under certain circumstances, receiving gifts, entertainment or travel may have individual tax implications. Employees are individually responsible for the proper tax treatment of any such gifts, entertainment or travel.

***Compliance with Laws, Rules and Regulations.***

All employees must respect and obey the local, state and federal laws, rules and regulations applicable to FTS. Although not all employees are expected to know the details of these requirements, it is important to know enough to determine when to seek advice from supervisors, managers or the Compliance Officer.

If an employee is unsure of what laws, rules and regulations are applicable to his/her work with FTS, s/he should consult his/her supervisor or manager, or the Compliance Officer.