

Title: CODE OF BUSINESS CONDUCT AND ETHICS POLICY

Department: Human Resources

Objective:

This policy defines the company's policy with regard to business conduct. This policy of conduct is to reconfirm our commitment to integrity as the cornerstone of the behavior of employees and all others who act on our behalf.

Policy:

Each of us is responsible for acting in accordance with high ethical standards. Our ethical standards are based on respect for the dignity of each individual and a commitment to honesty and fairness. Our obligation to operate within the law is just the beginning of our ethical commitment. We must always strive for fairness in our dealings and relationships.

The guidelines contained in this policy are to assist you in making the right choices when confronted with a difficult situation. By following these guidelines, you will help ensure that we conduct our business for the benefit of all of our 'stakeholders' - that is, our customers, stockholders, suppliers, host communities and fellow employees.

However, these guidelines do not cover every situation and guidelines have exceptions. You should get help from your manager, or other company resources, such as the legal department, whenever you are in doubt as to the proper course of action. The willingness of each of us to raise ethical concerns is essential. No one will suffer any adverse effects to their job or career as a result of raising an ethical concern or questioning a company practice. Individuals in management positions have a special responsibility to demonstrate and model high ethical standards in their behavior and to create an environment that supports ethical behavior: an environment where questionable practices are challenged.

Our success is dependent on each of us being able to properly apply these ethical standards to our own behavior. Ultimately, the responsibility for ethical behavior rests with you in the exercise of your Independent judgment.

1. A Statement of Our Ethical Principles

We will deal fairly and honestly with those who are impacted by our actions and treat them, as we would expect them to treat us if the situation were reversed.

We will respect the dignity of each individual.

We will not pursue any business opportunity that requires violation of the law or these principles.

We will undertake only those business activities that will withstand public ethical scrutiny.

We will disclose any conflict of interest we may have regarding our responsibilities to the company and remove the conflict where required.

We will promote relationships based on mutual trust and respect and provide an environment where individuals may question a company practice without suffering a career disadvantage.

2. Conducting the Company's Business In General

In conducting the business of the company you will be dealing with a variety of people and organizations including customers, suppliers and competitors as well as community representatives and other employees.

ALL of our business relationships should be based on honesty and fairness.

We want long-term, mutually beneficial, business relationships. Trustworthiness is essential to establish and keep them.

Be truthful in your representation of the company. If there is a mistake or misunderstanding, correct it immediately.

(a) Dealing with Customers

Serving customers is the focal point of our business. Satisfying customers is the best way to ensure business success.

We must work with customers to understand and anticipate their needs, and identify and remove obstacles customers may see in doing business with us.

We need to respond promptly and courteously to customer inquiries and requests.

We must accurately represent our products and services in our marketing, advertising and sales efforts.

We must provide products and services of the highest quality. We need to understand what represents 'highest quality' in the eyes of the customer. We must regularly measure customer satisfaction and continuously improve our quality.

(b) Dealing with Suppliers

Prospective suppliers will have a chance to compete fairly for our business.

We will select suppliers who provide the highest quality at the lowest total cost.

Do not suggest to any supplier that we will not buy from them unless they purchase from Valence.

(c) Dealing with Each Other

Basic to our relationship with each other is the recognition of the value and worth of each individual and the necessity to provide a working climate, which is protective of the well being of all employees.

Employees and applicants for employment will be evaluated for employment and promotion on a nondiscriminatory basis. See the company's Equal Employment Opportunity Policy in the Valence Employee Guidelines.

We will listen carefully and value the opinions and experience of employees and respect their diverse backgrounds.

We will consult people impacted by proposed policy or process changes.

We will establish clear job requirements and provide coaching and performance feedback. We will clearly communicate work direction and the reasons for the directions.

We will see that employees have the training required to do their jobs.

We will respect the privacy of employee information contained in company files. Any information released shall be for legitimate company business only, unless authorized by the employee.

(d) Disparagement

No one should ever make false, misleading or disparaging remarks about individuals or organizations, or their products and services.

In particular, do not disparage our competitors or their products or employees. We should sell our products and services on their merits.

If you make comparisons between our products and those of a competitor, they should be accurate and factual.

(e) Industrial Espionage

You may not engage in industrial espionage or acquire information about other companies through improper means. You have a responsibility not to steal or misuse the intellectual property of any supplier, customer, business partner or competitor.

We regularly acquire information about other companies in conducting our business. This is acceptable when this information is properly acquired. Proper sources would include information which is published or in the public domain, or is lawfully received from the owner or an authorized third party.

Examples of Improper means of acquiring information are:

Receiving information from a third party that was illegally or improperly acquired by the third party

Receiving confidential information of a company from present or former employees who are unauthorized to disclose it

If you are offered proprietary information under suspicious circumstances, you should immediately consult the legal department.

If you come into possession of information from another company that is marked confidential, or that you believe is confidential, you should consult the legal department if you have any questions regarding the proper authorization of your possession. If our possession is improper, the legal department will return the information to the proper owner.

(f) Confidential Information Property Received

We regularly receive confidential information from those we do business with. When we receive such information, it should be received under the terms of a written agreement that spells out our obligations for the use and protection of the information. The company's Confidential Disclosure Agreement is available from the legal department. If the other party will not accept our agreement, then the legal department must review their agreement.

You must protect the confidentiality of any such information and limit your use of it to what is authorized by the agreement. You are also responsible to see that those who are not authorized do not have access to the confidential information.

(g) Use of Software

One form of intellectual property we acquire is computer software.

In addition to being copyrighted, computer software programs are usually subject to license agreements. These agreements restrict your lawful use of the software. For example, a license may prohibit copying of the programs and restrict its use to a specified computer.

You should not copy software or use it on a different computer unless the license agreement permits such copying or use.

Any authorized copies shall contain the proper copyright and other required notices of the vendor.

You should read and understand the software agreements governing the software you use and obtain assistance to understand the limitations on the use and copying of the software.

(h) Gifts, Meals and Entertainment

Except when dealing with representatives of the federal government, you may receive or give customary business amenities such as meals, provided they are associated with a business purpose, reasonable in cost, appropriate as to time and place and are such as not to influence or give the appearance of influencing the recipient. Business-related gifts and excessive entertainment are inherently compromising and do not belong in our business relationships.

You may not give or receive gifts, meals or entertainment unless:

- They are of limited value, do not influence or give the appearance of influencing the recipient and cannot be viewed as a bribe, kickback or payoff,
- They do not violate any law or generally accepted ethical standards including the standards of the recipient's organization,
- They can withstand public ethical review.

Under no circumstances may a gift of money be given or received. If a gift of money is received from a person or company of a foreign country where such gifts are normal practice, and the return of such a gift would offend the giver, such a gift may be donated by the company to a recognized charity in the name of the giver.

You are to courteously decline or return any kind of gift, favor or offer of excessive entertainment that violates these guidelines and inform the offerer of our policy.

The United States Government strictly prohibits you from providing any meals, gratuities or entertainment to its employees as outlined later in this booklet. The US Government and other governments have ethics codes strictly regulating what is permitted in gifts, meals and entertainment.

You should not provide any meals, entertainment or other amenities to any government employee without first reviewing with the Travel and Employee Related Expense Policy.

(i) Improper Payments

We will not directly or indirectly offer or solicit any kind of payments or contributions for the purpose of:

Influencing customers, suppliers or governmental entities including their officials or employees. Obtaining, giving or keeping business,

Persuading any officials or employees of another company to fail to perform, or to improperly perform their duties.

Illegally influencing legislation or regulations.

(j) Accurate Records and Reporting

Company records must reflect an accurate and verifiable record of all transactions.

Information that you record and submit to another party, whether inside or outside the company, must be accurate, timely and complete. It should honestly reflect the transaction or material. Reports or records should not be used to mislead those who receive them, or to conceal anything that is improper.

(k) Political Contributions

Company resources shall not be used to support political parties or candidates.

Individual employees are encouraged to support their own parties and candidates, but they must do so on their own time and not use company resources.

If a planned contribution to a political party or candidate could in any way be looked upon as involving company funds, property or services, the legal department should be consulted.

(l) Consultants

Consultants and agents retained by the company are expected to adhere to our policy of conduct in the course of their work on behalf of the company.

Special care should be taken to ensure no conflict of interest exists, that the consultant is genuinely qualified and in the business for which retained, that the compensation is reasonable for the services being performed, and that there is a written agreement outlining the statement of work and under which the consultant agrees to abide will all applicable laws and report any conflicts of interest.

Consultants and agents may not be retained to do anything illegal or improper. What you may not do directly you cannot do indirectly by acting through another party.

(m) Legal Compliance

You must become familiar with and comply with the laws and regulations that govern your area of responsibility. If you are responsible for activity involving the application of a particular law, you should consult with and be guided by the advice of the company's legal department. Decisions

regarding the applications of the various laws should not be made without that advice. You are not authorized to take any action, which our legal department has advised would constitute a violation of the law.

It is the company's intent to conduct its business in a way that not only conforms to the letter of the law, but also promotes the spirit of fairness and honesty behind the laws.

(n) Antitrust Laws

The antitrust laws are intended to preserve competition by prohibiting actions that could unreasonably restrain the functioning of a free and competitive marketplace.

Any agreement that could limit competition in a specific market may be a violation of these laws and must be reviewed by the company legal department.

Because verbal exchanges can be viewed as an agreement, you need to exercise caution whenever you meet with competitors.

Keep your discussions to the business purpose of the meeting.

Avoid discussions with competitors related to market share, projected sales for any specific product or service, revenues and expenses, production schedules, inventories, unannounced products and services, pricing strategies, marketing, and, of course, any proprietary company information.

These guidelines also apply to Informal contacts you may have with competitors, including those at trade shows or meetings of professional organizations.

The following are possible violations of these laws that should be reviewed with the legal department:

Agreements between competitors to:

- Agree on prices
- Allocate markets or customers
- Limit production or quality
- Boycott suppliers

Agreements with customers to:

- Control resell prices
- Require tie-in sales (require purchase of one product as condition of selling another).
- Engage in reciprocal dealing

(o) Export Regulations

Many types of commercial data, products, software and associated mechanical data may not be exported without prior written approval from the US Government. We are responsible for ensuring that Items delivered overseas are not diverted to restricted countries.

Conversations of a technical nature with a citizen of another country may be considered an export, even when the foreign citizen is in the United States.

When foreign visitors tour our facilities, what they see can be considered an export.

If you have any doubt about a pending situation, you should consult the legal department.

3. Your Responsibilities to the Company

(a) Conflict of Interest

You are expected to avoid situations where the private interests of you or members of your family conflict with the interests of the company.

You must disclose any potential conflict of interest to your manager so it can be resolved.

You should not have any business or financial relationship with customers, suppliers or competitors that could influence or appear to influence you in carrying out your responsibilities. This would include the ownership of stock in these companies. However, ownership of a nominal amount of stock in a publicly owned company would not be considered a conflict unless the amount was large enough to influence you.

You may not market products or services that compete with ours. You may not you work for a competitor, customer or supplier as an employee, consultant or member of its board of directors without approval.

If you are not sure if your situation or relationship with another organization might conflict will your job performance or our company's interests you should discuss it with your manager. Most potential conflict situations are readily resolved and ft is always best for you to raise your concern.

(b) Unauthorized Use of Company Property or Services

You may not use company property and services for the personal benefit of yourself or someone else unless the use has been property approved for general employee use or for a specified purpose.

(c) Safeguarding Company Assets

Each of us is responsible for protecting company assets, which include the company's investment in trade secrets, technology and other proprietary information as well as physical property. Managers are responsible for setting up and keeping good controls to protect assets from loss or unauthorized use. See the company's Employee Guidelines.

Each of us is responsible for assisting in preventing waste and theft and assuring the integrity of the controls.

(d) Confidential and Proprietary Information

You will have access to and become knowledgeable about sensitive information that is confidential, private or proprietary and which is very valuable to the company. We are all responsible for protecting the confidentiality of such information.

Use or disclosure of sensitive information will be for company purposes only and not for personal benefit or the benefit of competing interests.

To preserve confidentiality, the disclosure of such information should be limited to those who have a need to know.

Your responsibility to keep this information confidential continues after you discontinue your employment with the company. See the Employee Agreement you signed upon joining the company. The Human Resource department has a copy of your agreement if you need another copy.

Sensitive business information requiring protection includes customer lists, materials developed for in-house use, administrative and manufacturing processes, business plans, pricing strategies and any formulas, devices and compilations of information that give the company a competitive advantage.

(e) Media Contact, Investor Inquiries and Public Discussion

News media contact and responses, public discussion, and investor inquiries of company business should only be made through the company's authorized spokespersons. If news reporters or members of the investment community question you you should refer them to the appropriate company representative.

Media inquiries should be directed to the marketing department.

- Investment community inquiries should be directed to the finance department
- Safety, environmental, security, legal and all other inquiries should be directed to the legal department

Failure to observe this policy can cause tremendous harm to the company and spread misinformation.

We, of necessity, must exercise particular care when considering the release of information of a sensitive or material nature, the disclosure of which could influence the Judgment of Investors to buy, sell or hold company securities.

(f) Insider Trading

Federal law prohibits employees and others from buying or selling company securities based on information not publicly available that could affect the price of the securities.

You may buy and sell company securities. However, you may not buy or sell securities at a time when you have inside information of a material nature. Additionally, the company regularly imposes 'blackouts' on trading in the company's securities for some or all employees, pending the release of potentially material information. Since the knowledge alone that such a blackout was in effect, even if you were not subject to the blackout, would potentially subject you to inside information, blackouts are not announced. Instead, it is the strict policy of the company that all employees of the company must check with the legal department prior to trading in the company's securities.

You must wait to trade in company securities until material information becomes publicly available.

Inside information that might be material includes dividend changes, earnings estimates, significant business developments, expansion or curtailment of operations, sale or purchase of substantial assets or other activity of significance.

In addition, you may not give such information or tips to family, friends or any one outside the company so they can trade on the basis of inside information.

4. Conducting Business with the United States Government

(a) Special Nature of Government Business

To protect the public interest, the US Government has enacted laws and regulations that must be met by private contractors. These laws and regulations are often harsh and impose strict requirements on contractors that are significantly different and more extensive than those we encounter in our commercial contracts.

Since these laws involve the public trust and their violation often involves criminal sanctions, it is essential that there be strict compliance with all laws and regulations, in both spirit and letter in transacting business with the government.

In conducting government business, it is essential that the terms of the contract with the government are strictly compiled with and no deviations or substitutions be made without the written approval of the contracting officer or other authorized representative.

(b) Contract Negotiation and Pricing

The Truth in Negotiations Act requires government contractors to submit complete, current, accurate and verifiable factual information relating to contract negotiation and execution, called 'cost or pricing data' up through the date of the agreement on contract price. Discrepancies can lead to a claim of defective pricing that could result in financial penalties and possible criminal charges against the company and the individuals involved.

You should be prepared during the negotiation process to explain the significance of all-important facts concerning a contract proposal and to certify the accuracy of the factual information you provide. This could include vendor quotations; changes in production or purchasing volume, labor efficiency and other factors that might impact the cost initially or subsequently.

You should take extra care in the preparation of 'cost or pricing data' before submitting it to the person responsible for submitting the proposal to the government. Any changes affecting the cost or pricing data must be reported immediately.

(c) Subcontracting

Special procedures must be followed when purchasing materials and services from other companies for use in government contracts. Many government contract requirements must be passed down to our subcontractors and suppliers. You should ensure that all these required provisions are incorporated into our subcontracts.

(d) Product Specifications and Testing

All materials and processes must conform exactly to the specifications called for in the contract. No substitutions (for example, foreign-made materials when domestic are specified) or deviations are permitted.

All testing and quality control requirements must be followed. These requirements cannot be changed, reduced or eliminated without proper authorization.

Any changes from the contract's requirements must have the prior written approval of an authorized government representative.

(e) Recording and Charging of Costs

Only those costs incurred in the performance of, or allocated to, a specific contract will be reimbursed by the government. Mis-charging of costs is a serious offense.

Every effort must be made to ensure that all costs, both direct and indirect, are charged to the correct account. Any change of records, or transfer of costs for accounting purposes, must be documented and properly approved.

Employees must be sure that their work is accurately recorded on their time sheet as it was performed and that it is charged to the right account number. Be particularly careful to record hours worked to the exact manufacturing order for which they were incurred.

You are required to sign your own time card. Your signature is your representation as to the accuracy of the information on the card.

Your supervisor's signature on the time card indicates that your time card has been reviewed and verified.

No one is authorized to permit or require you to deviate from appropriate charging practices.

You should immediately report any suspected deviations from proper charging practices.

(f) Hiring of Former US Government Employees

The government has enacted specific rules to eliminate even the appearance of a conflict of interest by former government employees who work for government contractors. You should obtain clearance from the legal department prior to discussing the employment or possible retention as a consultant of any current or former government employee, whether military or civilian.

Both the company and any employee or consultant who was a former government employee must comply with these rules while working on the company's behalf.

(g) No Gifts, Meals or Gratuities for Government Personnel

You may not provide or pay for meals, refreshments, travel or lodging expenses for government employees. Very strict guidelines prohibit any type of gratuity, with very few exceptions, and your strict compliance is required.

Government employees are also well aware of these regulations and should automatically decline any gratuity that they feel could jeopardize their compliance.

As a basic rule, government employees must pay their fair share whenever company and government personnel participate in a joint endeavor. For example, if traveling from the airport to a common destination the fare should be shared. If business extends over the noon hour, you must make arrangements for the government personnel to pay for their own lunch.

You should be aware that there may also be rules in effect by state, local and/or foreign governments governing the acceptance of business courtesies such as meals and refreshments which you must observe. Normal business courtesies in the commercial marketplace can be construed as an attempt to improperly influence someone in the government marketplace and may be construed as a bribe, kickback or illegal gratuity.

(h) Kickbacks

The Anti-Kickback Act forbids employees and subcontractors to offer, solicit, provide or accept any gift money or other thing of value for the purpose of improperly obtaining or rewarding favorable treatment in connection with US government prime contracts and subcontracts.

The law also requires us to report violations to the government where we have reasonable grounds to suspect a violation exists.

Assistance and Compliance

We all share a responsibility to protect the company's reputation.

It takes courage to raise an ethical issue, especially if it involves a situation in your work area. However, the company will support you in carrying out your responsibility.

The best course of action when you have an ethical problem is to discuss it with someone. You should consult your manager, the legal department or any other appropriate individual in the company when you need assistance.

Anyone contacted with a request for assistance shall take every practical and reasonable measure to ensure that the employee's relationship with the company shall not be adversely affected as a result of the request.

5. Exceptions

No set of guidelines can cover all the situations you will encounter and guidelines have exceptions.

If you encounter a situation where the application of the guideline contained in this policy seems inappropriate, consult with your manager. Your manager can consult with the appropriate approval authority to determine if an exception is in order. In case of doubt as to approval authority, the legal department should be consulted.

6. Compliance and Discipline

You are responsible for understanding and complying with this policy of conduct. Your manager is responsible for assisting you in understanding the policy and being aware of the ethical quality of your business behavior.

You have a responsibility to report any suspected violations of this policy to your supervisor or the legal department.

No employee will suffer any adverse action or career disadvantage for questioning a company practice or reporting a suspected violation of this policy or other irregularity. Please see Whistle Blower Policy.

The company will investigate possible violations. In doing so, it will respect the rights of all parties concerned. Please see Whistle Blower Procedure.

The identity of employees reporting possible violations will be kept confidential unless the company is required to reveal it in order to enforce this policy or by applicable law or judicial process where possible.

If a violation is found, the company will take appropriate disciplinary action, up to and including termination and filing of criminal charges.

(a) Individual Judgment

These guidelines are to help all of us better understand what we believe to be in the best interest of our employees, stockholders, those with whom we do business and the public at large. Ultimately, however, you are left to depend on your own individual judgment in deciding on the correct course of action.

As you consider a particular situation, considering the following factors may help you arrive at a satisfactory answer:

- Is my action consistent with approved company practices?
- Does my action give the appearance of impropriety?
- Will the action being discredit to an employee or the company if disclosed?
- Can I defend my action to my supervisor, other employees and to the general public?
- Does my action meet my personal policy of behavior?
- Does my action conform to the spirit of this policy of business conduct?
- Remember to always use your good judgment and common sense. This policy of business conduct is intended to reflect the collective good judgment and common sense of all of us. Whenever you see a situation where this is not the case, you have the responsibility to explain why so it can be changed.

7. Failure to Comply with this Policy

Compliance with this policy is of the utmost importance to the company. Any failure to comply with this policy shall be considered a serious incident. Such failures shall be reported to the employee's supervisor and may lead to notations in the employee's personnel file, disciplinary action, or dismissal.

8. Questions or Comments Regarding this Policy

Any questions or comments regarding this policy shall be directed to the legal department.