



## PURADYN FILTER TECHNOLOGIES INCORPORATED CODE OF BUSINESS ETHICS & CONDUCT

### Introduction

This section reaffirms the importance of high standards of business conduct. Adherence to this Code of Business conduct by all employees is the only sure way we can merit the confidence and support of the public.

Many of us came from a culture that provided answers or direction for almost every situation possible. Managing our business was not so complex; the dilemmas we faced were - for the most part - simple, making our choices relatively easy. We would probably all agree that managing in today's environment is not so simple.

This code has been prepared as a working guide and not as a technical legal document. Thus, emphasis is on brevity and readability rather than providing an all-inclusive answer to specific questions. For example, the term "employee" is used in its broadest sense and refers to every company officer and employee and its subsidiaries. The word "law" refers to laws, regulations, orders, etc.

In observance of this code, as in other business conduct, there is no substitute for common sense. Each employee should apply this code with common sense and the attitude of seeking full compliance with the letter and spirit of the rules presented.

It is incumbent upon you, as an employee of the company, to perform satisfactorily and to follow our policies and comply with our rules as they are issued or modified from time to time.

These policies and rules are necessary to effectively manage the business and meet the ever-changing needs of the marketplace. Good performance and compliance with business rules lead to success. Both are crucial since our ability to provide you with career opportunities depends totally upon our success in the marketplace. Nonetheless, changes in our economy, our markets and our technology are inevitable. Indeed, career opportunities will vary between the individual companies. For these reasons, we cannot contract or even imply that your employment will continue for any particular period of time. While you may terminate your employment at any time, with or without cause, we reserve that same right. This relationship may not be modified, except in writing signed by an appropriate representative of the company.

This Code of Business Ethics and Conduct is a general guide to acceptable and appropriate behavior at the company and you are expected to comply with its contents; however, it does not contain all of the detailed information you will need during the course of your employment. Nothing contained in this code or in other communications create or imply an employment contract or term of employment. We are committed to reviewing our policies continually. Thus, this code may be modified or revised from time to time.

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You should familiarize yourself with this code so that you may readily distinguish any proposal or act that would constitute a violation. Each employee is responsible for his or her actions. Violations can result in disciplinary action, including dismissal and criminal prosecution. There will be no reprisal against an employee, because the employee in good faith reported a violation or suspected violation.

The absence of a specific guideline, practice or instruction covering a particular situation does not relieve an employee from exercising the highest ethical standards applicable to the circumstances.

If any employee has doubts regarding a questionable situation that may arise, that employee should immediately consult his or her supervisor or higher level.

### Competition and Antitrust

#### Fair Competition

The company supports competition based on quality, service and price. We will conduct our affairs honestly, directly and fairly. To comply with the antitrust laws and our policy of fair competition, employees:

- Must never discuss with competitors any matter directly involved in competition between us and the competitor (e.g., sales price, marketing strategies, market shares and sales policies).
- Must never agree with a competitor to restrict competition by fixing prices, allocating markets or other means.
- Must not arbitrarily refuse to deal with or purchase goods and services from others simply because they are competitors in other respects. Must not require others to buy from us before we will buy from them.
- Must not require customers to take from us a service they don't want just so they can get one they do want.
- Must never engage in industrial espionage or commercial bribery.
- Must be accurate and truthful in all dealings with customers and be careful to accurately represent the quality, features and availability of company products and services.

#### Compliance with Laws and Regulatory Orders

The applicable laws and regulatory orders of every jurisdiction in which the company operates must be followed. Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws and orders relating to his or her duties in order to recognize potential dangers and to know when to seek legal advice.

In particular, when dealing with public officials, employees must adhere to the highest ethical standards of business conduct. When we seek the resolution of regulatory or political issues affecting the company's interests, we must do so solely on the basis of the merits and pursuant to proper procedures in dealing with such officials. Employees may not offer, provide or solicit, directly or indirectly, any special treatment or favor in return for anything of economic value or the promise or expectation of future value or gain. In addition, there shall be no entertaining of employees of the U.S. Government.

### Foreign Corrupt Practices Act

No employee will engage in activity that might involve the employee or the Company in a violation of the Foreign Corrupt Practices Act of 1977. The Foreign Corrupt Practices Act requires that the Company's books and records accurately and fairly reflect all transactions, that we maintain a system of internal controls which conform to management's authorizations, and the accounting records are accurate. No

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employee will falsely report transactions or fail to report the existence of false transactions in the accounting records. Employees certifying the correctness of records, including vouchers or bills, should have reasonable knowledge that the information is correct and proper.

Under the Act it is also a Federal crime for any U.S. business enterprise to offer a gift, payment or bribe, or anything else of value, whether directly or indirectly, to any foreign official, foreign political party or party official, or candidate for foreign political office for the purpose of influencing an official act or decision, or seeking influence with a foreign government in order to obtain, retain or direct business to the company or to any person. Even if the payment is legal in the host country, it is forbidden by the Act and violates U.S. law.

### Conflicts of Interest

There are several situations that could give rise to a conflict of interest. The most common are accepting gifts from suppliers, employment by another company, ownership of a significant part of another company or business, close or family relationships with outside suppliers and communications with competitors. A potential conflict of interest exists for employees who make decisions in their jobs that would allow them to give preference or favor to a customer in exchange for anything of personal benefit to themselves or their friends and families.

Such situations could interfere with an employee's ability to make judgments solely in the company's best interest.

### Gifts and Entertainment

#### DEFINITION OF GIFTS

"Gifts" are items and services of value which are given to any outside parties, but do not include items described under below:

- 1) Normal business entertainment items such as meals and beverages are not to be considered "gifts."
- 2) Items of minimal value, given in connection with sales campaigns and promotions or employee services, safety or retirement awards are not to be considered "gifts" for purposes of this code.
- 3) Contributions or donations to recognized charitable and non-profit organizations are not considered gifts.
- 4) Items or services with a total value under \$100 per year are excluded.

#### DEFINITION OF SUPPLIER

"Supplier" includes not only vendors providing services and material to the company, but also consultants, financial institutions, advisors, and any person or institution which does business with the company.

#### GIFTS

No employee or member of his or her immediate family shall solicit or accept from an actual or prospective customer or supplier any compensation, advance loans (except from established financial institutions on the same basis as other customers), gifts, entertainment or other favors which are of more than token value or which the employee would not normally be in a position to reciprocate under normal expense account procedures.

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Under no circumstances should a gift or entertainment be accepted which would influence the employee's judgment. In particular, employees must avoid any interest in or benefit from any supplier that could reasonably cause them to favor that supplier over others. It is a violation of the code for any employee to solicit or encourage a supplier to give any item or service to the employee regardless of its value, no matter how small. Our suppliers will retain their confidence in the objectivity and integrity of our company only if each employee strictly observes this guideline.

### REPORTING GIFTS

An employee who receives, or whose family member receives, an unsolicited gift prohibited by these guidelines should report it to his or her supervisor and either return it to the person making the gift or, in the case of a perishable gift, give it to a non-profit charitable organization.

### DISCOUNTS

An employee may accept discounts on a personal purchase of the supplier's or customer's products only if such discounts do not affect the company's purchase price and are generally offered to others having a similar business relationship with the supplier or customer.

### BUSINESS MEETINGS

Entertainment and services offered by a supplier or customer may be accepted by an employee when they are associated with a business meeting and the supplier or customer provides them to others as a normal part of its business. Examples of such entertainment and services are transportation to and from the supplier's or customer's place of business, hospitality suites, golf outings, lodging at the supplier's or customer's place of business and business lunches and dinners for business visitors to the supplier's or customer's location. The services should generally be of the type normally used by the company's employees and allowable under the applicable company's expense account.

### Outside Employment

Employees must not be employed outside the company (1) in any business that competes with or provides services to the company or its subsidiaries, and/or (2) in a manner which would affect their objectivity in carrying out their company responsibilities, and/or (3) where the outside employment would conflict with scheduled hours, including overtime, or the performance of the company assignments. Employees must not use company time, materials, information, or other assets in connection with outside employment.

### Relationships with Suppliers and Customers

Business transactions must be entered into solely for the best interests of the company. No employee may, directly or indirectly, benefit from his/her position as an employee or from any sale, purchase, or other activity of the company. Employees should avoid situations involving a conflict or the appearance of conflict between duty to the company and self-interest.

No employee who deals with individuals or organizations doing or seeking to do business with the company, or who makes recommendations with respect to such dealings, should:

- serve as an officer, director, employee or consultant of the company with whom the employee is seeking to do business.
- own a substantial interest in any competitor of the company, or any organization doing or seeking to do business with the company.

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Substantial interest means an economic interest that might influence or be reasonably thought to influence judgment or action, but shall not include an investment representing less than 10% of a class of outstanding securities of a publicly held corporation. Every employee must complete the Compliance and Acknowledgement Letter included with this book.

In addition, no employee who deals with individuals or organizations doing or seeking to do business with the company, or who makes recommendations with respect to such dealings, may:

- 1) Have any other direct or indirect personal interest in any business transactions with the company (other than customary employee purchases of company products and services as consumers, and transactions where the interest arises solely by reason of the employee relationship or that of a holder of securities)
- 2) Provide telecommunications or information, service or equipment, either directly or as a reseller, in a manner which would place the objectivity or integrity of the company in question.

Our policy is that employees will not do business on behalf of the company with a close personal friend or relative; however, recognizing that these transactions do occur, they must be reported on the Compliance and Acknowledgement Letter.

This policy is applicable equally to the members of your household and/or your immediate family, which normally includes, but is not limited to, your spouse, children, and their spouses, and the father, mother, sisters, and brothers of yourself and your household.

### Employment of Relatives

The company will not employ relatives of employees on a permanent or temporary basis where the relative directly reports to the employee or the employee exercises any direct influence with respect to the relative's hiring, placement, promotions, evaluations, or pay.

### Confidential Information and Privacy of Communications

#### Confidential Information

Confidential information includes all information, whether technical, business, financial, or otherwise concerning the company, which the company treats as confidential or secret and/or which is not available or is not made available publicly. It also includes any private information of, or relating to, customer records, fellow employees, other persons or other companies, and national security information obtained by virtue of the employee's position.

Company policy and various laws protect the integrity of the company's confidential information which must not be divulged except in strict accordance with established company policies and procedures. The obligation not to divulge confidential company information is in effect, even though material may not be specifically identified as confidential. The obligation exists during and continues after employment with the company.

A few examples of prohibited conduct are: (a) selling or otherwise using, divulging, or transmitting confidential company information; (b) using confidential company information to knowingly convert a company business opportunity for personal use; (c) using confidential company information to acquire real estate which the employee knows is of interest to the company; (d) using, divulging, or transmitting

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confidential company information in the course of outside employment or other relationships, or any succeeding employment or other relationship at any time; (e) trading in the company stocks, or the stocks of any company, based on information which has not been disclosed to the public, or divulging such information to others so that they may trade in such stock. Insider trading is prohibited by company policy and federal and state law.

Employees shall not seek out, accept, or use any confidential company information of or from a competitor of the company. In particular, should we hire an employee who previously worked for a competitor, we must neither accept nor solicit confidential information concerning that competitor from our employee.

### Classified National Security Information

Only employees with proper government clearance and a need to know have access to classified national security information. Government regulations, outlined in company instructions, for safeguarding must be followed. Disclosing such information, without authorization, even after leaving employment, is a violation of law and this code.

Adverse information about employees having government clearance must be reported to the Security or Law Departments' representatives having responsibility for clearances.

### Company Assets

#### Cash and Bank Accounts

All cash and bank account transactions must be handled so as to avoid any question or suspicion of impropriety. All cash transactions must be recorded in the company's books of account.

All accounts of company funds, except authorized "imprest" funds, shall be established and maintained in the name of the company or one of its subsidiaries and may be opened or closed only on the authority of the company's Board of Directors. Imprest funds must be maintained in the name of the custodian and the custodian is wholly responsible for these funds. All cash received shall be promptly recorded and deposited in a company or subsidiary bank account. No funds shall be maintained in the form of cash, except authorized petty cash, and no company shall maintain an anonymous (numbered) account at any bank. Payments into numbered bank accounts by the company may leave that company open to suspicion of participation in a possibly improper transaction. Therefore, no disbursements of any nature may be made into numbered bank accounts or other accounts not clearly identified to the company as to their ownership.

No payments may be made in cash (currency) other than regular, approved cash payrolls and normal disbursements from petty cash supported by signed receipts or other appropriate documentation. Further, corporate checks shall not be written to "cash," "bearer" or similar designations.

#### Company Assets and Transactions

Compliance with prescribed accounting procedures is required at all times. Employees having control over company assets and transactions are expected to handle them with the strictest integrity and ensure that all transactions are executed in accordance with management's authorization. All transactions shall be accurately and fairly recorded in reasonable detail in the company's accounting records.

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Employees are personally accountable for company funds over which they have control. Employees who spend company funds should insure the company receives good value in return and must maintain accurate records of such expenditures. Employees who approve or certify the correctness of a bill or voucher should know that the purchase and amount are proper and correct. Obtaining or creating "false" invoices or other misleading documentation or the invention or use of fictitious sales, purchases, services, loans, entities or other financial arrangements is prohibited.

### Expense Retmbursemen

Expense actually incurred by an employee in performing company business must be documented on expense reports in accordance with company procedures. In preparing expense reports, employees should review these procedures for the documentation which must be submitted in order to be reimbursed for business expenses.

### Company Credit Cards

Company credit cards are provided to employees for convenience in conducting company business. No personal expenses may be charged on company credit cards except as specifically authorized by company procedures. Any charged personal expenses must be paid promptly by the employee. Company credit cards should not be used to avoid preparing documentation for direct payment to vendors. Where allowed by local law, charges on company credit cards for which a properly approved expense report has not been received at the time of an employee's termination of employment may be deducted from the employee's last paycheck. The company will pursue repayment by the employee of any amounts it has to pay on the employee's behalf.

### of ware and Compu ers

Computerized information and computer software appear intangible, but they are valuable assets of the company and must be protected from misuse, theft, fraud, loss and unauthorized use or disposal, just as with any other company property.

Use of mainframe computers must be customer service or job related. Employees may not access company records of any kind for their personal use. Misappropriation of computer space, time or software includes, but is not limited to, using a computer to create or run unauthorized jobs, operating a computer in an unauthorized mode or intentionally causing any kind of operational failure.

Personal computers may be used for company-sanctioned education programs as well as personal use incidental to company business use with the permission of your supervisor. However, personal use cannot be allowed for personal financial gain.

It is also understood that personal computers will occasionally be used at home with the permission of your supervisor.

### Political Contributions

Federal law and many state laws prohibit contributions by the corporations to political parties or candidates. The term "political contributions" includes, in addition to direct cash contributions, the donation of property or services and the purchases of tickets to fund-raising events. Employees may make direct contributions of their own money, but such contributions are not reimbursable. In addition, employees may make contributions to a company-sponsored Political Action Committee.

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Where corporate political contributions are legal in connection with state, local or foreign elections, such contribution shall be made only from funds allocated for that purpose, and with the written approval of the authorized senior executive of the company making the contribution. The amounts of contributions made shall be subject to intercompany allocation.

It is improper for an employee to use his or her position within the company to solicit political contributions from another employee for the purpose of supporting a political candidate or influencing legislation. It is also improper for an employee to make a political contribution in the name of the company.

### Employee Conduct

#### Conduct on Company Business

Dishonest or illegal activities on company premises or while on company business will not be condoned and can result in disciplinary action, including dismissal and criminal prosecution. The following illustrates activities that are against company policy, and which will not be tolerated on company premises, in company vehicles or while engaged in company business:

- 1) Consumption and storage of alcoholic beverages, except where legally licensed or authorized by an officer of the company.
- 2) The use of controlled substances, such as drugs or alcohol. The unlawful manufactured, distribution, dispensation, possession, transfer, sale, purchase or use of a controlled substance.
- 3) Driving vehicles or operating company equipment while under the influence of alcohol or controlled substances.
- 4) Illegal betting or gambling.
- 5) Carrying weapons of any sort on company premises, in company vehicles or while on company business. Even employees with permits or licenses may not carry weapons on company property or while on company businesses.

The company reserves the right to inspect any property that may be used by employees for the storage of their personal effects. This includes desks, lockers and vehicles owned by the company. It is a violation of company policy to store any contraband, illegal drugs, toxic materials or weapons on company property.

### Reporting Violations

All employees are responsible for compliance with these rules, standards and principles. In the area of ethics, legality and propriety, each employee has an obligation to the company which transcends normal reporting relationships. Employees should be alert to possible violations of the code anywhere in the company and are encouraged to report such violations promptly. Reports should be made to the Executive Chairman of the Board of Directors (Joseph V. Vittoria, 561-547-9499) or Chief Executive Officer (Edward S. Vittoria, 561-547-9499), appropriate security, or law department or elsewhere as the circumstances dictate. Employees will also be expected to cooperate in an investigation of violations. In addition, any employee who is convicted of a felony, whether related to these rules or not, should also report that fact.

All cases of questionable activity involving the code or other potentially improper actions will be reviewed for appropriate action, discipline, or corrective steps. Whenever possible, the company will keep confidential the identity of employees about or against whom allegations of violations are brought, unless or until it has been determined that a violation has occurred. Similarly, whenever possible, the company will keep confidential the identity of anyone reporting a possible violation. Reprisal against any employee who has, in good faith, reported a violation or suspected violation is strictly prohibited.



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All employees are required to notify the company within five (5) days of any conviction of any criminal statute violation occurring on the job. In addition, any employee who is convicted of a felony, whether related to these rules or not, should report that fact.

### Discipline

Violation of this code can result in serious consequences for the company, its image, credibility and confidence of its customers and can include substantial fines and restrictions on future operations as well as the possibility of fines and prison sentences for individual employees.

Therefore, it is necessary that the company ensure that there will be no violations. Employees should recognize that it is in their own best interest, as well as the company's, to follow this code carefully.

The amount of any money involved in a violation may be immaterial in assessing the seriousness of a violation since, in some cases, heavy penalties may be assessed against the company for a violation involving a relatively small amount of money, or no money.

Disciplinary action should be coordinated with the appropriate Human Resources, departmental and senior management representatives. The overall seriousness of the matter will be considered in setting the disciplinary action to be taken against an individual employee. Such action, which may be reviewed with the appropriate Human Resources organization, may include:

- Reprimand
- Probation
- Suspension
- Reduction in salary
- Demotion
- Combination of the above
- Dismissal

In addition, individual cases may involve:

- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action
- Combination of the above

Disciplinary action may also be taken against supervisors or executives who condone, permit or have knowledge of illegal or unethical conduct by those reporting to them and do not take corrective action. Disciplinary action may also be taken against employees who make false statements in connection with investigations of violations of this code.

The company in its sole discretion will determine the disciplinary action appropriate to a given matter. The listing of possible actions is informative only and does not bind the company to follow any particular disciplinary steps, process or procedure.

The company's rules and regulations regarding proper employee conduct will not be waived in any respect. Violation is cause for disciplinary action, including dismissal. All employees will be held to the standards of conduct described in this booklet.

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The company never has and never will authorize any employee to commit an act which violates this code or direct a subordinate to do so. With that understood, it is not possible to justify commission of such an act by saying it was directed by someone in higher management.

### Compliance and Acknowledgement Letter

Annually, all officers of the company will represent in writing that there are no violations of this code known to the officer, after the exercise of reasonable diligence or if such violations have been committed, to disclose such violations in a format specified earlier ("Reporting Violations") or by calling the Fraud Ethics Hotline at 800 398 1496 (English) or 800 216 1288 (Spanish). You may also disclose violations by either faxing to 215 689 3885 or sending an e-mail to [reports@lighthouse-services.com](mailto:reports@lighthouse-services.com).

Annually, each employee will review the Code of Business Ethics & Conduct and complete and sign the code's Compliance and Acknowledgement Letter. If the employee's circumstances change at any time, a new Compliance and Acknowledgement Letter or letter of explanation must be completed.

The Code of Business Ethics & Conduct Compliance and Acknowledgment Letter should be signed and given to your supervisor for inclusion in your personnel file.

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COMPLIANCE AND ACKNOWLEDGEMENT LETTER

I hereby certify and acknowledge that:

- (a) I have received, read and understand the Company's Code of Business Ethics & Conduct.
- (b) It is my responsibility to comply with the Company's Code of Business Ethics & Conduct, and to assure that those reporting to me, if any, also comply;
- (c) I am currently in compliance with the Company's Code of Business Ethics & Conduct and,
- (d) To the best of my knowledge, there are no known violations of this code to me and each director, officer and employee of the Company is in compliance with the Company's Code of Business Ethics & Conduct statement.

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Signature

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Print Name

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Date