

**Policy Corporate
Ethics Policy
Government Contracts Compliance Program
July 29, 2010
Official:**

John Yi
Compliance Officer

I. INTRODUCTION

Koam Engineering Systems, Inc., (hereinafter collectively referred to as “Company”) performs a substantial amount of business with the U.S. Government under federal contracts. Many statutes and regulations govern the way in which the Federal Government purchases supplies and services, and impose requirements many of which must be supported by Company certifications, which are unique to Government contracts and have no counterpart in the commercial sector. These obligations are separate and apart from and in addition to contractual and performance-related requirements. Violations of these requirements can be severe consequences, including loss of contract, criminal and/or civil liability, and disqualification from future contracting with the Government.

The Government Contract Compliance Program described in the document (the “Program”) and the Company’s Employee Standards and Guidelines (“Guidelines”) governing employee conduct for Company, apply to every employee who has dealing with the Federal Government on the behalf of the Company. This Program sets forth firm, uncompromising standards for our dealing with the Federal Government. Adherence to this Program and the Guidelines is the responsibility of every employee and is a condition of continued employment, subject to the Company’s published disciplinary policy. They will be administered uniformly throughout the Company, independent of the practices of other companies. Failure to adhere to this Program and the Guidelines may result in disciplinary action.

II. ELEMENTS OF COMPANY’S COMPLIANCE PROGRAM

A. Purpose of the Governments Contracts Compliance Program

Company’s Compliance Program has been established to satisfy the seven criteria of effective compliance programs identified in the U.S. Sentencing Commissions Organizational Sentencing Guidelines (hereinafter “Sentencing Guidelines”), effective November 1, 1991. The Sentencing Guidelines make an effective program a mitigating factor in assessing penalties against the Company for offenses committed by the Company’s employees.

The need for an effective compliance program is underscored by the myriad of laws applicable to selling goods and services to the Federal Government and the ability of the Government to impose liability on a corporation based on the aggregate knowledge of

its employees. This Program defines the approach of Company to facilitate the objective of full compliance with the laws and regulations applicable to doing business with the U.S. Government. The Program describes the policies and procedures under which the Company is currently operating, as well as future plans to enhance compliance. The Program has the following compliance objectives:

1. To ensure that that Company's services are sold to the Government and its contractors at fair and reasonable prices and in compliance with all applicable rules and regulations.
2. To deter wrongdoing; and, if necessary, to detect violations of applicable Federal law or regulation in a fashion that will minimize the risk of potential liability to the Company for any violation.

To meet these requirements, the Program includes a compliance organization, compliance policy and procedures, compliance monitoring, and internal procedures for reporting wrongdoing. Through business policies, employee guidelines and training, Company will communicate these requirements to all levels of corporation. Finally, Company has developed appropriate disciplinary systems to enforce these policies.

The Program is administered by Company's Compliance Officer, Mr. John Yi, who also serves as the Company's CEO. It sets forth overall compliance goals and structure, and will be implemented through procedures developed for specific departments doing business with the Federal Government. The Program will be updated periodically as necessary to reflect new developments in the evolving Government markets for the Company's products and services.

Important elements of the program and discussed below.

B. Company's Compliance Organization

The nature and extent of the Company's current Government business, and its anticipated level of future Government business, justifies added focus and control of the Company's business to ensure that Company continues to be responsive to the Government and to comply with all legal requirements. In order to enhance the effectiveness of its Program, Company has developed a compliance organization that is responsible for ensuring the Company's continued compliance with applicable Government procurement laws and regulations. The Company has prescribed procedures that must be followed when doing business with the Federal Government, which will be implemented by the Company's compliance organization, as described below.

The Company has established the position of Compliance Officer which is currently held by John Yi. The Compliance Officer, or his designee, is responsible for updating the Program to reflect new developments that affect Company's business dealings with U.S. Government customers, and for communicating such changes and revisions to the Program as may be made to all affected individuals to ensure that the Company maintains full compliance with all applicable Government contracting laws, regulations, and requirements. The Compliance Officer, or his designee, is responsible for coordinating the implementation of Company-wide policies and procedures;

coordinating in contract compliance; disseminating compliance issues within the Company and assisting in the standardization of the compliance procedures used by the Company.

C. Description of Company's Government Business

Company's Government business involves providing a wide range of services and products to customer agencies of the U.S. Government. These services and products include but are not limited to: Engineering Services, IT Support and Logistics Support.

D. Policies and Procedures

1. The Company's Policy on Compliance

The Company has adopted a policy of total commitment to full compliance. To achieve the Company's commitment to compliance, the Company's policy calls for:

- a. Placement of compliance high on the list of corporate objectives;
- b. Effective, high quality, compliance programs for all relevant areas of the law;
- c. Strict adherence to the compliance programs of all levels within the Company;
- d. Effective training for relevant personnel as necessary;
- e. Measurement of the success of the programs through monitoring; and
- f. Effective disciplinary mechanisms to punish violation of law or Company policy.

2. Management Control

- a. The Company's management is accountable for the control of activities relating to Government business. Improper or lax control can result in liability on the part of the Company.
- b. The Company operates within a complex regulatory and contractual environment when contracting with the Government. Mistakes cannot be tolerated, and the consequences of mistakes can be severe.
- c. To maintain a supportive organizational culture for compliance and to address substantive compliance issues, Company management is responsible for performing compliance monitoring annually, during which selected compliance issues will be examined and, if required, a course of corrective action determined.

- d. That a manager conducts periodic compliance reviews does not relieve subordinate management their duty to conduct independent periodic reviews of compliance activities within their areas of responsibility.

E. Internal Reporting of Wrongdoing

At anytime that a Company employee has a question about any aspect of the Compliance Program or compliance with Guidelines, the employee should contact the Compliance Officer, or his designee. At any time that a Company employee has observed a violation or suspect that a violation of some part of the Compliance Program or the Employee Guidelines may have occurred, the employee should immediately report the violation to his or her Supervisor, his or her Supervisor's Supervisor, the Department head, Director of Human Resources, the Compliance Officer, or the DOD Hotline. Employees should not hesitate to use any of these methods for the internal reporting of wrongdoing.

The Company has posted a DOD Hotline telephone number in each of its office locations and on the company Intranet site by which employees may report violations of law or Company policies, practices, or procedures that may come to an employee's attention. The Hotline affords employees immediate access to the Inspector General by posted telephone numbers, in accordance with FAR Part 3.1004(b) and FAR clause 52.203-14.

F. Compliance Training

The Compliance Officer, in conjunction with his designee and the Human Resources training function, will develop and present compliance training programs to all current and newly-hired employees who are involved in matters relating to contracting with the Government. While an employee may participate in the training, it is mandatory that all employees involved in any way with the Company's business dealing with Government customers. The training will consist of instruction on compliance with the laws, regulations, and Company policies applicable to doing business with the Federal Government. The Compliance Officer, in conjunction with his designee and the Human Resources training function, will provide refresher training to all employees periodically.

A list of employees who have received compliance training will be maintained by the HR Training Manager.

G. Monitoring and Audit

The Compliance Officer will periodically monitor those activities with responsibility for compliance related Government business.

H. Record Retention

Government contractors and subcontractors have imposed on them by law, regulation, and contract special requirements for the retention of records relating to their

Government contracts. These requirements usually obligate the contractor to preserve records relating directly to contract performance for a period of three years from final payment under the contract. There are, however, other requirements that can extend that period appreciably for certain prescribed purposes. The Company has also has a Government contracts retention policy which is incorporated by reference into this Program. The Compliance Officer will periodically review changes in the Company's record retention policies and procedures to assure continuing compliance with Government requirements.

III. EMPLOYEE GUIDELINES

A. Compliance Requirements

1. It is essential that the Company conduct its Government business with the highest degree of integrity and honesty.
2. U.S. law imposes substantial penalties on contractors and their employees who violate the prohibitions addressed in the Program. Such penalties include loss of eligibility to contract with the Government and its prime contracts; termination of the contract; criminal and/or civil fines and penalties; and imprisonment.
3. To reduce the potential for violations of these prohibitions, the Company has issued these Guidelines to all employees with responsibility for Government contract requirements. Such Guidelines increase the visibility of these compliance issues at all levels of corporation.

B. Company Policy

1. Each employee involved in Government contracts must understand the rules and regulations regarding contracting with the Government and consequences of violations of these rules and regulations. Each such employee must also understand his or her interaction with the U.S. Government and the Company's prime contractors and subcontractors.
2. All Company personnel who are engaged in any activity that relates, directly or indirectly, to U.S. Government business must be knowledgeable about the requirements identified in the Employee Guidelines and the Company's policy on strict adhere to such requirements.
3. All Company employees must understand that violation of Company's policies and procedures, including the requirement to report suspected violations by others, will result in disciplinary proceedings.

C. Compliance Measures

1. The Compliance Officer or his designee will distribute this Program, including the Guidelines, and the Employee Handbook, to all employees

who work in the Government contracting area. Thereafter, this Program, including the Guidelines, and the Employee Handbook, should be distributed to new employees in this area. Employees are required to certify in writing that they have read, understood, and agree to comply with this Program, the Guidelines, and the Employee Handbook. The original of the certifications will be furnished to the Compliance Officer for retention in the certification file.

- a. The Compliance Officer, in coordination with the Human Resources Department, will ensure that appropriate disciplinary systems are in place that can be used to punish violations of the Guidelines.

IV. GOVERNMENT CONTRACTING REQUIREMENTS APPLICABLE TO COMPANY

As a Government contractor, Company is subject to many laws and regulations, unique to Government contracting, which govern award and performance of the Company's agreements with Federal Government agencies. Each employee must understand the Company's standard for conducting business with the Government, and the consequences of violating these standards. U.S. law imposes substantial penalties on contractors and their employees who violate the prohibitions addressed in the Compliance Program and the Employees Guidelines.

This section provides an overview of significant statutory, regulatory and contractual requirements applicable to Company that impose compliance obligations on the Company.

A. Representations and Certifications

1. Compliance Requirements

Representations and certifications are used by the Government to help ensure that Government contractors and subcontractors have complied and will comply with particular laws and regulations. All of the Government solicitations to which the Company responds require that it represent or certify compliance with a broad range of requirements including affirmative action, status under various labor laws, covenants against contingent fees, and eligibility to contract. For the most part, the form and substance of these representations and certifications are prescribed by the Federal Acquisition Regulation ("FAR"). This Program contains a list of the standard FAR provisions requiring representations and certifications by the Company, and is to be consulted by all Company employees with responsibility for completing representations and certifications in connection with solicitations for Government business or in the Company's Government contracts.

B. Additional Procedures

2. Company Policy

The Company places the highest priority on the accuracy and truthfulness of all representations and certifications made to the Government. Because these certifications and representations constitute statements to the Government, a knowing false statement can be a violation of the criminal False Statements Act. Those statements that involve or implicate the submission of claims for money to the Government may also constitute a violation of False Claim Act, which can subject the Company and individual employees to civil and criminal penalties. Moreover, the Company can be found in violation of these statutes under the doctrine of “collective knowledge,” even though no single employee may have knowingly made a false or inaccurate submission to the Government.

3. Compliance Measures

The Compliance Officer is responsible for the review of proposed terms and conditions, including the representations and certifications made by Company. Directors, Supervisors, and Program Managers are responsible for the factual accuracy and truthfulness of all representations and certifications regarding their divisions/departments/programs related to Government solicitations and contracts and submissions to the Government or subcontractor.

The factual accuracy and the truthfulness of any representations and certifications made or executed on behalf of the Company must be verified. Where necessary and appropriate, back-up representations and certifications must be obtained from lower-tier subcontractors, suppliers, and vendors providing services or products in support of the Company’s Government business. The use of purchase orders or other short-forms sales documentation may preclude obtaining such separate back-up representations and certifications. Nonetheless, in instances involving purchases for Company’s Government business, the documentation issued by the Company must include language making clear that performance pursuant to the terms of the documentation constitutes a representations and certifications by the seller of all the facts necessary to support the representations and certifications made or executed by the Company. This can be accomplished by the use of a “Government contract Addendum” to the standard form of purchase order. The Addendum would include the relevant representations and certifications as well as indemnification provision under which the Company would be held harmless by the vendor/supplier with respect to any damage suffered that is attributable to a miscertification or misrepresentation by the vendor/supplier.

4. Contracting Arrangements

All goods and services provided by the Company to the Government customers must conform strictly to contractually specified quality, quantity, and other performance requirements. Company employees must ensure that all products delivered to or services performed by the Government strictly conform to contract requirements. Failure to meet the performance requirements of a Government contract may result not only in termination of the contract and assessment of cost or damages against the Company, but also may involve violations of federal law.

5. Conflict of Interest, Corruption, and Undue Influence Requirements

The Government imposes special restrictions on conflicts of interest, gratuities, and employment of Government employees where Government contractors are involved. U.S. Government laws and regulations strictly limit the dealings of present and former Government officials with entities doing business with the Government. Accordingly, no Company employee may make, directly or indirectly, any offer or promise of future employment or business opportunity to, or contact or discuss future employment with, any agency official on a procurement for which Company is a bidder or offeror.

Federal laws and regulations also establish a number of post-employment restrictions on former Government employees. All Company employees formerly employed by the U.S. Government are expected to comply strictly with the restrictions applicable to them. The Compliance Officer is available to provide advice on the conflict of interest issues pertaining to former Government employees.

6. Employment Relations Issues

The Sentencing Guidelines impose certain restrictions on employment with which the Company intends to comply. Under the Guidelines, a Company with an effective compliance program must exercise due care not to delegate substantial authority to individual whom the organization knows, or should have known through the exercise of due diligence, have propensity to engage in illegal activities. "Illegal activities" include violations of the False Statements Act, and the other unlawful conduct addressed in compliance training.

At appropriate times during the employment process, but in any event prior to the inception of employment relationship, all Company personnel who are involved in the recruiting, interviewing, and hiring of personnel will take reasonable steps to screen individuals with a propensity for wrongdoing, consistent with other requirements of law.

In addition, at any time that promotion of an individual is considered that might confer new discretionary authority, reasonable and appropriate screening procedures must be followed by all Company personnel involved in the promotion process to screen individuals with a propensity for wrongdoing, consistent with other requirements of law.

7. Subcontracting Practices

Numerous procurement laws and regulations require Company to "pass through" or "flowdown" certain terms and conditions imposed under its prime Government contracts to its subcontractor, suppliers, and vendors. Company has established uniform procedures for flowdown of standard requirements to all agreements that the Company enters with subcontracts, suppliers, and vendors pursuant to its prime Government contracts.

These procedures are intended to ensure that Company complies with the requirements of its prime Government contracts, and that the requisite prime contract provisions are incorporated into lower-tier agreements. Company policy requires that all officers, employees, and agents who deal with Company subcontractors, suppliers and

vendors comply strictly with the flowdown requirements applicable to the Company's vendor base. The procedures are also intended to ensure that Company does not enter into any subcontractors with persons who have been debarred, suspended, or proposed for debarment by the Federal Government.

8. Privacy Act Requirements

Due to the nature of the services provided by Company to the Government under its contracts, the Company is generally required to comply with the requirements of the Privacy Act of 1974, 5 U.S.C. § 552a, and any applicable agency regulations. The Privacy Act requires that when an agency contracts for the design, development, or operation of a system of records on individuals to accomplish an agency function, the agency involved must apply the requirements of the Act to the contractor and its employees working on the contract. A record is any item or collection of information about an individual that is maintained by an agency and that contains an individual's name or other identifying information about an individual, such as education, financial transaction, medical history, and criminal or employment history. A system of records developed or maintained by a contractor, such as Company, under a particular Government contract is denied to be maintained by the agency, and therefore subject to the Act.

An agency officer or employee may be held criminally liable for violations of the Privacy Act. When Government contract provides for operation of a system of records on individuals, contractors and their employees are considered employees of the agency for purposes of the criminal penalties of the Act.

It is Company policy to comply fully with the requirements of the Privacy Act, as imposed under the Government contracts being performed by the Company.

9. Government Property Requirements

Certain of Company's Government contracts provide for the Company's use of Government property and fixed assets in connection with the performance of contractually-specified investigative services, such as office space at U.S. Government facilities; telephone and data communication services; document reproduction services; office furniture, equipment, and supplies; and the use of personal computers, operating software, printers, and modems. Under applicable regulations, the Company is responsible and liable for Government property in its possession, unless otherwise provided by the contract, as well as any Government property that the Company, as a prime contractor, may provide to a subcontractor for use in performance of the contract. A prime contractor that provides Government property to a subcontractor is not relieved of any responsibility to the Government that the prime contractor may have under the terms of the prime contract. Part 45 of the FAR provides the regulatory framework for compliance with Government property requirements.

It is Company policy to use Government property only in the manner and to the extent permitted by the terms of the applicable Government contract.

V. OTHER COMPANY POLICIES AND PROCEDURES

Company has in place numerous company policies and procedures that govern the conduct of day-to-day business operations and dealings with its Government and commercial customers, vendors, suppliers, and other entities. The Company has formulated these policies and procedures in the interest of promoting responsible corporate conduct as a matter of course in all of its business affairs, and not just in response to specific requirements of Government contract law or regulation.

Accordingly, the Company's Program incorporates by reference the standard company policies and procedures pertaining to restrictions on gifts, substance abuse, compensation of marketing consultants, corporate discipline, quality assurance requirements, and the provisions of the Company's Employee Handbook. If there are any questions about these standard company policies and procedures, or their application to the Company's Government contracts, promptly consult the Compliance Officer.

Revision History:

- 1) Revision 1: Effective January 1, 2011- Changed Compliance Officer to John Yi

Prepared by: _____

Erica Tofson

Director of Human Resources

Approved by: _____

John Yi

Founder, CEO and Chariman