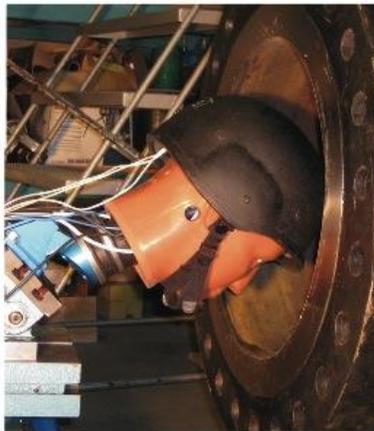




2014 Code of Ethics and Standards of Conduct



Message from the CEO



To ARA Employees:

ARA was founded in 1979 with a staff of three and has grown to be a nationally recognized research and engineering firm with 54 offices and more than 1100 employees.

Characteristics that distinguish ARA from others – passion, freedom, service, and growth – rest on the cornerstone of unquestioned integrity and compliance, in both letter and spirit, with the highest ethical standards. This handbook explains ARA's ethical and moral standards. We expect all employees to live and work by these values in order to be considered for a position or advancement in our organization.

Our great company provides solutions to some of the nation's most challenging problems and each of us is responsible for ensuring its reputation. We are trusted by customers because of the cutting edge technology that we develop, the passion we bring to our work, and the service and dedication we demonstrate in getting the job done. We earn the credibility of our employees, customers and suppliers by acting with integrity, transparency and mutual respect. We give our best to the customer and each other. If we make a mistake, our history is that we admit it, and make it right.

As you read this handbook, you will discover many of the complex areas where upholding our values and practices are critically important. If you have questions about what they mean or how they apply to your job, ask your manager, or reach out to the many resources listed here.

Thank you for your dedication and for all you do to make ARA a great company and a great place to work.

A handwritten signature in blue ink that reads "Robert H. Sues". The signature is fluid and cursive.

Robert H. Sues, Ph.D., P.E.
CEO/President

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Ethics Philosophy

Long-term successful personal and professional relationships depend upon honesty and trustworthiness. ARA has historically promulgated two fundamental principles that underpin our philosophy on ethics. The first is that **ARA insists on “frank, open, and ethical dealings with each other, with our clients, and with our subcontractors.”** This statement implies, and herein is explicitly broadened, to encompass all organizations and individuals with which we interact and/or do business, including all auditors, auditing agencies, and the communities in which our staff and offices reside. The second principle is that **ARA insists on “corporate and individual acceptance of responsibility.”** The word “individual” includes management and staff. If problems with our conduct and/or performance arise, **we honestly admit our failings, deal with them, and fix them. We do not cover up problems nor do we tolerate those that might try to do so.**

Ethical behavior is behavior based on right or good conduct. This means that we should all look at the big picture and take actions that are good for the whole of the company and our clients. We all have a stake in ARA’s success and must hold each other and ourselves accountable for doing the right thing.

CHECKLIST

TO HELP YOU MAKE THE RIGHT DECISION WHEN FACED WITH A DIFFICULT SITUATION, QUESTIONS THAT YOU SHOULD ASK YOURSELF INCLUDE:

- ◆ Is my intended action improper or does it have the appearance of an inappropriate act?
- ◆ Am I being fair and honest?
- ◆ Do I feel uneasy with my intended course of action?
- ◆ Will my actions stand the test of time?
- ◆ How would I feel if my family, friends and neighbors knew what I was doing?

Ethics Philosophy (Continued)

OVERRIDING ETHICS PRINCIPLES	
◆ KNOW AND FOLLOW THE LAW.	◆ MAKE ACCURATE PUBLIC DISCLOSURES.
◆ STRICTLY ADHERE TO ALL COMPANY POLICIES.	◆ CAREFULLY BID, NEGOTIATE AND PERFORM GOVERNMENT CONTRACTS.
◆ APPROPRIATE USE OF CUSTOMER AND COMPANY ASSETS.	◆ PROTECT PROPRIETARY INFORMATION.
◆ STEER CLEAR OF CONFLICTS OF INTEREST.	◆ REPORT QUESTIONABLE CONDUCT.
◆ KNOW THE RULES ABOUT EMPLOYING FORMER GOVERNMENT OFFICIALS.	◆ AVOID ILLEGAL AND QUESTIONABLE GIFTS AND BUSINESS COURTESIES.
◆ KEEP ACCURATE AND COMPLETE RECORDS.	◆ USE COMMON SENSE.



Ethics Responsibilities

The Board of Directors – The Board has affirmed ARA’s commitment to ethical principles and behavior and has directed management to assure that strong ethical requirements permeate the ARA culture.

Management – Management at all levels are responsible for reinforcing ARA’s dedication to ethical conduct and must create a work environment that supports ARA’s ethical principles. Managers will ensure a workplace that is operated in compliance with all ARA policies and procedures. The actions and conduct of managers will represent ethical principles through their day-to-day behavior and decisions. They will train their staff in ethics requirements and they will deal fairly and forthrightly with ethical issues. **Retaliation for reporting suspected ethical violations is forbidden and will not be tolerated.**

Management at all levels are responsible for reinforcing ARA’s dedication to ethical conduct and must create a work environment that supports ARA’s ethical principles

ARA managers are responsible for creating a supportive work environment that sustains ARA’s core values and ethics principles. ARA managers must train their employees in ethical requirements and how to deal with issues in a timely and appropriate manner. They should walk the talk and set the example for others to follow.

Managers are also responsible for ensuring that the workplace is free of harassment, is safe and healthy, and is drug and alcohol free. They must demonstrate ethical

behavior every day and are expected to report suspected violations of our policies to any senior manager or executive, to the Audit Committee of the Board of Directors, and/or to ARA’s independent internal auditors.

Our managers are expected to ensure that there is no retaliation against employees for making complaints and participating in investigations.

ARA Employees – All ARA employees and directors will receive Ethics and Standards of Conduct training once each fiscal year. New employees will receive this training within the fiscal year of their hire date, preferably within one month of their hire date.

All employees are responsible for understanding ethics requirements, abiding by them, and reporting breaches to person(s) designated in this policy.

Ethical Behavior – Ethical behavior is behavior based on right or good conduct and covers every aspect of the lives of ARA management and staff. Specifically, ethical behavior must be observed in every aspect of ARA’s activities including dealings within the company, with clients, with advisors, with subcontractors and suppliers, with all government agencies that maintain oversight on our activities, and with the communities in which our offices reside.

The next several pages address specific areas that demand ethical conduct.

Integrity in Accounting and Contracts

Integrity in accounting and contracting includes timely and accurate allocation of labor and other costs to appropriate project and indirect accounts.

Labor is ARA's principal product and labor charges form the basis for invoices to customers.

You should be familiar with and understand your responsibilities under ARA's [Time Reporting Instructions](#) (TRI), which can be found on the ARA Intranet in the Policy Guide Section.

Time reporting is regularly audited by the Federal Government's Defense Contract Audit Agency (DCAA). Be sure that any changes you make are clearly documented in your timesheet. Explain why you are making the change. The system already captures the change itself. Remember that, with limited exceptions, you are expected to record your time on a daily basis.

Exceptions to daily electronic reporting of time include working when you do not have access to the online time reporting system. In these cases, you must record your time daily on paper in ink and input the time as soon as access is available.

All employees must record all hours worked. See TRI for definition of time worked.

Non-exempt employees must be paid overtime for all hours worked over 40 hours in a week. In California, the rules are different – refer to the TRI for additional details.

Employees should charge to the actual project, proposal, or other indirect activity that they are working on. False charges on your timesheet may be considered fraud and a violation of the Civil False Claims Act.

No one may direct employees to charge time to an account different from the one on which they are working. If you are unsure about the direction you've been given, ask your supervisor for clarification.



Integrity in Accounting and Contracts (Continued)

If you are not comfortable discussing an issue with your supervisor or if you have done so and are still unsure, you can contact your division or sector manager. You may also contact ARA's Compliance/Risk Officer, Larry Ghormley, who will take these complaints seriously and investigate. You can reach him at lghormley@ara.com or directly at 505-214-8187.

In addition, you may also make an inquiry or complaint via [ARA's internal hotline](#) at 505-338-1500, manned by Pulakos, CPAs.

In addition to our ARA complaint procedures, the Department of Defense (DoD) offers a hotline (800-424-9098) for reporting fraud, waste, and abuse.

Accuracy and completeness in progress reporting is crucial because it supports our billings to the customer. Progress reports must document work performed on the contract and should be complete and consistent with contract scope and ARA billing to the customer.

ARA has zero tolerance for fraudulent activities to include anti-trust action. While fraudulent financial activities usually appear to occur at the highest levels, employees at all levels could potentially be involved. We have no tolerance for fraudulent activity at any level in the company.

Some examples of fraudulent financial activities include:

- Mischarging on timesheets which includes not properly recording all time worked to the proper project
- Financial statement manipulation
- Asset misappropriation (purchasing materials on one project for use on another project)
- Other schemes with potential material impact on financial statements
- Financial misconduct by management
- Disclosure fraud
- Aiding and abetting any type of fraudulent financial activities

ARA also has no tolerance for any anti-trust activities including collusion or price fixing. Collusion and price fixing exist when two or more competing companies get together, in a sometimes illegal and therefore secretive manner that is not disclosed to the customer, to decide who will submit the winning proposal to ensure each benefits from the end result, creating an unfair advantage. It is an agreement among firms to divide the market, set prices or limit production.

Full Accurate and Timely Disclosure

ARA expects full, accurate, and timely disclosure of financial, accounting, and other data as required by oversight organizations, financial institutions, the Board of Directors, and other affected authorized parties.

FAR 52.203-13, updated in April, 2010, established a mandatory requirement for disclosure of credible evidence of violations of federal criminal law involving fraud, conflict of interest, bribery or gratuity violations, any violations of the civil False Claims Act or significant overpayment.

The requirement covers the period for 3 years after a contract is closed and goes back 3 years from either December, 2008, or the award date of the contract containing the clause.

The law requires contractors to fully cooperate with investigators. Full cooperation means disclosure to the government of information sufficient for law enforcement to identify the nature and extent of the offense and the individuals responsible for the conduct. It includes providing timely and complete responses to the government's requests for documents and access to employees for information. It does not restrict a contractor from completing an internal investigation.

The Federal Government expects us to report to them in a timely manner (5-10 days) when there is credible evidence that a violation of law or policy has occurred.

There are some general guidelines to support ARA employees in identifying problems and making the appropriate disclosures, which include:

- Maintaining accurate books and records that fairly and accurately reflect ARA's financial information and project documentation;
- Not tolerating creation or insertion of false or misleading information in any ARA financial records or other business records;
- Cooperating fully with internal and independent auditors. Do not delay in responding to them and do not conceal information from them.

Remember that it is unlawful to destroy, conceal, alter, or falsify any ARA records, documents, or objects in order to obstruct or influence any lawsuit or other legal, regulatory, or governmental proceeding or investigation. Doing so may subject ARA and you to severe civil and criminal penalties including substantial damage awards, fines, and imprisonment.

Avoidance of Conflicts of Interest

Avoidance of conflicts of interest between personal and professional interests includes avoidance of conflicts between outside ownership or employment and ARA interests.

Personal Conflicts of Interest

Personal conflicts of interest may impact you and your immediate family members.

In general, you and members of your immediate family should not be involved in any business transaction with ARA wherein a conflict of interest exists, could exist, or appears or is perceived to exist.

As an ARA employee, you should not enter into any financial transaction that involves the direct or indirect use of inside information, which is information that has not become public knowledge, gained through your position with ARA to further a private interest or for private gain for yourself or another person or entity.

ARA employees should not use their position in ARA to induce or coerce any person or entity to provide any financial benefit to them or another person or entity.

You, or any member of your immediate family, should not have a substantial financial interest in an organization with which ARA does business. Substantial financial interest includes being a proprietor or partner or owning stocks or bonds in excess of 10 percent of the total stocks or bonds of a corporation.

Some other examples of how to avoid a conflict of interest include outside employment activities. Employees must obtain approval by a division manager (or equivalent) to engage in *any* outside compensated activity. Approval may be granted by the division manager for activity that does not compete with any ARA business and does not have the potential for placing mental or physical demands on the employee to the detriment of his/her performance.

When the employee seeks permission to serve as a director, officer, or employee of; serve in any managerial capacity for; or be retained or compensated in any capacity by any private or public entity, including the federal or any state or local government that is a customer, vendor, or competitor of ARA, the manager must notify the CEO and the CEO must obtain approval of the ARA Board of Directors.

You and members of your household or immediate family (your relatives or your spouse), should not use insider information to speculate in materials, equipment, supplies, or property to be purchased by ARA.

You may refer to ARA's Non-Disclosure and Conflict of Interest Agreement that you signed as a new employee for additional details.

Avoidance of Conflicts of Interest (Continued)

Organizational Conflicts of Interest

Organizational conflicts of interest may exist when an individual or organization has an interest that might compromise their actions or cause divided loyalties. This may include activities or relationships with other people where someone is unable or potentially unable to provide impartial assistance or advice to the client. It may also be situations in which someone's objectivity in performing the subcontract work is, or might be otherwise impaired, or a person has an unfair competitive advantage.

The requirement to avoid or prevent organizational conflicts of interest in performing federal contracts is covered in FAR Subpart 9.5, Organizational and Consultant Conflicts of Interest.

FAR 9.5 contains the guidance relating to organizational conflicts of interest including specific examples that relate to providing systems engineering and technical direction, preparing specifications and work statements, as well as providing evaluation services.

There are two underlying principles in regards to organizational conflicts of interest.

ARA and our employees should act to prevent the existence of conflicting roles that could bias a contractor's judgment because of our past, present, or currently planned interests.

We should also act to prevent an unfair competitive advantage. An unfair competitive advantage exists where a contractor competing for award of any federal contract possesses proprietary information that was obtained from a government official without proper authorization; or source selection information as defined in FAR 2.101 that is relevant to the contract but is not available to all competitors, and such information would assist that contractor in obtaining the contract. This information could include government program plans or actual or anticipated resources.

A contract should not be negotiated or executed if the interests of ARA's customer are of such a nature as to compromise or threaten ARA's ability to maintain unbiased objectivity in serving its other customers. For example, ARA should not have a contract to design a prototype and have a contract to evaluate prototypes which would include the ARA article.

When potentially conflicting situations may be created, we may enter into an agreement if all parties involved have full knowledge of the potential conflict and consent to the organizational conflict of interest mitigation plan in advance.

As ARA continues to grow, the opportunity for organizational conflicts of interest to exist also grows and we must be diligent in vetting opportunities to ensure conflicts of interest don't arise.

Currently all teaming agreements are being reviewed by the Chief Development Office for any potential conflicts.

Gifts and Gratuities

Acceptance and/or granting of gratuities of significant value with the purpose or appearance of influencing decisions or being influenced must be avoided.

ARA's business relationships must be free from even the perception that favorable treatment was sought, received, or given as the result of a gift or gratuity, so rule of thumb is just don't do it. It is everyone's responsibility to know the rules and comply with all laws and regulations.

How does the issue of gifts and gratuities apply to federal, state, and local government employees?

Gifts to Government Employees - Giving gifts, gratuities, or other items of value to federal employees could expose the giver, the recipient, and ARA to potential civil, criminal, and administrative liability. Keep in mind that employment opportunities may be considered of value and so discussing them with government employees, including military personnel, may be off limits. Be sure to ask your manager before having any conversations about employment with them.

Providing modest refreshments on occasional basis for legitimate business activities only is acceptable. Modest refreshments may include water, coffee, soda, doughnuts, etc. Modest refreshments do *not* include lunch or dinner.

The bottom line: Don't put our customers in an awkward position.

Gifts to ARA Employees - In addition to working with government and military personnel, we often work with people from other businesses and companies. In these situations, the guidelines are slightly different. Unsolicited meals, refreshments, entertainment, and other business courtesies such as local transportation are acceptable on an occasional basis.

When considering whether to accept a gift or courtesy, think about these things:

- Would you feel comfortable discussing what you received with a manager or co-workers or having them known by the public?
- It is consistent with customary business practice?
- Are the courtesies infrequent and from different sources?

Gifts and Gratuities (Continued)

- Is the offer from a non-governmental source?
- Would the acceptance foster good business relations?

If the answer to any of these questions is no, then you should graciously decline the offers.

In addition to our clients and customers, we may be offered gifts by individuals or organizations with whom we do business or those that seek to do business with us. In virtually all cases, these gifts should be rejected. Exceptions might include advertising or promotional items of nominal value, such as ball caps, coffee mugs, and lanyards that you may receive at a trade show. Items provided to the general public are also acceptable.

Visit the [U.S. Office of Government Ethics website](#) for a comprehensive list of laws and regulations relating to our ethical responsibilities.



Federal Corrupt Practices Act – Applied Research Associates, Inc. (ARA) complies with the Foreign Corrupt Practices Act (FCPA). Employees are prohibited from offering or giving anything of value (a bribe) either to win government business overseas or to obtain an unfair advantage. The FCPA makes it illegal to pay or promise to pay money or give anything of value either directly or indirectly to a non-U.S. government official to bring in or keep business or to gain any improper advantage. This applies to payments and gifts paid by companies and their employees, as well as third parties such as sales agents. FCPA also requires us to record all transactions accurately and thoroughly.

Honesty and Disclosure of Facts

An important requirement of the public contracting process is that contractors be honest in their dealings with governmental agencies. It is the duty of each employee to maintain the accuracy and reliability of the Company's business records. These records are crucial for compliance with regulatory, tax, and financial reporting requirements. All contractor employees who enter information into business records or regulatory or financial reports are responsible for doing so in a truthful, accurate, legible, and timely manner.

If an employee believes his or her representations have been misunderstood, the employee is responsible for making a clarification. If information required to be provided by the contractor was inadvertently omitted, the information must be supplied promptly. If an employee is asked to enter information into business records that he or she does not believe is accurate or reliable, such employee must refuse to make the entry and should contact ARA's Compliance Officer.

Several of the key regulations and their requirements/consequences are detailed below. There is a more extensive list of restrictions and prohibited practices at the back of this handbook – if you have any questions concerning any of these, contact the Vice President of Contracts or the Compliance Officer.

False Claims Act

The False Claims Act is a basis for liability against any person who *knowingly* submits a *claim for payment* to the Federal Government that is *false* or *fraudulent*. "Knowingly" includes deliberate ignorance of the truth or falsity of the information or reckless disregard of the truth or falsity. Civil fraud carries damages of triple the amount of damages suffered by the United States, plus between \$5,000 and \$10,000 per false claim. Each invoice may constitute a false claim. Criminal fraud is punishable by five years of imprisonment and/or a fine.

False Statements Act

The False Statements Act provides for criminal liability for *knowingly and willfully* falsifying, concealing, or covering up a *material fact*, or making *false, fictitious, or fraudulent statements* to an employee of a federal agency. Punishment is up to five years in prison and/or a fine.

Honesty and Disclosure of Facts (Continued)

Contractor Integrity Reporting

Government contractors are required to notify the government whenever the contractor has “credible evidence” of the violation of a federal *criminal* law in connection with the award or performance of any government contract performed by the contractor or a related subcontractor. A contractor may be suspended or debarred for a knowing failure to disclose.

Truth in Negotiations Act

The purpose of the Truth in Negotiations Act (TINA) is to ensure that the government has the same factual data as the contractor at the time of price negotiations. TINA requires the contractor on contracts over \$700,000 to submit and certify that cost or pricing data were accurate, complete, and current as of the date of agreement on price. The government can get a reduction where the contract price was increased as a natural and probable consequence of defective data.

Contract Disputes Act – Certifications

Under the Contract Disputes Act (CDA), a contractor pursuing a claim against the government for over \$100,000 must certify that: the claim is made in good faith; the supporting data are accurate and complete to the best of the certifier’s knowledge and belief; and the amount requested accurately reflects the contract adjustment for which the contractor believes the government is liable. The CDA provides sanctions against the contractor for the misrepresentation of facts or fraud when submitting a claim.

Obtaining Information Improperly – Procurement Integrity

Government personnel are prohibited by law from providing advance knowledge concerning future acquisitions to any prospective contractor. Contractors are likewise prohibited from receiving such information. The government may promote early exchanges of information regarding future acquisitions through conferences, research, one-on-one meetings, etc., but may not create an unfair competitive advantage. The Contracting Officer must furnish identical information concerning a proposed procurement to all prospective contractors.

Unless authorized, a contractor may not request or accept other contractors’ bid or proposal information or source selection information from Federal Government employees or consultants during the conduct of a federal procurement. Contractors may not disclose such information to any person not authorized to receive it.

Confidentiality of Information

Maintaining confidentiality of information entrusted to individuals by ARA or its customers or suppliers, except when authorized, is essential.

In addition to real or expendable property, ARA employees either have access to, or are responsible for, proprietary and confidential information of our competitors, our clients, and current and former ARA employees.

Proprietary information has value and ARA employees have both a legal and moral responsibility to handle it appropriately. You may recall when you first started working for ARA that you were required to sign a Non-Disclosure and Conflict of Interest Agreement which addresses these responsibilities.

The proprietary information of competitors must be handled appropriately. It is a standard business practice to execute a Proprietary Non-Disclosure Agreement with companies that we are discussing opportunities with or entering into teaming agreements with. These agreements are legally binding and address specific items that are protected, how long they are protected, and what should happen to proprietary data after the end of the agreement.

It is acceptable to obtain public information about a competitor, but it is unethical and illegal to wrongfully obtain a competitor's trade secrets or other confidential information or to use a competitor's trade secrets or other information without authorization.

It is not acceptable to conduct any form of espionage, or to engage in deception to obtain information.

Responsibilities Related to Proprietary Information of New Employees

ARA should never ask for proprietary information from potential employees or new hires about their former employers. Likewise, new employees should not use any proprietary information about their former employers in the execution of their duties at ARA.

All ARA employees are expected to understand what information is considered confidential and proprietary and to ensure that documents are appropriately marked. Except in the performance of your duties for ARA, you should not disclose or use any proprietary and confidential information and/or classified information either while employed or after you have left the company.

Confidentiality of Information (Continued)

ARA respects the privacy and confidentiality of employee personal information acquired in the course of ARA business.

Employee records are handled in accordance with privacy act laws and ARA takes every measure to protect your information, including Social Security numbers, addresses, and medical information, etc.

ARA employees have access to employee records on a business need-to-know basis only.

You should never release any personal confidential information about another ARA employee unless it is authorized by that other employee. This includes giving out home telephone numbers or other personal contact information.

Refer to ARA's [Non-Disclosure and Conflict of Interest Agreement](#) for additional information.



Safeguarding Property

Safeguarding property, both physical and intellectual, of ARA, its clients, and suppliers from theft, loss, and/or misuse is crucial.

All employees should protect the company's assets and ensure that they are used for legitimate business purposes.

ARA, client, and supplier property includes physical property, capital, and intellectual property. All of these items have value and must be protected. Damaged property, and theft or misuse of these properties must be reported immediately to your supervisor.

You must obtain authorization and approval to remove these properties from ARA premises. Without proper authorization, these properties should not be taken, sold, loaned, given away, damaged, destroyed, or otherwise disposed of, regardless of the condition or value.

In addition, ARA is committed to honoring its legal and contractual obligations with respect to the proper use of copyrighted or licensed materials of third parties, including personal computer software licensed from outside vendors.

Keep in mind:

- The use of unlicensed or illegally-copied software at ARA is strictly forbidden.
- Copyrighted materials, including printed matter such as books, magazines, and software, must not be reproduced or distributed without proper authorization from the copyright holder.
- ARA employees may not use their company computer for illegal purposes.

Export Control and Sanctions Regulations – ARA employees are required to comply with U.S. regulations governing the export and re-export of controlled items and technology to certain persons, entities inside or outside the U.S.; locations outside the United States, and imports into the United States. In addition, U.S. persons are prohibited from investing or transacting business with designated countries and entities.

ARA employees are responsible for protecting export-controlled information and technology from unauthorized disclosure to foreign persons or entities. All controlled information and technology must be protected properly through technology security measures including established firewalls, information approval processes, physical protection, and technology control plans.

Conduct in the Workplace

Harassment-Free Workplace (ARA Policy #11)

All employees are expected to treat their fellow employees in a professional, courteous and respectful manner. We want you to work in an environment where you feel comfortable and safe.

ARA is committed to providing a workplace free of harassment, including sexual harassment, intimidation, threats, coercion, and discrimination on the basis of race, color, religion, sex, sexual orientation, gender identity, pregnancy, childbirth, or other related medical conditions, nation origin, ancestry, age, disability, family care leave status, veteran status, marital status, genetic information, or any other characteristic prohibited by law.

ARA will not tolerate harassment of employees by anyone inside or outside our organization including managers, supervisors, or coworkers. Likewise, we won't tolerate harassment of employees by individuals outside the company, whether it be a customer, a vendor or someone else with whom we have a professional relationship.

What constitutes harassment? Harassing conduct may be verbal, physical, or visual in nature and typically one's conduct is considered harassment when:

- It creates an intimidating, hostile, or offensive work environment;
- It interferes with your ability to do your job and affects your performance;
- Submission to the conduct is made either an explicit or implicit condition of employment; or
- It used as the reason for an employment decision.

Sexually harassing conduct includes all of these prohibited actions, but may also include other unwelcome conduct such as:

- Requests for sexual favors;
- Conversations containing sexual comments; or
- Unwelcome sexual advances

Conduct in the Workplace (Continued)

Harassing conduct can take many forms. It may include (but is not limited to): slurs, jokes, statements, gestures, pictures, or cartoons regarding an employee's sex, sexual orientation, gender identity, race, color, national origin, religion, age, physical ability, mental disability, medical condition, ancestry, marital status, family care leave status, or veteran status.

Harassment is defined by the receiver, so the rule of thumb is to never assume. Just because you find something funny or inoffensive doesn't mean others will feel the same. It's important to consider what you say and do – ask, "will the person you're talking with be offended?" If the answer is maybe or yes, just don't say it.

It is important to know and understand ARA's complaint procedure and our "no retaliation" policy. It is ARA's policy to ensure employees have a safe way to report inappropriate behaviors and ARA will not retaliate against any employee for making a harassment complaint or for cooperating in an investigation.

Report any incidents of harassment promptly to your supervisor, your division manager, and/or to the Human Resources Director.

We take every reported complaint seriously and will investigate it thoroughly, promptly, and in as confidential a manner as possible. Sometimes investigations require that we talk with individuals who are involved or witness to the incident, but we limit our discussions to those individuals.

In the case that we find an ARA employee has indeed violated our policy, we will take appropriate action to discipline that employee. Disciplinary action for violation of this policy can range from verbal or written warnings up to and including immediate termination, depending upon the circumstances.

Drug-Free Workplace (ARA Policy #8)

In accordance with the Drug-Free Workplace Act of 1988 and the Department of Defense Drug-Free Workforce Rules, the Company strictly forbids substance abuse in the workplace. While on ARA premises and/or conducting ARA business, no employee may use, possess, distribute, sell, or be under the influence of any unlawful controlled substance. Substance abuse not only affects relationships between employees, but also can have a negative effect on the quality of our work. Employees who have substance abuse problems or know of colleagues who have such problems must advise their supervisor so that the affected employee can be assisted or other appropriate action can be taken.

Conduct in the Workplace (Continued)

Employees are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner. In addition, employees must notify ARA of a criminal conviction for drug-related activity that occurred in the workplace within five calendar days of the conviction.

It is also important to know that employees with drug problems that have not resulted in, nor are immediately subject to, disciplinary action may request approval to take unpaid time off to participate in a rehabilitation or treatment program.



Equal Employment Opportunities (EEO) (ARA Policy #2)

ARA takes affirmative action to ensure there is no discrimination in hiring and employment actions and decisions.

It has been, and will continue to be, our policy that we are an equal opportunity employer and that no one at ARA will discriminate against any person in any phase of employment. Likewise, we will act affirmatively to ensure that we recruit, hire, and promote employees without regard to race, color, religion, sex including pregnancy, childbirth, or related medical conditions, sexual orientation, gender identity, national origin, ancestry, age, disability, family care leave status, veteran status, marital status, or any other characteristic protected by law. We base all employment decisions, including promotions, solely upon an individual's qualifications and interest in the position being filled.

Conduct in the Workplace (Continued)

Employees with questions or concerns about discrimination are encouraged to bring these issues to the attention of their immediate supervisor, division manager, and/or Human Resources Director.

The Office of Federal Contract Compliance Programs (OFCCP) is the government entity responsible for ensuring that employers comply with non-discrimination and affirmative action laws and regulations when doing business with the Federal Government. From time to time, the OFCCP conducts audits to ensure we're following our policies and to verify that our practices are indeed non-discriminatory.



Information System Privacy (ARA Policy #35)

All information stored on ARA-owned computers or sent across ARA's networks, including remote access through VPN or other technology, is subject to monitoring and disclosure by ARA at any time. Such monitoring and disclosure may be conducted with or without the employee or system user being notified.

All employees must sign a statement acknowledging that they have read and understand this policy.

This has always been true but requiring employees to acknowledge the practice strengthens ARA and federal agencies legal position when prosecuting wrongdoing such as stealing ARA information or other illegal activities.

This policy was implemented in January, 2011, and all employees have been required to sign the statement. It basically says that if you use company equipment and networks that ARA has the right to monitor this information and disclose it as necessary.

Standards of Conduct

Federal law requires that transactions related to the expenditure of public funds be conducted in a manner above reproach and with complete impartiality. Government contractors are expected to maintain high standards of conduct. While the general rule is to avoid any action that could create a perception of dishonesty or preferential treatment, our government contracts set forth a number of specific prohibitions and restrictions. These are identified on page 26 along with applicable statutory or regulatory references. Any question or request for guidance in a particular situation should be referred to the Vice President, Contracts.

Government contractors are required to adopt standards of conduct and to establish internal controls and self-policing to ensure that operations are conducted with the highest degree of integrity and honesty. The internal control system shall establish standards and procedures to facilitate timely discovery of improper conduct and ensure corrective measures are promptly and appropriately executed.

The Defense Contract Audit Agency (DCAA) requests documentation of contractors, including:

- Compliance trainings, agendas, attendees, etc.
- Effective compliance plans and reporting options
- Violations of ethics codes and current investigations

The government requires disciplinary action for anyone who fails to take reasonable steps to detect or prevent improper conduct. **Employees are our first line of defense – we're all responsible.**

ARA is required to have a system in place to maintain the integrity of all records and statements and ensure the efficiency and effectiveness of business operations.

The risks to ARA and to all of us are significant as we are all held to high standards by our customers. ARA is held responsible for overall compliance with applicable laws and with our own plans, policies, and procedures. We must also ensure we give training to our employees in all of these areas, and that we are aware of, and that we properly investigate and report on any violations of ethics.

All ARA employees are responsible for taking reasonable steps to detect and prevent improper conduct. For that reason, it is important for you to understand our policies and procedures in this area.

Reporting Suspected Improper Conduct

Reports should be made to any supervisor, manager, principal, the ARA Compliance Officer, the Audit Committee of the Board of Directors, or to ARA's independent internal auditors via ARA's internal fraud and abuse hotline (located on the ARA Intranet). Refer to posters for the Department of Defense hotline for reporting fraud, waste, and abuse located on ARA office bulletin boards and on the ARA Intranet. All reports will be treated on a confidential basis.

ARA will make timely reports to government officials of any credible evidence that a principal, employee, or subcontractor has committed a violation of law or other irregularity in connection with government contracts and will fully cooperate in any subsequent investigations. Any corrective actions will be promptly carried out.

It is important to also know what to do if you suspect any improper conduct in any of the areas we have addressed.

There are a number of points of contact for reporting improper conduct – they may all be found on the ARA Intranet and include:

- ARA's Compliance/Risk Officer;
- Any senior manager or executive at ARA;
- The Audit Committee of the Board of Directors; or
- ARA's internal auditors, who can be contacted through our internal fraud and abuse hotline: 505-338-1500 and 505-338-1564.

All reports will be treated as confidentially as possible.

In addition to our ARA complaint procedures, the Department of Defense (DoD) offers a hotline (800-424-9098) for reporting fraud, waste, and abuse. ARA posts the DoD hotline poster on all of our employee bulletin boards. The DoD hotline is a system wherein complaints are received, evaluated, investigated, and corrective measures are instituted. This system has enabled the government to save or recover hundreds of millions of dollars, and more importantly, many cases have resulted in safer products and equipment for military personnel and DoD employees.

Whistleblower Protections

Pilot Program for Enhancement of Contractor Employee Whistleblower Protections

On September 27, 2013, the Department of Defense, General Services Administration, and National Aeronautics and Space Administration announced interim rules in the Federal Acquisition Regulations (FAR) and Defense Federal Acquisition Regulations Supplement (DFAR) outlining enhancements to whistleblower protections for contractor employees. The interim rules implement Section 828 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013. The interim rules create a four-year pilot program for executive agencies subject to the Public Contracts section of the United States Code (Title 41 agencies) and make extensive changes to whistleblower protection for agencies subject to the Armed Forces section of the United States Code (Title 10 agencies). The interim rules also create a whistleblower exemption for portions of the intelligence community subject to the National Security Act of 1947 (Title 50 agencies).

The interim rules impose an affirmative obligation on contractors to provide written notification to employees of their whistleblower rights and protections.

The interim rule, FAR 3.908, implements the four-year pilot program and suspends the application of the current whistleblower protection regulations of FAR 3.901-06. FAR 3.908 applies to all contracts with Title 41 agencies, subject to two exceptions:

- The interim rule specifically exempts those contracts issued under the American Recovery and Investment Act of 2009.
- The interim rule does not apply to contracts with executive agencies subject to Title 50.

The interim rule does apply to contracts for commercially available off-the-shelf items. The pilot program protects contractor and subcontractor personnel against reprisal for disclosing to specifically listed entities:

- Gross mismanagement of a federal contract or grant;
- A gross waste of federal funds;
- An abuse of authority relating to a federal contract or grant;
- A substantial and specific danger to public health or safety; or
- A violation of law, rule, or regulation related to a federal contract or grant.

Whistleblower Protections (Continued)

The interim rules do not authorize the disclosure of classified information not otherwise protected by law.

To qualify under the statute, the employee's disclosure must be made to:

- A member of Congress or a representative of a Congressional committee;
- An Inspector General;
- The Government Accountability Office;
- A federal employee responsible for contract or grant oversight or management at the relevant agency;
- An official from the Department of Justice or other law enforcement agency;
- A court or grand jury; or
- A management official or other employee of the contractor, subcontractor, or grantee who has responsibility to investigate, discover, or address misconduct.

Employees who believe they were discharged, demoted or otherwise discriminated against in violation of the regulations may, within three years of the date of the alleged reprisal, submit a complaint to the agency Inspector General. The Inspector General must investigate the employee's allegations and issue a report of the findings of the investigation to the employee, the contractor involved, and the head of the agency. Upon receipt of the Inspector General's investigative report, the agency head shall determine whether the contractor or subcontractor subjected the complainant to a reprisal. If the agency head concludes the complainant set forth an insufficient basis, the agency head may issue an order denying relief. If, however, the agency head determines a sufficient basis exists, the interim rule mandates ordering one or more of the following remedies:

- Order the contractor or subcontractor to abate the reprisal;
- Order the contractor or subcontractor to reinstate the complainant and pay compensatory damages (including back pay), employment benefits, and other terms and conditions of employment that would apply to the person in that position if the reprisal had not been taken;
- Order the contractor or subcontractor to pay the complainant all costs and expenses (including attorneys and expert witnesses' fees) incurred in connection with the complaint regarding the reprisal.

Whistleblower Protections (Continued)

If a contractor fails to comply with an order of an agency head, the interim rules require the agency head to file an action in federal district court to enforce the order. The interim rule also allows the complainant to bring an action against the contractor after exhausting their administrative remedies. Contractor and subcontractor employees may not waive these rights by agreement or condition of employment.

The new whistleblower protection statute is effective September 30, 2013, and applies to:

- All contracts and grants awarded on or after July 1, 2013;
- All task orders entered on or after July 1, 2013; and
- All contracts that are modified on or after July 1, 2013.

Business Ethics and Conduct Checklist

BUSINESS ETHICS AND CONDUCT CHECKLIST – *ALL EMPLOYEES MUST:*

- ⊕ Read and annually review ARA's Code of Ethics and Conduct
- ⊕ Attend annual training
- ⊕ Strictly adhere to all company policies
- ⊕ Obtain advance guidance where needed
- ⊕ Carefully perform government contracts
- ⊕ Keep accurate and complete records
- ⊕ Avoid conflicts of interest
- ⊕ Treat fellow employees in a professional manner
- ⊕ Report all improper activity

Restrictions and Prohibited Practices

Fraud – 18 U.S.C. 1031 – Complete truthfulness is required in representations, claims, certifications, contract performance, and all actions undertaken for the government.

False Claims – 31 U.S.C. 3729 – Prohibits knowing submission of an inflated claim, or falsified statement, record, document, or certification under a government contract.

Defective Pricing – 10 U.S.C. 2306 – Part of the Truth in Negotiations Act requiring that cost or pricing data submitted to the government is current, accurate, and complete.

Bribery and Gratuities – 10 U.S.C. 2207 – Prohibits offering anything of value to a government employee.

Personal Conflict of Interest – 18 U.S.C. 201 and 41 U.S.C. 2303 – Prohibits government employees from using public office for personal gain or providing preferential treatment to anyone and also restricts contractor employees serving in acquisition functions.

Organizational Conflict of Interest – Public Law 100-463 – Prohibits a contractor from obtaining an unfair competitive advantage as a result of technical assistant or proprietary data provided to the government.

Procurement Integrity Violations – 41 U.S.C. 2101 – Generally includes offers of future employment or gratuities to a government official in an attempt to influence, or solicit proprietary or source selection sensitive information from a government official.

Buying-In – FAR 3.501 – Policy addressing submission of an offer at a price below cost with the future expectation of excessively priced change orders or follow-on contracts.

Kickbacks – 41 U.S.C. 51 – Prohibits paying or receiving any sort of compensation as an inducement to, or acknowledgment for, award of a subcontract under a prime contract.

Contingent Fees – 10 U.S.C. 2306 – Prohibits payment of a fee contingent on the degree of success a representative has in securing government contracts for the client.

Antitrust Violations – 10 U.S.C. 2305 – Prohibits numerous practices dealing with price fixing, collusion, restraint of competition or trade, sharing business, and bid-rigging such as follow-the-leader pricing, rotated low bids, or other forms of collusion.

Lobbying & Campaign Contribution Restrictions – 2 U.S.C. 1601 – Government contractors are prohibited from making contributions to any campaign for federal office.

Payment of Appropriated Funds to Influence Federal Transactions – 31 U.S.C. 1352 – Using appropriated contract or grant funds in an attempt to influence government officials is prohibited.

Whistleblower Protection for Contractor Employees – 10 USC 2409 – An employee of a contractor or subcontractor may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is evidence of reportable acts listed in this statute.

Contractor Code of Business Ethics and Conduct – FAR 52.203-13 – Contractors shall properly prevent, detect, and report criminal behavior, implement a written ethics and standards of conduct program, and institute suitable compliance programs and internal control systems to ensure good business ethics are enforced.

Available Resources

ARA Intranet

<http://intranet.ara.com/>

ARA Internal Fraud & Abuse Hotline

Maintained on the home page of the ARA Intranet.

ARA Code of Ethics & Standards of Conduct

<http://intranet.ara.com/hr/policies.htm#CodeOfEthics>

Standards of Business Ethics and Conduct Training

Maintained on the home page of the ARA Intranet.

DOD Fraud and Abuse Reporting Hotline

<http://www.dodig.mil/hotline>

Company Resources – 505-881-8074

- Kathy Daniels, Director of Contracts, kdaniels@ara.com
- Beth James, SPHR, Human Resources Director, bjames@ara.com
- Larry Ghormley, Director of Corporate Operations and ARA Compliance/Risk Officer, lghormley@ara.com

U.S. Office of Government Ethics

<http://www.usoge.gov/>

Ethics Signature Page

My signature below certifies the following:

- I have taken ARA's Code of Ethics and Standards of Conduct training or read the Code of Ethics and Standards of Conduct handbook, and I understand that it represents company policy and our commitment to each other, and agree to comply with all ARA policies.
- I have sought and received clarification from a responsible party (such as management, Compliance Officer, Human Resources, or the appropriate corporate policy owner) of any portion of ARA's Code of Ethics and Standards of Conduct that is unclear to me.
- I understand my responsibilities and agree to report to one of the company's specified reporting channels all actual and potential violations of applicable law, the Code of Ethics and Standards of Conduct, and the policies and procedures it represents.

Employee Signature

Printed Name

Employee Number

Date