Aerocrine
Code of Business Conduct

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Message from the CEO

Aerocrine is dedicated to delivering innovative medical devices to benefit physicians and their patients who suffer from inflammatory airway diseases. Every day, each of us interact with many people from regulators to physicians, from patients to investors. Our individual and collective actions ultimately create the most important contribution to Aerocrine’s reputation in the healthcare and business worlds.

Our dedication to ethics, quality, integrity and humanity is a core value of how we conduct business and ultimately, our success. Therefore it is important that we build these values into every aspect of our business and our conduct.

Our Code of Business Conduct promotes the primary corporate values that we strive to demonstrate in our business every single day – Integrity and Transparency, Mutual Respect, Communication and Ownership and Empowerment.

Abiding by these principles as a company will continue to earn Aerocrine the trust and respect of our customers, patients, suppliers, regulators and fellow employees, while sustaining our long-term commitment to our shareholders.

Our Code is a statement to which we adhere as a company. It is a practical guide for maintaining our values and creates a framework for addressing particular issues and questions.

Understanding and applying these principles on a day-to-day basis provides the charter for making the right decisions for our company. By sharing these core values, we create a productive and respectful work environment as we contribute to improving healthcare across the globe.

Scott Myers
CEO
Introduction

Aerocrine sets high ethical standards for the way in which we do business. This Code of Business Conduct ("Code") reflects and emphasizes Aerocrine’s shared values and culture throughout the entire organization including employees and Third-Party Affiliates at Aerocrine, AB and its Subsidiaries and Affiliates (collectively “Aerocrine” or the “Company”), including Aerocrine, Inc.

This Code is a statement reinforcing the principles of good business conduct and the standards of ethical behavior that directors, officers, employees, agents, consultants, contractors, distributors and other persons that act for or on behalf of Aerocrine, are required to follow in the performance of their daily work activities.

As an employee, Aerocrine expects you to always do the right thing and to understand how we define what that is. We also want to ensure that you know where to get help when you are faced with questions or difficult situations.

The Code is designed to promote:

- The honest and ethical conduct of business, and
- Compliance with applicable laws, rules, and regulations, and
- Full, fair, accurate and timely disclosure in reports and documents we file with or submit to governmental agencies and in our public communications, and
- Respect among employees, and
- Accountability for individual conduct.

The principles described in this Code are general in nature. Since the Code does not cover every situation that may arise, we expect you to use your common sense and good judgment in applying it. If you have any questions or doubts about the manner this Code should be applied in a specific situation, we encourage you to seek guidance and advice.

In addition to the Code, Aerocrine has a Global Compliance and Ethics Manual ("The Manual") which provides guidance on compliance laws and how they apply to the work each of us do. Whereas as the Code describes our guiding principles, the Manual details Aerocrine’s policies and procedures and should be used as a reference in conducting day-to-day activities.

We are committed to continuously reviewing and updating our policies and procedures, and may amend this Code at any time. We will inform you of any revisions and additions to the Code as they occur.

Your Responsibilities

You are expected to follow the spirit and the letter of this Code. Adhering to the Code is part of your obligations as an employee of Aerocrine.

At all times, make sure that you:

- Understand the issues covered by this Code and other Company policies and procedures that apply to your job.
- Follow the legal and ethical requirements that are applicable to your position in the Company.
- Apply this Code during your day-to-day conduct to solve dilemmas and make proper choices.
• Speak up if you believe that anyone has not followed the Code.
• Participate in the periodic training sessions regarding the Code.

Before taking any action or engaging in any behavior, each employee should consider the following questions:

• Is it legal, ethical, and socially responsible?
• Does it comply with both the spirit and the letter of this Code?
• Will it appear appropriate?
• Would the Company be embarrassed or compromised if such action or behavior were to become known within the Company or publicly?

Your conduct in performing your job directly affects the well-being of the Company, fellow employees and third parties interacting with the Company. This is one of the many reasons that good business conduct is always expected from each and every employee. Each employee is responsible for knowing and executing the responsibilities of his or her job, and is accountable for the quality of the work he or she produces and for the accuracy and confidentiality of the applicable documentation.

Employees who supervise others have an important responsibility to lead by example. If you supervise others, you should create an environment where employees understand their responsibilities and feel comfortable raising issues and concerns without fear of retaliation. If an issue is raised, you must report it and collaborate with any review of the issue to address the concerns and correct problems that arise.

You must also make sure that each employee under your supervision understands the Code and the policies, laws and regulations that affect the work environment. Most importantly, you must ensure that employees understand that monetary performance is never more important than lawful and ethical business conduct.

**Resources for Asking a Question or Reporting a Concern**

If you are faced with a question or see others in a situation that raises a concern, the company requires you to promptly report any conduct that appears to be unethical or illegal or appears to violate the Code or Aerocrine policies.

**How and to whom to report**

The first place to report a concern or ask a question is your manager or supervisor. If you feel uncomfortable speaking to your supervisor or your manager, or s/he is part of the concern, you are encouraged to reach out to your manager’s supervisor or the Compliance Officer.

You may also use the Aerocrine Ethics Hotline which is an anonymous and independent resource.  [www.aerocrine.ethicspoint.com](http://www.aerocrine.ethicspoint.com)
Aerocrine is committed to deliver quality products with the aim of promoting public health and quality of life. Patients and customers who use our products rely on us to ensure our products and services comply with all relevant quality standards.

To maintain our commitment to high quality, various procedures have been implemented and must be followed in the design and development of our products.

Non-compliance with quality policies and procedures could result in government action against our facilities, products and personnel. Employees have the responsibility to follow quality procedures and to address and correct any noncompliance. Employees must notify their manager, the Company’s quality professionals or other appropriate personnel as soon as possible in the event a situation occurs or is observed that does not comply with our quality policies or procedures or that could adversely affect the quality of our products so we can timely address any issues.

**Compliance with Laws and Regulations**

At Aerocrine, we abide by the rules. This means that employees must always conduct business in compliance with applicable national, state and local laws and regulations, wherever we do business around the world.

You have a responsibility to comply with the laws and regulations that apply to your job and your area of responsibility and to understand the potential risks and exposures of non-compliance.

In particular, since we are a global manufacturer and distributor of medical devices, you need to understand and comply with the laws and regulations that affect the development, manufacture and sale of our products as they relate to your work at Aerocrine.

You must not take any action on behalf of Aerocrine that you know, or reasonably should have known, violates any law or regulation. Disregard or ignorance of the law will not be tolerated.

The Aerocrine Compliance and Ethics Manual ("The Manual") provides a solid reference for navigating through the legal and ethical requirements and procedures that apply to our professional conduct. You are responsible for attending compliance training and understanding the rules and procedures in the Manual. You are encouraged to refer to the Manual as a guideline in conducting business at Aerocrine.

If you have questions regarding the application of particular laws or regulations, or if you are advised that an action or inaction would constitute a violation of a law or regulation, contact the Compliance Officer for guidance.

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**Unfair Competition and Antitrust**
We abide by antitrust and competition laws. We never seek competitive advantages through illegal or unethical business practices.

**Antitrust Laws**
In most of the countries where we operate, there are strict laws prohibiting unfair competition and engaging in activities or practices that restrict competition in the market. Such laws are usually called “Antitrust Laws.” Failure to adhere to these laws may result in significant penalties imposed on the Company as well as on the employees who violate such Laws. Because antitrust issues are complex, determining what actions are improper often depends on specific facts and circumstances.

No employee is allowed to take unfair advantage of any person through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other unlawful or unfair dealing practices.

Gathering information on competitors is not, by itself, unlawful. Such activity is legitimate as long as the information is collected from public sources, such as competitors’ websites, competitors’ displays at conferences, trade shows or exhibitions, publicly available marketing materials, industry surveys and other similar sources.

**Environmental Safety**
Aerocrine is committed to doing business in an environmentally responsible manner. We will continually seek to assure that our operations, to the fullest extent feasible, respect and preserve the environment and comply with all the applicable environmental laws and regulations worldwide. Additionally, as part of being a responsible member of the community, Aerocrine strongly believes in caring for the environment around its facilities. Employees whose work affects environmental compliance must be completely familiar with the permits, laws and regulations that apply to their work.

**Trade Controls**
Aerocrine complies with applicable export controls and customs laws and regulations in the countries where it operates. Export controls generally apply to the provision, transfer or sale of goods, services, hardware, software or technology across national borders. These laws regulate the direct or indirect export to and import from sanctioned countries or parties. Any violation of these laws may harm Aerocrine’s business, and may also lead to serious penalties and fines. In addition, some of our controls contain contractual obligations regarding trade controls to which we must adhere.

Prior to doing business in any new territory, you must contact the General Counsel for guidance and advice with respect to the Trade Control that may be applicable in the territory.
Company Assets and Records

Protecting the Company’s Intangible Assets

Confidentiality
Our confidential and proprietary information is an important asset and contributes to our success. Often, such information includes the Company’s trade secrets. As an employee of Aerocrine, you may learn of such information and you have an important duty to properly safeguard it.

“Confidential information” means non-public information of Aerocrine or in its possession, such as business plans, financial information, customer and supplier lists, product architecture, research and development of new products, inventions and discoveries, engineering and manufacturing ideas and procedures, clinical trial results, product pricing, and similar information of a confidential nature.

Since it is not always clear if a certain piece of information is confidential, we ask you to “play it safe” and treat all the information you receive or have access to during your employment or engagement with Aerocrine as confidential.

You must not discuss or otherwise disclose confidential information with outsiders.

You should also take care not to inadvertently disclose confidential information. Materials that contain confidential information, such as memos, notebooks, computer disks, laptop computers and other portable storage devices should be stored securely. Any documents containing proprietary information should be so marked, and should be kept and deleted in accordance with the Company's document retention policy. Employees should promptly report any loss of information to their manager and to the HR Department.

You must respect the confidential information of third parties. You must not disclose to Aerocrine or to any party doing business with Aerocrine any confidential information or trade secrets belonging to third parties.

Intellectual Property
Inventions, know-how, patents, designs, works of authorship, copyrights and trademarks are few examples of valuable intangible assets called “intellectual property”. Intellectual property is the basis for Aerocrine’s cutting edge technology and its success over its competitors.

All that employees create, make, develop or invent while working for Aerocrine – their “work product” – belongs solely to the company.

You must promptly disclose to Aerocrine any intellectual property you created, made, developed or invented and must fully cooperate with the Company’s efforts to perfect its rights and to obtain protection for such intellectual property.

You must also respect the intellectual property of third parties. You are not allowed to use, embed or incorporate any work related to third parties into your own work, unless you sought and received an explicit written approval for such action from your supervisor or manager. Breach of intellectual property may do harm to Aerocrine and may subject you to criminal charges.
**Respecting Company Property**

We expect you to protect and preserve Aerocrine’s properties and resources and ensure their efficient use. Any use of these properties for purposes other than the discharge of Company business is to be avoided. Moreover, the use of the Company’s properties and resources for personal financial gain is strictly prohibited.

The incidental use of the Company’s equipment for personal use is generally allowed, provided such use (i) is limited in scope and duration, (ii) does not adversely affect your attention to your work duties, and (iii) does not result in any incremental cost to the Company.

The following examples are provided as illustrative of misuse of assets and resources:

- Use of Company facilities for personal gain.
- The excessive use of the telephone for personal purposes.
- Taking of office supplies or equipment for personal consumption or use at home.
- The unauthorized use of computer software programs, files and documents.

**Corporate Records**

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports and other disclosures to the public and are the source of essential data that guides our business decision-making and strategic planning. Company records include e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business. All company records must be complete, accurate and reliable in all material respects. There is never a reason to make false or misleading entries.

Company documents and records, in any form or media, are part of Aerocrine’s assets, and employees are charged with maintaining their accuracy and safety. Employees are required to record information accurately and honestly, and retain records as long as necessary to meet business objectives and comply with applicable laws and government regulations.

Information must be recorded or reported accurately and honestly. False, misleading or dishonest reporting, both inside and outside the Company, is not only strictly prohibited but can lead to civil or even criminal liability. For example, falsification of expense reports or time records may be considered theft. Submission of false information to the government can, in some instances, lead to fines or imprisonment.

**Document Retention**

In the normal course of business, documents and records must be securely retained in the Company for a certain period of time after which they should be destroyed so long as there are no Legal holds or requirements. This can include documents in any form of media. The time and place of retention may differ from department to department. You should consult your department’s policies and procedures before destroying any documents.

**Financial Records**

Financial records must accurately reflect all financial transactions of Aerocrine and its subsidiaries. No false, artificial, or misleading entries shall be made in the books and records of the Company under any circumstances. The Chief Financial Officer will manage
the enterprise transaction and reporting systems and procedures to ensure that:

- Business transactions are properly authorized and completely and accurately recorded in the Company’s books and records, in accordance with Generally Accepted Accounting Principles (GAAP) and established Company financial policy;
- The retention or proper disposal of Company records shall be in accordance with established Company financial policies and applicable legal and regulatory requirements; and
- Periodic financial communications and reports will be delivered in a manner that facilitates a high degree of clarity of content and meaning so that readers and users will quickly and accurately determine their significance and consequence.
**Relationships & Interactions Outside the Company**

**Avoiding Conflicts of Interest**

When personal interests could influence the employee’s business judgment or performance, this means that he or she is in a “conflict of interest”. This term is often used to describe a situation whereby the employee’s judgment is affected, or may be affected, by factors irrelevant to the business of the Company.

We expect our employees to be free from influences that could conflict with the best interests of Aerocrine, interfere with their best judgment in the performance of their duties or might compromise their loyalty to Aerocrine.

Even when there is a slight probability that certain circumstances give rise to conflict of interest, we urge you to be transparent. Transparency means you must disclose to the Company as soon as possible the facts and circumstances that lead or may lead to a certain conflicts of interest.

If you have any questions about a potential conflict or if you become aware of an actual or potential conflict you should consult with your manager, the HR Department or the Compliance Officer.

Although no list can include every possible situation in which a conflict of interest could arise, the following are examples of situations that may, depending on the facts and circumstances, involve conflicts of interest:

- Doing business with customers, contractors or suppliers for personal gain.
- Owning, directly or indirectly, a significant financial interest in any entity that does business, seeks to do business or competes with the Company.
- Any engagement or other interaction with competitors.
- Soliciting or accepting gifts, favors, loans or preferential treatment from any person or entity that does business or seeks to do business with us.
- Purchasing for personal use the goods or services of the Company's suppliers on terms other than those available to the general public.

**Giving or receiving things of value**

Giving or receiving of gifts, gratuities, courtesies, favors or entertainment (collectively referred to as “gifts”), can create a conflict of interest and in many cases may be unlawful. Therefore, giving or receiving gifts in return for doing business with Aerocrine, is generally prohibited. No gift should be accepted or given if it obligates, or appear to obligate, the recipient, or if it might be perceived as an attempt to influence recipient’s fair judgment.

On those occasions when giving or receiving a gift is permissible, employees must first ask themselves whether the gift is intended to influence, or might appear to influence, a business decision and would thereby compromise their ability to act in the best interests of Aerocrine.

No employee should offer, give, accept or receive a gift if:

- It can be construed as a bribe, kickback or payoff in violation of any applicable law;
- It is in cash or any other form of monetary compensation;
- It is excessive in value;
• The recipient is a government official;
• It would create an obligation for the giver or receiver; or
• It could cause embarrassment to or discredit the Company if disclosed, or could not stand up to public scrutiny.

In some countries where we do business modest gifts are sometimes exchanged as part of the ordinary course of business. We use the term “modest gifts” to describe gifts of a modest value that are given as a courtesy or gesture and do not raise a concern of impairing one’s judgment. In general, modest gifts are permitted, provided that they are exchanged in the ordinary course of business, are not excessive in value and subject to compliance with the Company’s policies on anti-corruption and interactions with healthcare professionals. The Manual describes Aerocrine’s policies and procedures on this topic in greater detail. Please refer to The Manual for guidance in this area.

If you have doubts as to how the Code or the Manual should be applied in certain circumstances, you should contact the Compliance Officer.

Interactions with Healthcare Professionals
Aerocrine employees must comply with all applicable laws and regulations (“anti-kickback” and anti-bribery laws”) regulating the interactions between the Company and physicians, nurses and other medical staff in the jurisdictions where we operate. Furthermore, there are laws in several countries that require that most types of interactions between manufacturers and healthcare professionals are reported to the government.

The Company has adopted policies and procedures related to gifts, hospitality, financial support and other interactions with healthcare professionals that are consistent with local laws and industry codes of conduct, such as the AdvaMed code. Each employee is responsible for understanding and complying with such policies and procedures. Contact the Compliance Officer with any questions in this area. Please refer to The Manual for more guidance on this topic.

Compliance with Global Anti-Corruption Laws
Aerocrine is fully committed to compliance with anti-bribery laws, including the U.S. Foreign Corrupt Practices Act (FCPA), and various other local or multinational laws prohibiting the payment of bribes to government officials. These anti-corruption laws prohibit the payments of bribes, kickbacks or other inducements to government officials and representatives of commercial organizations for the purpose of obtaining or retaining business. No employee shall make or promise to make, directly or indirectly, any payment of money or anything of value to any official of a government, a political party or a candidate for political office which is for the purpose of inducing or influencing such person to act in any way to assist Aerocrine in obtaining or retaining business for or with Aerocrine. Many of Aerocrine’s customers are government or state-owned healthcare institutions and their medical staff is considered government employees. Employees should exercise care in their business interactions with such institutions and seek guidance from the Compliance Officer when they have doubts or questions.
Employees must comply with the anti-corruption laws in the territory in which they work. Violation of anti-corruption laws and laws regulating interactions with healthcare professionals can result in severe fines and criminal penalties (including imprisonment), as well as employee disciplinary action, up to and including termination of employment.

**Insider Trading**

Aerocrine is a publicly-traded company. As a publicly-traded company we are subject to strict rules regarding how we use and disclose company information. These rules prohibit *insider trading*. Insider trading means buying or selling shares while being aware of share price-sensitive *non-public information*.

Share price-sensitive non-public information can include:

- Financial results or forecasts
- Research and development of new products
- The results of material clinical trials and regulatory processes
- Potential business opportunities, including mergers and acquisitions
- Material litigation matters
- Material management changes

Share price-sensitive information is information about circumstances that is likely to have a material impact on the price of Aerocrine shares or the shares of other companies. Information is “non-public” for as long as it is undisclosed or not generally known.

During your work at Aerocrine you may become privy to share price-sensitive non-public information. No employee is permitted to trade Aerocrine shares based on share price-sensitive non-public information and may not provide “hints” or “tips” of such information to any other person. Such conduct is called insider trading and it is strictly prohibited. A violation may lead to severe civil and criminal punishments, including imprisonment. Only after disclosure of the information has been made by the Company, employees may trade their Aerocrine shares.

**Advertising and Product Promotion**

We promote and market our products in a lawful and truthful manner. Whenever you are talking about our products with the public or with customers, you must be careful to offer a balanced, accurate and lawful representation of product capabilities and benefits.

In every country, there are laws and regulations requiring that we represent our products in a manner consistent with the applicable labeling and market approvals. In most countries and particularly in the US, products may ONLY be promoted and advertised with materials that have been approved with legal and regulatory review.

We have internal procedures for the creation, review and approval of marketing and promotional materials. If you are involved in any of these activities, you must become familiar with and adhere to such procedures.
**Relationships with Government Officials**

Aerocrine is committed to complying with local laws, regulations and codes and to working fairly and honestly with government officials. In doing so, your actions must meet high ethical and legal standards.

It is important that all employees realize that the Company’s relationship with government officials should be of such a nature that the integrity and reputation of the Company in the eyes of such officials is maintained.

Aerocrine’s policy is to deal honestly and fairly with government representatives and agents, and to comply with governmental requests and processes. Employees must be truthful and straightforward in their dealings with the government and may not direct or encourage another employee or anyone else to provide false or misleading information to any government agent or representative.

As explained previously in this Code and detailed in *The Manual*, providing gifts or other things of value to government officials is prohibited.

If you are contacted by a government agent or representative and asked to provide information, you must immediately inform your manager.

**Public and media relations**

It is Aerocrine’s policy to provide accurate and consistent communication with the public. To maintain the consistency and accuracy of the information, corporate spokespersons are designated to respond to all inquiries. Only these spokespersons are authorized to release information to the public at the appropriate time. Except for designated spokespersons (or designee), no employee should respond to inquiries from the press or investors.

All employees, particularly those in management, are expected to conduct themselves in a manner that reflects positively on the Company in any media, including the Internet and other electronic media.

All information disclosed outside of the company (for example, to the media, investors or the general public) must be accurate, complete and consistent, and disseminated in a manner intended to ensure broad and contemporaneous distribution. We all represent Aerocrine; if someone asks you for information, follow these guidelines, and remember to be polite and courteous.

It is important to Aerocrine that all disclosure in reports and documents that are filed with, or submitted to, government regulators, stock exchanges, and information in other public communications by Aerocrine, is full, fair, accurate, timely and understandable. You must take all steps available to assist Aerocrine in these duties as requested and consistent with your particular duties.
Employee Work Environment

Diversity and Non-Discrimination
Aerocrine firmly believes that a diverse workforce is the key to maintaining the company's competitive advantage. We value both the similarities and differences in everyone who's a part of the Aerocrine team. We believe that this diversity builds a stronger organization and is in keeping with the core values of our company.

Our policy, therefore, is to provide equal employment opportunities for all applicants and employees without regard to race, color, religion, national origin, gender, age, disability, marital status, sexual orientation, veteran's status or any other class or status protected by applicable laws. This means that we comply with all applicable legislation worldwide, and we do not discriminate in any aspect of employment, including recruiting, hiring, compensation, promotions, reductions in force, or terminations.

Because Aerocrine is committed to a work environment in which all individuals are treated with respect and dignity, a policy of non-discrimination is in effect and is strictly enforced. Each individual has the right to work in a professional atmosphere that promotes equal employment opportunities and prohibits discriminatory practices. The Company expects that all relationships among persons in the workplace will be business-like and free of bias and prejudice.

If an employee believes that he or she is subject to unlawful discrimination, the employee should report this to the HR Department.

No Harassment
Aerocrine strives to maintain a professional environment that is based on respect and tolerance. Therefore, no form of harassment will be tolerated. Any conduct in the workplace that disrupts or interferes with work performance or which creates an unpleasant, intimidating, hostile or otherwise offensive environment is strictly prohibited.

Harassment may include the following:

- Verbally derogatory comments (such as jokes, threats, whistling)
- Physical harassment (such as pinching, gestures, unwelcome touching)
- Visual harassment (such as offensive posters, emails, photos)
- Sexual harassment

If you are being harassed, or if you have witnessed harassment of a colleague, you need to report immediately to your direct manager and/or to the HR Department. Aerocrine will act promptly in investigating your concern and directly address the issue with the individuals involved. We recognize the sensitive nature of these claims and will work to ensure confidential treatment of the allegations in order to protect all involved. Of course, retaliation against any employee who reports harassment will not be tolerated.

No Violence
We are committed to the protection of our employees. Threats, intimidation and violence in our workplace will not be tolerated. You may not possess firearms, other weapons, explosive devices or dangerous materials in the workplace unless you have prior authorization.
Non-Retaliation
Aerocrine prohibits retaliation against any individual who reports discrimination, harassment or violence or participates in an investigation of such reports. Retaliation against an individual for reporting discrimination, harassment or violence or for participating in an investigation of a claim of harassment or discrimination is a serious violation of this policy.

Health and Safety
Aerocrine is committed to providing each employee with a clean, safe, and healthy place to work. To achieve that goal, all employees must understand the shared responsibilities of abiding by all safety rules and practices, taking the necessary precautions to protect yourself and co-workers, and reporting to your direct manager immediately about any unsafe conditions, practices or accidents.

Employee Privacy
We respect the privacy of our employees and will protect personal information that we are required to obtain for operating or legal purposes. Access to personal employee information is strictly limited by our policies and government privacy laws and regulations. You may have the right to access your own personnel information, but you may not access or use the employee records of others. Employees who are responsible for maintaining personal information, and those who are provided access to such information, must ensure that the information is not disclosed in violation of the Company’s policies or practices.

The Human Resources Department serves as the custodian of all employment-related information and an employee should direct any questions or concerns regarding the dissemination of personal information to the HR Department.

Inspection of Property and Communications
While we respect employees’ privacy, we reserve the right to reasonably access, inspect and monitor our facilities and property for lawful purposes. These purposes include the ensuring of employees’ safety, assuring the security of equipment, maintaining quality standards or investigating theft or security breaches. Among other places, we have the right to access and inspect the manufacturing facilities, offices, conference rooms, lockers, equipment, computers, documents and records.

In addition, we reserve the right to access and inspect your communications (including electronic mail and voice-mail messages) for the above purposes. In circumstances where we have an urgent and legitimate need to examine a communication and we cannot obtain your timely approval for any specific inspection, we have the right to access only the communications necessary to solve the urgent and legitimate need.
**Implementation of the Code of Business Conduct**

All employees are expected to observe the letter and spirit of this Code. Although Aerocrine will make every effort to provide compliance information to employees and to respond to all inquiries, responsibility for compliance, including the duty to seek guidance when in doubt, rests with each employee of the Company.

Any employee who violates the Code, Company policies and procedures or the law, will be subject to disciplinary action, up to and including termination, civil prosecution, or claims for damages or losses. Disciplinary action for violations will be applied consistently and fairly throughout the Company. Managers may also be disciplined for any violations by their employees. All employees upon commencement of employment, and designated employees annually or at other appropriate times, will be expected to sign a statement that they have read and understand the Code or that they have complied with the Code, as the case may be.

At Aerocrine, ethics is everyone’s business. All managers are responsible for communicating this policy to the employees under their supervision and the policy will be electronically available at all times. Any revisions or updates to this policy will be published periodically and appropriately distributed.

**Disciplinary Action**

The Board of Directors, the CEO or other members of senior management will determine the appropriate actions to be taken in the event of violations of the Code. In determining what action is appropriate in a particular case, they will take into account all relevant information, including the nature and severity of the violation, whether the violation was intentional or inadvertent, the extent of the likely damage to the Company and its shareholders resulting from the violation and whether the employee has committed previous violations of the Code or other Company policy.

Violations of the rules and policies of conduct set forth in the Code may result in one or more of the following disciplinary actions, as appropriate:

- a warning;
- a reprimand (noted in the employee’s personnel record);
- probation;
- demotion;
- temporary suspension;
- required reimbursement of losses or damages;
- termination of employment; and/or
- referral for criminal prosecution or civil action.

Disciplinary measures may apply to any supervisor who directs or approves such actions, or has awareness of them and does not promptly correct them.