

M&I ELECTRIC INDUSTRIES, INC.

SUBJECT: FOREIGN CORRUPT PRACTICES ACT POLICY
AREA: EMPLOYEE RELATIONS
DATE: October 7, 2013
ISSUED BY: Board of Directors
POLICY/PROCEDURE
NO.: III-12

POLICY

The Company and no company officer, director, employee or agent shall offer, promise, give or assist in giving anything of value to a foreign official to improperly induce that official to affect any government act of decision in a manner that will assist the Company or any affiliates, subsidiaries or divisions to obtain or retain business or any advantage. Furthermore, every officer, director, employee and agent is obligated by Company policy and federal law to keep accurately and fairly records and accounts reflecting all transactions and disposition of Company assets.

SCOPE

This policy applies to all employees, officers and directors of the Company and its subsidiaries at all locations.

DEFINITIONS

- A. **“To obtain business or any advantage”** includes, for example, a reduction in taxes, a favorable change in regulations, tolerance or non-compliance with local rules, or other favors or preferential treatment. The business to be gotten or kept does not need to be with foreign government or foreign government affiliate.
- B. The FCPA applies to any act or event that furthers a payment to a foreign official. That means the law covers not only the actual payment of money but also an offer, promise or authorization of the payment of money and an offer, gift, promise or authorization of the giving of anything of value. Even if the improper payment doesn't take place, just offering it violates the FCPA. Likewise, instructing, authorizing, or allowing a third party to make a prohibited payment on AETI's behalf, ratifying a payment after the fact, or making a payment to a third party knowing or having reason to know it will likely be given to a government official constitute FCPA violations.
- C. **Anything of value** includes not only cash and cash equivalents, but also gifts, entertainment, travel expenses, accommodations, and anything else of tangible or intangible value.
- D. The FCPA applies to payments to foreign officials. A **foreign official** means

any officer or employee of a foreign government, regardless of rank, employees of government-owned or government-controlled businesses, foreign political parties, party officials, candidates for political office, and employees of public international organizations. In addition to the FCPA, there are additional international laws outlawing bribery and corruption with which AETI and its affiliates, subsidiaries and employees must comply, including the UN Convention against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

- E. **“Records”** include virtually all forms of business documentation, including accounts, correspondence, memorandums, tapes, discs, papers, books, and other documents or transcribed information of any type. This applies to all payments, not just sums that would be material in the traditional financial sense.

RESPONSIBILITY

It is the Company’s policy to comply fully with the requirements of FCPA. Each officer, director, manager and employee of the Company and its subsidiaries and decisions has the responsibility for compliance with FCPA within his or her area of authority, and must report any suspected violations immediately.

The FCPA prohibits any payment or offer of anything of value to a foreign official for the purpose of influencing that official to assist in obtaining or retaining business or any other advantage for a company.

PROVISIONS

I. ANTI-BRIBERY PROVISIONS OF THE FCPA

The Foreign Corrupt Practices Act (“FCPA”) generally applies to all U.S. corporations such as AETI as well as *all* persons acting on behalf of our company, its divisions, subsidiaries, and affiliates. It specifically applies to our officers, directors, employees, agents and in some instances even our shareholders.

Violations of FCPA can result in severe penalties, including fines and imprisonment, to the Company, its Directors, officers and employees, and would damage our reputation and ability to conduct business.

Simply stated AETI's corporate policy prohibits all improper or unethical payments to government officials anywhere in the world and for any reason. This Statement and Compliance Guide supplements the Company’s Business Ethics and Conduct Policy which sets forth the Company’s policy to manage and operate its business activities in conformity with applicable laws and high ethical standards.

II. FINANCIAL RECORD-KEEPING

The FCPA imposes certain accounting requirements on companies. Specifically,

the FCPA requires a company to maintain books, records and accounts that, in reasonable detail, accurately reflect the transactions and dispositions of that company. It is the policy of the Company that it is imperative for all employees, agents and others acting on its behalf maintain complete and accurate records with respect to all transactions undertaken on behalf of AETI. Failing to comply with the FCPA is potentially disastrous for a company and its employees. Violating the FCPA by an AETI employee can result in millions of dollars in civil and/or criminal fines against the Company and can subject the employee to prosecution, criminal fines, and imprisonment, as well as disciplinary action by AETI, including dismissal. The FCPA mandates that finances and penalties imposed upon individuals may not be paid directly or indirectly by any company for which they may have acted.

Accordingly, our Company has developed guidelines for complying with the FCPA and related laws. The purpose of these guidelines is to ensure full compliance with the FCPA and related laws and continuation of our record in maintaining lawful and ethical dealings in business transactions throughout the world.

III. GENERAL RULES

The Company has established the following rules for all employees, directors, agents and shareholders acting on behalf of AETI and its affiliates:

- A. Except as expressly provided elsewhere in this policy statement, no payment or gift of any kind whatsoever may be promised, offered or made to any foreign official, regardless of rank; or any person while knowing or being aware of a high probability that all or portion of any payment will be offered, given or promised, directly or indirectly, to a foreign official.
- B. Payments to government officials that would otherwise be prohibited by the FCPA are legal only if:
 - a. They are lawful under the written laws of the government official's country or
 - b. Expenditures for meals, entertainment and other usual social amenities with respect to foreign officials if they are not extravagant and otherwise conform to the laws and customs of the country in which the expenditures are incurred. All such hospitality must be reasonable in amount, must be offered in good faith only in connection with the promotion, demonstration or explanation of company products or services or the execution or performance of a contract with a foreign government or agency thereof, and must be lawful under applicable local law. In no event may any hospitality be offered or provided in return for any favor or benefit to the Company or to influence improperly any official decision.

- C. Gifts may be given to foreign officials only if the gifts are not in cash, of nominal value (not to exceed \$250) and conform to laws and normal social customs in the official's country. As general rule gifts should be provided as a token of esteem, courtesy or in return for hospitality. The gift should be for official use rather than personal use and should showcase the company's products or contain the company logo. The gift should be presented openly with complete transparency.
- D. The expense for the gift should be correctly recorded on the company's books and records.
- E. The making of improper charitable on behalf of foreign officials may also have severe consequences under the FCPA for the Company and involved employees. In no instance may any employee or a business unit make a donation payment at the behest of the foreign official or to an organization affiliated with a foreign official or his close relatives without first obtaining approval from the General Counsel.
- F. Complete and accurate records sufficient to show compliance with the above rules, the FCPA generally and any other policies of AETI must be maintained at all times.
- G. **Exception for Facilitation Payments.** Facilitation or "grease" payments are small payments to a low-level government employee to expedite or secure performance of a routine, non-discretionary governmental action which the employee is already bound to perform, such as obtaining permits, licenses, or other official documents; processing governmental papers, such as visas and work orders; providing police protection, mail pick-up and delivery; providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products; and scheduling inspections associated with contract performance or transit of goods across country. Facilitation payments are never permitted for purposes of influencing discretionary action or to obtain or retain business. The Chief Financial Officer must approve any facilitating payment for routine governmental action in advance. Payments will only be permissible if the action is legal but has been refused or delayed unjustifiably; all reasonable efforts have been made to obtain action without payment; the payment is not made for the purpose of obtaining or retaining business; the payment is insubstantial; and the transaction is accurately described in the books and records of the Company as a "facilitating payment."

IV. OTHER CONSIDERATIONS

A. Political Parties or Officials

All contributions of money or services to political parties or party officials or to candidates for political office outside the United States are expressly prohibited.

B. Retaining Agents

Because the actions of a third party acting as an agent or representative of a company can expose a company to liability under the FCPA, great care should be taken in the retention of such agents and representatives. A sufficient

investigation should be undertaken to ensure that any such representative does not intend to engage in any improper practices. In determining whether to engage a particular representative, factors such as the representative's reputation and qualifications, the manner and reasonableness of compensation, the relationship, if any, between the owners and employees of the representative and a foreign official, the presence or absence of any secret partners, the willingness of the representative to fully disclose its relationship with us and the legality of the relationship under local law must be considered.

C. Government-Owned Businesses

In many countries it is a common practice for government officials to own or operate business enterprises. While the FCPA and related laws do not prohibit legitimate business relationships with business enterprises owned or controlled by foreign officials, great care must be taken to avoid any association with any such enterprise in circumstances that might constitute an evasion of the FCPA.

D. Retention of Professionals, Agents, Consultants

No person acting on behalf of AETI may enter into any transaction with agents, contractors, consultants, lawyers or other persons that is intended or designed to permit such persons to circumvent currency, tax or other laws of a foreign country. Any transaction that has the appearance of permitting any person to circumvent such laws must be avoided. Particular care must be taken in respect to split payments, i.e., payments for services made outside the country in which the services are performed, other than payments in the country in which the provider of the services is incorporated and has an established presence, or payments inside the country in other than the local currency.

E. Red Flags

Company employees must be conscious of any other **red flags** that may be present or arise. A red flag is a fact or circumstance serving as a warning signal an intermediary may act corruptly. It is the responsibility of the employee observing a red flag to either resolve such red flag by further investigation or to refer the matter to the Company's General Counsel. A non-exclusive list of red flags examples is below:

- a. Rumors regarding unethical or suspicious conduct by an employee, marketing representative, consultant, agent, or other business partner, or by a government official
- b. Unnecessary third parties or multiple intermediaries
- c. Requests for payments to a third party rather than the consultant or agent
- d. Requests for payments in a third country
- e. Business or country has a reputation for paying bribes
- f. Requests for payments in cash
- g. Requests for unusually large commissions or other payments, that appear excessive for the services rendered
- h. Political contributions
- i. Requests for reimbursement of expenses that are poorly documents
- j. Incomplete or inaccurate information in required disclosures
- k. Refusal to certify compliance

V. REPORTING REQUIREMENTS

Any transaction, no matter how seemingly insignificant, that might give rise to a violation of the FCPA must be promptly reported to either the Company's Chief Financial Officer, General Counsel or, if the employee so desires, such report may be made through the Company's Ethics Hotline. All such reports will be treated as confidential, to be used only for the purpose of addressing the specific problem they address. Such reports will be shared by AETI management and other authorized individuals only on a need-to-know basis. As long as a report is made honestly and in good faith, AETI will take no adverse action against any person based on the making of such a report. Employees must note, however, that failure to report known or suspected wrongdoing of which an employee has knowledge may, by itself, subject that employee to disciplinary action.

VI. ANNUAL COMPLIANCE QUESTIONNAIRE

All Executive Officers, Vice Presidents, General Managers and Department Managers of AETI and its subsidiaries must fill out, sign and return the attached Foreign Corrupt Practices Act Compliance Questionnaire annually. The questionnaire should be completed and delivered to Chief Financial Officer by January 31 of each fiscal year.

The attached AETI Foreign Corrupt Practices Act Policy Statement Certification for Outside Agents or Representatives should be included in agreements made with outside agents and representatives.

The attached AETI Foreign Corrupt Practices Act Policy Statement Certification for Joint Venture Business Relationship should be included in joint venture agreements.

FURTHER INFORMATION

Any questions concerning the FCPA and related reporting requirements may be addressed to the Chief Financial Officer.

AETI Foreign Corrupt Practices Act Policy Statement and Guidelines Acknowledgement

Name: _____

Title/Position: _____

Department/Division: _____

Location: _____

Supervisor: _____

- I have received and read the AETI Foreign Corrupt Practices Act Policy Statement and Compliance Guidelines.
- I am familiar with the Guidelines and the related Company procedures and I understand that the provisions of the FCPA and the consequences of its violation.
- I also understand the AETI Policy that prohibits activity in violation of the FCPA, and I agree to abide by the Policy and the provisions and procedures contained in the Guidelines.
- I am aware of how to report violations and where to seek additional information should questions arise.

Signature: _____

Date: _____

Foreign Corrupt Practices Act Compliance Questionnaire

AETI's Foreign Corrupt Practices Act Policy Statement and Compliance Guidelines (the "Policy"), a copy of which is attached, covers several important areas of business conduct. For the purpose of obtaining legal advice, and to ensure that AETI complies with this policy, you are requested to answer the following questions relating to the activities of your AETI subsidiary, division or department during the past fiscal year.

Please answer questions 1 to 10 by placing an 'X' in the space adjacent to the correct answer. If any of your answers to questions 4 to 10 is "yes", answer question 11 on as many additional sheets of paper as are necessary.

1. Have you read and do you understand the Policy? Yes No

2. Do you understand the consequences of the violation of the Policy? Yes No

3. Do you agree to comply with the Policy? Yes No
4. To the best of your knowledge, information and belief, has your Subsidiary or Department made any payments, directly or indirectly, to or for the benefit of any government official or employee, for the purpose of obtaining or retaining business? Yes No
5. To the best of your knowledge, information and belief, has your subsidiary, division or department made any payments, directly or indirectly, to or for the benefit of any candidate for political office or any political party for the purpose of obtaining or retaining business? Yes No
6. To the best of your knowledge, information and belief, has your subsidiary, division or department made any payments, directly or indirectly, to a third-party with knowledge, as defined in the Guidelines to the Policy that it would be offered to a government official or employee for the purpose of obtaining or retaining business? Yes No
7. To the best of your knowledge, information and belief, has your subsidiary, division or department made any payments, directly or indirectly, to or for the benefit of any employees of government-controlled businesses, corporations, companies or societies, for the purpose or obtaining or retaining business? Yes No
8. To the best of your knowledge, information and belief, has your subsidiary, division or department recorded any entries in its books, records or accounts that might be interpreted as misstating or concealing the nature or purpose of any payment or expenditure? Yes No
9. To the best of your knowledge, information and belief, has your subsidiary, division or department maintained any cash funds, bank deposits or other assets without recording them on appropriate Company financial and accounting books and records? Yes No
10. While employed at AETI, have you ever participated in, assisted others in, or had knowledge of any conduct by AETI (including officers, directors, employees, representatives and agents) that, in your judgment, either does not comply with the policy or has the appearance of not complying with the policy? Yes No
11. If any of the answers to questions 4 to 10 is “Yes”, please state the facts that form the basis for your answer on separate sheets of paper and attach them to this questionnaire.

The responses to this questionnaire relate to the period from January 1, ____ to December 31, _____.

Signature: _____

Name (Printed): _____

Date: _____

AETI Foreign Corrupt Practices Act Policy Statement Certification for Joint Venture Business Relationship

This certification is an integral part of any Agreement between American Electric Technologies, Inc. ("AETI") and a Joint Venture Partner. It is valid only if signed by authorized representatives of all parties of the Joint Venture:

This Agreement is contingent upon compliance with any applicable U.S. laws, particularly the Foreign Corrupt Practices Act ("FCPA"), as well as the laws of _____ *[Insert country in which the JV is located].*

_____ *[Insert name of JV Partner]* ("JV Partner") hereby represents and warrants that it is familiar with the requirements of the FCPA. AETI and JV Partner agree that all activities of JV Partner, and all of their actions on behalf of AETI, will be conducted in accordance with the FCPA and foreign law and that failure to do so may result in the immediate termination of the joint venture relationship.

JV Partner will maintain written books and records in accordance with Generally Accepted Accounting Principles (GAAP). Written records will be maintained of all expenditures made by or on behalf of the JV Partner that clearly and accurately identify the persons or entities that receive payments.

JV Partner shall employ no marketing representative or consultant without the written, advance approval of AETI.

This agreement can be terminated immediately either upon violation of its terms or in the event that the agreement is found to be impermissible under U.S. or foreign law.

The undersigned hereby certifies that he/she has authority to enter into and bind JV Partner to all the terms and condition of this Agreement, including the foregoing certification.

Signature of JV Partner
Representative: _____

Name of Representative (Printed): _____

Date: _____

Signature of AETI Representative: _____

Name of Representative (Printed): _____

Date: _____

AETI Foreign Corrupt Practices Act Policy Statement Certification for Outside Agents or Representatives

This certification is an integral part of any Agreement between American Electric Technologies, Inc. ("AETI") and outside individuals, firms, companies, and other third parties who are hired or compensated to act as agents or representatives and who will be acting on behalf of AETI. The Agreement is valid only if signed by an authorized representative of the third party:

This Agreement is contingent upon compliance with any applicable U.S. laws, particularly the Foreign Corrupt Practices Act ("FCPA"), as well as the laws of

_____ *[Insert
country(ies) in which services are to be performed by third party on behalf of AETI].*

On behalf of _____ *[Insert name of outside company/third party]*, the undersigned hereby represents and warrants that

_____ *[Insert name of outside company/third party]*
(the "Representative") is familiar with the requirements of the FCPA and will conduct all actions on behalf of AETI in accordance with the FCPA. The undersigned further represents and warrants that no money paid to Representative as compensation or otherwise has been or will be used to pay any bribe or kickback in violation of U.S. or foreign law. The Representative agrees to provide prompt certification of its continuing compliance with applicable laws whenever requested by AETI.

All agents or employees of the Representative who will be involved in representing AETI must be identified in writing to AETI and approved before they perform any actions on AETI's behalf.

A written accounting must be kept of all payments made by the Representative or its agents

or employees on behalf of AETI, or out of funds provided by AETI. A copy of this accounting must be provided to AETI upon request.

In no event shall any payment be made to the Representative or its agents or employees to any undisclosed third party.

It is understood and agreed that the Representative is an independent contractor without authority to bind AETI in any way.

This agreement can be terminated immediately either upon violation of its terms or in the event that the agreement is found to be impermissible under U.S. or foreign law.

The undersigned hereby certifies that he/she has authority to enter into and bind the Representative to all the terms and condition of this Agreement, including the foregoing certification.

Signature of Third Party
Representative: _____

Name of Representative (Printed): _____

Date: _____

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