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**GSE SYSTEMS, INC.**

**CONDUCT OF BUSINESS POLICY**

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1.0 Purpose

This policy sets forth Company standards of business conduct in a number of specific areas and explains the Company's Ethics Program. This policy is intended to clearly promulgate and reinforce the Company's philosophy to conduct business in an honest and ethical manner.

2.0 Background

The Company values its reputation for integrity. The business practices and activities of the Company, its subsidiaries and affiliates must always be characterized by honesty and the highest principles of business ethics. Everyone shares the responsibility for maintaining the ethical standards of the Company. No one will undertake, recommend, approve, condone, or permit any act or omission which violates laws, regulations, or Company policies, or which might be detrimental to public safety or public welfare.

3.0 Specific Conduct of Business Policies

3.1 Compliance with Laws and Regulations

The Company seeks strict compliance with all laws and regulations applicable to its business. All applicable laws and regulations will be observed in conducting the business of the Company. In cases of ambiguity or questions of interpretation, an employee must request advice from his or her supervisor or the Company's Ethics Program Compliance Officer, or General Counsel.

3.2 Fair Competition

The Company believes in fair and open competition. Under no circumstances will the Company enter into fraudulent or illegal arrangements with competitors affecting pricing or marketing policies.

### 3.3 Contributions

All requests for donations or charitable contributions to organizations outside the Company shall be approved in advance by the Chief Executive Officer.

### 3.4 Entertainment and Gifts

Entertainment or gifts should not be accepted if they might imply illegal or unethical conflicts of interest. The exchange of sales or promotional items bearing the company logo which are of insignificant value is permissible when the giving and receiving of such items is the standard practice of the customer. When acceptance of more valuable gifts is unavoidable because of local custom, common sense should prevail, and in any event they should be reported to the Chief Executive Officer for a determination of the extent to which they are considered the personal property of the recipient. When gift giving is customary in an international business setting, the value of such gifts should not exceed \$250 unless approved in advance by the Chief Executive Officer or President.

### 3.5 Corporate Hospitality

Acts of hospitality toward executives and other employees of existing or prospective clients, public officials and others in a position to influence the welfare of the Company should be of such a scale and nature as to avoid compromising the integrity or impugning the reputation of such individuals or the Company. No employee shall pay any bribe or make any other illegal payment on behalf of the Company, no matter how small the amount.

### 3.6 Proper Accounting

Compliance with accepted accounting rules and controls is expected at all times. The books of account, budgets, proposals, economic evaluation of projects and the like must truly reflect the transactions they record. All assets of the Company, in particular bank accounts in which Company cash is on deposit, shall be recorded in the regular books of the Company. All accounting records and supporting documents will be made available for the examination of independent auditors, and there shall be no concealment of information requested.

### 3.7 Candor Among Members of Leadership

Company leadership must be informed at all times of matters which might be considered sensitive in preserving the reputation of the Company. Concealment may be construed to be an indication that Company policies and rules can be ignored. Accordingly, there will be full communication with Company leadership even when it might appear that less candor is desirable to protect the Company or a particular activity or group within the Company. If an employee is unable to communicate with Company leadership, the employee should inform the Ethics Program Compliance Officer of the matter in question.

### 3.8 Conflicts of Interest

Employees will avoid activities or relationships which are incompatible with their employment by the Company or which place them in a position where there is a conflict between their private interests and the interests of the Company, its subsidiaries or affiliates. Should a conflict of interest or potential conflict of interest develop, employees must immediately disclose such situations to their supervisors, the Company's Ethics Program Compliance Officer, or the General Counsel for a determination of appropriate action.

### 3.9 Use of Inside Information and Stock Trading

Material information concerning the Company's business plans, finances, successes or failures is considered "inside" information, which is confidential and is the property of the Company. Use or disclosure of inside information for personal benefit is against the Company's interests and may be a criminal offense in violation of Federal securities laws and regulations. No director, officer, or employee of the Company shall use or disclose any information that is confidential to the Company or client for personal benefit. All directors, officers, or employees shall comply in all respects with the Company's Policy Regarding Trading in Securities and Protection of Confidential Information.

### 3.10 Representation

The Company's growth and ability to serve its clients depend largely upon each employee's ability to represent the organization. First and foremost, employees can best represent the Company by ensuring that its work is of the highest quality. Second, the Company encourages its employees to participate in appropriate professional organizations, professional meetings, and conferences related to their area of expertise. Third, the Company relies on its employees to identify and follow up new business opportunities with existing and prospective clients. Employees should ensure, however, that such activities are not undertaken at the expense of existing commitments and have the approval of their supervisors. To a large extent, the follow-up action necessary to develop new business opportunities relies heavily on the ability and willingness of the employee to put in extra effort.

In representing the Company, employees should keep in mind the guidelines contained in this policy and consult with their supervisor or the Chief Executive Officer or the President for further guidance, as required.

### 3.11 Outside Interests and Employment

All Company employees have a full-time duty of loyalty to the Company. They may not engage in activities that might interfere with the discharging of their responsibility or in transactions that reasonably might affect the decisions they make on behalf of the Company.

No Company employee shall solicit employment with a client for whom the employee is then performing services. Nor shall any employee conduct business on behalf of the Company that is intended to be prejudicial to the Company's interests.

However, the Company recognizes that certain employees must seek additional employment outside the Company to supplement their incomes to meet their financial obligations. Employees may undertake such activities provided: 1) they do not interfere with the employee's responsibilities to the Company; and 2) if the employment involves competitors or clients of the Company, the employee obtains the approval of the Chief Executive Officer or President prior to accepting such employment. In addition, an officer of the Company is prohibited from serving as an officer or in a similar capacity with another company (other than another subsidiary of the Company) without the prior approval of the Board of Directors, the Executive Committee, the Audit Committee, or (except with respect to service by the Chief Executive Officer) the Chief Executive Officer of the Company, or of the Company's subsidiary, as appropriate. Company

employees are advised to seek the guidance of the Ethics Program Compliance Officer to clarify any questions they may have on this policy.

#### 4.0 Ethics Program

##### 4.1 Oversight and Administration

4.1.1 The Chief Executive Officer and President are ultimately responsible for oversight of the Company's Ethics Program.

4.1.2 The Board of Directors of the Company will appoint an Ethics Program Compliance Officer who will be responsible for the day-to-day operation of the Ethics Program, including servicing the Business Conduct Hotline, advertising the Hotline to employees, maintaining records of Hotline calls, reporting Hotline calls to General Counsel, developing and distributing ethics training materials, maintaining records of ethics training attendance, and retaining original management business conduct compliance letters. As of March 6, 2007, the Board of Directors has designated Valerie Pelton, the Company's General Counsel, as the Ethics Compliance Officer.

4.1.3 The Ethics Compliance Officer will advise the Chief Executive Officer and the President of questionable conduct reported on the hotline, make preliminary inquiries and investigations as appropriate, and engage outside professional advisors if determined by the Chief Executive Officer and the President to be necessary.

##### 4.2 Hotlines

4.2.1 The Business Conduct Hotline provides a means for receiving confidential questions concerning any ethics-related issues of Company employees. The Hotline also provides a means for receiving confidential questions concerning any ethics-related issues of Company employees. The identity of employees using the Hotline will be kept confidential and protected to the greatest extent possible without compromising an investigation of any questionable conduct. To discuss ethical issues with our Ethics Compliance Officer, please call 866-458-0817.

#### 4.3 Ethics Training

Explanation and discussion of the Company Ethics Policy and this procedure is included in the Employee Orientation Program

#### 5.0 Disciplinary and Corrective Action

##### 5.1 Disciplinary Action

Disciplinary actions may be taken against employees found by the Chief Executive Officer and the President to have engaged in unethical conduct or to have condoned unethical conduct by failing to report the conduct once it became known to them. In addition to any actions taken against any such employee under the law, disciplinary actions ranging in severity from a verbal warning to termination of employment may be taken.

##### 5.2 Corrective Action

The Chief Executive Officer and the President may institute safeguards on an ad hoc basis relative to an individual, or the entire Company in order to protect against the commission or repeated commission of any unethical conduct.

Approved by the GSE Board of Directors: March 19, 2008