



Acoustic Technologies Inc.

Code of Business Conduct and Ethics

Effective as of: December 5, 2006

I. INTRODUCTION

This Code of Business Conduct and Ethics summarizes long-standing principles of conduct that Acoustic Technologies, Inc. (“Acoustic” or the “Company”) follows to ensure our business is conducted with integrity and in compliance with the law. Every employee, officer and director is expected to know and follow the policies outlined in this Code of Business Conduct and Ethics. Any employee or officer who violates the letter or spirit of these policies is subject to disciplinary action, up to and including termination.

Every Acoustic employee, officer and director has the responsibility to obey the law and act ethically. To that end, this Code of Business Conduct and Ethics is a guide that is intended to sensitize employees, officers and directors to significant legal and ethical issues that arise frequently and to the mechanisms available to report illegal or unethical conduct. It is not, however, a comprehensive document that addresses every legal or ethical issue that an employee, officer or director may confront, nor is it a summary of all laws and policies that apply to Acoustic business. For additional information regarding Acoustic policies, you should refer to the Acoustic confidential and proprietary Employee Handbook. Ultimately, no code of business conduct and ethics can replace the thoughtful behavior of an ethical employee, officer or director.

If you have any questions about this Code of Business Conduct and Ethics or are concerned about conduct you believe violates this Code of Business Conduct and Ethics, Acoustic policies or applicable laws, rules or regulations, you should consult with Tom Downey, Acoustic Corporate Compliance Officer, at (480) 507-4314 or tom.downey@acoustictech.com. No one at Acoustic has the authority to make exceptions to these policies, other than our Board of Directors or the Nominating and Governance Committee of our Board of Directors.

II. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Employees, officers and directors must comply fully with all applicable foreign, federal, state and local laws, rules and regulations that govern Acoustic business conduct, including, without limitation, antitrust laws, employee health and safety laws, environmental laws, insider trading laws and the Foreign Corrupt Practices Act.

Antitrust Laws

The criminal provisions of the antitrust laws prohibit, among other things, any agreement between competitors regarding prices to be charged, competitive bidding, customers to be solicited or geographic areas to be served. These types of agreements are routinely prosecuted as criminal offenses. Both the individual perpetrators and the companies they represent may be charged with criminal activity and, if convicted, may be subject to severe penalties, including substantial fines and prison terms for the individuals involved in the illegal activity. Antitrust violations also subject us to civil suits (often large-scale class actions) in which customers or other successful plaintiffs are entitled to recover three times the damages they prove, plus their attorneys’ fees.

Any contact with a competitor may be hazardous. An agreement between competitors need not be written or precise in order to be challenged under the antitrust laws; a general and informal understanding is sufficient. Thus, illegal agreements are often proved through circumstantial evidence of “small talk,” “casual discussions” and “harmless” exchanges of business information. You should avoid such discussions, whether they occur in a large, formal group or in a social setting following a trade association meeting.

If a competitor raises a competitively sensitive topic or any other matter that you believe might violate the antitrust laws or our company policy, you should immediately and firmly decline to discuss it and inform the Corporate Compliance Officer as soon as possible.

Employee Health and Safety Laws

Acoustic is committed to providing a healthy and safe work environment. To that end, we must comply fully with all federal, state and local health and safety laws, rules and regulations. It is your responsibility to prevent accidents by maintaining a safe work environment and following safe work procedures and practices.

Acoustic recognizes that employees, officers or directors who work while under the influence of alcohol or illegal drugs pose dangers to themselves and others. It is therefore Acoustic policy to forbid the possession and use of alcohol and illegal drugs by any employee, officer or director while engaged on company business or in the workplace. There is also no valid reason ever to be in possession of a weapon or firearm while on company property. Whether registered or not, employees, officers and directors are forbidden to bring a weapon or firearm onto our premises.

Environmental Laws

Acoustic policy is to obey strictly the laws that protect the environment. Any person who knowingly or negligently violates requirements or prohibitions of such laws, including the stated conditions of approved permits, can be subject to substantial fines and penalties, both civil and criminal.

Foreign Corrupt Practices Act

In general, the Foreign Corrupt Practices Act ("FCPA") prohibits Acoustic from making or offering to make payments or promises to foreign governments, foreign officials, foreign political parties, candidates for foreign political office and other persons known to be conduits to such recipients if the purpose of such payment or promise is to obtain or retain business or to direct business to any other person. Both civil and criminal liability is imposed for violations of the FCPA requirements and proscriptions.

III. CONFLICTS OF INTEREST

Business decisions must be made in the best interest of Acoustic Technologies, Inc., not motivated by personal interest or gain. Therefore, as a matter of Acoustic policy, all employees, officers and directors must avoid any actual or perceived conflict of interest.

A "conflict of interest" occurs when an individual's personal interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of Acoustic Technologies, Inc. A conflict of interest situation can arise when an employee, officer or director takes actions or has interests (financial or other) that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also may arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in Acoustic Technologies, Inc., regardless of whether such benefits are received from Acoustic or a third party. Loans to or guarantees of obligations of, employees, officers and directors and their respective family members are of special concern. Federal law currently prohibits Acoustic from making loans to directors and executive officers.

It is difficult to identify exhaustively what constitutes a conflict of interest. For this reason, employees, officers and directors must avoid any situation in which their independent business judgment might appear to be compromised. Questions about potential conflicts of interest situations, and disclosure of these situations as they arise, should be addressed and reported to Tom Downey, Acoustic Corporate Compliance Officer at (480) 507-4314 or tom.downey@acoustictech.com.

IV. CORPORATE OPPORTUNITIES

Employees, officers and directors are prohibited from: (a) taking for themselves personally opportunities that properly belong to Acoustic or are discovered through the use of corporate property, information or position; (b) using corporate property, information or position for personal gain; and (c) competing with Acoustic Technologies, Inc. Employees, officers and directors owe a duty to Acoustic to advance its legitimate interests when the opportunity to do so arises.

V. CONFIDENTIALITY

Employees, officers and directors must maintain the confidentiality of all information entrusted to them by Acoustic Technologies, Inc., our customers or suppliers, or others with whom we may conduct business, except when disclosure of such information is specifically authorized by Acoustic or required as a matter of law.

Confidential information includes any information that has not been made available to the public that provides insight into our current or anticipated business activities. It also includes important nonpublic information about firms with which we have dealings, including customers and suppliers. You should not share confidential information with friends, relatives or other non-employees, or discuss confidential matters in public places, such as elevators, public transportation (including airplanes) or restaurants.

All inquiries regarding Acoustic from non-employees, such as financial analysts and journalists, should be directed to Acoustic chief executive or chief financial officer. Acoustic policy is to cooperate with every reasonable request of government investigators for information. At the same time, Acoustic is entitled to all the safeguards provided by law for the benefit of persons under investigation or accused of wrongdoing, including legal representation. If a representative of any government or government agency seeks an interview with you or requests access to data or documents for the purposes of an investigation, you should refer the representative to the Corporate Compliance Officer. You also should preserve all materials, including documents and e-mails, which might relate to any pending or reasonably possible investigation.

VI. FAIR DEALING

Each employee, officer and director must endeavor to deal fairly and in good faith with Acoustic customers, suppliers, competitors and employees. No employee, officer or director shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practices.

Acoustic policy is to select, place and work with all our employees and officers without discrimination based on race, color, national origin, gender, age, religion, disability, veteran's status, or actual or perceived sexual orientation. Equal opportunity is one of Acoustic firmest and most basic beliefs.

Further, it is the responsibility of each of us to help Acoustic provide a work atmosphere free of harassing, abusive, disrespectful, disorderly, disruptive or other nonprofessional conduct. Sexual harassment in any form, verbal or physical, by any employee, officer or director will not be tolerated. A violation of this policy will be treated with appropriate discipline, up to and including termination.

VII. PROTECTION AND PROPER USE OF COMPANY ASSETS

All employees, officers and directors must protect Acoustic assets and ensure their efficient use. Such assets include, without limitation, intellectual property such as the Acoustic name, logos, trademarks, patents, copyrights, confidential information, ideas, plans and strategies. Theft, carelessness and waste have a direct impact on Acoustic profitability. Any misuse or infringement of Acoustic assets should be reported to the Corporate Compliance Officer.

VIII. REPORTING ILLEGAL OR UNETHICAL BEHAVIOR

All employees, officers and directors have a duty to adhere to this Code of Business Conduct and Ethics.

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about possible illegal or unethical behavior that has occurred and, when in doubt, about the best course of action in a particular situation.

If you are concerned about a violation of this Code of Business Conduct and Ethics or other illegal or unethical conduct by employees, officers or directors of the Company, contact your supervisor or call or write the Corporate Compliance Officer. A separate e-mail address and voice mail will be set-up for the Corporate Compliance Officer. Confidentiality will be maintained to the fullest extent possible.

No employee will be penalized for making a good-faith report of violations of this Code of Business Conduct and Ethics or other illegal or unethical conduct, nor will we tolerate retaliation of any kind against anyone who makes a good-faith report. An employee, officer or director who submits a false report of a violation, however, will be subject to disciplinary action. If you report a violation and in some way also are involved in the violation, the fact that you stepped forward will be considered.

The Corporate Compliance Officer will investigate all reports of violations. You should not investigate on your own but leave such work to the appropriate persons chosen by the Corporate Compliance Officer. If the result of an investigation indicates that corrective action is required, Acoustic will decide what steps to take, including, when appropriate, legal proceedings and disciplinary action up to and including termination, to rectify the problem and avoid the likelihood of its recurrence.

IX. RELATIONSHIP TO EMPLOYEE MATERIALS

This Code of Business Conduct and Ethics does not supercede, change, alter or replace the existing policies and procedures already in place as stated in the Employee Materials and communicated to Acoustic employees, officers and directors. Certain policies referred to herein are contained in their entirety in the Employee Materials, and employees, officers and directors are instructed to refer to the Employee Materials for a copy of those policies and required reporting procedures. The Employee Materials contains information that is proprietary and confidential, and

Acoustic hereby expressly denies waiving any right to assert claims that the contents of the Employee Materials are proprietary and/or confidential.

This Code of Business Conduct and Ethics and the Employee Materials are statements of goals and expectations for individual and business conduct. They are not intended to, and do not in any way constitute, an employment contract or an assurance of continued employment. Acoustic does not create any contractual rights by issuing this Code of Business Conduct and Ethics or the Employee Materials.

X. AMENDMENT, MODIFICATION AND WAIVER

This Code of Business Conduct and Ethics may be amended, modified or waived by the Board of Directors of the Company or the Nominating and Governance Committee of the Board of Directors of the Company. Any change to, or waiver of, this Code of Business Conduct and Ethics for executive officers or directors must be disclosed promptly to our stockholders by publishing a statement on our website.

XI. ACKNOWLEDGMENT

Employees, officers and directors are accountable for knowing and abiding by these policies. Acoustic may require that employees, officers and directors sign an acknowledgment confirming that they have received and read this Code of Business Conduct and Ethics, understand it and are complying with it. Acoustic also may require certain supervisory personnel to complete an annual questionnaire regarding their knowledge of any potential or actual violations of this Code of Business Conduct and Ethics.

A full copy of this Code of Business Conduct and Ethics may be found on the Acoustic website.

CODE OF ETHICS – EMPLOYEE ACKNOWLEDGEMENT FORM

The Code of Ethics describes important principles of conduct that Acoustic Technologies follows to ensure our business is conducted with integrity and in compliance with the law. Only the Board of Directors of Acoustic Technologies has the ability to adopt any revisions to the principles in the Code of Ethics.

As an employee of Acoustic Technologies, I have received a copy of the Code of Ethics and I understand that it is my responsibility to read and comply with these principles contained in this document and any revisions made to it. I also understand the Code of Ethics is available at all times on the Acoustic Technologies website.

EMPLOYEE NAME (printed): _____

EMPLOYEE SIGNATURE: _____

DATE: _____