

Code of Business Conduct and Ethics

This Code of Conduct does not constitute a promise or guarantee of any kind to any employee, and is not intended to create any contractual obligation on Penn Engineering & Manufacturing Corp., and should not be relied on as such. Notwithstanding this Code of Conduct, employment with Penn Engineering remains “at will”.

1.0 Purpose

Under our Code of Conduct, we seek to conduct our business in accordance with the highest standards of business ethics at all of our locations throughout the world, and we encourage employees to bring ethical questions to management’s attention so that we can maintain our high standards.

The common values of high business ethics that have characterized our approach to business throughout our history demand high professional standards, place a premium on honesty and fair dealing in relationships with our customers, suppliers, employees and other persons with whom we have business relationships, and anticipate that we will compete vigorously and fairly in the markets we serve and comply with laws that affect our business.

This Code of Conduct also reinforces our commitment to the spirit and practice of equal employment opportunity and the benefits of a diverse workforce. This Code of Business Conduct and Ethics applies to the Company’s directors, officers, and employees.

2.0 Guidelines

Introduction.

Penn Engineering & Manufacturing Corp. has a reputation for conducting its business on a highly ethical level. It is important that we continue this record of integrity in the future.

Each and every director, officer, and employee of the Company, throughout all of the Company’s locations is responsible for the maintenance of our fine reputation. We expect that each director, officer, and employee will support the Company’s principles of business ethics and behave in a manner consistent with these high standards. We also expect that no employee in a supervisory position will instruct a subordinate to violate the ethical guidelines of the Company.

Compliance with Laws, Rules, and Regulations.

Each of our directors, officers, and employees is expected to comply with the law, but our standard of business ethics goes beyond compliance with law. No list of rules can substitute for the exercise by anyone who represents our Company of basic morality, common decency, high ethical standards, and respect for the law. If an employee is in doubt about the acceptability of a particular course of action, the following test should be applied: Assuming full public disclosure of the action, would both the employee and the Company feel comfortable from a moral, ethical, and legal standpoint? If the answer is “Yes,” then the action is very probably consistent with our Company philosophy.

It is our policy to comply with the laws that affect the conduct of our business. It is the responsibility of each director, officer, and employee to have a familiarity with the principles of law that affect the performance of his/her job, to assist the Company in

complying with the law, and to seek the advice of the employee's supervisor or the Manager of Personnel if the employee is uncertain of relevant legal principles.

Insider Trading.

Directors, officers, and employees are reminded that it is a violation of United States law to buy or sell Company stock on the basis of material information not available to the public. Directors, officers, and employees who have access to or become aware of confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about the Company, as well as non-public information about the Company's customers and suppliers, and companies with whom the Company does business should be considered confidential information. To use material non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. Please refer to the Company's memorandum regarding insider trading for a more comprehensive discussion of this subject.

Competition and Fair Dealing.

We place a premium on honesty and fair dealing in relationships with and among our directors, officers, and employees and in conducting our business activities. Directors, officers, and employees are expected to be truthful in dealing with others. All reports or responses to questions provided within the organization or to outsiders (customers, suppliers, financial institutions, governmental agencies of all kinds, other organizations and/or people with a need or right to receive information) are expected to be truthful, accurate and not misleading in any way.

Our products and services will be sold on their merits. We will compete vigorously and fairly in the markets we serve. We will afford our competitors the degree of respect that we expect them to afford us.

Directors, officers, and employees will not use improper or illegal methods to obtain information regarding our competitors. We will not ask or encourage employees or prospective employees to divulge confidential information to which they may have had access as a result of associations with other companies.

Confidentiality.

In the course of performing their duties, directors, officers, and employees may have access to personal, confidential information concerning other directors, officers, and employees such as information appearing on job applications, salary information or other confidential information concerning that director, officer, or employee. Unless the employee chooses to disclose it or to discuss it with others, this information will be treated as confidential, used only for proper purposes, and divulged only to those having a "need to know".

Protection and Proper Use of the Company's Assets.

The Company's tools, equipment, facilities and inventories, as well as its know-how, technology, market information and business plans, are all valuable assets. It is the responsibility of every director, officer, and employee to preserve and protect the Company's assets and confidential business information and to see that they are not

misused or made available to outsiders in any fashion that could be detrimental to the interests of the Company.

Conflicts of Interest.

No director, officer, or employee will place himself or herself in a position where his or her loyalty to the Company becomes divided such as due to a financial interest in a competitor, supplier, or customer.

Directors, officers, and employees may entertain customers, suppliers and other persons, and may be entertained by such persons, in a manner that is customary and necessary for conducting business and is consistent with the Company's policies.

Penn Engineering forbids its directors, officers, and employees to make illegal bribes, gifts, or kickbacks intended to secure favored treatment for the Company from customers, suppliers, or others. This rule also applies to the use of intermediaries to make such payments. Any employee who finds themselves in a situation calling for payments which might be construed as illegal bribes or kickbacks must so advise their supervisor and/or the Manager of Personnel.

The acceptance of gifts from suppliers, customers or others having business dealings with the Company may involve a conflict of interest or create an appearance of impropriety. Accordingly, Company directors, officers, and employees shall not accept any cash payments from persons having a business relationship with the Company.

Directors, officers, and employees may accept reasonable non-cash gifts having a token or nominal value from any company or individual which has, or might have, a business relationship with the Company provided that they are not intended and cannot be construed as a bribe, kickback or other form of compensation to the recipient.

Miscellaneous.

We are committed to providing safe working conditions for our employees, to promoting the safe design, use and handling of our products and to complying with laws relating to the protection of the environment. Each employee is expected to promote these goals in carrying out his/her tasks.

We are an Equal Opportunity Employer. We expect all of those who are responsible for making or influencing hiring, promotion, or other career decisions for the Company to support our equal employment opportunity commitments.

We expect each employee to practice and promote high professional standards in carrying out his/her tasks and in his/her relationships with other employees, suppliers, customers, stockholders, and other persons having dealings with the Company.

Consistent with these standards, directors, officers, and employees are expected to treat each other with dignity and respect. The responsibility to treat fellow employees with dignity and respect is particularly strong in the case of those employees whose position with the Company may enable them to influence the job security, compensation, promotion or career of other employees. This responsibility includes, among other things, the responsibility to avoid conduct constituting sexual harassment and conduct demeaning to a person's race, religion, creed, national origin, or disability, if any.

The Company makes no political contributions anywhere in the world. The Company encourages its directors, officers, and employees to exercise their individual rights to be active in local or national politics, however no political postings of any nature will be allowed on Company property.

And we will be mindful of the communities in which we operate and be a part of those communities by supporting local charities, allowing employees to volunteer for fire and rescue services, providing support to local school systems in an effort to encourage the diverse skills needed in a manufacturing environment, etc.

And finally, we will be mindful of the environment at each of our locations and will help preserve and conserve our precious resources. We will make all effort to avoid a situation which might lead to an environmental problem, but should a problem occur, we will act immediately with our own personnel and local and state authorities to mitigate the effects of any such problem.

Reporting of any Illegal or Unethical Behavior.

In the unlikely event that an employee becomes aware of circumstances that appear inconsistent with our Code of Conduct, or the employee is instructed by a supervisor or manager to act in a manner inconsistent with our Code of Conduct, the employee should ordinarily bring the matter to the attention of his/her supervisor. If, under the circumstances, the employee feels he/she cannot approach his/her supervisor, or the matter is not resolved as a result of discussions with the supervisor, he/she should immediately contact our Manager of Personnel, the Company President, or its Chairman. If the facts reveal that such a violation may have occurred, the Company will investigate the situation and take appropriate action.

The Company is committed to protecting responsible employees who report in good faith violations of the Code of Conduct to management from reprisals or retribution. On the other hand, an employee who participates in or conceals a violation of the Code of Conduct may be subject to disciplinary action, including the possibility of termination of employment.

Investigation and Corrective Action.

Upon receipt of a complaint under this Code, the Company will promptly investigate the complaint and will involve agencies and resources outside the Company if and when such outside involvement appears advisable or necessary. The Company will exercise discretion regarding the confidentiality of the report and investigation to the extent consistent with the need for a thorough investigation and response and taking into consideration the Company's disclosure obligations and requirements.

The Board of Directors or the Audit Committee shall conduct, or designate appropriate persons, within or outside of the Company, to conduct, any investigation concerning alleged violations of this Code by any director, the Chief Executive Officer or any of the Company's senior financial officers. The Compliance Officer or other appropriate personnel designated by the Board or the Audit Committee will conduct, or designate appropriate persons to conduct, any investigation concerning alleged violations by other officers and employees. Directors, officers, and employees are expected to cooperate in internal investigations of alleged misconduct.

At the conclusion of any such investigation involving any director, the Chief Executive Officer, or any of the Company's senior financial officers, the person leading the investigation will report to the Audit Committee or the full Board of Directors the results of the investigation and any remedial measures such investigator recommends. At the conclusion of any such investigation involving other officers or employees, such investigator shall make such a report to the Compliance Officer and the Chief Executive Officer, as appropriate.

The Company will take all actions deemed appropriate by the Board of Directors, the Audit Committee, the Chief Executive Officer, or the Compliance Officer, as applicable, as a result of any such investigation. If it is determined that a director, officer, or employee of the Company has violated this Code, such action may include disciplinary action, up to and including termination of employment. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code, and may include written notices to the individual involved of the determination that there has been a violation, censure, demotion, or re-assignment of the individual involved, suspension with or without pay, or benefits or termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors or other appropriate designated person shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action, and whether or not the individual in question had committed other violations in the past.

Any and all complaints and related information received under this Code will be retained for seven years from the date of the complaint, or such other period of time as may be required by law.

Applicability of Code of Ethics

The Company has adopted a Code of Ethics applicable to the Chief Executive Officer and senior financial and accounting officers. This Code of Ethics is hereby made applicable to all directors, officers, and employees.

Whistleblower Protections.

It is the policy of the Company to provide employees with a working environment that is free of retaliation based on the employee's good faith reporting or disclosing of any violation of law, this Code or other policy. Reports may be made anonymously.

Waivers.

Any waiver of this Code for directors or executive officers may be made only by the Board of Directors or the Audit Committee and will be promptly disclosed as required by law or regulation. Waivers for other personnel may be made by such committees of the Board or officers to which the Board may delegate such authority from time to time.

Conclusion.

The guidelines set forth above cover some, but by no means all, of the situations that might arise. These guidelines apply worldwide to Penn Engineering & Manufacturing Corp. and

each of its operations. Periodically, the Company may elaborate upon particular issues in separate policy statements and may adopt additional or amended guidelines.

We trust that we can count upon all of our directors, officers, and employees to maintain the excellent reputation of our Company that we have established for almost 60 years.