

CODE OF BUSINESS CONDUCT AND ETHICS

Offering Business Courtesies

Commercial

Frequency's policy is to treat its customers, vendors and other business contacts with good faith and fairness, in accordance with applicable laws and regulations, without bias or favoritism. The Company subscribes to the principle that business should be won based on the excellent value of FEI's products and services, and the record of its performance. While the providing of modest entertainment and business courtesies is at times appropriate, the entertainment or courtesy must not violate any law, regulation, or policy of the recipient's employer. Business courtesies are never to be offered for or because of a return business favor from the recipient. Business courtesies always should be modest in value, and should never be extended under circumstances that could create even the appearance of impropriety or cause embarrassment to the Company.

Government

FEI employees who deal with our government customers are responsible for knowing and adhering to the particular laws, regulations and policy of the recipient regarding business courtesies. This is particularly important when dealing with employees of the United States Government. As a rule, government employees are forbidden by law from accepting anything of value from a contractor who does business with the government. This includes even the most modest of meals, transportation, or promotional items. While there are some government exceptions to the general rule, FEI has adopted a policy forbidding its employees and consultants from giving anything of value to any government employee. There are no exceptions even where the government's own rule would permit receipt of the gift or courtesy. Any question regarding the propriety of providing or accepting meals, refreshments, entertainment, transportation or anything of value should be referred to the FEI Ethics Officer. (See also Section VII, the Company's Government Compliance Program.)

Accepting Business Courtesies

Commercial

It is FEI's policy to avoid granting unfair consideration to any supplier, vendor, or other business associate. Company personnel who deal with FEI's vendors, suppliers and outside consultants must be alert to situations where the acceptance of business courtesies such as meals, gifts, and tickets to sporting events might cause or create the appearance of favoritism in the allocation of Company business. FEI employees are discouraged from accepting business courtesies even of modest value (under \$25), even if such acceptance is infrequent. FEI employees may not accept business courtesies where there is an expectation of favorable reciprocal treatment, spoken or unspoken. FEI personnel who deal with vendors, suppliers and consultants are responsible for exercising good judgment and common sense in accepting business courtesies. Employees who have no responsibilities under government prime contracts or subcontracts may accept only those customary business courtesies that are reasonable in frequency and value, and then only when such acceptance would be consistent with the reputation of the company for honest and fair dealing. Should you have a question as to the propriety of accepting a gift, please feel free to seek the guidance of the Ethics Officer in handling the situation. In no event shall any employee accept

anything -- even an item of nominal value -- if the item is offered with the expectation of favorable treatment or reward .

Government

Many situations easily can be identified as illegal or unethical. Accepting a bribe or kickback or furnishing a false statement, for examples, are clearly prohibited by law as well as by Company policy. There are other more subtle situations, however, that likewise could give rise to a violation of company policy. This is especially true in contracting with the United States Government, where a number of special rules exist that have no counterpart in the commercial marketplace. Violation of these rules could lead to the loss of a new business opportunity, termination of an existing contract, or even disciplinary action against the involved company employee.

The rule on acceptance of anything of value is much more restrictive when dealing with suppliers and subcontractors under government prime or subcontracts. Under the Anti-Kickback Act, kickbacks are defined as:

Any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any prime or subcontractor, prime or subcontractor employee, for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime or subcontract.

Where FEI is the prime contractor or subcontractor under a United States Government contract, company personnel who have responsibility for dealing with suppliers and subcontractors **shall not accept anything of value** from a supplier or subcontractor.

Violation of the Anti-Kickback statute carries severe penalties for the company and its employees. FEI is committed to prevent and detect kickbacks in its own operations. **Furthermore, the company must report all instances where there is a reasonable suspicion that violation of the Anti-Kickback Act has occurred.** It thus is the responsibility of each FEI employee to ensure that the rules are followed. If any employee suspects that a kickback has been offered to or received by a company employee, it is their duty to report it promptly. Reports may be made to the Ethics Officer. Just as acceptance of a kickback can lead to disciplinary action, so too can failure to report the possible violation of this policy.

Proper Marketing Practices

FEI's success over the years derives from developing and delivering high quality technology products and services on time. Competitively priced superior products and services, therefore, is our primary marketing tool. Because our reputation is built upon excellence, there is no need for misrepresentations, false claims, or shades of truth. Likewise, we must never try to secure an unauthorized competitive advantage through the unlawful or unethical acquisition of a competitor's information.

Financial Integrity

All Frequency Electronics directors, officers, and employees have a direct role in helping to maintain the company's financial integrity by keeping company records accurate. We have a

fundamental obligation to make sound business decisions on behalf of the company that are undistorted by our individual family, financial or other interests.

All directors, officers, managers, and employees must have an unyielding commitment to maximize the value we create for shareholders: We do this through (1) compliance with applicable laws, regulations and company policies, (2) rigorous business processes to ensure that management decisions are based on sound economic analysis (including a prudent consideration of risks), and that FEI's physical, financial and intellectual property assets are safeguarded and optimally employed; and (3) integrity in communications to ensure timely and accurate reporting of actual and projected financial information. Through the unwavering commitment of all employees to this process, we create an environment in which we can all take pride.

FEI is committed to the highest standards of compliance with all applicable security laws and regulations, accounting standards, accounting controls, and audit practices. All financial reporting will fairly and accurately reflect the highest standards of compliance.

All employees and their supervisors have a responsibility and are encouraged to report any suspected violations of the company's financial reporting standards.

Basic Requirements

Follow FEI's general accounting procedures, as well as all generally accepted accounting principles, standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts.

Maintain complete, accurate and timely records and accounts to reflect all business transactions.

Properly safeguard all physical, financial, intellectual, and other company assets.

Use economic, risk-based criteria to make business decisions.

Provide timely, candid forecasts and assessments to management.

Maintain sound processes and controls.

What FEI Employees Are Urged to Watch For:

- Financial results that seem inconsistent with underlying performance.
- Inaccurate financial records, such as erroneous time sheets or invoices, or overstated expense reports.
- Transactions that are inconsistent with good business economics.
- Confidential information released to unauthorized third parties.
- Absence of controls to protect assets from risk of loss.
- Physical assets or other resources that could be more fully utilized, reallocated or disposed of.
- Circumventing review and approval procedures.
- Adequacy of routines and controls at newly acquired businesses and at remote, thinly staffed sites.

Special Procedures under Section 310 of the Sarbanes-Oxley Act of 2002

FEI's Audit Committee has established a system to facilitate the receipt, retention, and treatment of complaints from employees or external third parties regarding any questionable accounting,

internal accounting controls, or auditing matters. The system provides two special reporting channels for this purpose:

*A third party, toll-free hotline in the U.S., 1-877-647-3335. Callers will be assisted by professional staff, available 24 hours a day, 7 days a week.

*An internet on-line hotline, <http://reportit.net>

All reports received through these channels will be directed to corporate counsel. Reports relating to accounting or auditing matters will be reviewed under Audit Committee direction. Confidentiality will be maintained, to the fullest extent possible, consistent with the need to conduct an adequate review. Corrective action will be taken as warranted, including a reply to the person(s) submitting the report, if identified. A record of all reports and the disposition thereof will be maintained by the Ethics Officer.

Reports may be submitted anonymously. Individuals who choose to report a suspected violation will be protected from retaliatory action of any kind in accordance with applicable laws and regulations. This includes actions taken by the individual to provide information, assist in investigations, or testify in a proceeding related to the suspected violation.

The Chief Executive Officer and the Chief Financial Officer will each sign a yearly certification regarding the Company's Code of Business Conduct and Ethics, which includes standards for financial integrity and special procedures for the Audit Committee under this section of the Code.

Additional Considerations Concerning Doing Business with the United States Government

General Policy

FEI's general policy in doing business with the government is (i) to protect the public interest so that government decision makers act on the merits of the particular contract action and not because of undue influence, (ii) to promote the government's goal of full and open competition by avoiding collusive practices that could be deemed to be inimical to competition, and (iii) to provide only factually correct information to the government by ensuring accuracy, currency and completeness of all information provided.

Preparing and Submitting Claims and Proposals

There are special requirements that apply when the company submits a contract claim in connection with a government contract. All contract claims will be coordinated in advance with the Company legal counsel. A claim in excess of \$50,000 must be submitted with a certification that the company believes the claim is made in good faith, that the supporting data are accurate and complete to the best of the company's knowledge and belief, and that the amount requested accurately reflects the contract adjustment for which the company believes the government is liable. Employees must exercise due care in preparing such claims for legal review.

Similarly, the company's proposals for contracts and contract change modifications in excess of \$500,000 often require the submission and certification of cost and pricing data. This imposes significantly different disclosure obligations than those the company faces in the private sector.

Where the law requires disclosure, all employees who are involved in the preparation of a proposal to the government must ensure that all cost and pricing data are current, accurate, and complete as of the date of agreement on contract price.

Representations and Certifications

All of the proposals that FEI furnishes to the government and its prime contractors contain important certifications and representations. For example, the company may be required to certify that it has complied with or intends to comply with federal socioeconomic laws and regulations. It is the responsibility of each employee who prepares, signs, or in any way supports the company's certifications and representations to assure that these important documents are prepared carefully and accurately. A false certificate can lead to civil and criminal sanctions against the company as well as the involved employees.

Employing Government Personnel

There are strict laws and regulations that govern the recruiting and hiring of current and former government personnel, including both military and U.S. civil service employees. Violations could result not only in sanctions against the government employee, but could include civil and criminal liability for the company.

The rules in this area are many and complex. For instance, some former government personnel are prohibited from being employed at all by certain contractors. Others have one or two year restrictions on being able to contract with their former agencies on behalf of their new employers. All former government employees, of whatever rank or grade, have a life long restriction related to all particular matters for which they had personal and substantial responsibility as federal employees. In all cases, it is necessary to conduct a thorough review of the candidate's prior government service before employment discussions are held with the individual.

Many employment discussions begin between technical personnel. Accordingly, prior to the holding of any employment discussions - including discussion between technical personnel - with a current or former government employee, the matter shall first be reviewed and approved by the FEI Human Resources Office.

Quality Assurance

FEI customers are entitled to and will expect strict compliance with the work described in the contract. Quantity, quality, material, testing, specifications and inspection requirements in contracts and subcontracts must be observed. FEI's policy is to insist on integrity in the services we provide and integrity of the records and reports related to that work. Therefore, substitution of materials or contractually required skill levels or procedures will only be made with the prior written approval of the customer. We will always conduct the appropriate tests and inspections to assure all standards and specification are met. Vendors and suppliers must likewise be required to meet all quantity, quality, material, testing, and inspection requirements in FEI purchase orders and subcontracts.

Labor and Material Charging

Making the best use of time on the job is essential to meeting our obligation to customers, shareholders and others. We are personally accountable for the proper use of our time and are expected to be on the job when scheduled and conform to rules governing performance on that job.

Given the nature of some of our contracts, accurate accounting of our time as well as our material costs is an essential part of the trust our customers place in us. Frequency employees and consultants shall complete time entries on a daily basis, even in circumstances where the particular contract permits lesser frequency. Time entries, time sheets and all other business records must be complete and accurate. Falsification of time entries, time sheets or other records is strictly prohibited. Correction of time sheets or other records can only be accomplished in accordance with established FEI procedures and must be supported by appropriate documentation and approvals.

Consultants, Agents, and Representatives

FEI shall use the services of outside consultants only when it is more cost effective than using employees of the company to perform the required services or where the nature of the services requires a person not otherwise available within the company. Consultants, agents, or other representatives under contract with FEI shall be required to comply with this Code in the same manner and to the same standards as FEI employees. Consultants will receive an orientation and a copy of our code at the start of their assignment. FEI's exposure if a consultant were to act inappropriately or to violate the law in the course of providing services to the company can be the same as if the consultant were a full-time employee. It is important, therefore, that consultants engaged by the company be selected with great care. Engagement of consultants shall be coordinated in advance with the Human Resources Office. Consideration should be given to the knowledge and experience of the consultant, as well as to the reputation of the consultant for integrity. Failure of a consultant to comply with statutes, regulations and contractual requirements shall be grounds for immediate termination of the agreement with the consultant.

Responsibilities

Conflicts of Interest

Each FEI employee is expected to devote his/her entire time and effort to the business of the Company. No employee will engage in any other business that may be similar to or in competition with that of FEI. At any time that there is a question as to a competing business, guidance will be provided by the Human Resources Office.

Drug Free Workplace

Frequency is committed to maintain a drug free work place. There are serious personal and business consequences of being involved in an alcohol or substance abuse accident. We are committed to having a safe working environment for the benefit of our employees and customers. The use or introduction of any illegal substance abuse items on company premises or at company sponsored functions is strictly prohibited.

Equal Opportunity

The Company affirms its position that all personnel actions shall be without regard to race, color, religion, sex, age, national origin, veteran status, or handicap. The Company further recognizes that its strength derives from the diverse nature of the employees at its facility. We will try to be sensitive to the needs, as best we can, caused by cultural differences and those diversities.

Company Information and Intellectual Property

Because of the nature of FEI's business, we regard safeguards as a vital concern. Our business is highly competitive and our continued success depends on the ability to out-perform our competitors.

In the normal process of business, employees may be exposed to information about the company that might be detrimental if known by outside parties. None of this information including company methods, processes, or research programs should be discussed with friends or relatives outside of the Company. It should be discussed only as necessary to the normal processing of our daily business with those that have a need to know.

In the government portion of our business, we are a defense contractor. In this area, our facility is cleared to the SECRET level under the authority of the Department of Defense. It is imperative that those cleared employees do their utmost to safeguard all classified information. Compromise of classified information will be regarded as a breach of company policy and may result in disciplinary action.

Computer software

All software packages used at FEI must be purchased and licensed to FEI and be authorized for use by the MIS department. Most software packages allow only for single station use. Programs may not be copied for use on multiple stations without obtaining permission and proper procedures from the Information Systems Office.

Health and Safety Issues

It is FEI's policy to establish and manage a safe and healthy work environment. As such, FEI will comply with all health and safety laws and regulations, and establish our own stricter standards where laws are not adequately protective or do not exist.

Environment

FEI recognizes that the resources we use are finite. In keeping with the growing consciousness of our ecosystem, FEI will continue to promote energy conservation and recycling where appropriate.

Community Relations

FEI recognizes its responsibility to the communities in which we live and work. As citizens of the broadly defined human neighborhood, we must do our fair share to support good works and charity and bear our fair share of taxes. We must encourage civic improvements, as well as better health and education. Indeed, we are all part of a greater society and individually and collectively we must play our role in helping our community.

Dealing with the Media

In order that the Company may speak with "one voice" all employees of FEI are to refer any and all inquiries from the media to the Office of The Chairman of the Board of Directors.

Securities Law

In the course of everyday business operations and employee may become aware of non-public material information relating to important business matters. Securities law, and Company policy, prohibit persons from trading on the basis of non-public material information.

The Company's Compliance Program

The cornerstone of ethical business conduct is communication to Company employees and consultants of what the Company considers proper business practice. This Code and periodic

business ethics training are intended to ensure that all FEI employees and consultants know the rules. FEI also has designated the Director of Human Resources as the Government Contracts Compliance Officer. The Director of Human Resources is a resource to all employees and consultants as to questions on doing business with the Government.

In this regard, FEI expects the personal commitment of all employees and consultants to maintain the company's reputation as an ethical and responsible business organization, and to report any suspected improprieties in accordance with established procedures (see below).

Global Trade

FEI complies with import and export laws and regulations. Countries may impose economic sanctions restricting business dealings with specific countries, economic sectors, entities or individuals of concern. Export controls on the export or in-country transfer of certain restricted items or technology are also common. We comply with all economic sanctions, including economic sanctions administered by the U.S. Office of Foreign Assets Control (OFAC) as further described in FEI's Sanctions Compliance Program, as well as export control laws applicable to our business and we do not participate in boycotts that the United States does not support.

How to Handle Ethical Issues

FEI is committed to operating its business in accordance with the highest levels of integrity and ethical standards. Should an improper practice or irregularity occur within the Company, management is committed to making all necessary corrections, taking remedial actions to prevent reoccurrence, and making timely and open disclosures of the improper actions to the appropriate government authorities.

If such irregularities occur, several options are available for the reporting of violations:

You may report the matter to your supervisor, manager, or the Ethics Officer, or to any member of the Ethics Committee.

You may call FEI's Helpline (1-877-647-3335).

You may write to the FEI Ethics Committee, c/o Ethics Officer, Frequency Electronics, Inc, 55 Charles Lindbergh Blvd., Uniondale, NY 11553.

Redflagreporting.com.

FEI's HELPLINE has been established as a means for employees to communicate with management. HELPLINE, as well as any of these options, should also be used to seek clarification of any issue or dilemma confronting and employee.

The Ethics Officer is responsible for answering employee inquiries and for establishing compliance training programs. Supervisors shall ensure that those employees and consultants reporting to them are made aware of both the Company's commitment to proper business practices and each individual's obligation to comply with the policies.