



Code of Business Conduct and Ethics

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A MESSAGE FROM THE BOARD

At Soapstone Networks, Inc. (“Soapstone” or the “Company”) and all its business units, we believe that conducting business ethically is critical to our long-term success. Ethics, integrity, honesty, and hard work provide the foundation upon which we build competitive excellence and business success.

Soapstone operates in an increasingly complex business environment and in a wide range of competitive situations. To continue to be successful within this environment, we must be resolute in our commitment to perform at the highest ethical level. This commitment must guide all of us in every aspect of our business endeavors. Simply stated, we fully expect every director, officer, and employee to practice the highest standards of business conduct in every business relationship – with each other, with the Company, and with our customers, business partners, and competitors.

In short, it is important that each and every one of us at Soapstone clearly understands and abides by our commitment to ethics, integrity, and honesty. As individuals, and collectively as a company, we must conduct ourselves in unwavering compliance with all applicable laws, rules and regulations, in all aspects of our operations. Our steadfast commitment to the highest professional standards is essential to our continued success in a growing and increasingly competitive marketplace.

INTRODUCTION

The Company has issued this Code of Business Conduct and Ethics (the “Code”) to deter wrongdoing and to promote: (1) honest and ethical conduct by the directors, officers, and employees of the Company, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) avoidance of conflicts of interest, including disclosure to an appropriate person of any material transaction or relationship that reasonably could be expected to give rise to such a conflict; (3) full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the United States Securities and Exchange Commission (“SEC”) and in other public communications made by the Company; (4) compliance with all other applicable governmental laws, rules, and regulations; (5) the prompt internal reporting of any violations of this Code; and (6) accountability for adherence to the Code.

The effectiveness of this Code depends in large part on the cooperation of all directors, officers, and employees in promptly disclosing to appropriate personnel within the Company any situations that may be contrary to the intent of the Code and the ethical standards that it expresses. Employees may report any suspected violations anonymously, and the Company expressly prohibits retaliation of any kind against any individual for the reporting of suspected misconduct.

SCOPE OF THE CODE

This Code applies to all directors, officers, and employees of the Company and its subsidiaries.

A COMPLIANCE CULTURE

The Company seeks to foster and maintain a culture of compliance not only with all applicable laws, rules, and regulations, but with the highest standards of business conduct as well. It is the responsibility of every director, officer, and employee to help preserve our culture of compliance. Suspected violations of this Code or any law, rule or regulation will be investigated internally, and violators shall be subject to discipline, as deemed appropriate by the Company in its sole discretion, up to and including immediate termination.

This Code of Business Conduct and Ethics is neither a contract nor a comprehensive manual that covers every situation directors, officers, or employees might encounter. Neither this Code nor any other Company policy, procedure, guideline or practice creates any contractual rights. If you have any questions about the provisions of this Code, or about how you should conduct yourself in a particular situation, you should make your question(s) known and seek the advice of your department head, the Company's Compliance Officer, or the Company's internal or outside legal counsel.

STANDARDS OF CONDUCT

Conflicts of Interest

This Code does not prevent directors, officers, and employees of the Company from taking part in any legitimate financial, business, or other activities outside their jobs. Those activities, however, must be free of conflicts with the individual's responsibilities to the Company. A "conflict of interest" may occur when an individual's private interest interferes in any way – or even appears to interfere – with the interests of the Company as a whole. A conflict situation can arise when a director, officer, or employee takes action or has interests that may make it difficult to perform his or her duties to the Company objectively and effectively. Conflicts of interest may also arise when a director, officer, employee, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, such persons by the Company are of special concern.

Every director, officer, and employee must disclose any matter that he or she believes might raise doubt regarding his or her ability to act objectively and in the Company's best interest. The following is a non-exhaustive list of examples of situations involving potential conflicts of interest that should be disclosed:

- employment by a competitor, regardless of the nature of the employment, while simultaneously being employed by the Company;
- giving the Company business to another entity in which an employee or close family member has a substantial ownership or management interest;

- owning, or owning a substantial interest in, an entity which is a competitor or customer of, or a supplier to, the Company;
- acting independently as a consultant to a Company competitor, customer or supplier;
- using Company assets, intellectual property, or other resources for personal gain;
- accepting anything of more than nominal value – such as gifts, discounts, or compensation – from an individual or entity that does or seeks to do business with the Company.

These are but a few examples among many situations that could potentially give rise to a conflict of interest or an appearance of a conflict. Immediate disclosure should be made to an appropriate department head and/or to the Company's General Counsel of any material transaction or relationship (such as through outside activities or financial interests) that reasonably could be expected to give rise to a conflict of interest or the appearance of a conflict. In the case of officers and directors, such disclosure should be made to the General Counsel and to the Governance Committee of the Board of Directors. All supervisors and department heads to whom potential conflicts of interest are reported are required to immediately forward such reports to the General Counsel.

Company officers and employees must obtain necessary approvals before accepting any position as an officer or director of an outside business concern. Officers and employees must also obtain approval before accepting a board position with a not-for-profit entity where there may be a Company business relationship with the entity or an expectation of financial or other support from the Company. In the case of Company employees who are neither directors nor officers of the Company, such approvals must come from the Company's President. In the case of Company officers, such approvals must come from the Governance Committee.

Company directors must obtain approvals from the Board of Directors before accepting any position as an officer or director of any outside business concern or entity that has a business relationship with the Company, or that now is or in the reasonably foreseeable future could become a competitor of the Company.

Corporate Opportunities

Directors, officers, and employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Company directors, officers, and employees are prohibited from: (i) taking for themselves personally corporate opportunities that are discovered through the use of Company property, information or position, without first offering such opportunities to the Company; (ii) using corporate property, information, or position for personal gain; and (iii) competing with the Company. Non-employee directors who seek to conduct outside business activities involving an entity that has a business relationship with the Company, or that now is or in the reasonably foreseeable future could become a competitor of the Company, must obtain approval from the Governance Committee before conducting such activities. If approved by the Governance Committee, such activities shall not be deemed to be in competition with the Company, even if the entity involved is in the same industry as the Company.

Company directors and officers are committed to adherence with their fundamental duties of good faith, due care, and loyalty owed to all shareholders. The decisions of the directors and officers are made with the Company's and its shareholders' best interests in mind.

Confidentiality

Directors, officers, and employees must maintain the confidentiality of sensitive business, technical or other information entrusted to them by the Company, its customers or business partners, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company, its customers or business partners if disclosed.

Fair Dealing

Each director, officer, and employee should act fairly, honestly, and in good faith in any dealings on behalf of the Company with any of its customers, suppliers, competitors, employees, and with all others. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Protection and Proper Use of Company Assets

All directors, officers, and employees should protect the Company's assets and strive to ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Each employee is asked to cooperate in helping the Company protect against the improper disclosure, theft, or misuse of its intellectual and physical property. Unauthorized or improper disclosure, theft, or misuse of any Company property, including the Company's intellectual property, can result in disciplinary measures, up to and including termination.

Company assets should be used for the Company's legitimate business purposes. Employees are advised that the content of the Company's electronic communication infrastructure (email, voice mail, internet access) is not private and can be accessed and monitored at any time by the Company without notice.

Compliance with All Laws, Rules, and Regulations

The Company is committed to compliance with all laws, rules, and regulations. The Company therefore maintains a comprehensive compliance program designed to ensure that all directors, officers, and employees are informed and continuously mindful of the laws governing their conduct. The Company also maintains separate, detailed policies regarding such matters as insider trading, black out trading, and sexual harassment. Both the compliance program and these separate policies are consistent in all respects with the spirit and the letter of this Code.

Each and every director, officer, and employee is required to act within the bounds of the law. Questions or concerns about compliance issues can and should be raised by any of the means indicated under "Whistleblower and Methods of Communication" below.

Full, Fair, Accurate, Timely and Understandable Disclosures

The Company strives to maintain the highest standards to ensure that all business records and financial reports are accurate, complete, understandable, and contain no false or misleading information. The Company is committed to complying with all laws requiring the fair and timely disclosure of all material information, and is committed to maintaining the accuracy of all publicly disseminated information. In carrying out this commitment, the Company maintains internal controls and procedures designed to provide reasonable assurance of achieving the following objectives:

- efficacy and efficiency of operations;
- safeguarding and proper management of the Company's assets;
- reliability of financial reporting that is in compliance with generally accepted accounting principles in the United States; and
- compliance with all applicable laws and regulations, including, without limitation, the Company's responsibility to maintain disclosure controls and procedures intended to ensure that financial and non-financial information is collected, analyzed, and timely reported in full compliance with the law.

Compliance with these controls and procedures is of paramount importance. If anyone in the Company believes that the Company's books or records are not being maintained, or that its financial condition or results of operations are not being disclosed, in accordance with these controls and procedures, that person should report the matter directly by any of the means indicated below.

WHISTLEBLOWER AND METHODS OF COMMUNICATION

Among the most important responsibilities for each and every director, officer, and employee in this Company are: (1) the obligation to comply with this Code and all laws, rules, and regulations; and (2) the obligation to raise a concern about a possible violation of the Code or the law.

The Company expects all directors, officers, and employees to behave ethically and to conduct their business activities on behalf of the Company with honesty and integrity. Any director, officer, or employee who has knowledge of a potential or suspected violation of the Company's Code of Business Conduct and Ethics has an obligation to report all relevant information to the Compliance Officer or to the other sources listed below. The Company provides a variety of methods for obtaining answers to any questions about conduct issues and for raising any concerns about a possible violation of the Code or the law. Questions or concerns can be addressed to:

- A supervisor or department head;

- Outside Company legal counsel, Choate, Hall & Stewart LLP at 617-248-5000 (John Meltaus) or jmeltaus@choate.com;
- Chairpersons of the Governance and Audit Committees of the Company's Board of Directors, Robert Schechter at 508-271-1200 or bob_Schechter@nmss.com or Richard Liebhaber at 703-442-0553 or rtl@liebhaber.net, respectively; and/or
- Anonymously by means of the established, secured website on the Soapstone Livelink/Legal, which information will be forwarded to members of the Audit and Governance Committees.

Generally, a supervisor or department head will be in the best position to resolve the issue quickly. However, a conduct or legal concern can be raised with any one of the other contacts listed above, in addition to – or instead of – a supervisor or department head. Directors, officers, and employees can raise concerns orally or in writing and, if preferred, anonymously at the secured website referenced above. Any general questions about reporting suspected instances of non-compliance should be directed to any of the individuals listed above.

POLICY AGAINST RETALIATION

Directors, officers, or employees who report suspected violations or voice other concerns are assured that the Company will not tolerate any retaliation for reports made in good faith. The Company prohibits any director, officer, or employee from retaliating or taking adverse action of any kind against anyone for raising or helping to resolve a conduct concern. Any individual who is found to have engaged in retaliation against a Company director, officer, or employee for raising, in good faith, a conduct concern or for participating in the investigation of such a concern may be subject to discipline, up to and including immediate termination. If any individual believes he or she has been subjected to such retaliation, that individual is encouraged to report the situation as soon as possible to the Company's Chief Financial Officer.

PENALTIES FOR VIOLATIONS

The Company is committed to taking prompt and consistent action against violations of this Code of Business Conduct and Ethics. Any and all directors, officers, and employees who violate the Code are subject to disciplinary action up to and including immediate termination. In addition, the Company may report suspected violations to appropriate third parties, including law enforcement personnel or regulatory authorities. The following are examples of conduct that may result in discipline:

- Retaliation against any person within the Company for reporting a conduct concern.
- Any action that violates the Code or any law, rule, or regulation.
- Requesting others to violate the Code or any law, rule, or regulation.
- Failure to promptly raise a known or suspected violation of the Code or any law, rule, or regulation.
- Failure to cooperate in internal investigations of possible violations of the Code or any law, rule, or regulation.

- Failure to demonstrate the leadership and diligence needed to foster compliance with the Code and applicable laws, rules, and regulations.

The above list of examples should not be construed in any way as an exhaustive list of the type of conduct that is violative or potentially violative of the Code. Rather, the list is meant to be illustrative only, and the Company, in its sole discretion, will evaluate suspected violations on a case-by-case basis.

Reports of suspected violations will be promptly investigated internally, and an appropriate sanction will be imposed for violations.

WAIVER/AMENDMENTS

Only the Board of Directors may grant a waiver of any provision of this Code. A request for such a waiver should be submitted to the Governance Committee in writing for its consideration. The Board of Directors will promptly cause the Company to disclose to investors any substantive changes in or waivers of the Code, along with reasons for the waivers, granted to directors or executive officers. Such disclosure shall be in a form prescribed by the SEC.

