

# **KATY INDUSTRIES, INC.**

## **AMENDED AND RESTATED CODE OF BUSINESS CONDUCT AND ETHICS**

December 2, 2011

The board of directors (the “Board”) of Katy Industries, Inc. (“Katy” or the “Company”) has determined that the following shall constitute the Amended and Restated Code of Business Conduct and Ethics (the “Code”) of the Company.

### **INTRODUCTION**

The Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it establishes basic principles to guide all employees, officers and directors of Katy. All of our employees, officers and directors must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. The Code should also be provided to and followed by Katy’s agents and representatives, including consultants.

No code of business conduct and ethics can replace the thoughtful behavior of an ethical director, officer or employee. However, the Code intends to focus the Company’s Board and management on ethical risks, provide guidance to personnel to help them recognize and address ethical issues, provide mechanisms to report unethical conduct and to help foster a culture of honesty, integrity and accountability. Nonetheless, simply restating these standards does not lead inevitably to ethical conduct. Each of us must continue to understand, support and live by these standards to enable us to achieve our business objectives in strict conformity with the Code.

If a law conflicts with a policy in the Code, you must comply with the law. If, however, a local custom or policy conflicts with the Code, you must comply with the Code. If you have any questions about these conflicts, you should ask your supervisor, management, the legal department, Human Resources or other appropriate personnel how to handle the situation.

Those who violate the standards in the Code will be subject to disciplinary action. If you are in a situation that you believe may violate or lead to a violation of the Code, follow the guidelines described in the section entitled “Reporting Any Illegal or Unethical Behavior.”

The Code shall be posted on the Company’s website.

### **COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

Obedying the laws, rules and regulations, both in letter and in spirit, is the foundation upon which Katy’s ethical standards are built. All employees, officers and directors must respect and obey the laws, rules and regulations of the municipalities, states and countries in which we operate. Failure to comply with such laws, rules and regulations may subject you to indictment, prosecution or penalties and civil actions against you. You also subject the Company to the same risks and penalties and you may be subject to immediate disciplinary action, including possible termination of your employment or affiliation with the Company. Although not all

employees, officers and directors are expected to know the details of these laws, rules and regulations, it is important to know enough to determine when to seek advice from supervisors, managers, the legal department, the human resources department (“Human Resources”) or other appropriate personnel.

## **CONFLICTS OF INTEREST**

A “conflict of interest” exists when a person’s private interest interferes, or appears to interfere, with the interests of Katy. A conflict situation may arise when an employee’s, officer’s or director’s judgment in acting on the Company’s behalf is or may be influenced by an actual or potential personal benefit for the employee, officer or director, or a member of the employee’s, officer’s or director’s family or household, from such an investment, business interest or some other association. A conflict of interest may also arise where an employee, officer or director takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. For example, loans to, or guarantees of obligations of, employees, officers or directors or their family members may create conflicts of interest.

All employees, officers and directors must avoid any investments, business interests or other associations with third parties which interfere with or influence or even appear to influence, their objective judgment in furtherance of their responsibility to act in the Company’s best interests. The Code establishes the framework within which Katy shall operate its business. The purpose of these guidelines is to provide general direction so employees can seek further clarification on issues related to the subject of acceptable standards of conduct. Contact your supervisor, management, the legal department or Human Resources for more information or questions about conflicts of interest, or to communicate actual or potential conflicts to the Company.

Transactions with outside firms must be conducted within a framework established and controlled by Katy executives. Business dealings with outside firms should not result in unusual gains for anyone. Unusual gains refer to bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit the employer, the employee, or both. Promotional plans that could be interpreted to involve unusual gain require specific executive-level approval.

An actual or potential conflict of interest may occur when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative of that employee as a result of Katy’s business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

No “presumption of guilt” is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative that they promptly disclose the existence of any actual or potential conflict of interest to a supervisor, management, Human Resources or the legal department so that safeguards can be established to protect all parties.

Personal gain may result where an employee or relative of the employee has a significant ownership in a firm with which Katy does business. Personal gain may also result where an

employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving Katy. “Substantial gift” shall mean a gift valued at greater than \$50.

Employees soliciting gifts or entertainment of any value may be subject to disciplinary action, up to and including termination of employment, unless the items are specifically identified as gifts or prizes for a Company sponsored event.

Conflicts of interest are prohibited as a matter of Katy policy, except under guidelines approved by the Board. Any employee, officer or director who has a question about a conflict or becomes aware of an actual, potential or an apparent conflict should bring the matter to the attention of a supervisor, management, the legal department or Human Resources, or consult the procedures described in the section entitled “Reporting Any Illegal or Unethical Behavior.”

## **INSIDER TRADING**

Employees, officers and directors who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except for the conduct of our business. For more information on confidential information, refer to the “Confidentiality” section in this Code. All non-public information about Katy should be considered confidential information. To use 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. Insider trading will be dealt with decisively. If you have any questions, please consult a supervisor, management, Katy’s law department or Human Resources.

## **CORPORATE OPPORTUNITIES**

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or position without the consent of the Board. No employee, officer or director may use corporate property, information, or position for improper personal gain, and no employee may compete with Katy directly or indirectly. Employees, officers and directors owe a duty to Katy to advance its legitimate interests when the opportunity to do so arises.

## **COMPETITION AND FAIR DEALING**

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner’s consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee, officer and director should endeavor to respect the rights of and deal fairly with Katy’s customers, suppliers, competitors and employees. No employee, officer or director should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional practice that violates the common-sense notion of fair dealing.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given or provided by any Katy employee, officer or director or family member of an employee, officer or director or agent, unless it: (1) is not a cash gift; (2) is consistent with customary business practices; (3) is not excessive in value; (4) cannot be construed as a bribe or payoff; and (5) does not violate any laws or regulations. Please discuss with your supervisor, management, the legal department or Human Resources any gifts or proposed gifts that you are not certain are appropriate.

We require our employees, officers and directors to not only engage in fair competition, but also to comply fully with all antitrust laws. These laws severely restrict or prohibit anticompetitive activities such as entering into written or oral agreements to: fix, control or influence prices; boycott specific suppliers or customers; restrain trade by colluding with customers to allocate products or markets; or control trade by limiting the production of products or the delivery of services. If you have any questions regarding antitrust matters, please contact the legal department.

## **DISCRIMINATION AND HARASSMENT**

The diversity of Katy employees, officers and directors is a tremendous asset. Katy is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Katy will be made in a non-discriminatory fashion. Katy does not discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability or any other characteristic protected by law.

This policy governs all aspects of employment including, but not limited to, hiring, compensation, benefits, promotions, transfers, discipline, termination, demotions, layoffs, return from layoff, training and selection for training, education, tuition assistance, social and recreational programs.

Any employees with questions or concerns about any type of discrimination or harassment in the workplace are encouraged to bring these issues to the attention of their immediate supervisor, management, the legal department or Human Resources. Examples include derogatory comments based upon racial or ethnic characteristics and unwanted sexual advances. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination, harassment or retaliation may be subject to disciplinary action, up to and including termination of employment.

## **HEALTH & SAFETY**

Katy strives to provide each employee, officer and director with a safe and healthful work environment. Each employee, officer and director has responsibility for maintaining a safe and healthy workplace for all employees, officers and directors by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Employees, officers and directors should report to work in a condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

## **RECORD-KEEPING**

Katy requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your supervisor or your controller.

All of Katy's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect Katy's transactions and must conform both to applicable legal requirements and to Katy's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public and we should therefore avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that could be misunderstood. This applies equally to e-mail, internal memos and formal reports. Records should always be retained or destroyed according to Katy's record retention policies. To obtain a copy of the record retention policy, contact your supervisor, management, the legal department or Human Resources. In accordance with those policies, in the event of litigation or governmental investigation it is essential to follow the advice of Katy's law department. Whenever litigation or an investigation is pending or threatened, each and every potentially relevant document must be preserved unless destruction has been approved in writing by the legal department.

## **CONFIDENTIALITY**

The protection of confidential business information and trade secrets is vital to the interests and the success of Katy. Confidential information includes all non-public information that might be of use to competitors, or is harmful to the Company or its customers if disclosed. Such information includes, but is not limited to, the following:

- ◆ Customer and vendor lists
- ◆ Financial information
- ◆ Sales and marketing strategies
- ◆ Market analysis
- ◆ Pricing policies and data
- ◆ Pending projects, proposals and inventions
- ◆ Materials and labor costs
- ◆ Methods of manufacture and product formulas
- ◆ Research and development plans

It is imperative that all employees, officers and directors keep confidential all information about the Company's operations and business activities that has not been made public or that is not common knowledge among investors, competitors, suppliers and others, including other employees, officers or directors who do not have a valid business reason for obtaining the information. Except as authorized by Katy, you may not discuss confidential information with anyone except your supervisor or other authorized employees.

All employees will be required to sign a non-disclosure/confidentiality agreement as a condition of employment. Employees who improperly use, copy, remove from the premises, or disclose trade secrets or confidential business information, without the express written consent of management, may be subject to disciplinary action, up to and including termination of employment, even if they do not actually benefit from the disclosed information. This non-disclosure obligation may also apply after termination of employment or service or retirement. Any employee, officer or director who questions whether information he or she originates or acquires is confidential has a responsibility to determine its classification by asking his or her immediate supervisor, management, the legal department or Human Resources.

## **PROTECTION AND PROPER USE OF KATY ASSETS**

All employees, officers and directors should protect Katy's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on Katy's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. All Katy assets should be used for legitimate business purposes. Katy equipment should not be used for non-Katy business, though incidental personal use may be permitted.

The obligation of employees, officers and directors to protect Katy's assets encompasses its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information violates Katy policy. It could also be illegal and result in civil or criminal penalties.

Each employee, officer and director is personally accountable for Company funds over which he or she has control. Anyone spending Company money, or personal money that will be reimbursed, should always be sure that the Company receives good value in return. Anyone approving or certifying the correctness of a voucher or bill should have reasonable knowledge that the purchases and amounts are proper.

## **ACCEPTANCE OF PAYMENTS**

No employee, officer or director shall directly or indirectly seek or accept any payments, fees, services or other gratuities (irrespective of size or amount) outside the normal course of the employee's, officer's or director's business duties from any person, company or organization which seeks to do business with Katy. Gifts of cash or cash equivalents are strictly prohibited. It is not inappropriate under this policy to be the recipient of common courtesies, sales promotional items of small value, occasional meals or reasonable entertainment where appropriate to a business relationship and associated with business discussions; however, if possible, questions as

to the appropriateness of any such courtesy should be reviewed by an immediate supervisor in advance of the receipt of the courtesy.

## **IMPROPER PAYMENTS TO GOVERNMENT PERSONNEL**

No employee, officer or director shall make, or cause to be made, any improper payment or offer any improper inducement to any actual or potential customer or to an intermediary as a bribe, kickback or similar payment which is directly or indirectly for the benefit of any individual (including any government official), company or organization in any country, and which is designed, directly or indirectly, to secure favored treatment for the Company.

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Katy policy but could also constitute a criminal offense. State and local governments, as well as foreign governments, may have similar rules. If you have questions, Katy's law department can provide guidance in this area.

## **POLITICAL CONTRIBUTIONS**

There are three basic tenets in the matter of corporate and personal political contributions and actions.

First, Katy unequivocally forbids the use of corporate funds, resources or property for the support of political parties or political candidates for any office unless approved in advance by the Board.

Second, equally contrary to the Code, is any pressure, direct or implied, that infringes upon the right of any employee, officer or director to decide whether, to whom, and in what amount he or she will make a personal political contribution or render personal services to individual candidates or political committees where permitted by applicable laws. Employees, officers and directors are free, and indeed encouraged, to endorse, advocate, contribute to, or otherwise support any political party, candidate or cause they may choose. However, in personal public political statements, references to an employee's, officer's or director's affiliation with Katy should be avoided, and in any personal political activity it must be clear that the employee, officer or director is not acting on behalf of or using the resources of Katy. The Code is not, however, intended to discourage voluntary and lawful political contributions to any Katy sponsored political action committee.

Third, Katy seeks the resolution of regulatory and political issues affecting its interests solely on the basis of the merits involved.

## **DISCLOSURE POLICY**

It is Katy's policy to provide full, fair, accurate, timely and understandable disclosure in all documents required to be filed with or furnished or submitted to the Securities and Exchange Commission and in all other public communications. The Company expects all employees, officers and directors to act in a manner that supports this policy. In addition, employees, officers and directors are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate or mislead Katy's independent auditors for the purpose of rendering the financial statements of Katy misleading.

## **WAIVERS OF THE CODE OF BUSINESS CONDUCT AND ETHICS**

To protect the Company and to ensure that waivers are warranted, any waiver of the Code for executive officers or directors may be made only by the Board or by a Board committee and will be promptly disclosed to shareholders as required by law or the rules and regulations of the New York Stock Exchange.

## **REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR**

Employees, officers and directors are encouraged to talk with supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of Katy to prohibit retaliation against employees, officers or directors for good faith reports of misconduct. Employees, officers and directors are expected to cooperate in internal investigations of misconduct.

To report any illegal, unethical or any other improper behavior, without fear of retribution, or to request advice when in doubt about the propriety of any action, call or write to the General Counsel at:

KATY Industries, Inc.  
305 Rock Industrial Park Drive  
Bridgeton, MO 63044  
314-656-4321 (Phone)  
314-656-4398 (Fax)

Additionally, to facilitate and encourage the reporting of illegal, unethical or other improper conduct, including complaints regarding Katy's accounting, internal accounting controls or auditing matters, Katy maintains, on a 24 hour basis, the confidential toll-free number listed below.

**24 Hour Confidential Reporting Hotline  
1-800-381-0533**

## COMPLIANCE PROCEDURES

We must all work to ensure prompt and consistent action against violations of the Code. However, in some situations it is difficult to discern right from wrong. Since we cannot anticipate every situation that will arise, it is important to maintain an approach to new questions or problems. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right conclusions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- Seek help from Katy resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your office manager or with Human Resources. If that also is not appropriate, call the hotline referenced in the section entitled "Reporting Any Illegal or Unethical Activity," or, if you prefer to write, address your concerns to the legal department as set forth in the Code.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. Katy does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

## ACCOUNTABILITY

Each employee, officer and director of Katy will be accountable for adherence to the Code. Violations of the Code may result in a variety of disciplinary actions, up to and including termination of employment (for employees and offers) and civil or criminal penalties.

## **CORPORATE CITIZENSHIP**

We also have special responsibilities to be a good citizen in the communities in which we operate. We are sensitive to the economic role we play in those communities and we contribute to community as well as to national institutions, and encourage employees, officers and directors to take an active personal role on organizations dedicated to public service.

## **CERTIFICATION**

The Code was duly approved and adopted by the Board on this 2nd day of December, 2011.