

Jim Pitts: Importance of Compliance

I'm here today to talk about the importance of compliance.

We have a commitment to our customers, our shareholders, our corporation and ourselves to provide the highest quality, most reliable products and services possible.

Therefore, we must always be vigilant about the high standards we have set that include all procedures, contractual obligations, laws and regulations that have a direct or indirect bearing on the products we produce.

Over the past year Electronic Systems has conducted a significant number of investigations for non-compliance issues. Most of these situations could have easily been avoided. While the costs and potential penalties can be significant, the damage to our reputation is immeasurable.

In a recent address to senior management, both Wes Bush and Ron Sugar referred to the subject of compliance as one of their top concern. And *Acting with Integrity* is always one of our top company priorities. When asked what keeps him up at night, Wes Bush said he sometimes worried about the company's reputation. I know the feeling all too well and ask all of you to work diligently to ensure that we always do the right thing.

It is everyone's responsibility to understand the requirements of their position and to abide by those requirements. It is everyone's responsibility to understand the company's policies and procedures and to abide by those rules. All it takes is one mistake to put the entire company in jeopardy,

to put your jobs in jeopardy, and more importantly, to put the men and women of our armed forces and our nation at risk.

In the coming months you will be hearing a great deal about compliance and how important it is for you to take personal responsibility for ensuring compliance:

- Know the rules and requirements of your job.
- Ask questions and seek clarification if you are uncertain of the rules.
- If you think a situation is not compliant report it at once to your management or another person in authority.
- If you are not satisfied with the response call the hot line. Our policy is zero retribution for the reporting of non-compliance or acts which would reflect poorly on our integrity.

Our jobs have many competing demands, but compliance must never be compromised. Our reputation and success depend on it! Thank you.