

LEADER COMMUNICATIONS, INC.



**Calendar Year 2009
Ethics Program Performance Accountability Report**

January 25, 2010

INTRODUCTION

In January 2007 LCI established its **Ethics Program**. The purpose of the **Ethics Program** is the promotion of strong ethical conduct by all members of the LCI family. LCI is committed to providing an environment where employees exhibit honesty, integrity, respect for our laws, and respect for each other.

LCI VISION

The vision for LCI is that it will be among the most respected businesses in the nation. The promotion of strong ethical conduct by all members of the LCI family is the foundation we build on to achieve our vision. Not only are we committed to an environment where employees continuously exhibit honesty, integrity, and respect but, also to put in place the mechanisms that support the on-going achievement of that goal. To this end, we established and continue to maintain the **LCI Ethics Program**.

LCI ETHICS PROGRAM

1. **The Ethics Code** – a document that conveys our values and commitment to standards that promote honest and ethical conduct, including the ethical handling of conflicts of interest.
2. **Ethics Training** – training that focuses on educating employees and managers on the Ethics Code and compliance with the ethics program. The training helps employees and managers build essential skills to recognize and respond appropriately to ethical dilemmas.
3. **Ethics Reporting** – an Ethics Complaint telephone line that employees can call any time (24/7) from anywhere to anonymously report suspected unethical behavior such as compliance violations, fraud, financial irregularities, or other similar activities. The Ethics Complaint Line is not meant to replace employees speaking directly with their supervisors but, we recognize that in some instances employees may not feel comfortable using traditional reporting processes, so the Ethics Complaint Line provides an anonymous alternative reporting method.
4. **The Ethics Committee** - to administer the Ethics Program and make recommendations to resolve ethics concerns.

The theme for the Ethics Program is **“Pointing You in the Right Direction so You Can Continue Doing What’s Right”**.

GOALS OF LCI’S ETHICS PROGRAM

- Strengthen the ethical culture of LCI
- Providing ethics training and assistance to the LCI family of stakeholders
- Point the LCI stakeholders in the right direction so they can do what’s right
- Recommend corrective actions when ethical breeches occur

HIGHLIGHTS OF CY 2009 ETHICS PROGRAM

CY 2009 was the third year of LCI's formal Ethics Program. Three members left the Ethics Committee due to employment changes and one member was accepted into the Ethics Committee as a replacement. Due to a decrease in LCI employees the Ethics Committee has been downsized from eight (8) members to six (6) members. The Ethics Committee is now composed of six (6) members as follows: Chad Westfahl - Chairman, Oliver Sammons, Diana Petross, Inslee Bennett, Pamela Smith, and Steve Gorton. The committee met once during CY 2009 on February 19, 2009. The meeting was conducted to review Ethics Program related information and recommend changes for the Ethics Program, to review ethics training provided, review program documents, and review reported incidents or information requests to the Ethics Committee or its members.

Ethics Orientation was provided to 109 new employees by Human Resources personnel. Follow-on ethics training was provided to 142 employees through the deployment of briefings and training materials via LCI's eSign Program. Supervisors were instructed to emphasize ethics compliance during work center meetings and additional ethics information was provided via the LCI electronic newsletter *The Communicator*. All ethics questions received by the Ethics Committee members were addressed and answers provided to the questioner. The Ethics Hotline mailbox (405) 622-2205 was available 100% of the time for anonymous reporting. LCI was an active participant and supporter of the Oklahoma City Ethics Program. LCI received the Ethics Compass Award for mid-sized businesses. In addition, all employees were evaluated on ethics compliance during their annual performance evaluations.

The LCI Ethics Committee:

- Developed and provided input and direction for the Ethics Program
 - The Ethics Committee recommended that the Ethics Committee membership be reduced from eight (8) members to six (6) members.
 - Diana Petross was appointed to replace John Trivette due to John's transfer to a contract position.
 - The Ethics Committee continued the approval of the Ethics Code and Annual Ethics Report be made available through the LCI website location <http://www.lcibest.com>
- Reviewed and evaluated the Code of Ethics and the Ethics Program and made recommendations to the President/CEO for changes:
 - The Ethics Committee recommended that EPI-01 Ethics Code be revised to align the Governance section with the present structure of LCI senior management.
- Received two inquiries during CY2009 for review and clarification:
 - **Inquiry #1** – The LCI President/CEO requested a training session for company employees on the dos and don'ts and possible conflict of interest (COI) issues regarding solicitation and acceptance of employment with teaming partners, and competitors after signing stock incentive letters precluding this action.
 - **Situation** – The Ethics Committee Chairman was asked to research the possible COI issues regarding present and past employees who have a potential COI due to accepting stock incentives and seeking employment

with customers, competitors, teammates, protégés, vendors, Government Clients, and commercial clients or employees thereof for employment.

- **Findings** – Stock Award Letters specifically prohibits solicitation of customers, competitors, teammates, protégés, vendors, Government Clients, and commercial clients or employees thereof for employment, for contracts, or for any business purpose directly or indirectly by current and past employees (for a period of one year) with specified penalties of loss of stock incentive and injunctive or other relief.
- **Action Taken** –Corporate Counsel and the Human Resources Director developed and presented an educational briefing regarding COI then led a discussion with affected employees to answer any questions they might have to ensure they understand their obligations in this area. Personnel who had accepted stock awards and were not willing to abide by these provisions were given the option of resigning and having their stock incentive awards rescinded by LCI.
- **Inquiry #2** - An LCI supervisor requested assistance in handling a COI situation involving a customer.
 - **Situation** - An LCI supervisor was forwarded, by a customer, the resume of their daughter and requested employment consideration for her.
 - **Findings** – This action violates LCI’s Business Conduct Guidelines Paragraph 3.9.2 which specifically states “You should never discuss business or employment opportunities that could personally benefit any public sector procurement personnel, and you must not offer or provide gratuities in connection with a procurement activity.”
 - **Action Taken** – The resume and a description of the situation surrounding the resume submittal were forwarded to the Human Resources Director and then to the Chairman of the Ethics Committee. The resume was held without action and no offer of employment was extended.
- Ethics Committee Members voted to explore the feasibility of establishing a web based training effectiveness feedback mechanism that would allow management to determine how effective ethics and other eSign training is. Presently, it is a labor intensive effort to collect, measure, and report the effectiveness of training presented to our employees. The Ethics Officer will prepare and submit a Software Change Request to Software Development to initiate a formal feasibility and requirements study.
- Questions regarding this report should be sent to ethics@lcibest.com.