



## TURBOSONIC TECHNOLOGIES INC.

January 15, 2010

**TO:** All Officers, Directors, Employees and Consultants  
**FROM:** Ed Spink  
**SUBJECT:** Insider Trading Policy

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### **Background**

The board of directors of TurboSonic Technologies Inc. (the “Company”) has adopted this Insider Trading Policy for our directors, officers, employees and consultants with respect to the trading of the Company’s securities, as well as the securities of publicly traded companies with whom we have a business relationship.

Federal and state securities laws prohibit the purchase or sale of a company’s securities by persons who are aware of material information about that company that is not generally known or available to the public. These laws also prohibit persons who are aware of such material nonpublic information from disclosing this information to others who may trade. Companies and their controlling persons are also subject to liability if they fail to take reasonable steps to prevent insider trading by company personnel.

It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe. The U.S. Securities and Exchange Commission investigates and is very effective at detecting insider trading. The SEC, together with the U.S. Attorneys, pursue insider trading violations vigorously. Cases have been successfully prosecuted against trading by employees through foreign accounts, trading by family members and friends, and trading involving only a small number of shares.

This policy is designed to prevent insider trading or allegations of insider trading, and to protect the Company’s reputation for integrity and ethical conduct. It is your obligation to understand and comply with this policy. Should you have any questions regarding this policy, please contact our Compliance Officer (our CEO, or in his absence, our President).

### **Penalties for Noncompliance**

*Civil and Criminal Penalties.* Potential penalties for insider trading violations include (1) imprisonment for up to 20 years, (2) criminal fines of up to \$5 million, and (3) civil fines of up to three times the profit gained or loss avoided.

*Controlling Person Liability.* If the Company fails to take appropriate steps to prevent illegal insider trading, the Company may have “controlling person” liability for a trading violation, with civil penalties of up to the greater of \$1 million and three times the profit gained or loss avoided,

as well as a criminal penalty of up to \$25 million. The civil penalties can extend personal liability to the Company's directors, officers and other supervisory personnel if they fail to take appropriate steps to prevent insider trading.

*Company Sanctions.* Failure to comply with this policy may also subject you to Company-imposed sanctions, including dismissal for cause, whether or not your failure to comply with this policy results in a violation of law.

### **Scope of Policy**

*Persons Covered.* As a director, officer, employee, or consultant of the Company or its subsidiaries, this policy applies to you. The same restrictions that apply to you apply to your family members who reside with you, anyone else who lives in your household and any family members who do not live in your household but whose transactions in the Company's securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in the Company's securities). You are responsible for making sure that the purchase or sale of any security covered by this policy by any such person complies with this policy.

*Companies Covered.* The prohibition on insider trading in this policy is not limited to trading in the Company's securities. It includes trading in the securities of other entities, such as customers or suppliers of the Company and those with which the Company may be negotiating major transactions, such as an acquisition, investment or sale. Information that is not material to the Company may nevertheless be material to one of those other entities.

*Transactions Covered.* Trading includes purchases and sales of common stock and derivative securities. Trading also includes certain transactions under Company plans, as follows:

- *Stock Option Exercises.* This policy's trading restrictions generally do not apply to the exercise of a stock option. The trading restrictions do apply, however, to any sale of the underlying common stock or to a cashless exercise of the option through a broker, as this entails selling a portion of the underlying common stock to cover the costs of exercise.
- *Vesting of Restricted Stock.* This policy's trading restrictions generally do not apply to the vesting of restricted stock. The trading restrictions do apply, however, to any sale of that stock subsequent to its vesting.

### **Statement of Policy**

*No Trading on Inside Information.* You may not trade in the securities of the Company, directly or through family members or other persons or entities, if you are aware of material nonpublic information relating to the Company. Similarly, you may not trade in the securities of any other company if you are aware of material nonpublic information about that company which you obtained in the course of your employment with the Company.

*No Tipping.* You may not pass material nonpublic information on to others or recommend to anyone the purchase or sale of any securities when you are aware of such information. This practice, known as "tipping," also violates the securities laws and can result in the same civil and

criminal penalties that apply to insider trading, even though you did not trade and did not gain any benefit from another's trading.

*No Exception for Hardship.* The existence of a personal financial emergency does not excuse you from compliance with this policy.

*Blackout and Pre-Clearance Procedures.* To help prevent inadvertent violations of the federal securities laws and to avoid even the appearance of trading on the basis of inside information, the Company's board of directors has adopted an Addendum to Insider Trading Policy that applies to directors, executive officers subject to Section 16 of the Securities Exchange Act of 1934 ("executive officers"), certain designated employees, and consultants of the Company and its subsidiaries ("covered persons") who have access to material nonpublic information about the Company. The Company will notify you if you are subject to the addendum.

The addendum generally prohibits persons covered by it from trading in the Company's securities during quarterly blackout periods (beginning on the first day of the last ten (10) consecutive business days of a quarter and ending after the third full business day following the release of the Company's earnings for that quarter) and during certain event-specific blackouts. Directors, executive officers and covered persons also must pre-clear all transactions in the Company's securities with our Compliance Officer.

### **Definition of Material Nonpublic Information**

Note that inside information has two important elements--materiality and public availability.

*Material Information.* Information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell a security. Any information that could reasonably be expected to affect the price of the security is material. Common examples of material information are:

- Projections of future earnings or losses or other earnings guidance.
- Earnings that are inconsistent with the consensus expectations of the investment community.
- A pending or proposed merger, acquisition or tender offer or an acquisition or disposition of significant assets.
- A change in management.
- Major events regarding the Company's securities, including the declaration of a stock split or the offering of additional securities.
- Severe financial liquidity problems.
- Actual or threatened major litigation, or the resolution of such litigation.
- New major contracts, orders, suppliers, customers or finance sources, or the loss thereof.

Both positive and negative information can be material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions concerning the materiality of particular information should be resolved in favor of materiality, and trading should be avoided.

*Nonpublic Information.* Nonpublic information is information that is not generally known or available to the public. One common misconception is that material information loses its “nonpublic” status as soon as a press release is issued disclosing the information. In fact, information is considered to be available to the public only when it has been released broadly to the marketplace (such as by a press release or an SEC filing) *and the investing public has had time to absorb the information fully.* As a general rule, information is considered nonpublic until the third full trading day after the information is released. For example, if the Company announces financial earnings before trading begins on a Monday, the first time you can buy or sell Company securities is the opening of the market on Thursday (assuming you are not aware of other material nonpublic information at that time). However, if the Company announces earnings after trading begins on that Monday, the first time you can buy or sell Company securities is the opening of the market on Friday.

### **Additional Guidance**

The Company considers it improper and inappropriate for those employed by or associated with the Company to engage in short-term or speculative transactions in the Company’s securities or in other transactions in the Company’s securities that may lead to inadvertent violations of the insider trading laws. Accordingly, your trading in Company securities is subject to the following additional guidance.

*Short Sales.* You may not engage in short sales of the Company’s securities (sales of securities that are not then owned), including a “sale against the box” (a sale with delayed delivery).

*Publicly Traded Options.* You may not engage in transactions in publicly traded options, such as puts, calls and other derivative securities in any organized market.

*Standing Orders.* Standing orders should be used only for a very brief period of time. A standing order placed with a broker to sell or purchase the Company’s common stock at a specified price leaves you with no control over the timing of the transaction. A standing order transaction executed by the broker when you are aware of material nonpublic information may result in unlawful insider trading.

*Pledges.* Securities pledged as collateral for a loan may be sold without your consent by the lender in foreclosure if you default on the loan. Because a foreclosure sale may occur at a time when you are aware of material nonpublic information or otherwise are not permitted to trade in Company securities, you are prohibited from pledging Company securities as collateral for a loan. An exception to this prohibition may be granted where you wish to pledge Company securities as collateral for a loan and can demonstrate the financial capacity to repay the loan without resort to the pledged securities. If you wish to pledge Company securities as collateral for a loan, you must submit a request for approval to our Compliance Officer, at least two (2) business days prior to the proposed execution of documents evidencing the proposed pledge.

## **Post-Termination Transactions**

This policy continues to apply to your transactions in the Company's securities even after you have terminated employment or other services to the Company or a subsidiary as follows: if you are aware of material nonpublic information when your employment or service relationship terminates, you may not trade in Company securities until that information has become public or is no longer material.

## **Unauthorized Disclosure**

Maintaining the confidentiality of Company information is essential for competitive, security and other business reasons, as well as to comply with securities laws. You should treat all information you learn about the Company or its business plans in connection with your employment as confidential and proprietary to the Company. Inadvertent disclosure of confidential or inside information may expose the Company and you to significant risk of investigation and litigation.

The timing and nature of the Company's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to you, the Company and its management. Accordingly, it is important that responses to inquiries about the Company by the press, investment analysts or others in the financial community be made on the Company's behalf only through authorized individuals.

## **Personal Responsibility**

You should remember that the ultimate responsibility for adhering to this policy and avoiding improper trading rests with you. If you violate this policy, the Company may take disciplinary action, including dismissal for cause.

## **Company Assistance**

Your compliance with this policy is of the utmost importance both for you and for the Company. If you have any questions about this policy or its application to any proposed transaction, you may obtain additional guidance from our Compliance Officer. Do not try to resolve uncertainties on your own, as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences.

This policy is dated January 15, 2010 and supersedes any previous policy of the Company concerning insider trading.