

Title:	CODE OF CONDUCT	Level 3
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A Message from Ron Sege

Echelon's core values serve as the foundation of our success. We strive to be ethical and honorable in all of our activities. Our changing environment continues to create new challenges with respect to how we conduct business and we must be prepared with appropriate responses. To assist in meeting these challenges, this "Code of Business Conduct and Ethics" covers both familiar and new territory related to legal compliance and business conduct. In addition, this "Code" identifies numerous resources to assist you in dealing with various situations.

Our reputation for integrity is one of our most important assets and we expect all Echelon people to safeguard that reputation as they go about performing their duties. Echelon people are expected to always act according to the "Code of Business Conduct and Ethics" and seek guidance when questions arise. Anything less than total commitment to acting with integrity in conduct of Echelon's business is unacceptable.

Take the time to read the "Code of Business Conduct and Ethics" and understand how it applies to you. If you have any questions, contact a manager in your area, Kathy Bloch, Marcia Pugsley, Chris Stanfield, or me.



President and Chief Executive Officer



CODE OF BUSINESS CONDUCT AND ETHICS

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CODE OF BUSINESS CONDUCT AND ETHICS

(Amended and Restated on August 16, 2007)

I. INTRODUCTION

At Echelon, integrity and ethics are fundamental to what we do and who we are. Given that we supply an open networking platform that is often used by our many competitors, our reputation for fair and honest dealings has been and remains an essential element of our success. As a public company, it is essential that we comply with all laws, including securities laws, which are relevant to the operation of our business in each of the jurisdictions where we conduct business. In doing so, we must strive to maintain adherence not only to the letter of the law, but also to the spirit of the law.

Except where otherwise indicated, this Code is intended to apply to all directors, officers (including, among others, Echelon's principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions) and employees of Echelon and its subsidiaries. The purpose of this Code is to help all Echelon employees and directors understand the standards to which we run our business. The Code is designed to, among other things, deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that Echelon files with, or submits to, the United States Securities and Exchange Commission and in other public communications made by Echelon;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of this Code; and
- accountability for adherence to this Code.

All Echelon employees and directors are expected to read and understand this Code, to uphold these standards in day-to-day activities, to comply with all applicable policies and procedures, and to ensure that all agents and contractors are aware of, understand and adhere to these standards.

Because the principles described in this document are general in nature, you should also review all applicable Echelon policies and procedures for more specific instruction, and contact the Vice President of Human Resources, Chief Financial Officer or General Counsel if you have any questions.

We are committed to continuously reviewing and updating our policies and procedures. Therefore, this Code is subject to modification, and we reserve the right to amend, alter or terminate this Code at any time and for any reason, subject to applicable law. This Code is not the exclusive source of guidance and information regarding the conduct of our business. You should consult applicable policies and procedures in specific areas as they apply. This Code



supersedes all other such codes, policies, procedures, instructions, practices, rules or written or verbal representations to the extent they are inconsistent.

Please sign the acknowledgment form at the end of this Code and return the form to the Vice President of Human Resources indicating that you have received, read, understand and agree to comply with the Code. The signed acknowledgment form will be kept on file. Periodically, you will be asked to sign an acknowledgment indicating your continued understanding of the Code. **COMPLIANCE IS EVERYONE'S BUSINESS.**

Ethical business conduct is critical to our business. Many of our practices reflect legal or regulatory requirements. Violations of these laws and regulations can create significant liability for you, Echelon, its directors, officers, and other employees. In some instances, we hold ourselves to a higher standard than local law. In these cases you are expected to follow our higher standards.

As an employee or director, it is your responsibility to respect and adhere to our practices. Violations of law, this Code or other Echelon policies or procedures can lead to disciplinary action up to and including termination of your employment or relationship with Echelon. In trying to determine whether any given action is appropriate, use the following test. Imagine that the words you are using or the action you are taking are going to be fully disclosed in the media with all the details, including your photo. If you are uncomfortable with the idea of this information being made public, perhaps you should think again about your words or your course of action.

Further, part of your job and ethical responsibility is to help enforce this Code. You should be alert to possible violations and report possible violations of this Code or other Echelon policies to the Vice President of Human Resources, Chief Financial Officer, or General Counsel or to any other person in accordance with section V of this Code. You must cooperate in any internal or external investigations of possible violations. Echelon will not tolerate or permit any reprisal, threats, retribution or retaliation against any person who has, in good faith, reported a violation or a suspected violation of law, this Code or other Echelon policies, or against any person who is assisting in any investigation or process with respect to such a violation.

If you are ever unsure about the appropriateness of an event or action, please seek assistance in interpreting the requirements of these practices by contacting the Vice President of Human Resources, Chief Financial Officer, or General Counsel.

II. YOUR RESPONSIBILITIES TO ECHELON AND ITS STOCKHOLDERS

A. General Standards of Conduct

Echelon expects all employees, directors, agents and contractors to exercise good judgment to ensure the safety and welfare of employees, directors, agents and contractors and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organization. These standards apply while working on our premises, at offsite locations where our business is being conducted, at Echelon-sponsored business and social events, or at any other place where you are a representative of Echelon. Employees, directors, agents or contractors who engage in misconduct or whose performance is unsatisfactory may be subject to corrective action, up to and including termination of your employment or relationship with Echelon.



B. Applicable Laws

All Echelon employees, directors, agents and contractors must comply with all applicable laws, regulations, rules and regulatory orders. Echelon employees located outside of the United States must comply with laws, regulations, rules and regulatory orders of the United States, including the Foreign Corrupt Practices Act and the U.S. Export Control Act, in addition to applicable local laws. Each employee, director, agent and contractor must acquire appropriate knowledge of the requirements relating to his or her duties sufficient to enable him or her to recognize potential dangers and to know when to seek advice on specific Echelon policies and procedures. Violations of laws, regulations, rules and orders may subject the employee, director, agent or contractor to individual criminal or civil liability, as well as to discipline by Echelon. Such individual violations may also subject Echelon to civil or criminal liability or the loss of business.

C. Conflicts of Interest

Each of us has a responsibility to Echelon, our stockholders and each other. Although this duty does not prevent us from engaging in personal transactions and investments, it does demand that we avoid situations where a conflict of interest might occur or appear to occur. Echelon is subject to scrutiny from many different individuals and organizations. We should always strive to avoid even the appearance of impropriety, except under guidelines approved by the Board.

What constitutes conflict of interest? A conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of Echelon. While it would be impractical to attempt to list all possible situations, some common types of conflicts are discussed below:

(i) **Employment/Outside Employment.** Our employees are prohibited from engaging in any other employment that diminishes their professional effectiveness at Echelon or is otherwise in conflict with or prejudicial to Echelon. Our policies prohibit any employee from accepting simultaneous employment with an Echelon supplier, customer or developer. Additionally, our policies prohibit any employee or director from accepting simultaneous employment with an Echelon competitor, or from taking part in any activity that enhances or supports a competitor's position. Additionally, employees must disclose to Echelon any interest that they have that may conflict with the business of Echelon. If you have any questions on this requirement, you should contact your supervisor or the Human Resources Department.

(ii) **Outside Directorships.** It is a conflict of interest to serve as a director of any company that competes with Echelon. Although Echelon employees and directors may serve as a director of an Echelon supplier, customer, developer, or other business partner, our policy requires that employees first obtain approval from the Chief Financial Officer before accepting a directorship, and, in the case of members of the Company's Board, such directors must first notify the Nominating and Corporate Governance Committee of the Board before accepting a new directorship position. Members of the Company's Board will annually disclose all directorships in the Company's director questionnaire. Any compensation you



receive should be commensurate to your responsibilities. Such approval may be conditioned upon the completion of specified actions.

(iii) **Business Interests.** With respect to our employees, if you are considering investing in an Echelon customer, supplier, developer or competitor, you must first take great care to ensure that these investments do not compromise your responsibilities to Echelon. Many factors should be considered in determining whether a conflict exists, including the size and nature of the investment; your ability to influence Echelon's decisions; your access to confidential information of Echelon or of the other company; and the nature of the relationship between Echelon and the other company.

(iv) **Related Parties.** As a general rule, all Echelon employees and directors should avoid conducting Echelon business with a relative or significant other, or with a business in which a relative or significant other is associated in any significant role. Relatives include spouse, sister, brother, daughter, son, mother, father, grandparents, aunts, uncles, nieces, nephews, cousins, step relationships, and in-laws. Significant others include persons living in a spousal (including same sex) or familial fashion with an employee or director. We encourage you to seek guidance if you have any questions as to whether an interest in a transaction is significant.

If such a related party transaction is unavoidable, you must fully disclose the nature of the related party transaction to the Company's Audit Committee and Echelon's Audit Committee must also review and approve of the transaction, in writing, prior to the transaction taking place. Echelon must report all such material related party transactions under applicable accounting rules, Federal securities laws, SEC rules and regulations, and securities market rules. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to this business.

Echelon discourages the employment of relatives and significant others in positions or assignments within the same department and prohibits the employment of such individuals in positions that have a financial dependence or influence (e.g., an auditing or control relationship, or a supervisor/subordinate relationship). The purpose of this policy is to prevent the organizational impairment and conflicts that are a likely outcome of the employment of relatives or significant others, especially in a supervisor/subordinate relationship. If a question arises about whether a relationship is covered by this policy, the Human Resources Department is responsible for determining whether an applicant's or transferee's acknowledged relationship is covered by this policy. The Human Resources Department will advise all affected applicants and transferees of this policy. Willful withholding of information regarding a prohibited relationship/reporting arrangement may be subject to corrective action, up to and including termination of employment. If a prohibited relationship exists or develops between two employees, the employee in the senior position must bring this to the attention of his/her supervisor. Echelon retains the prerogative to separate the individuals at the earliest possible time, either by reassignment or by termination of employment, if necessary.

(v) **Loans by the Company.** Loans from the Company to directors and executive officers are prohibited.



(vi) **Other Situations.** Because other conflicts of interest may arise, it would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts in your mind, you should consult the Vice President of Human Resources, Chief Financial Officer, or General Counsel.

D. Corporate Opportunities

Employees and directors may not exploit for their own personal gain opportunities that are discovered through the use of Echelon property, information or position unless the opportunity is disclosed fully in writing to Echelon's Board and the Board declines to pursue such opportunity.

E. Protecting Echelon's Confidential Information

Echelon's confidential information is a valuable asset. Echelon's confidential information includes product architectures; source codes; product plans and road maps; names and lists of customers, dealers, and employees; and financial information. This information is the property of Echelon and may be protected by patent, trademark, copyright and trade secret laws. All confidential information must be used for Echelon business purposes only. Every employee, director, agent and contractor must safeguard it. **THIS RESPONSIBILITY INCLUDES NOT DISCLOSING ECHELON CONFIDENTIAL INFORMATION SUCH AS INFORMATION REGARDING ECHELON'S PRODUCTS OR BUSINESS OVER THE INTERNET.** You are also responsible for properly labeling any and all documentation shared with or correspondence sent to Echelon outside counsel as "Attorney-Client Privileged". This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with Echelon's policy on Maintaining and Managing Records as described in Section III of this document.

Not only do we have an obligation to protect our own confidential information, we also have the obligation to protect the information of others. This is discussed in section IV of this document.

(i) **Proprietary Information and Invention Agreement.** When you joined Echelon, you signed an agreement to protect and hold confidential Echelon's proprietary information. This agreement remains in effect for as long as you work for Echelon and after you leave Echelon. Under this agreement, you may not disclose Echelon's confidential information to anyone or use it to benefit anyone other than Echelon without the prior written consent of an authorized Echelon officer.

(ii) **Disclosure of Echelon Confidential Information.** To further Echelon's business, from time to time our confidential information may be disclosed to potential business partners. However, such disclosure should never be done without carefully considering its potential benefits and risks. If you determine in consultation with your manager and other appropriate Echelon management that disclosure of confidential information is necessary, you must then contact the General Counsel to ensure that an appropriate written nondisclosure agreement is signed prior to the disclosure. Echelon has standard nondisclosure agreements suitable for most disclosures. You must not sign a third party's nondisclosure agreement or accept changes to Echelon's standard nondisclosure agreements without review and approval by the General Counsel or by someone that he or she has designated to act on his or her behalf. In



addition, all Echelon materials that contain Echelon confidential information, including presentations, must be reviewed and approved by the General Counsel prior to publication or use outside of Echelon subject to the terms of any applicable confidentiality agreement.

Furthermore, any employee publication or publicly made statement that might be perceived or construed as attributable to Echelon, made outside the scope of his or her employment with Echelon, must be reviewed and approved in writing in advance by the General Counsel and must include Echelon's standard disclaimer that the publication or statement represents the views of the specific author and not of Echelon.

(iii) **Requests by Regulatory Authorities.** Echelon and its employees, directors, agents and contractors must cooperate with appropriate government inquiries and investigations. In this context, however, it is important to protect the legal rights of Echelon with respect to its confidential information. All government requests for information, documents or investigative interviews must be referred to the Chief Financial Officer or General Counsel. No financial information may be disclosed without the prior approval of the Chief Financial Officer or General Counsel.

(iv) **Echelon Spokespeople.** Specific policies have been established regarding who may communicate information to the press and the financial analyst community. All inquiries or calls from the financial press and financial analysts should be referred to Chris Stanfield (CFO). Echelon has designated Ron Sege (CEO), Chris Stanfield (CFO), and Jeff Lund (VP of Business Development) as official Echelon spokespeople for financial matters. All inquiries or calls from general or industry press or analysts should be referred to Linda Hanson (Vice President of Corporate Marketing). Echelon has designated Jeff Lund (VP of Business Development) and Linda Hanson (Vice President of Corporate Marketing) as official Echelon spokespeople for marketing, technical and other such information. Unless Ron Sege (CEO) Chris Stanfield (CFO) otherwise designates, these designees are the only people who should communicate with the press on behalf of Echelon.

F. Obligations Under Securities Laws-"Insider" Trading

Obligations under the U.S. securities laws apply to everyone. In the normal course of business, officers, directors, employees, agents, contractors and consultants of Echelon may come into possession of significant, sensitive information regarding Echelon, its customers, or its suppliers. This information is the property of Echelon -- you have been entrusted with it. You may not profit from it by buying or selling securities yourself, or passing on the information to others to enable them to profit or for them to profit on your behalf. Note that insider trading does not just apply to Echelon stock; it applies to the securities of any company for which you have material non-public information. The purpose of this policy is both to inform you of your legal responsibilities and to make clear to you that the misuse of sensitive information is contrary to Echelon policy and U.S. securities laws.

Insider trading is a crime, penalized by fines of up to \$5,000,000 and 20 years in jail for individuals. In addition, the SEC may seek the imposition of a civil penalty of up to three times the profits made or losses avoided from the trading. Insider traders must also disgorge any profits made, and are often subjected to an injunction against future violations. Finally, insider traders may be subjected to civil liability in private lawsuits.



Employers and other controlling persons (including supervisory personnel) are also at risk under U.S. securities laws. Controlling persons may, among other things, face penalties of the greater of \$5,000,000 or three times the profits made or losses avoided by the trader if they recklessly fail to take preventive steps to control insider trading.

Thus, it is important for both you and Echelon that insider-trading violations not occur. You should be aware that stock market surveillance techniques are becoming increasingly sophisticated, and the chance that U.S. federal or other regulatory authorities will detect and prosecute even small-level trading is significant. Insider trading rules are strictly enforced, even in instances when the financial transactions seem small. You should contact the Chief Financial Officer or General Counsel if you are unsure as to whether or not you are free to trade.

Echelon has imposed a trading blackout period on members of the Board, executive officers and certain designated employees who, as a consequence of their position with Echelon, are more likely to be exposed to material nonpublic information about Echelon. These directors, executive officers and employees generally may not trade in Echelon securities during the blackout period. Even if you do not fall into one of these groups, or even if you do and the trading window is "open", you must never trade securities for which you have insider information.

For more details, and to determine if you are restricted from trading during trading blackout periods, you should review Echelon's Insider Trading Compliance Program. You can request a copy of this policy from the Vice President of Human Resources. You should take a few minutes to read the Insider Trading Compliance Program carefully, paying particular attention to the specific policies and the potential criminal and civil liability and/or disciplinary action for insider trading violations. Employees, directors, agents and contractors of Echelon who violate this Policy are also subject to disciplinary action by Echelon, which may include termination of employment or of business relationship. All questions regarding Echelon's Insider Trading Compliance Program should be directed to the Chief Financial Officer or General Counsel.

G. Prohibition Against Short Selling of Echelon Stock

No Echelon director, officer or other employee, agent or contractor may, directly or indirectly, sell any equity security, including derivatives, of Echelon if he or she (1) does not own the security sold, or (2) if he or she owns the security, does not deliver it against such sale (a "short sale against the box") within twenty days thereafter, or does not within five days after such sale deposit it in the mails or other usual channels of transportation.

No Echelon director, officer or other employee, agent or contractor may engage in short sales. While employees who are not executive officers or directors are not prohibited by law from engaging in short sales of Echelon's securities, it is Echelon's policy that no employee may do so. A short sale, as defined in this policy, means any transaction whereby one may benefit from a decline in Echelon's stock price.

H. Disclosure to the SEC and the Public

(i) **General.** As a public company, we are required to file reports and other documents with regulatory authorities, including the U.S. Securities and Exchange Commission and the



Nasdaq National Market. In addition, from time to time we make other public communications, such as issuing press releases.

Depending upon your position with Echelon, you may be called upon to provide information to help assure that our public reports and communications are complete, fair, accurate and understandable. You are expected to use all reasonable efforts to provide complete, accurate, objective, relevant, timely and understandable answers to inquiries related to our public disclosures. Individuals involved in the preparation of public reports and communications must use all reasonable efforts to comply with our disclosure controls and procedures, which are designed to ensure full, fair, accurate, timely and understandable disclosure in our public reports and communications. In order to ensure that material information is presented to the public on a timely basis, we have created a disclosure committee (comprised of the CEO, CFO, General Counsel and Controller), which is responsible for considering the materiality of information and determining Echelon's disclosure obligations.

If you believe that any disclosure is materially misleading or if you become aware of any material information that you believe should be disclosed to the public, it is your responsibility to bring this information to the attention of Kathy Bloch (General Counsel) or Mike Marszewski (Controller).

(ii) **Financial Information.** When we report financial information, we are required to follow strict accounting principles and standards, to report financial information accurately and completely in accordance with these principles and standards, and to have appropriate internal controls and procedures to ensure that our accounting and financial reporting complies with law. The integrity of our financial transactions and records is critical to the operation of our business and is a key factor in maintaining the confidence and trust of our employees, security holders and other stakeholders. The CEO, CFO, Controller and other Officers providing financial information (as a group known as "Financial Officers") must make certain that our financial information meets the requirements for full, fair, accurate, timely, and understandable disclosure.

Accordingly, our Financial Officers must ensure that they and others at Echelon comply with our disclosure controls and procedures and our internal controls for financial reporting. Furthermore, Echelon has the policy of encouraging its employees and directors, when they reasonably believe that questionable accounting or auditing conduct or practices have occurred or are occurring, to report those concerns to Echelon in accordance with our Financial Information Integrity Policy.

I. Use of Echelon's Assets

(i) **General.** Protecting Echelon's assets is a key fiduciary responsibility of every employee, director, agent and contractor. Care should be taken to ensure that assets are not misappropriated, loaned to others, or sold or donated, without appropriate authorization. All Echelon employees, directors, agents and contractors are responsible for the proper use of Echelon assets, and must safeguard such assets against loss, damage, misuse or theft. Employees, directors, agents or contractors who violate any aspect of this policy or who demonstrate poor judgment in the manner in which they use any Echelon asset may be subject to disciplinary action, up to and including termination of employment or business relationship at Echelon's sole discretion. If you have any questions regarding this policy, you should bring them to the attention of the Vice President of Human Resources.

(ii) **Physical Access Control.** Echelon has and will continue to develop procedures covering physical access control to ensure privacy of communications,



maintenance of the security of Echelon communication equipment, and the safeguarding of Echelon assets from theft, misuse and destruction. All employees, directors, agents and contractors are personally responsible for complying with the level of access control that has been implemented in the facility where they work on a permanent or temporary basis. You must not defeat or cause to be defeated the purpose for which the access control was implemented.

(iii) **Echelon Funds.** Every Echelon employee and director is personally responsible for all Echelon funds over which he or she exercises control. Echelon agents and contractors should not be allowed to exercise control over Echelon funds. Echelon funds must be used only for Echelon business purposes. Every Echelon employee, director, agent and contractor must take reasonable steps to ensure that Echelon receives good value for Echelon funds spent, and must maintain accurate and timely records of each and every expenditure. Expense reports must be accurate and submitted in a timely manner. Echelon employees, directors, agents and contractors must not use Echelon funds for any personal purpose.

(iv) **Software.** All software used by employees to conduct Echelon business must be appropriately licensed. Never make or use illegal or unlicensed copies of any software, whether in the office, at home, or on the road, since doing so may constitute copyright infringement and may expose you and Echelon to potential civil and criminal liability. In addition, use of illegal or unlicensed copies of software may subject the employee to disciplinary action, up to and including termination of employment. Echelon's IT Department will inspect Echelon computers periodically to verify that only legal and licensed software has been installed. Any non-licensed software will be removed.

(v) **Electronic Usage.** Employees and directors should use electronic communication devices in a legal, fair, ethical, and appropriate manner. You must not post or discuss proprietary or confidential information or any information that may be deemed material to the performance of Echelon stock or any non public information concerning Echelon's products or business in person or electronically, including using computers, e-mail, postings to chat rooms or internet communities, connections to the Internet, intranet and extranet and any other public or private networks, voice mail, video conferencing, facsimiles, and telephones with non-Echelon employees without the prior written consent of the Chief Financial Officer or General Counsel, or evidence of a non-disclosure agreement with the third party. Any other form of electronic communication used by employees or directors currently, or in the future, is also intended to be encompassed under this policy. It is not possible to identify every standard and rule applicable to the use of electronic communications devices. Dissemination of false or misleading or non-public information in any form is expressly forbidden.

J. Maintaining and Managing Records

There are both legal and business requirements for managing records, including all recorded information regardless of medium or characteristics. Records include paper documents, CDs, computer hard disks, email, floppy disks, microfiche, microfilm or all other media. Echelon is required by local, state, federal, foreign and other applicable laws, rules and regulations to retain certain records and to follow specific guidelines in managing its records. Civil and criminal penalties for failure to comply with such guidelines can be severe for employees, directors, agents, contractors and Echelon, and failure to comply with such



guidelines may subject the employee, director agent or contractor to disciplinary action, up to and including termination of employment or business relationship at Echelon's sole discretion.

K. Records on Legal Hold

A legal hold suspends all document destruction procedures in order to preserve appropriate records under special circumstances, such as litigation or government investigations. The Chief Financial Officer or General Counsel determines and identifies what types of Echelon records or documents are required to be placed under a legal hold. Every Echelon employee, director, agent and contractor must comply with this policy. Failure to comply with this policy may subject the employee, director, agent or contractor to disciplinary action, up to and including termination of employment or business relationship at Echelon's sole discretion.

The Chief Financial Officer or General Counsel will notify you if a legal hold is placed on records for which you are responsible. You then must preserve and protect the necessary records in accordance with instructions from the Chief Financial Officer or General Counsel. **RECORDS OR SUPPORTING DOCUMENTS THAT HAVE BEEN PLACED UNDER A LEGAL HOLD MUST NOT BE DESTROYED, ALTERED OR MODIFIED UNDER ANY CIRCUMSTANCES.** A legal hold remains effective until it is officially released in writing by the Chief Financial Officer or General Counsel. If you are unsure whether a document has been placed under a legal hold, you should preserve and protect that document while you check with the Chief Financial Officer or General Counsel.

If you have any questions about this policy you should contact the Chief Financial Officer or General Counsel.

L. Payment Practices

(i) **Accounting Practices.** Echelon's responsibilities to its stockholders and the investing public require that all transactions be fully and accurately recorded in Echelon's books and records in compliance with all applicable laws. False or misleading entries, unrecorded funds or assets, or payments without appropriate supporting documentation and approval are strictly prohibited and violate Echelon policy and the law. Additionally, all documentation supporting a transaction should fully and accurately describe the nature of the transaction and be processed in a timely fashion.

(ii) **Political Contributions.** Echelon reserves the right to communicate its position on important issues to elected representatives and other government officials. It is Echelon's policy to comply fully with all local, state, federal, foreign and other applicable laws, rules and regulations regarding political contributions. Echelon's funds or assets must not be used for, or be contributed to, political campaigns or political practices under any circumstances without the prior written approval of the Chief Financial Officer or General Counsel and, if required, the Board.

(iii) **Prohibition of Inducements.** Under no circumstances may employees, directors, agents or contractors offer to pay, make payment, promise to pay, or issue authorization to pay any money, gift, or anything of value to customers, vendors, consultants, etc. that is perceived as intended, directly or indirectly, to improperly influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commission



of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive and/or they do not create an appearance of impropriety, do not violate this policy. Questions regarding whether a particular payment or gift violates this policy should be directed to the Vice President of Human Resources, Chief Financial Officer or General Counsel.

M. Foreign Corrupt Practices Act

Echelon requires full compliance with the Foreign Corrupt Practices Act (FCPA) by all of its employees, directors, agents, and contractors.

The anti-bribery and corrupt payment provisions of the FCPA make illegal any corrupt offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value to any foreign official, or any foreign political party, candidate or official, for the purpose of: influencing any act or failure to act, in the official capacity of that foreign official or party; or inducing the foreign official or party to use influence to affect a decision of a foreign government or agency, in order to obtain or retain business for anyone, or direct business to anyone.

All Echelon employees and directors whether located in the United States or abroad, are responsible for FCPA compliance and the procedures to ensure FCPA compliance. All managers and supervisory personnel are expected to monitor continued compliance with the FCPA to ensure compliance with the highest moral, ethical and professional standards of Echelon. FCPA compliance includes Echelon's policy on Maintaining and Managing Records in Section III earlier in this document. All of Echelon's agents and contractors are contractually required to comply with the FCPA.

Laws in most countries outside of the United States also prohibit or restrict government officials or employees of government agencies from receiving payments, entertainment, or gifts for the purpose of winning or keeping business. No contract or agreement may be made with any business in which a government official or employee holds a significant interest, without the prior approval of the Chief Financial Officer or General Counsel.

N. Export Controls

A number of countries maintain controls on the destinations to which products or software may be exported. Some of the strictest export controls are maintained by the United States against countries that the U.S. government considers unfriendly or as supporting international terrorism. The U.S. regulations are complex and apply both to exports from the United States and to exports of products from other countries, when those products contain U.S.-origin components or technology. Software created in the United States is subject to these regulations even if duplicated and packaged abroad. In some circumstances, an oral presentation containing technical data made to foreign nationals in the United States may constitute a controlled export. The Chief Financial Officer or General Counsel can provide you with guidance on which countries are prohibited destinations for Echelon products or whether a proposed technical presentation to foreign nationals may require a U.S. Government license.

III. RESPONSIBILITIES TO OUR CUSTOMERS AND OUR SUPPLIERS



A. Customer Relationships

If your job puts you in contact with any Echelon customers or potential customers, it is critical for you to remember that you represent Echelon to the people with whom you are dealing. Act in a manner that creates value for our customers and helps to build a relationship based upon trust. Echelon and its employees have provided products and services for many years and have built up significant goodwill over that time. This goodwill is one of our most important assets, and Echelon employees, directors, agents and contractors must act to preserve and enhance our reputation.

B. Payments or Gifts from Others

Under no circumstances may employees, directors, agents or contractors accept any offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value from customers, vendors, consultants, etc. that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commitment of fraud, or opportunity for the commission of any fraud. Inexpensive gifts, infrequent business meals, celebratory events and entertainment, provided that they are not excessive and/or do not create an appearance of impropriety, do not violate this policy. If you have any questions regarding whether a particular payment or gift violates this policy contact the Vice President of Human Resources, Chief Financial Officer or General Counsel.

Gifts given by Echelon to suppliers or customers or received from suppliers or customers should always be appropriate to the circumstances and should never be of a kind that could create an appearance of impropriety. The nature and cost of gifts given by Echelon to suppliers or customers must always be accurately recorded in Echelon's books and records.

C. Publications of Others

Echelon subscribes to many publications that help employees do their jobs better. These include newsletters, reference works, online reference services, magazines, books, and other digital and printed works. Copyright law generally protects these works, and their unauthorized copying and distribution constitute copyright infringement. You must first obtain the consent of the publisher of a publication before copying publications or significant parts of them. When in doubt about whether you may copy a publication, consult the Vice President of Human Resources, Chief Financial Officer or General Counsel.

D. Handling the Confidential Information of Others

Echelon has many kinds of business relationships with many companies and individuals. Sometimes, they will volunteer confidential information about their products or business plans to induce Echelon to enter into a business relationship. At other times, we may request that a third party provide confidential information to permit Echelon to evaluate a potential business relationship with that party. Whatever the situation, we must take special care to handle the confidential information of others responsibly. We handle such confidential information just as we would handle our own confidential information or in accordance with our agreements with



such third parties. See also Echelon's policy on Maintaining and Managing Records in Section III.I of this Code of Business Conduct and Ethics.

Echelon employees and directors must also treat the non-confidential information of third parties with respect. The nature of Echelon's business brings us into contact with many companies that are competitors. We have won respect from and trust from these companies by showing great sensitivity. Before disclosing any information about a customer, ask yourself if it is necessary to do so and if you think the customer themselves would be comfortable disclosing the same information. If the answer to either of these questions is "no", the information should not be disclosed.

Additionally, Echelon requires that its employees and directors honor any continuing confidentiality obligations that they may have to previous employers.

(i) **Appropriate Nondisclosure Agreements.** Confidential information may take many forms. An oral presentation about a company's product development plans may contain protected trade secrets. A customer list or employee list may be a protected trade secret. A demo of an alpha version of a company's new software may contain information protected by trade secret and copyright laws.

You should never accept information offered by a third party that is represented as confidential, or which appears from the context or circumstances to be confidential, unless an appropriate nondisclosure agreement has been signed with the party offering the information. **The Chief Financial Officer or General Counsel can provide nondisclosure agreements to fit any particular situation, and will coordinate appropriate execution of such agreements on behalf of Echelon.** Even after a nondisclosure agreement is in place, you should accept only the information necessary to accomplish the purpose of receiving it, such as a decision on whether to proceed to negotiate a deal. If more detailed or extensive confidential information is offered and it is not necessary, for your immediate purposes, it should be refused.

(ii) **Need-to-Know.** Once a third party's confidential information has been disclosed to Echelon, we have an obligation to abide by the terms of the relevant nondisclosure agreement and limit its use to the specific purpose for which it was disclosed and to disseminate it only to other Echelon employees and directors with a need to know the information. Every employee, director, agent and contractor involved in a potential business relationship with a third party must understand and strictly observe the restrictions on the use and handling of confidential information. When in doubt, consult the Vice President of Human Resources, Chief Financial Officer, or General Counsel.



(iii) **Notes and Reports.** When reviewing the confidential information about the suitability of a business relationship with a third party under a nondisclosure agreement, it is natural to take notes or prepare reports summarizing the results of the review and, based partly on those notes or reports, to draw conclusions. Notes or reports, however, should be retained only long enough to complete the evaluation of the potential business relationship. Subsequently, any notes or reports containing confidential information about a possible business relationship should be either destroyed or turned over to the Chief Financial Officer or General Counsel for safekeeping or destruction. They should be treated just as any other disclosure of confidential information is treated: marked as confidential and distributed only to those Echelon employees and directors with a need to know.

(iv) **Competitive Information.** You should never attempt to obtain a competitor's confidential information by improper means, and you should especially never contact a competitor regarding their confidential information. While Echelon may, and does, employ former employees of competitors, we recognize and respect the obligations of those employees not to use or disclose the confidential information of their former employers.

E. Selecting Suppliers

Echelon's suppliers make significant contributions to our success. To create an environment where our suppliers have an incentive to work with Echelon, they must be confident that they will be treated lawfully and in a fair and ethical manner. Echelon's policy is to purchase supplies based on need, quality, service, price and terms and conditions. Where possible, we select significant suppliers or enter into significant supplier agreements through a competitive bid process. Under no circumstances should any Echelon employee, director, agent or contractor attempt to coerce suppliers in any way. The confidential information of a supplier is entitled to the same protection as that of any other third party and must not be received before an appropriate nondisclosure agreement has been signed. A supplier to Echelon is generally free to sell its products or services to any other party, including competitors of Echelon. In some cases, where the products or services have been designed, fabricated, or developed to our specifications, the agreement between the parties may contain restrictions on sales.

F. Government Relations and Government Contracts

As a company and as individuals, we must comply fully with all applicable local, state, federal, foreign and other applicable laws, rules and regulations governing contact and dealings with government employees and public officials, and to adhere to high ethical, moral and legal standards of business conduct. We must also comply fully with all applicable laws and regulations that apply to government contracting and strictly adhere to all terms and conditions of any contract with local, state, federal, foreign or other applicable governments. The Chief Financial Officer or General Counsel must review and approve all contracts with any government entity. If you have any questions concerning government relations or contracts you should contact the Chief Financial Officer or General Counsel.

G. Compliance with Governmental Laws, Rules and Regulations

In addition, Financial Officers must comply with all applicable governmental laws, rules and regulations. Each Financial Officer must acquire appropriate knowledge of the legal requirements relating to his or her duties sufficient to enable him or her to recognize potential



dangers and to know when to seek advice from the General Counsel, outside counsel or the Audit Committee. Violations of applicable governmental laws, rules and regulations may subject the Financial Officers to individual criminal or civil liability, as well as to discipline by Echelon. Such individual violations may also subject Echelon to civil or criminal liability or the loss of business. If you become aware of or reasonably believe that questionable accounting or auditing conduct or practices have occurred or are occurring, you should report those concerns to Echelon in accordance with our Financial Information Integrity Policy.

H. Lobbying

Employees, agents or contractors whose work requires lobbying communication with any member or employee of a legislative body, or with any government official or employee involved in the formulation of legislation, must have prior written approval of such activity from the Chief Financial Officer or General Counsel. Activity covered by this policy includes meetings with legislators or members of their staffs or with senior executive branch officials. Preparation, research, and other background activities that are done in support of lobbying communication are also covered by this policy even if the communication ultimately is not made.

I. Free and Fair Competition

Most countries have well-developed bodies of law designed to encourage and protect free and fair competition. Echelon is committed to obeying both the letter and spirit of these laws. The consequences of not doing so can be severe for all of us

These laws often regulate Echelon's relationships with its distributors, resellers, dealers, and customers. Competition laws generally address the following areas: pricing practices (including price discrimination), discounting, terms of sale, credit terms, promotional allowances, secret rebates, exclusive dealerships or distributorships, product bundling, restrictions on carrying competing products, termination, and many other practices.

Competition laws also govern, usually quite strictly, relationships between Echelon and its competitors. As a general rule, contacts with competitors should be limited and should always avoid subjects such as prices or other terms and conditions of sale, customers, and suppliers. Employees, directors, agents or contractors of Echelon may not knowingly make false or misleading statements regarding Echelon or its products, our competitors or their products, customers or suppliers. Participating with competitors in a trade association or in a standards creation body is acceptable when the association has been properly established, has a legitimate purpose, and has limited its activities to that purpose.

No employee, director, agent or contractor shall at any time or under any circumstances enter into an agreement or understanding, written or oral, express or implied, with any competitor concerning prices, discounts, other terms or conditions of sale, profits or profit margins, costs, allocation of product or geographic markets, allocation of customers, limitations on production, boycotts of customers or suppliers, or bids or the intent to bid or even discuss or exchange information on these subjects. In some cases, legitimate joint ventures with competitors may permit exceptions to these rules as may bona fide purchases from or sales to competitors on non-competitive products. However, the Chief Financial Officer or General Counsel must review all such proposed ventures in advance. These prohibitions are absolute and



strict observance is required. Collusion among competitors is illegal, and the consequences of a violation are severe.

Although the spirit of these laws, known as "antitrust," "competition," or "consumer protection" or unfair competition laws, is straightforward, their application to particular situations can be quite complex. To ensure that Echelon complies fully with these laws, each of us should have a basic knowledge of them and should involve the Chief Financial Officer or General Counsel early on when questionable situations arise.

J. Industrial Espionage

It is Echelon's policy to lawfully compete in the marketplace. This commitment to fairness includes respecting the rights of our competitors and abiding by all applicable laws in the course of competing. The purpose of this policy is to maintain Echelon's reputation as a lawful competitor and to help ensure the integrity of the competitive marketplace. Echelon expects its competitors to respect our rights to compete lawfully in the marketplace, and we must respect their rights equally. Echelon employees, directors, agents and contractors may not steal or unlawfully use the information, material, products, intellectual property, or proprietary or confidential information of anyone including suppliers, customers, business partners or competitors.

IV. WAIVERS

Except as otherwise provided in this Code, any waiver of any provision of this Code or any special approval for a member of Echelon's Board or an executive officer must be reviewed and approved in writing by Echelon's Board and must also be promptly disclosed along with the reasons for the waiver. Any waiver of any provision of this Code or any special approval with respect to any other employee, agent or contractor must be approved in writing by the Chief Financial Officer or General Counsel.

V. REPORTING VIOLATIONS

You should promptly report violations or suspected violations of this Code to the General Counsel. If your situation requires that your identity be kept secret, your anonymity will be preserved to the greatest extent reasonably possible. If you wish to remain anonymous, send a letter addressed to the General Counsel at Echelon Corporation, General Counsel's Office, 550 Meridian Avenue, San Jose, CA 95126. If you make an anonymous report, please provide as much detail as possible, including copies of any documents that you believe may be relevant to the issue.

If your concerns relate to accounting, internal controls or auditing matters, or if the General Counsel is implicated in any violation or suspected violation, you may also contact the Audit Committee of the Board of Directors at Echelon Audit Committee, 550 Meridian Avenue, San Jose, CA 95126.

Reprisals, threats, retribution or retaliation against any person who has in good faith reported a violation or a suspected violation of law, this Code or other company policies, or against any person who is assisting in any investigation or process with respect to such a violation, is prohibited.



VI. INVESTIGATIONS

The Board or its designated committee will be responsible for investigating violations and determining appropriate disciplinary action for matters involving members of the Board or executive officers. The Board or its designated committee may designate others to conduct or manage investigations on its behalf and recommend disciplinary action.

Subject to the general authority of the Board to administer this Code, the Chief Financial Officer and the General Counsel will be jointly responsible for investigating violations and determining appropriate disciplinary action for other employees, agents and contractors. The Chief Financial Officer and the General Counsel may designate others to conduct or manage investigations on their behalf and recommend disciplinary action. The Chief Financial Officer and the General Counsel will periodically report Code violations and the corrective actions taken to the Board or its designated committee. The Board reserves the right to investigate violations and determine appropriate disciplinary action on its own or to designate others to do so in place of, or in addition to, the Chief Financial Officer and the General Counsel.

The Company will promptly investigate any suspected violations. If it is determined that evidence of a violation exists, the individual subject to investigation will be notified. The subject of an investigation will have an opportunity to respond to any allegations made against that person. A person suspected of violating the Code may be suspended with or without pay while an investigation is conducted. The Company will follow local grievance procedures in jurisdictions where such procedures apply.

VII. DISCIPLINARY ACTIONS

The matters covered in this Code are of the utmost importance to Echelon, its stockholders and its business partners, and are essential to Echelon's ability to conduct its business in accordance with our stated values. We expect all of our employees, directors, agents, contractors and consultants to adhere to these rules in carrying out their duties for Echelon.

Echelon will take appropriate action against any employee, director, agent, contractor or consultant whose actions are found to violate these policies or any other policies of Echelon and will strive to enforce the Code in a consistent manner while accounting for all relevant information. Disciplinary actions may include immediate termination of employment or business relationship at Echelon's sole discretion. Where Echelon has suffered a loss, it may pursue its remedies against the individuals or entities responsible. Where laws have been violated, Echelon will report violators to the appropriate authorities.

Revision 8/16/07



VIII. ACKNOWLEDGMENT OF RECEIPT OF CODE OF BUSINESS CONDUCT AND ETHICS

I have received and read Echelon's Code of Business Conduct and Ethics. I understand the standards and policies contained in Echelon's Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with Echelon's Code of Business Conduct and Ethics while an employee or director. If I have questions concerning the meaning or application of Echelon's Code of Business Conduct and Ethics, any Echelon policies, or the legal and regulatory requirements applicable to my job, I know I can consult my manager, the Vice President of Human Resources, Chief Financial Officer or General Counsel, knowing that my questions or reports to these sources will be maintained in confidence.

Employee Name (please print)

Signature

Date

Please sign and return this form to Marcia Pugsley.