

US ENERGY SYSTEMS, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

INTRODUCTION

This Code of Business Conduct and Ethics covers a wide range of business practices and procedures. It does not cover every issue that may arise, but sets out basic principles to guide all directors, officers and employees of US Energy Systems, Inc. (the “**Company**”) and its respective subsidiaries and affiliates (collectively, “**Company Personnel**”). All Company Personnel must conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

If a law conflicts with a policy in this Code, Company Personnel must comply with the law. If a local custom or policy conflicts with this Code, Company Personnel must comply with this Code. If you have any questions about these conflicts, you should ask a senior officer of the Company how to handle the situation.

Company Personnel who violate the standards in this Code will be subject to disciplinary action, up to and including termination of their employment or other relationship with the Company or its subsidiaries and affiliates (collectively, the “Company Entities”). If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described below under “Compliance Procedures”.

THE CODE

Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the Company Entities’ ethical standards are built and is critical to our reputation and continued success. All Company Personnel must respect and obey the laws of the various jurisdictions in which the Company Entities operate and avoid even the appearance of impropriety. Although not all Company Personnel are expected to know the details of these laws, it is important to know enough to determine when to seek advice from executive members or other appropriate personnel. The Chief Executive Officer, Chief Accounting Officer and the General Counsel are always available to assist Company Personnel in determining applicable legal requirements and to seek the advice of legal counsel where appropriate.

Conflicts of Interest

A “conflict of interest” exists when a person’s private interests interfere in any way with the interests of the Company Entities. A conflict of interest can arise when Company Personnel take actions or have interests that may make it difficult for them to perform their work for a Company Entity objectively and effectively. Conflicts of interest also may arise when Company Personnel or members of their families receive improper personal benefits as a result of their positions with a Company Entity.

Conflicts of interest are prohibited as a matter of policy, except as may be approved by the Board of Directors of the Company. Conflicts of interest may not always be clear-cut. If you have a question, you should consult with your supervisor or department head. Any Company Personnel who become aware of a conflict or potential conflict should bring it to the attention of a supervisor or department head and consult the procedures described below under “Compliance Procedures”.

Confidentiality

Company Personnel must maintain the confidentiality of confidential information entrusted to them by any Company Entity and persons with whom the Company Entities do business, except when disclosure is authorized under the Confidential Information Policy or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or investors or harmful to any Company Entity or the person to whom it relates if disclosed. The obligation to preserve confidential information continues even after Company Personnel cease to have a relationship with the Company Entities.

Company Personnel who have access to confidential information are not permitted to use or share that information for Company stock trading purposes or for any other purpose except the conduct of the Company Entities' business.

Corporate Opportunities

Company Personnel are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or positions without the consent of the Board of Directors and from using corporate property, information, or position for improper personal gain. No Company Personnel may compete with any of the Company Entities directly or indirectly except as authorized by the Board of Directors or a duly authorized committee hereof. Company Personnel owe a duty to each Company Entity to advance its legitimate interests when the opportunity to do so arises.

Protection and Proper Use of Company Entity Assets

All Company Personnel should endeavor to protect Company Entity assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the profitability of the Company Entities. Any suspected incident of fraud or theft should be reported immediately to your department head for investigation.

The obligation of Company Personnel to protect the assets of the Company Entities includes the Company Entities' proprietary information. Proprietary information includes any information that is not known generally to the public or would be helpful to competitors of any of the Company Entities. Examples of proprietary information include intellectual property (such as trade secrets, patents, trademarks, and copyrights), business, marketing and service plans, designs, databases, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company Entity policy and could be illegal and result in civil or criminal penalties. The obligation to preserve the confidentiality of proprietary information continues even after Company Personnel cease to have a relationship with the Company Entities.

Company Entity assets may never be used for illegal purposes.

Competition and Fair Dealing

The Company Entities seek to excel and to outperform any competitors fairly and honestly through superior performance and not through unethical or illegal business practices. Taking proprietary information without the owner's consent, inducing disclosure of that information by past or present employees of other persons or using that information is prohibited. Company Personnel should respect the rights of, and deal fairly with, the Company Entities' competitors and persons with whom the Company Entities have a business relationship. No Company Personnel should take unfair advantage of

anyone through illegal conduct, manipulation, concealment, abuse of proprietary information, misrepresentation of material facts, or any other intentional unfair-dealing practice. Nor should any Company Personnel act in a manner that may be anti-competitive under anti-trust laws. The Company's Chief Executive Officer, Chief Accounting Officer and General Counsel are always available to assist Company Personnel in determining the application of those laws and to seek the advice of legal counsel where appropriate.

Gifts and Entertainment

Business gifts and entertainment are customary courtesies designed to build goodwill and constructive relationship among business partners. These courtesies may include such things as meals and beverages, tickets to sporting or cultural events, discounts not available to the general public, accommodation and other merchandise or services. In some cultures, they play an important role in business relationships. A problem, however, may arise when these courtesies compromise, or appear to compromise, a Company Entity's ability to make fair and objective business decisions or to gain an unfair advantage.

Offering or receiving any gift, gratuity or entertainment that might be perceived to unfairly influence a business relationship should be avoided. These guidelines apply at all times and do not change during traditional gift-giving seasons.

No gift or entertainment should ever be offered, given, provided, authorized or accepted by any Company Personnel or their family members unless it is not a cash gift, is consistent with customary business practices, is not excessive in value, cannot be construed as a bribe or payoff, and does not violate any laws. Strict rules apply when a Company Entity does business with governmental agencies and officials, as discussed in more detail below. Company Personnel should discuss with their department head any gifts or proposed gifts about which they have any questions or any gift or proposed gift in excess of \$100.00.

Payments to Government Personnel

All Company Personnel must comply with all laws prohibiting improper payments to domestic and foreign officials. Other governments have laws regarding business gifts that may be accepted by government personnel. The promise, offer or delivery to an official or employee of various governments of a gift, favor or other gratuity in violation of these laws would not only violate the Company Entities policies but could also be a criminal offense. Illegal payments should not be made to government officials of any country. The Company's Chief Executive Officer, Chief Accounting Officer or General Counsel can provide guidance to Company Personnel in this area.

Discrimination and Harassment

The diversity of Company Personnel is a tremendous asset. The Company Entities are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Violence and threatening behavior are not permitted. Company Personnel are encouraged to speak with the General Counsel when a co-worker's conduct makes them uncomfortable and to report harassment when it occurs.

Health and Safety

The Company Entities strive to provide all Company Personnel with a safe and healthy work environment. All Company Personnel have responsibility for maintaining a safe and healthy workplace

by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions to a supervisor or department head. Being under the influence of and the possession of illegal drugs in the workplace will not be tolerated. Company Personnel should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol.

Accuracy of Records and Reporting

The Company Entities require honest and accurate recording and reporting of information to make responsible business decisions. Each Company Entity's accounting records are relied upon to produce reports for our management, directors, trust unitholders, governmental agencies and persons with whom the applicable Company Entity does business. All of each Company Entity's financial statements and the books, records and accounts on which they are based must appropriately reflect such Company Entity's activities and conform to applicable legal and accounting requirements and to the Company Entity's system of internal controls. Unrecorded or "off the books" Companies or assets should not be maintained unless required by applicable law or regulation.

All Company Personnel have a responsibility, within the scope of their positions, to ensure that each Company Entity's accounting records do not contain any false or intentionally misleading entries. The Company Entities do not permit intentional misclassification of transaction as to accounts, departments or accounting records. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper accounts and in the proper accounting period.

Many Company Personnel use business expense accounts, which must be documented and recorded accurately. If Company Personnel are not sure whether a certain expense is legitimate, a supervisor or department head can provide advice. General rules and guidelines are available from the Chief Accounting Officer of the Company.

Business records and communications often become public through legal or regulatory proceedings or the media. Company Personnel should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations that can be misunderstood. This requirement applies equally to communications of all kinds, including e-mail, informal notes, internal memos, and formal reports.

Use of E-mail and Internet Services

E-mail and internet services are provided by the Company Entities to assist Company Personnel in carrying out their work. Incidental and occasional personal use is permitted, but never for personal gain or any improper purpose. Company Personnel may not access, send or download any information that could be insulting or offensive to another person, such as sexually explicit messages, cartoons, jokes, unwelcome propositions, derogatory based on racial or ethnic characteristics, or any other message that could reasonably be viewed as harassment. Flooding the Company Entities' system with junk mail and trivia hampers the ability of the Company Entities' system to handle legitimate company business and is prohibited.

Messages (including voice-mail) and computer information sent, received or created by Company Personnel are considered property of the Company Entities and Company Personnel should recognize that these messages and information are not "private". Unless prohibited by law, the Company Entities reserve the right to access and disclose those messages and information as necessary for its business purposes. Company Personnel should use good judgment and not access, send messages or store any information that they would not want to be seen or heard by others.

Special Ethics Obligations For Employees With Financial Reporting Responsibilities

As a public company it is of critical importance that the Company's filings with the Securities and Exchange Commission be accurate and timely. Depending on their position with the Company, the Company's employees may be called upon to provide information to assure that the Company's public reports are complete, fair and understandable. The Company expects all of its personnel to take this responsibility very seriously and to provide prompt and accurate answers to inquiries related to the Company's public disclosure requirements.

The Accounting Department bears a special responsibility for promoting integrity throughout the organization, with responsibilities to stakeholders both inside and outside of the Company. The Chief Executive Officer and Chief Accounting Officer have a special role both to adhere to these principles themselves and also to ensure that a culture exists throughout the company as a whole that ensures the fair and timely reporting of the Company's financial results and condition.

Because of this special role, the Chief Executive Officer and all members of the Company's Accounting Department are bound by the following Accounting Officer Code of Ethics, and by accepting the Code of Business Conduct, each agrees that he or she will:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
- Provide information that is accurate, complete, objective, relevant, timely and understandable to ensure full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, government agencies and in other public communications.
- Comply with rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies.
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage.
- Share knowledge and maintain skills important and relevant to stakeholder's needs.
- Proactively promote and be an example of ethical behavior as a responsible partner among peers, in the work environment and the community.
- Achieve responsible use of and control over all assets and resources employed or entrusted.
- Promptly report to the Chief Accounting Officer, the General Counsel and/or the Chairman of the Audit Committee any conduct that the individual believes to be a violation of law or business ethics or of any provision of the Code of Conduct, including any transaction or relationship that reasonably could be expected to give rise to such a conflict.

Violations of this Accounting Officer Code of Ethics, including failures to report potential violations by others, will be viewed as a severe disciplinary matter that may result in personnel action, including termination of employment. If you believe that a violation of the Accounting Officer Code of Ethics has occurred, please contact the Company's General Counsel or outside Counsel, Chief Accounting Officer, or the Chairman of the Audit Committee of the Board of Directors.

It is against Company policy to retaliate against any employee for good faith reporting of violations of this Code.

Insider Trading

If an employee has material, non-public information relating to the Company, it is the Company's policy that neither the employee, nor any person related to the employee, may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information. This policy also applies to trading in the securities of any other company, including our customers or suppliers, if employees have material, non-public information about that the Company which the employee obtained in the course of their employment by the Company.

Transactions that may be necessary or justifiable for independent reasons, including emergency expenditures and transactions planned before the employee learned the material information, are not exceptions. Even the appearance of an improper transaction must be avoided to prevent any potential risk to the Company or the individual trader. Violations of insider trading laws may be punishable by fines and/or imprisonment.

Besides the obligation to refrain from trading while in possession of material, non-public information, employees are also prohibited from "tipping" others. The concept of unlawful tipping includes passing on information to friends or family members under circumstances that suggest that employees were trying to help them make a profit or avoid a loss. Besides being considered a form of insider trading, of course, tipping is also a serious breach of corporate confidentiality. For this reason, employees should be careful to avoid discussing sensitive information in any place (for instance, at lunch, on public transportation, in elevators) where others may hear such information.

In order to assure compliance with the Company's Insider Policy, no insider (e.g. director, officer or employee of the Company or any Company subsidiary) shall engage in any transaction involving Company securities without the prior written approval of the general counsel.

Foreign Corrupt Practices Act

The Company requires full compliance with the Foreign Corrupt Practices Act (FCPA) by all of its employees, consultants, agents, distributors, and resellers. 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
- 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.

Payments, offers, promises or authorizations to pay any other person, U.S. or foreign, are likewise prohibited if any portion of that money or gift will be offered, given or promised to a foreign official or foreign political party or candidate for any of the illegal purposes outlined above.

All the Company employees, 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 the Company.

Any action in violation of the FCPA, or any of the ethical and business standards as outlined in the Company's Resource Guide is prohibited. All the Company employees who become aware of apparent FCPA violations should notify the Legal Department or the Ethics office immediately. Any question or uncertainty regarding compliance with this policy should be brought to the attention of the Legal Department.

Political Contributions

No Company assets--including employees' work time, use of Company premises, use of Company equipment, or direct monetary payments--may be contributed to any political candidate, political actions committees (aka "PACs"), party, or ballot measure without the permission of the General Counsel. Of course, the Company employees may participate in any political activities of their choice on an individual basis, with their own money and on their own time.

Using Third-Party Copyrighted Material

The Company employees may sometimes need to use third-party copyrighted material to perform their jobs. Before such third-party material may be used, appropriate authorization from the copyright holder must be obtained. The need for such permission may exist whether or not the end product containing third-party material is for personal use; for the Company internal or other use. It is against the Company policy and it may be unlawful for any employee to copy, reproduce, scan, digitize, broadcast, or modify third-party copyrighted material when preparing the Company products or promotional materials, unless written permission from the copyright holder has been obtained prior to the proposed use. Improper use could subject both the Company and the individuals involved to possible civil and criminal actions for copyright infringement. It is against Company policy for employees to use the Company's facilities for the purpose of making or distributing unauthorized copies of third-party copyrighted materials for personal use or for use by others.

Waivers Of The Code

Any waiver of this Code for executive officers or directors may be made only by the Directors (or a committee of the board of Directors to whom that authority has been delegated) and will be promptly disclosed as required by law or stock exchange regulation.

Reporting Any Illegal Or Unethical Behavior

The Company Entities have a strong commitment to the conduct of its business in a lawful and ethical manner. Company Personnel are encouraged to talk to executive officers 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 the Company Entities not to allow retaliation for reports of misconduct by others made in good faith. It is, at the same time, unacceptable to file a report knowing that it is false. All Company Personnel are expected to cooperate in internal investigations of misconduct.

Compliance Procedures

All Company Personnel must work to ensure prompt and consistent action against violations of this Code. In some situations, however, it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that the Company Entities have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, 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 help 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 like it might possibly be 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 manager. This is the basic guidance for all situations. In many cases, your manager will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your manager's responsibility to help solve problems.
- Seek help from company resources. In the rare case where it may not be appropriate to discuss an issue with your manager, or where you do not feel comfortable approaching your manager with your question, discuss it locally with your "two-up". If that is not appropriate for any reason, contact the company's General Counsel or outside Counsel.
- 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. The Company Entities do not permit retaliation of any kind against employees for good faith reports of ethical violations. If you are concerned about maintaining anonymity you may call our primary counsel.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.