

VERITY, INC.
CODE OF CONDUCT

INTRODUCTION

It is Verity's policy to conduct all of its activities in accordance with the highest principles of ethics. Although our organization requires employees, consultants and directors to serve numerous functions, we believe we should follow certain business practices and principles of behavior throughout our operations. This Code is intended to serve as a guide to help us maintain the highest ethical and professional standards in each of our Verity relationships.

The Code is not exhaustive. The Code addresses certain behaviors that are particularly important, but these are only part of our overall commitment to the proper treatment of, and dealings with, our coworkers, customers, contractors, vendors, competitors, federal, state, local and foreign governments stockholders and members of the community. Since the Code depends on the honesty, fairness and integrity brought to the job by every person in the organization, each of us has a critical role to play.

This Code applies to all employees and directors of, and consultants to, Verity and its subsidiaries.

1. LEGAL COMPLIANCE

Obeying the law, both in letter and in spirit, is the foundation of this Code. Our success depends upon each person's operating within legal guidelines and cooperating with local, national and international authorities. We expect employees to understand the legal and regulatory requirements applicable to their business unit and area of responsibility. If you do have a question in the area of legal compliance, it is important that you seek answers from your manager or the Compliance Officer (as further described below).

Disregard of the law will not be tolerated. Violation of domestic or foreign laws, rules and regulations may subject you, as well as Verity, to civil and/or criminal penalties. Conduct and records, including emails, are subject to internal and external audits, and to discovery by third parties in the event of a government investigation or civil litigation.

2. RESPECT FOR PEOPLE AND NONDISCRIMINATION

You are critical to the success of Verity, and our policy is to treat you with fairness and respect.

Verity is an equal opportunity employer. We do not tolerate discrimination against applicants or employees based on race, religion, gender, age, marital status, national origin, sexual orientation, citizenship status, or disability. We prohibit discrimination in decisions concerning recruitment, hiring, compensation, benefits, training, termination, promotions, or any other condition of employment or career development.

We are committed to providing a work environment that is free from discrimination and/or harassment of any type. We will not tolerate the use of discriminatory slurs; unwelcome, unsolicited sexual advances or harassment; or any other remarks, jokes or conduct that create or foster an offensive or hostile work environment. Each person, at every level of the organization, must act with respect and civility toward customers, coworkers and outside firms.

3. MAINTENANCE OF CORPORATE BOOKS, RECORDS, DOCUMENTS AND ACCOUNTS

Each employee must ensure that all Verity documents are completed accurately, truthfully, in a timely manner, and, when applicable, are properly authorized.

Financial activities are to be recorded in compliance with all applicable laws and accounting practices. To ensure that accurate financial and administrative information is maintained, you should not permit or take any action that would result in the inaccurate recording of entries in Verity's books, records and ledgers. We require that:

- no entry be made in our books and records that intentionally hides or disguises the nature of any transaction or of any of our liabilities, or misclassifies any transactions as to accounts or accounting periods;
- transactions be supported by appropriate documentation;
- the terms of sales and other commercial transactions be reflected accurately in the documentation for those transactions and our books and records reflect such documentation and be accurate and complete;
- all employees comply with our system of internal controls; and
- no cash or other assets be maintained for any purpose in any unrecorded or “off-the-books” fund.

Our accounting records are also relied upon to produce reports for our management, stockholders and creditors, as well as for governmental agencies. In particular, we rely upon our accounting and other business and corporate records in preparing the periodic and current reports that we file with the SEC. These reports must provide full, fair, accurate, timely and understandable disclosure and fairly present our financial condition and results of operations in all material respects. All persons who collect, provide or analyze information for or otherwise contribute in any way in preparing or verifying these reports should strive to ensure that our financial disclosure is accurate and transparent and that our reports contain all of the information about Verity that would be important to enable stockholders and potential investors to assess the soundness and risks of our business and finances and the quality and integrity of our accounting and disclosures. In addition:

- no employee may take or authorize any action that would cause our financial records or financial disclosure to fail to comply with generally accepted accounting principles, the rules and regulations of the SEC or other applicable laws, rules and regulations;

- all employees must cooperate fully with our Accounting Department, as well as our independent public accountants and counsel, respond to their questions with candor and provide them with complete and accurate information to help ensure that our books and records, as well as our statements and reports filed with the SEC, are accurate and complete;
- no employee shall knowingly make (or cause or encourage any other person to make) any false or misleading statement in any of our statements and reports filed with the SEC or knowingly omit (or cause or encourage any other person to omit) any information necessary to make the disclosure in any of our statements and reports accurate in all material respects; and
- no employee shall directly or indirectly take any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit or review of the financial statements of Verity that are required to be filed with the SEC if that employee knew or was unreasonable in not knowing that such action could, if successful, result in rendering such financial statements materially misleading.

Actions that “could, if successful, result in rendering such financial statements materially misleading” include, but are not limited to, actions taken at any time with respect to the professional engagement period to fraudulently influence, coerce, manipulate or mislead an auditor:

- to issue a report on Verity’s financial statements that is not warranted in the circumstances (due to material violations of generally accepted accounting principles, generally accepted auditing standards, or other standards);
- not to perform audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not to withdraw an issued report; or
- not to communicate matters to an issuer’s audit committee.

Any person who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to a manager, the Compliance Officer or one of the other compliance resources described in Section 17.

4. QUESTIONABLE PAYMENTS

No person may participate in any way in the unlawful or unethical bribes, commissions or other receipts or payments of Verity or other funds, or in maintaining any unrecorded cash or non-cash funds or assets for the purpose of any unlawful or unethical bribes, commissions or other receipts or payments.

5. HONESTY WITH REGULATORS AND OTHER GOVERNMENT OFFICIALS

Because Verity is subject to a variety of government regulations, particular care must be taken to ensure that no inaccurate or misleading reports, certifications, claims or statements are made to any government agency or official.

Any attempt, or activity that could be perceived as an attempt to improperly influence government officials and employees to obtain or reward favorable treatment must be avoided.

6. CONFLICTS OF INTEREST

To maintain the highest degree of integrity in the conduct of Verity's business and to maintain your independent judgment, you may not engage in any activity involving personal interest that creates a conflict between your interests and the interests of Verity. A conflict of interest is defined as any situation in which a person has two or more duties or interests that are mutually incompatible and may tend to conflict with the proper and impartial discharge of that person's duties, responsibilities or obligations to Verity.

If you have any questions about a potential conflict or if you become aware of an actual or potential conflict, you should discuss the matter with your manager or the Compliance Officer. Factors you should consider in evaluating a potential conflict of interest include:

- Could my outside business or financial interests adversely affect my job performance or my judgment on behalf of Verity?
- Could my outside business or financial interests adversely affect the job performance or judgment of others with whom I work?
- Can I reasonably conduct my the activity outside of normal work hours?
- Will I be using Verity equipment, materials or proprietary or confidential information in my activities?
- Could the activity have any potential adverse or beneficial impact on Verity's business or its relationships with customers, partners, suppliers or other service providers?
- Could the activity enhance or support a competitor's position?
- Could the activity result in financial or other benefit (direct or indirect) to me or one of Verity's customers, partners, suppliers or other service providers?
- Could the activity appear improper to an outside observer?

The following are examples of situations that may, depending on the facts and circumstances, involve conflicts of interests:

- Employment of a Verity employee by (including consulting for) or service on the board of a competitor, customer or supplier or other service provider. Activity that enhances or supports the position of a competitor is prohibited. As such, employment of a Verity employee by or service on the board of a customer or supplier or other service provider is prohibited and you must seek authorization in advance if you plan to take such action.
- Owning, directly or indirectly, a significant financial interest in any entity that does business, seeks to do business or competes with Verity. As a general rule of thumb, a significant interest would be any ownership of securities or other beneficial interest, the loss of which to you would cause you to give pause in taking a position adverse to that entity.
- Soliciting or accepting gifts, favors, loans or preferential treatment from any person or entity that does business or seeks to do business with us. See Section 7 for further discussion of the issues involved in this type of conflict.
- Soliciting contributions to any charity or for any political candidate from any person or entity that does business or seeks to do business with us.
- Taking personal advantage of corporate opportunities. You may not take personal advantage of opportunities that are presented to you or discovered by you as a result of your position with Verity or through your use of corporate property or information, unless authorized by your manager, the Compliance Officer or the Verity Audit Committee as appropriate.
- Conducting Verity business transactions with your family member, significant other or person who shares your household or a business in which you have a significant financial interest.

Loans to, or guarantees of obligations of, you or your family members, by Verity could constitute an improper personal benefit to the recipients of these loans or guarantees, depending on the facts and circumstances. Some loans are expressly prohibited by law. As a result, all loans and guarantees by Verity must be approved by the Compliance Officer, and by the Audit Committee if with respect to an officer or director.

In general, any transaction constituting a conflict of interest must be approved by your manager or the Compliance Officer. A transaction involving an executive officer (including, where required by applicable laws, our principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions)) or directors may be authorized only by our Board of Directors or a committee of the Board, to the extent permitted by applicable regulatory and Nasdaq rules and will be disclosed to stockholders as required by applicable laws, rules and regulations.

7. GIFTS AND ENTERTAINMENT

Giving or receiving gifts to an existing or potential customer, supplier or competitor may be construed as attempts to influence the performance of duties or to favor certain individuals or companies. Unless express permission is received from a senior vice president or other executive officer, the Compliance Officer or the Audit Committee, entertainment and gifts cannot be offered, provided or accepted by any employee or immediate family member of an employee or any director unless consistent with customary business practices and not (a) excessive in value, (b) in cash, (c) susceptible of being construed as a bribe or kickback or (d) in violation of any laws. This includes gifts, payments, consulting fees, loans, travel or other benefits of value received directly or indirectly from any existing or potential customer, supplier or competitor. You may offer or accept gifts of a nominal or token value motivated by commonly accepted business courtesies. However, any gift that could create an obligation to the donor or recipient, or influence the business relationship with the donor or recipient, should not be accepted or offered.

Under some statutes, giving anything of value to a local, state, federal or foreign government official to obtain or retain business or favorable treatment is a criminal act subject to prosecution and conviction. Discuss with your manager or the Compliance Officer any proposed entertainment or gifts if you are uncertain about their appropriateness.

Appropriate business entertainment of non-government employees occurring in connection with business discussions or the development of business relationships is generally deemed appropriate in the conduct of official business. For example, it is an acceptable practice for you to provide or accept an occasional meal or outings with vendors or customers, if there is a valid business purpose involved and the expense is not extravagant. Entertainment in any form that would likely result in a feeling or expectation of personal obligation should not be extended or accepted.

8. COMPETITION

Verity's activities are governed by federal and state antitrust and trade regulation statutes. There are many types of activities that may, in some cases, be violations of federal and state antitrust laws. For example, various activities, the effect or intent of which is to fix prices, allocate markets, or otherwise reduce competition, may violate the antitrust laws. Such activities may include certain types of discussions, meetings or arrangements with the Verity's competitors, agreements, (whether formal or informal, written or oral), or any joint activity involving Verity and any other party.

Competitive information must be gathered with care. We must conduct all interactions with competitors, including social activities, as if they were completely in the public view, because they may later be subject to examination and unfavorable interpretation. If you have any questions about whether it is appropriate to obtain particular information, contact your manager or Compliance Officer.

9. CONFIDENTIAL INFORMATION

Much of the information we use is confidential, privileged, proprietary or of competitive value to Verity. This confidential information may have been developed by us or may belong to others, and we are required to keep it confidential. In both instances, you must be careful to guard against disclosure of the information to any individuals outside Verity. In addition, in the course of serving our customers, you may learn confidential or proprietary information about them. It is equally important that you guard against the disclosure of our customers' confidential information.

You must exercise the utmost care when dealing with confidential information. All Verity emails, voicemails and other communications are presumed confidential and should not be forwarded or otherwise disseminated to individuals outside of Verity, except where required for Verity-related business reasons.

Your obligation to treat certain information as confidential does not end when you leave Verity. You may not disclose any confidential information to a new employer or to others after ceasing to be a Verity employee, director or consultant.

10. INSIDER TRADING AND USE OF COMPANY OR CLIENT INFORMATION FOR PERSONAL GAIN

No person who has access to confidential (or "inside") information is permitted to use or share that information for stock trading purposes or for any other purpose except to conduct our business. All non-public information about Verity or about companies with which we do business is considered confidential information. Using material non-public information to buy or sell securities, including "tipping" others who might make an investment decision based on this information, is not only unethical, it is illegal. You must exercise the utmost care when handling material inside information. We have adopted a separate Insider Trading Policy to which you are bound. You should consult the Insider Trading Policy for more specific information on the definition of "material inside information" and on buying and selling our securities or securities of companies with which we do business.

11. MEDIA/PUBLIC DISCUSSION

It is our policy to disclose to the public all material information concerning Verity through channels such as press releases so that those who have an interest in Verity and our securities will have equal access to the information. At the same time, we must be prudent in our dealings with the media. Unless you are a designated spokesperson or are otherwise authorized to speak on behalf of Verity, you should not communicate with the media or in other public forums.

12. CORPORATE CITIZENSHIP

Verity supports and encourages your involvement in community activities and professional organizations, including Verity-sponsored charitable activities and fundraisers. Involvement with these types of activities, however, should not adversely affect attention to Verity duties or the quality of work performed for Verity.

13. INTERNATIONAL BUSINESS

You are expected to comply with the laws in all countries in which we operate. The fact that in some countries certain laws prohibiting particular conduct are not enforced in practice, or that violation is not subject to public criticism or censure, will not excuse noncompliance. You also must comply strictly with United States laws and regulations applicable to the conduct of business outside the United States.

14. USE OF COMPANY TECHNOLOGICAL RESOURCES

It is extremely important that you take all necessary measures to ensure the security of your computer and any computer or voicemail passwords. You must not include sensitive or confidential information in any messages that are widely distributed or sent outside Verity unless you use Verity-approved security techniques. If you have any reason to believe that your password or the security of a Verity technological resource has been compromised, then you must change your password immediately and report the incident to your manager and the system administrator.

Whenever you use a Verity computer or communications resource to send e-mail, voicemail or to access Internet services, remember that you are acting as a representative of Verity. Your use of Verity resources could reflect poorly on Verity, damage our reputation, and expose you personally and Verity to legal liability. In addition, all e-mail, voicemail and personal files stored on Verity computers are Verity's property. You should therefore have no expectation of privacy in connection with these resources.

The use of technological resources must be consistent with all other Verity policies, including those relating to sexual harassment, privacy, patents, copyrights and trademarks. You are prohibited from using Verity's technological resources to transmit, display, store, publish or purposely receive pornographic, obscene or sexually explicit material.

15. COMPANY ASSETS

We all have a duty to safeguard Verity's assets, including our physical facilities and equipment, computers, computer software, records, customer information, manpower, and Verity names and trademarks. Verity assets should be used for Verity business only.

All Verity purchases should be made strictly on the basis of quality, suitability, service, price and efficiency. We should treat our suppliers fairly and equitably. It is Verity policy to award orders and contracts on the basis of merit and without favoritism.

16. WAIVERS

Any waiver of this Code requires approval of the Compliance Officer. Any waiver with respect to executive officers (including, where required by applicable laws, our principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions)) or directors may be authorized only by our Board of Directors or a committee of the Board, to the extent permitted by applicable regulatory and Nasdaq rules and will be disclosed to stockholders as required by applicable laws, rules and regulations.

17. COMPLIANCE WITH THE CODE OF CONDUCT

To facilitate compliance with this Code, we have implemented a program of code awareness, training and review. We have established the position of Compliance Officer to oversee this program. The Compliance Officer is a person to whom you can address any questions or concerns. The Compliance Officer shall be the Company's Chief Financial Officer. The Compliance Officer can be reached at extension 2056, or by email at ssprings@verity.com.

In addition to answering questions or concerns regarding this Code, the Compliance Officer is responsible for:

- investigating possible violations of the Code;
- training new persons in our organization in Code policies;
- conducting annual training sessions and distributing copies of the Code annually to each person with a reminder that they are responsible for reading, understanding and complying with the Code;
- updating the Code as needed and alerting persons in our organization to any updates, with appropriate approval of the Audit Committee of the Board of Directors, to reflect changes in the law, Verity operations and in recognized best practices; and
- otherwise promoting an atmosphere of responsible and ethical conduct.

Your most immediate resource for any matter related to the Code is your manager. He or she may have the information you need, or may be able to refer the question to another appropriate source. There may, however, be times when you prefer not to go to your manager. In these instances, you should feel free to discuss your concern with the Compliance Officer.

If you encounter a situation or are considering a course of action and its appropriateness is unclear, discuss the matter promptly with your manager or the Compliance Officer; even the appearance of impropriety can be very damaging and should be avoided.

If you, in good faith, believe that there has been a violation of the standards set forth in this Code or other Verity legal compliance programs, you have a responsibility to report it. Whether you choose to speak with your manager or the Compliance Officer, you should do so without fear of any form of retaliation for a report of a violation, or suspected violation, made in good faith. We will take prompt disciplinary action against any person in the organization who retaliates against you for your good-faith reporting of a violation or suspected violation.

Supervisors must promptly report any complaints or observations of Code violations to the Compliance Officer. The Compliance Officer will investigate all reported possible Code violations promptly and in a fair and unbiased manner consistent with past practice, and with the highest degree of confidentiality that is possible under the specific circumstances. Your cooperation in the investigation will be expected. As needed, the Compliance Officer will consult with the Human Resources department and/or the Audit Committee of the Board of Directors. Please note that, if you suspect that a violation of this Code is also a matter that may

be reported anonymously under Verity's Whistle-Blowing Policy, and you wish to make your report anonymously, than you may do so in the manner set forth in Verity's Whistle-Blowing Policy.

If the investigation indicates that a violation of this Code has probably occurred, we will take such action as we believe to be appropriate under the circumstances. If we determine that any person is responsible for a Code violation, he or she will be subject to disciplinary action up to, and including, termination of employment and, in appropriate cases, civil action or referral for criminal prosecution. We will endeavor to enforce this Code in a fair and consistent manner, noting that, with experience and evolutionary changes at Verity, enforcement of the Code may change over time. Appropriate action may also be taken to deter any future Code violations.