



Audit Committee Whistleblower Policy

UNDER SECTION 301 OF THE SARBANES-OXLEY ACT OF 2002

Nonretaliation Policy

It is the policy of Cyalume Technologies Holdings, Inc. (the "Company") to comply with all applicable laws that protect employees against unlawful discrimination or retaliation by their employer as a result of their lawfully reporting information involving the Company's accounting, internal accounting controls and audit matters ("Accounting Matters"). Any employee of the Company may submit a good faith complaint regarding such Accounting Matters to the management of the Company without fear of discrimination, dismissal or retaliation of any kind. The Company is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. The Audit Committee of the Company's Board of Directors (the "Audit Committee") will oversee treatment of employee concerns in this area.

In order to facilitate the reporting of employee complaints, the Audit Committee has established the following procedures for the receipt, retention and treatment of complaints regarding Accounting Matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Receipt of Employee Complaints

The Company has designated Michael Bielonko, Chief Financial Officer & Corporate Secretary, as its Compliance Officer, who is responsible for administering this Policy. The Compliance Officer is responsible for receiving, collecting, reviewing, processing and resolving concerns and reports by employees and others on the matters described above. Employees are encouraged to discuss issues and concerns of the type covered by this Policy with their supervisor, who is in turn responsible for informing the Compliance Officer of any concerns raised. If the employee prefers not to discuss these sensitive matters with his or her own supervisor, the employee may instead directly discuss such matters with the Compliance Officer. The Compliance Officer will refer complaints submitted to the Audit Committee.

In addition, the Company has established a procedure by which confidential complaints involving Accounting Matters may be raised anonymously within the Company. Anyone with a concern and who does not wish to discuss their issue with their supervisor or the Compliance Officer may submit their issue directly to the Audit Committee email to: cyalumeaudit@scppartners.com. Complaints submitted through this confidential process will be presented promptly to the Audit Committee. An employee may utilize this confidential procedure either to raise a new complaint or to report directly to the Audit Committee if he or she feels that a complaint previously raised with a supervisor or the Compliance Officer has not been appropriately handled.

If an employee believes he or she has been subjected to any retaliatory action in violation of this Policy, he or she may file a complaint with his or her own supervisor or the Compliance Officer. If it is determined that an employee has experienced any improper employment action in violation of this Policy, such employee will be entitled to appropriate corrective action.

Scope of Matters Covered by These Procedures

These procedures relate to employee complaints involving any questionable Accounting Matters, including, without limitation, the following:

- Fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;
- Fraud or deliberate error in the recording and maintaining of financial records of the Company;
- Deficiencies in or noncompliance with the Company's internal accounting controls;
- Misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or
- Deviation from full and fair reporting of the Company's financial condition.

Treatment of Complaints

- Upon receipt of a complaint, the Compliance Officer will (i) determine whether the complain actually pertains to Accounting Matters; and (ii) when possible, acknowledge receipt of the complaint to the sender.
- Such complaints pertaining to Accounting Matters will be reviewed under Audit Committee direction and oversight by the Compliance Officer, or such other persons as the Audit Committee determines to be appropriate. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review.
- Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee.
- The Company will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of complaints regarding Accounting Matters.

Reporting and Retention of Complaints and Investigations

The Compliance Officer will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary report thereof for the Audit Committee. Copies of complaints and such log will be maintained in accordance with the Company's document retention policy.

A similar process of logging in, tracking, investigation and resolution will be followed when a complaint is brought directly to the Audit Committee via the email notification process. However, for purposes of maintaining the Company log, the Audit Committee shall turn over to the Compliance Officer only such information as is deemed necessary by the Committee to avoid disclosing the initiator of the complaint.