

October 24, 2008

## **BOLQON CORPORATION**

### **EMPLOYEE COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS**

Any employee of Balqon Corporation (“*Balqon*”) or Balqon’s subsidiaries may submit a good faith complaint regarding accounting or auditing matters to the management of Balqon without fear of dismissal or retaliation of any kind. We are committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. Our Audit Committee will oversee treatment of employee concerns in this area.

In order to facilitate the reporting of employee complaints, Balqon’s Audit Committee has established the following procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters (“*Accounting Matters*”) and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

#### **Receipt of Employee Complaints**

Employee complaints will be handled by the Audit Committee as follows:

- Employees with concerns regarding Accounting Matters may report their concerns to Henry Velazquez, Chairman of the Audit Committee.
- Employees may forward complaints on a confidential or anonymous basis to Henry Velazquez, Chairman of the Audit Committee, through a telephone call, email or regular mail. Mr. Velazquez’s contact information is as follows:

Henry Velazquez  
1701 E. Edinger, Unit E-3  
Santa Ana, California 92705  
Phone: (714) 612-8409  
E-mail: henry@balqon.com

#### **Scope of Matters Covered by These Procedures**

These procedures relate to employee complaints relating to any questionable accounting or auditing matters, including, without limitation, the following:

- fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of Balqon;
- fraud or deliberate error in the recording and maintaining of financial records of Balqon;
- deficiencies in or noncompliance with Balqon’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 Balqon; or
- deviation from full and fair reporting of Balqon's financial condition.

### **Treatment of Complaints**

Employee complaints will be treated by the Audit Committee as follows:

- Upon receipt of a complaint, the Chairman of the Audit Committee will (i) determine whether the complaint actually pertains to Accounting Matters and (ii) when possible (i.e., when made other than anonymously), acknowledge receipt of the complaint to the sender.
- Complaints relating to Accounting Matters will be reviewed under Audit Committee direction and oversight by 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.
- Balqon 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 or otherwise as specified in Section 806 of the Sarbanes-Oxley Act of 2002.

### **Reporting and Retention of Complaints and Investigations**

Employee complaints will be maintained by the Audit Committee as follows:

- The Chairman of the Audit Committee 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 Balqon's document retention policy.