DOING BUSINESS WITH GOVERNMENTAL ENTITIES

Purpose

To establish guidelines for conducting Company business with governmental entities.

Scope

This Policy applies to all team members of McWane, Inc. and its divisions and subsidiaries ("McWane" or "Company") in the U.S.

Policy Statement

Team members must understand and adhere to all applicable laws and regulations regarding doing business with governmental entities, while effectively meeting our customers' business requirements.

Public Sector Procurement: An important part of our business is with the public sector, which includes federal, state and local governments.

Public concern with the relationship between business and government has led to an enhanced emphasis on legal controls to regulate the contacts between government and business. Consistent with these additional controls, this section contains McWane's policy for dealing with government representatives.

The basic purpose of public sector procurement laws and regulations is to obtain the best possible products and services at the lowest prices. Nevertheless, laws vary widely and may be vague or subject to different interpretations. Our operations may be subject to the regulations of more than one jurisdiction and in some cases these regulations can be conflicting.

We must be continually sensitive to this environment. Our business conduct must reflect McWane's commitment to serve the public trust in accordance with the law.

MARKETING ACTIVITIES IN THE PUBLIC SECTOR ENVIRONMENT

Permissible Activities: In general, you may give government customers and their representatives information about products and services to aid them in defining requirements, developing specifications and justifying proposed expenditures. You may also suggest terms, specifications and evaluation criteria that complement our products and services. All submissions must be on Company letterhead.

Proscribed Activities: You may review advance copies of RFPs at a government customer's request, but only when they are also available to other vendors. However, you may not prepare an RFP or any anonymous documents (white papers), nor may you encourage the customer to sign an agreement covering the items to be procured prior to an award to the Company.

Document Certification in Government Contracts and Other Circumstances: When doing business with governmental entities in the U.S., including municipalities and federal and state agencies, bidders are required to certify, under penalty of perjury, that all information is true and correct and may be required to certify other information. The same types of certifications are required when supplying information to governmental entities for other purposes, such as permit applications and periodic required filings. Misrepresenting information or including false information on these certifications, even if inadvertent, may result in Company and individual liability for fraud and/or perjury, with fines and penalties, prison time and debarment from participating in government contracting. Therefore, it is extremely important for team members who are providing such certifications to assure that the information is as accurate as possible. The following guidelines are included to assist team members in complying with certification requirements:

1. For certifications related to environmental matters, follow the requirements of EP-102.
2. For certifications related to health and safety matters, follow the requirements of HSP-004 and the "Applicable Regulations" and "Responsibilities" section of each HSP.
3. For all certifications of any nature:
    a. Carefully read the certification document.
    b. Make a checklist of every topic or issue for which the document requires certification.
    c. Determine whether the certification questions apply only to the specific quoting division or if the questions apply to the Company as a whole.
    d. If possible, make all certifications "to the best of our knowledge and belief."
    e. Keep all relevant documents relating to the certification in an easily accessible location (i.e., permits, internal checklists, etc.).
    f. Don't wait until the last minute to review and verify certifications.
    g. Appoint another individual as a "second set of eyes" to assist in due diligence and review prior to submitting the certification.
    h. Have certifications reviewed by the Legal Department before submitting.

For guidance in dealing with governmental entities outside the U.S., please contact the Legal Department.

WORKING WITH THIRD PARTIES

The Anti-Kickback Act prohibits fees for kickbacks in connection with federal contracts and subcontracts that are offered or provided by a subcontractor to a prime or higher subcontractor for the purpose of improperly obtaining or rewarding favorable treatment. Under the Criminal Fines Enforcement Act, violators face imprisonment for up to ten years and fines up to $250,000, or both, for individuals. There are fines of up to $500,000 for companies.

Subcontractors and Suppliers are part of many government procurement contracts. Your dealings with these businesses in the public sector environment are subject to the same standard of conduct as your dealings with the government representatives. In particular, do not accept, use or distribute any information from subcontractors and suppliers without proper authorization. If you learn of any improprieties in our dealings with our subcontractors and suppliers, you must report them to Company management.

Competitors are also a part of the procurement process. Collusion of any kind among competitors in connection with bids or proposals is illegal. We are required under federal law to execute a Certificate of Independent Price Determination for all federal bid awards. In that document we certify that we have arrived at our prices independently, without consultation or agreement with competitors.

Contingent Fee Relationships exist when we pay fees to someone who secures business for us. In the government environment, we will only pay contingent fees to our team members and certain agents retained by us, such as sales representatives.

POST-BID ACTIVITIES

Maintenance of Post-bid Customer Contact: It is useful and necessary to maintain customer contact after submitting a proposal. In particular, you should continue your marketing efforts unless regulations or bidding rules prohibit post-bid marketing activities. However, under no circumstances may you take part in the evaluation of competitive bids for a public sector customer.

Bid Protests: We occasionally protest procurements when specifications, selection criteria or award processes preclude fair competition. If you want to consider a bid protest, you must consult the Legal Department. The protest must be timely. Otherwise, it will not be considered.

AVOIDING MISREPRESENTATION

Honesty is essential in dealing with all of our customers. However, misrepresentation in the public sector environment has some additional consequences. For example, you and the Company could be subject to civil and criminal penalties, some of which are described in the following material. In addition, the Company could be barred from doing business with government customers.

The following statutes, among others, apply to individuals and/or corporations misrepresenting claims and information to the federal government.

The False Claims Act is violated if a corporation willfully presents a false claim to a U.S. agency. The criminal penalties for violation are severe and can result in imprisonment for not more than five (5) years and a fine of up to $10,000. However, if the false claim is made to the Department of Defense (DOD) pursuant to a DOD procurement, a fine of up to $1,000,000 can be imposed. On the civil side, fines of not less than $5,000 and not more than $10,000, plus an amount equal to three times the amount of damages the false claim caused the government, can be imposed.

The False Statement Act prohibits the knowing and willful making of a false statement concerning a matter within the jurisdiction of any U.S. agency. The penalty for violations consists of fines of up to $10,000 or five (5) years' imprisonment or both.

The Program Fraud Civil Remedies Act establishes an administrative remedy for civil false claims and false statement cases under $150,000 that the Justice Department has declined to litigate. Fines of up to $5,000 may be assessed.

Handling Contract Requirements: Products shipped to government customers must conform to all relevant government requirements. These requirements vary from procurement to procurement and may include delivery of "new" or "domestic source" equipment. From time to time, we may need to deviate from those requirements and in each such case you must obtain the government customer's written approval prior to shipment.

Inspection and Testing Requirements: A government customer may impose unique inspection, testing or other related requirements. All our inspection and testing must conform to such requirements and be accurately reflected in our shipping documentation. The government customer must approve any deviations in writing prior to shipment. Be sure that you retain all documentation relating to test results, inspections and deviation approvals.

Handling Audits and Investigations: In the event the federal government should ever audit our operations relative to our General Services Administration (GSA) contract, it is our practice to responsibly and actively cooperate with all audits and investigations. You are to ensure that the Legal Department is informed promptly and fully concerning all audits or investigations.

GRATUITIES AND BRIBES

It is against the law to give bribes or illegal gratuities to government team members. A bribe occurs when a thing of value is offered or given to a government team member with the specific intent to improperly affect a particular action, e.g., obtain a government contract. An illegal gratuity generally consists of the giving or offer to give a thing of value without an accompanying request for improper action on the part of the government team member. Rather, the illegal gratuity is given or offered with the hope of enhancing the future relationship between the parties. The penalties for conviction under the bribery statutes are considerably more severe than the gratuities penalties.

Illegal Gratuities: You are generally prohibited from offering, directly or indirectly, to government team members or their families anything of value. Unsolicited advertising and/or promotional items of less than ten dollars in retail value are permissible. Violations of the gratuities statute could result in the imposition of fines up to $250,000 or up to two years' imprisonment, or both, for individuals. Fines up to $500,000 may be imposed on corporate violators.

Examples: The following are examples that could be determined by the government to constitute the offering or giving of illegal gratuities:

- *Offering to sell or selling "A" or "B" stock Company products to government team members or otherwise selling Company products at a discount to government team members if such discount is not available to the general public.*

- *Loaning Company product to government team members for personal, as opposed to, agency use. (It is always permissible to loan product to the end-user for customer evaluation purposes, but you may not loan product to a government team member for his or her personal use.)*

- *Buying a meal or drinks for a government team member. If it is necessary to have a meal or drinks with a government team member, make sure that the government team member pays for his or her own meal or drink.*

- *Providing complimentary tickets or passes to sports, concerts or theater events or to any other form of entertainment.*

- *Paying or providing the transportation or lodging costs of government team members.*

- *Discussing the prospect of future employment at the Company with government team members or offering employment to such team members during the conduct of a procurement in which the Company is or may be participating.*

- *Loaning or providing money to government team members.*

- *Providing gifts of any kind to government team members other than the advertising or promotional items previously described.*

These prohibitions are applicable to gratuities for the families of government team members as well. The rules on accepting gifts and transportation are different for the legislative branch. Gifts up to an established value may be given to members of Congress and their staff. Under certain circumstances, transportation may be furnished to members of Congress and staffers as well. With respect to state legislators, the rules vary from state to state. Check with the Legal Department.

Exceptions: Government directives generally permit the exchange of gifts when those exchanges are motivated solely by a close personal, social or family relationship. These exchanges must not give the impression that they are connected with a business relationship. Holiday or birthday gifts exchanged with a friend who works in government are in this category. In general, your decision as to what is acceptable should be based on why you are making the gift and how it would appear to others. Remember, such purely social gifts are not a reimbursable business expense, nor are they tax deductible.

Providing Food and Refreshments: You may offer government team members coffee, donuts and similar refreshments of nominal value as a normal business courtesy if they are on Company premises or attending a Company-sponsored event. However, you may provide them only on non-government premises and only on an occasional basis.

Hiring Government Team members: Hiring former executive branch government team members, or offering or discussing employment with such team members who are presently employed by the government, could raise conflict of interest or Procurement Integrity Act questions. Before discussing or offering employment or engaging in any hiring activities, even preliminary discussions, be sure that you have obtained prior approval from the Legal Department.

Political Contributions: The Company, where permitted by law, and individual team members may make contributions to political candidates at the federal, state and local levels. Any such contributions must be made in accordance with applicable federal, state, and/or local law, this Policy, the Company's *Gifts, Travel and Hospitality* Policy, and the Company's *Political Contributions and Political Activities of Foreign National Team Members* Policy, and they should never be made for illegal purposes.

OBTAINING AND USING INFORMATION

We operate in a highly competitive environment and winning or losing a contract often depends on the amount of accurate information we obtain for use in a proposal. An important part of any team member's job may be to get that information. However, you must ensure that we are legitimately entitled to the information. You are not to obtain oral or written information that is subject to restrictions regarding its use, unless you have obtained the prior written approval of the official with authority to release the information. This prohibition also applies to information obtained by third parties such as consultants, subcontractors or others. Furthermore, the Procurement Integrity Act prohibits soliciting or obtaining federal government source selection information or the proprietary information of a competitor from a procurement official.

If you are uncertain about the status of information, consult the Legal Department. It is your responsibility to resolve any questions before receiving the information. If you have already received it, resolve any issues prior to copying, using or distributing the information.

REPORTING VIOLATIONS

In the public sector environment, we must comply with government procurement laws and Company guidelines at all times. It is essential to our business with the government that you report all violations of these laws and guidelines to the Legal Department.

ADDITIONAL FEDERAL PROCUREMENT GUIDELINES

In addition to the general public sector marketing guidelines described above, our dealings with the federal government may be subject to requirements established by industry or government initiatives.

THE PROCUREMENT INTEGRITY ACT

The Procurement Integrity Act (PIA) prohibits certain activities during the federal procurement process. It also requires certifications from the Company and those Company team members and representatives who deal or may deal directly with federal procurement officials.

When responding to federal solicitations expected to lead to a contract award in excess of $100,000 or receiving contract modifications and extensions exceeding $100,000 in value, the Company must provide a corporate PIA certification to the Government. This certification must state that:

- The Company is not aware of any actual or suspected PIA violations related to the specific procurement (any known of suspected PIA violations must be detailed).

- All our team members or others acting for us, who are substantially involved in the procurement process, have executed a personal PIA certification to the Company. They must certify that they are familiar with, and will comply with, the PIA and will immediately report any actual or possible PIA violations to the Company. Both the corporate and individual PIA certifications are handled by the Director of Government Contracts Administration.

While the certification is only required as described above, the PIA is applicable to all federal procurements.

Prohibited Activities Under the PIA: You are prohibited from directly or indirectly engaging in the following conduct during the conduct of a federal procurement in which the Company is or intends to be a competing contractor.

- *Discussing or offering future employment or business opportunities with procurement officials unless the procurement official provides written proof that he or she has been excused by the agency from participating in a procurement in which the Company is or intends to be a competing contractor.*

- *Offering or giving any gifts, favors, entertainment, vendor promotional training or other item having monetary value to procurement officials during the conduct of a procurement in which the Company is competing, except for unsolicited advertising or promotional items with a retail value of less than $10.*

- *Soliciting or obtaining any "Proprietary Information" (contractor information submitted to the Government by a competing contractor, which is marked "Proprietary" and includes information contained in a bid or proposal, such as pricing data) or "Source Selection Information" (Government information which is marked "Source Selection Information", e.g., bid price or costs; source selection plans; technical evaluation plans; evaluations of competing proposals; competitive range determinations; rankings or other source selection board, panel or advisory reports).*

Criminal Penalties: The Procurement Integrity Act provides for jail terms of up to five years' imprisonment or fines or both. On the civil side, there are fines up to $100,000 for individuals and up to $1,000,000 for companies. In addition, the Company could be debarred or suspended and affected contracts could be terminated for default.

Vendor Promotional Training: Prohibitions on providing gratuities to federal government team members may include so-called "vendor promotional training." This includes all non-billable courses, seminars and product announcement meetings. Do not offer non-billable training to any federal team member without first consulting the Legal Department.

QUESTIONS

Due to the extremely sensitive nature of government procurement and the many potential pitfalls inherent in doing business with governmental agencies, it is not only vital but mandatory that you contact the Legal Department whenever there is the slightest doubt as to the propriety of a particular action you are contemplating. You may also contact the Legal Department if you have any questions about this Policy.

McWane reserves the right to modify, amend, supplement or replace this Policy at any time with or without prior notice.