TAXES

Purpose

To establish guidelines for submitting corporate tax returns and paying applicable taxes on the Company's behalf.

Scope

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

Policy Statement

McWane submits complete and accurate corporate tax returns and pays all applicable taxes on time. In any Company transaction, all federal, state and local tax laws must be followed.

All personnel are obligated to maintain full and appropriate documentation related to expense reports and personal use of Company assets.

Federal and State Income and Franchise Taxes: The Vice President-Finance and Corporate Controller is responsible for the preparation, review and filing of all McWane and subsidiaries corporate income and franchise taxes. All divisions and subsidiaries are to comply with the McWane Chart of Accounts to facilitate proper recording of the Company's activity. All inquiries or audit requests concerning taxes administered by the corporate office should be communicated to the Vice President-Finance and Corporate Controller.

Transactions of An Unusual Nature: Transactions of an unusual nature, such as corporate asset and real estate acquisitions, dispositions, joint ventures and international transactions with related and unrelated parties, etc., should be brought to the attention of the Vice President-Finance and Corporate Controller at the very outset of the transaction. This will ensure that tax implications of the transaction are evaluated and properly reflected in the resultant transaction.

Inter-company Agreements: U.S. tax and customs laws mandate that McWane deal with our foreign affiliates on an "arm's-length" basis, i.e., to deal with our affiliates as we would deal with third parties. No inter-company agreement should be entered into simply to accommodate the other party (i.e., without a profit motive). An inter-company agreement refers to any inter-company transaction and not only to those dealings that are reduced to a written contract.

While the law does not require that all transactions actually result in profits, transactions should generally be based on anticipated profits. Be aware that all non-profitable transactions will be subject to close scrutiny on audit. Recent U.S. legislation might allow the IRS almost unlimited access to a foreign affiliates' books and records. The IRS auditors will make use of such information to review the overall economics supporting the agreements.

The standards under which inter-company transactions will be tested are complex and difficult to administer and monitor. All inter-company agreements between McWane and its affiliates that are reduced to writing must be approved by the Corporate Controller prior to implementation.

Property, Sales, Use, Payroll and Other Taxes: Each division and subsidiary files its own returns for state (other than income and franchise taxes) and local taxes and licenses. Each division should be aware of all required taxes and licenses and file accurate and timely returns.

Payments for Goods and Services in Cash: On occasion, a customer of McWane may want to pay for merchandise or services in cash. If McWane receives more than $10,000 in cash from a person in one transaction (or two or more related transactions), the transaction must be reported to the Internal Revenue Service within fifteen days of the receipt of the cash on IRS Form 8300. Cash includes currency of the U.S. or any foreign country. It also includes cashier's checks, treasurer's checks, bank checks, traveler's checks, money orders and/or other negotiable instruments, or may include a combination of any of these cash instruments which total more than $10,000. Failure to report such payments will result in the imposition by the IRS of civil and/or criminal penalties.

Applicable Laws: The Internal Revenue Code deals with certain failures to comply with its provisions as civil offenses resulting in various monetary penalties and additions to tax and interest amounts. Chapter 68 of the Internal Revenue Code contains these provisions. Chapter 75 deals with crimes, other offenses and forfeitures under the Internal Revenue Code. In addition, general criminal provisions of Title 18 of the United States Code are sometimes invoked in tax-related criminal prosecutions such as conspiracy, false statements to government agents, perjury, bribery and aiding or abetting the commission of a crime by another.

Guidelines: All taxpayers have the right to plan their transactions to minimize by legitimate means the amount of taxes for which they will be liable. However, such planning must be distinguished from conduct aimed at evading tax. Any willful attempt to evade or defeat any tax under the Internal Revenue Code is a crime. All employees are responsible for ensuring that their actions do not violate this basic principle. Examples of prohibited behavior include submitting any false document or aiding or abetting the filing of a false return. Anyone who aids or abets the commission of a tax crime by another is guilty as a principal of the crime. Anyone who lies to or misleads IRS investigators can be convicted of criminal conspiracy even if a substantive tax crime under the Internal Revenue Code is not charged or proved.

Penalties and Sanctions: Tax law infractions carry a wide range of civil and criminal penalties. Felony offenses carry the heaviest fines and prison terms. Fines of up to $100,000 ($500,000 for a corporation) can be imposed, as well as prison terms of five years.

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