

**FOREIGN CORRUPT PRACTICES ACT  
POLICY, COMPLIANCE PROGRAM,  
AND MANUAL**

**November 2009**

**TABLE OF CONTENTS**

1. INTRODUCTION ..... 1

    1.1 Purpose..... 1

2. CORPORATE POLICIES ..... 1

    2.1 FCPA Policy Statement ..... 1

    2.2 FCPA Code of Business Conduct..... 1

    2.3 FCPA Compliance Program and Manual ..... 2

3. ADMINISTRATION OF COMPLIANCE PROGRAM ..... 2

    3.1 EMT of Directors ..... 2

    3.2 Compliance Officer..... 2

        (a) day-to-day administration of the Policy and the Compliance Program; 2

        (b) coordination of FCPA education and training programs as required by the Compliance Program; ..... 2

        (c) administration of the FCPA Annual Certification program;..... 2

        (d) receiving and responding to questions, reports and/or complaints regarding adherence to the Policy and the Compliance Program, after consultation with the Compliance Officer..... 2

        (e) immediately reporting to the EMT any material violations of the Policy or the Compliance Program that appear to have occurred; ..... 2

        (f) evaluating and recommending to the EMT possible amendments to the Compliance Program; ..... 2

        (g) where the circumstances warrant, undertaking or instituting an internal or independent investigation of possible violations of the Policy or the Compliance Program; and..... 2

        (h) reporting to the EMT periodically on the status of the Company’s compliance with the Policy and the Compliance Program. .... 2

    3.3 Annual Certifications ..... 3

4. EXPLANATION OF LAWS ..... 3

    4.1 Interactions with Foreign Officials ..... 3

4.2	Cash and Non-Cash Payments: Anything of Value .....	4
4.3	Prohibited Payments .....	4
4.4	Third Party Payments.....	5
4.5	Guidelines for Common Risk Areas .....	6
(a)	Gifts to and Entertainment of Foreign Officials .....	7
(b)	Hosting Foreign Official Travel.....	8
(c)	Facilitating or Grease Payments. ....	8
(d)	Donations to Foreign Charities .....	9
(e)	Foreign Political Contributions.....	10
4.6	Emergency Health and Safety Payments .....	10
5.	EDUCATION AND TRAINING .....	10
5.1	Code of Business Conduct.....	10
5.2	Frequency and Participation .....	10
5.3	Scope of Training.....	10
5.4	Advanced Training.....	11
6.	DUE DILIGENCE PROCEDURES .....	11
6.1	Acquisitions .....	11
6.2	Joint Ventures, Consultants, Agents, and Representatives.....	11
6.3	Red Flags .....	11
6.4	Use of Due Diligence Experts.....	12
7.	CONTRACT PROCEDURES .....	12
7.1	Standard Forms and Provisions for Contracts Involving Dealings With Foreign Governments or Foreign Officials.....	12
8.	THIRD PARTY ISSUES.....	12
8.1	Responsibility .....	12
8.2	Disclosure of Knowledge and Discontinuance of Payment.....	13

9.	PERMITTED ACTIONS.....	13
9.1	Facilitating Payments.....	13
(a)	routine processing of governmental papers that involves no exercise of discretion, such as visas and work orders;.....	13
(b)	providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance, or inspections related to transit of goods across country; .....	13
(c)	providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration; or 13	
(d)	actions of a similar nature. ....	13
9.2	Local Written Law Affirmative Defense .....	14
9.3	Reasonable and Bona Fide Expenditures Affirmative Defense.....	14
(a)	the promotion, demonstration or explanation of products or services; or ....	15
(b)	the execution or performance of a contract with a foreign government. ....	15
10.	AUDITING.....	15
10.1	Regular Auditing.....	15
10.2	FCPA Audit Reporting to EMT.....	15
11.	NON-U.S. LAWS .....	15
	ANNEX A - FCPA PRE-APPROVAL FORM .....	A-1
	ANNEX B - LOADCRAFT INDUSTRIES, LTD. GUIDELINES FOR HOSTING OFFICIALS OUTSIDE OF THEIR HOME COUNTRY .....	B-1
	ANNEX C - RED FLAGS .....	C-1
	ANNEX D - STANDARD CONTRACT PROVISIONS .....	D-1
	ANNEX E - INVOICE CERTIFICATION FOR CONTRACTS THAT MAY INVOLVE PAYMENTS TO GOVERNMENT AGENCIES OR FOREIGN OFFICIALS .....	E-1

**LOADCRAFT INDUSTRIES, LTD.  
FOREIGN CORRUPT PRACTICES ACT  
POLICY, COMPLIANCE PROGRAM, AND MANUAL  
NOVEMBER 2009**

**1. INTRODUCTION**

**1.1 Purpose**

The purpose of the Manual is to provide all employees, officers, directors and representatives of Loadcraft Industries, Ltd. and its subsidiaries or affiliates (the "Company") with all tools and resources necessary to enable, monitor and enforce the Company's full compliance with the United States Foreign Corrupt Practices Act ("FCPA") of 1977, as amended. The Company is committed to conducting business with honesty and integrity. The purpose of the Company's FCPA Policy is to reiterate that commitment, and to explain the specific requirements and prohibitions of the U.S. laws that reinforce and police this commitment, no matter where in the world the Company operates.

Violations of the FCPA can run afoul of other U.S. laws as well, including but not limited to, U.S. anti-money laundering laws, mail and wire fraud, conspiracy, RICO, and other laws. It is the Company's policy to comply with the FCPA and all other relevant U.S. laws.

This Policy should be read in conjunction with the Company's Code of Business Conduct and other general management policies.

It is the responsibility of every employee to ensure that no gifts, payments or offers of gifts, payments or anything of value are made or authorized to "foreign officials" without following the procedures set forth in this Manual.

**2. CORPORATE POLICIES**

**2.1 FCPA Policy Statement**

It is the Policy of the Company that the Company, all of its subsidiaries, affiliates, all employees, officers, directors, affiliates and all persons or entities that act as an agent, representative or advisor to the Company or any of its subsidiaries or affiliates shall comply fully with all applicable provisions of the FCPA.

**2.2 FCPA Code of Business Conduct**

The Company has prepared a Code of Business Conduct to familiarize employees and agents of the Company with this policy. The Code of Business Conduct will be distributed to all employees and representatives whose duties are likely to lead to exposure to international business activities.

### **2.3 FCPA Compliance Program and Manual**

The FCPA Compliance Program described in this Manual (“Manual”) is intended to facilitate implementation of the Code of Business Conduct by providing detailed guidance and procedures which will allow all Company employees, officers, directors, agents and representatives to efficiently and effectively carry out the Code of Business Conduct’s requirements and objectives. The Manual and Code of Business Conduct will be periodically reviewed by the Compliance Officer and/or his designees and appropriate amendments will be issued as often as necessary.

## **3. ADMINISTRATION OF COMPLIANCE PROGRAM**

### **3.1 Executive Management Team (“EMT”)**

The EMT has specifically adopted the Code of Business Conduct and Manual and directed the Compliance Officer to implement the Policy and develop the Compliance Program described in this Manual.

### **3.2 Compliance Officer**

The EMT shall designate an individual to serve as the Company Compliance Officer. The Compliance Officer has responsibility for:

- (a) day-to-day administration of the Policy and the Compliance Program;
- (b) coordination of FCPA education and training programs as required by the Compliance Program;
- (c) administration of the FCPA Annual Certification program;
- (d) receiving and responding to questions, reports and/or complaints regarding adherence to the Policy and the Compliance Program, after consultation with legal counsel as appropriate.
- (e) immediately reporting to the EMT any material violations of the Policy or the Compliance Program that appear to have occurred;
- (f) evaluating and recommending to the EMT possible amendments to the Compliance Program;
- (g) where the circumstances warrant, undertaking or instituting an internal or independent investigation of possible violations of the Policy or the Compliance Program; and
- (h) reporting to the EMT periodically on the status of the Company’s compliance with the Policy and the Compliance Program.

### **3.3 Annual Certifications**

All FCPA certifications requested by the Company will contain the following additional language:

“The undersigned hereby certifies that he or she has read and understands the Company’s Code of Business Conduct. The undersigned further certifies that, after due inquiry and investigation, he or she is not aware of any fact or circumstance that indicates that a violation of the Code of Business Conduct has occurred during the period covered by this Certificate. The undersigned further certifies that he or she fully understands that a false or incomplete statement in this Certificate will be grounds for immediate dismissal from employment.”

The foregoing certification will be required from Company management and accounting personnel engaging in foreign transactions as determined by the Compliance Officer, including all persons who have access to Company funds or who have responsibility for recording transactions that impact the Company’s books and records.

## **4. EXPLANATION OF LAWS**

Although on its face the FCPA appears to be a fairly simple statute, in practice it can be quite complex. The law recognizes that companies must interact with foreign officials in many ways to conduct business, and establishes guidelines for acceptable and unacceptable behavior in those interactions. Compliance with those guidelines, which are the basis for the Company’s policies, requires vigilance on the part of all the Company employees.

The FCPA prohibits the offer, promise, authorization, or payment of a bribe or anything of value to a foreign official in order to secure improper influence over official actions that affect the Company. This prohibition is very broad, and covers: (1) cash payments; (2) non-cash payments, benefits, and favors; and (3) in certain circumstances, otherwise legitimate business expenditures such as gifts, entertainment, and hosted travel or training. The FCPA prohibits these payments whether they are made directly or indirectly through third parties, such as consultants, agents, and joint venture partners.

### **4.1 Interactions with Foreign Officials**

The FCPA applies to interactions with foreign officials. For purposes of this Policy, a foreign official means any officer or employee of a foreign government (i.e., other than the United States) or any department, agency, or instrumentality thereof, or of a public international organization, any person acting in an official capacity for or on behalf of a foreign government or government entity or of a public international organization, any foreign political party or party official, or any candidate for foreign political office. Thus, foreign officials include not only elected officials, but also consultants who hold government positions, employees of companies owned by foreign governments, political party officials, officials of public international organizations, and others.

Under this policy, foreign officials also include spouses and other immediate family members of foreign officials. Enforcement officials will treat payments to dependents of officials the same as payments directly to the officials themselves. Payments to other relatives must also be scrutinized in advance, and safeguards imposed, to protect against the risk that the relatives could act as conduits to the official.

Critical to the Company's business is the very broad definition under U.S. law of instrumentalities, which include state-owned or controlled oil companies. In many instances, employees of such companies are not treated or thought of as government officials in their home country. Under the FCPA, however, they are foreign officials. Any questions relating to whether an individual is a foreign official" should be directed to the Company's Compliance Officer.

The term public international organization includes such organizations as the United Nations, the World Bank, the International Finance Corporation, the International Monetary Fund, and the Inter- American Development Bank. The Company's Compliance Officer should be contacted if there is a question as to whether an organization should be treated as a public international organization for the purpose of this Policy.

#### **4.2 Cash and Non-Cash Payments: Anything of Value**

Requests by foreign officials for payments that would violate the FCPA arise in varied settings and can be much more subtle than a direct request for a kickback or bribe. The FCPA prohibits the provision of anything of "value" to a foreign official for improper purposes. This term is very broad, and can include any item of pecuniary value, including, for example:

- Gifts
- Gift or sale of stock or other investment opportunities in other than an arms length transaction for demonstrated fair market value, e.g., selling to an official at inflated prices or buying from an official at deflated prices
- Contracts or other business opportunities awarded to a company in which a foreign official holds a beneficial interest
- Medical, educational, or living expenses
- Travel, meals, lodging, shopping or entertainment expenses

#### **4.3 Prohibited Payments**

As a practical matter, past enforcement actions have shown that the FCPA's prohibition against improper payments to obtain or retain business or to secure any other improper advantage covers virtually any improper payment made in a

business context. For example, the Company employees and agents must not pay or give things of value to foreign officials, directly or indirectly:

- to obtain an interest in a block or otherwise to acquire exploration or production interests;
- to prevent some governmental action, such as the imposition of a large tax or fine, or the cancellation of an existing government contract or contractual obligation;
- to obtain a license or other authorization from a government (such as the right to import goods and equipment) where the issuance involves the foreign officials or his/her governments discretion;
- to obtain confidential information about business opportunities, bids or the activities of competitors;
- to obtain the right to open an office, to secure a zoning ruling or to influence the award of a government contract;
- to influence the rate of taxes that would be levied on the Company's business;
- to obtain relief from government controls;
- to resolve governmental disputes, e.g., the resolution of tax deficiencies or a dispute over duties payable;
- to resolve commercial litigation in foreign courts;
- to affect the nature of foreign regulations or the application of regulatory provisions; or
- to secure any improper advantage.

#### **4.4 Third Party Payments**

The FCPA prohibits both direct and indirect payments to foreign officials. Thus, a U.S. company can face FCPA liability based on improper payments made by its agents or other business partners, whether or not the Company knew of the payments. **The Company's reputation for conducting its business using only legal and ethical means can be undone by a single act by a third party that the Company chose as its partner or representative.** Thus, for business and legal reasons, the Company's practice of fairness and professionalism must extend to the activities of the Company's agents, consultants, representatives and business partners.

It is the Company's policy to work directly with foreign governments and foreign officials. The Company generally does not need to rely on third parties for

business development or government relations and, thus, discourages the use of third parties for these purposes. The Company recognizes, however, that there are circumstances, such as where participation in a block is conditioned on partnership with indigenous companies, that relationships with third parties will be required or prudent. In addition, there is a range of third parties, including oilfield services, equipment providers, and joint venture partners, with whom we must work to operate our business from day to day.

In those circumstances where third party relationships are appropriate, to protect against the business and legal risks of dealing with third parties who do not share the Company's commitment to fair dealing, the Company must carefully choose its partners and representatives. Therefore, prior to entering into an agreement with any agent, consultant, joint venture partner or other representative who will act on behalf of the Company with regard to foreign governments on international business development or retention, the Company will perform appropriate FCPA-related due diligence and impose prudent safeguards against improper payments. Contracts with representatives who will interact with foreign governments on international business development or retention must be approved by the Compliance Officer.

Once any third-party relationship has been entered into, the Company will be vigilant in monitoring the relationship. Any questions regarding the policy or procedures, or their applicability to proposed third parties, should be directed to the Compliance Officer.

#### **4.5 Guidelines for Common Risk Areas**

The FCPA does not prohibit all payments to or on behalf of foreign officials. Under an affirmative defense to the FCPA, certain payments that are directly related to: (i) the promotion or demonstration of the Company's products or services; or (ii) the performance of a particular portion of the Company's contract with a foreign government or instrumentality, may be permissible. To be consistent with the FCPA and the Company policy, such payments must be bona fide, reasonable, fully documented, supported by original receipts, and properly approved in advance by the Compliance Officer, as described below. The Company's approval process will consider not only the legal risks, but also, the public relations and business risks, that any proposed payment may present.

Because of the FCPA's strict prohibitions, Company personnel should not make or authorize any gift, payment or offer of anything of value to any foreign official, whether on the local, regional or national level, unless approved under this Policy. This Guide specifically outlines the very limited circumstances - modest entertainment, meals, the Company promotional items, gifts of a nominal value and other business courtesies -- when items of value can be given to foreign officials. Such entertainment, meals, the Company promotional items, gifts of a nominal value and other business courtesies may not be made except in

accordance with this Guide and unless the Compliance Officer has provided the approvals required in the Guide.

The Company personnel must complete the “FCPA Pre-Approval Form” (the “Request Form”) and submit it to the appropriate Country Manager before: (1) making a payment or giving anything of value to a “foreign official;” or (2) making a charitable contribution outside of the US or Canada. The Request Form is attached hereto as Annex A. There are a limited number of situations where a Request Form is not required, and these are discussed below. Of course, in all cases, any expenses must be fully and accurately described in the Company’s books and records.

**(a) Gifts to and Entertainment of Foreign Officials**

Gifts can be provided to foreign officials only to the extent that they meet the criteria and approval requirements set forth in this section. Gifts of the Company promotional items do not require prior written approval from the Compliance Officer. The Company promotional items are: (1) corporate gifts with the Company logo; and (2) event tickets (i.e. sporting, concert or rodeo tickets) that are regularly purchased by the Company for the use of its clients and employees (special purchases of tickets will still require pre-approval.) Even though a Request Form is not required, the value of a gift and the recipient(s) must be properly recorded in the Company’s books and records.

Meals for foreign officials do not need prior written approval from the Compliance Officer and should not exceed what is generally considered a reasonable business courtesy.

Meals are reasonable when they are limited social invitations which are given to numerous foreign officials/business partners, and that do not carry business obligations or present potential for embarrassment. Generally, meals with a per-person value of less than US\$100.00, would be considered reasonable. A copy of the employees expense report showing the (itemized) value of the meal (or other appropriate documentation) as well as the recipients must be recorded properly in the Company’s books and records.

Expenses relating to gifts or meals to be given to foreign officials must be:

- directly related to either the promotion, demonstration or explanation of the Company’s products or services, or the execution or performance of a contract with a foreign government, agency or instrumentality thereof;
- reasonable in light of customary gifts and entertainment;
- provided for a purpose other than to induce a foreign official to misuse his/her official position;

- certain not to create the appearance of being an improper payment or a conflict of interest;
- legal under the written foreign country’s laws, rules or regulations (many foreign ministries or agencies or public international organizations have separate hospitality rules);
- fully disclosed, as appropriate, to the foreign government; and
- properly recorded in the Company’s books and records. The Company employee responsible for overseeing the gift or entertainment expense must submit supporting documentation relating to the Accounting Department so that the payment or expense is accurately described and reflected in the Company’s books and records.

**(b) Hosting Foreign Official Travel**

On occasion, the Company may receive requests to host foreign officials for training, either at the Company facilities, or at training opportunities sponsored by outside vendors such as universities, language study organizations, and others. Similarly, the Company may also be asked to host foreign officials outside of their host country at technical or operational committee meetings, other project meetings, or negotiating sessions. These hostings may be required under contractual commitments, or requested or offered outside of those commitments.

When these hostings occur outside the foreign official’s home country, extend over more than one day, and involve airfare, hotel, transportation, and meals expenses, these hostings will tend to involve more significant expense amounts. As such, they pose higher FCPA and public relations risks than routine in-country hosting and entertainment of foreign officials. Accordingly, the Company policy is to limit these types of hostings.

Guidelines governing all hostings outside an officials home country are contained in Annex B. As noted in Annex B, (1) the FCPA Pre-Approval Form; (2) a description of the business meetings, activities and entertainments; and (3) a schedule of expenses to be paid or reimbursed must be presented to the Compliance Officer as early as possible for consideration and approval.

In all cases, it is important to ensure that the Company communicates clearly in advance, and in writing to the foreign official, what expenses will and will not be covered by the Company. A failure to do so can increase legal risks as well as the potential for misunderstandings with the foreign official.

**(c) Facilitating or Grease Payments.**

Petty corruption remains a significant problem in many countries, and the FCPA grants a narrow exception permitting certain “facilitating payments.” The Company’s policy is to only make these payments when it is lawful to do so

under local law. The Company's Compliance Officer and legal counsel will determine, with the help of local experts, whether such payments are legal under local laws. No facilitating payments may be made before this determination.

**(d) Donations to Foreign Charities**

The Company believes in contributing to the communities in which it does business and permits reasonable donations to foreign charities and to other recipients either ad hoc or under a social investment program. However, the Company needs to be certain that donations to foreign-based charities and other recipients are not disguised illegal payments to foreign officials in violation of the FCPA. The Company must also confirm that the charity does not act as a conduit to fund illegal activities in violation of U.S. anti-money laundering or other laws. Therefore, before making a donation to a charitable entity the following guidelines should be followed.

- Request for approval. A written request describing the charity, including the name of persons contacted and attaching any supporting documentation, should be submitted to and kept by the Compliance Officer. The donation should generate publicity or goodwill for the Company, demonstrate the Company's commitment to the community, whether local, regional or national, and also be approved under the Company's other guidelines on charitable giving and social investment.
- Background check on charitable organization. Before authorizing any payment to a foreign charity, the Company should confirm that the relevant charity is in fact a bona fide organization and not an entity controlled by or for the benefit of a foreign official or a conduit to fund terrorism. The verification of a charity's authenticity may include: (a) obtaining from the charity its articles of incorporation, statements from independent accountants, and information reflecting the charity's purpose and key management personnel; (b) requesting receipts, reports and other documents that demonstrate how the charity will use the Company's funds; (c) obtaining related information from the local office of the U.S. Embassy; (d) obtaining a written opinion from local counsel; and/or (e) checking that the charity is not suspected of supporting terrorism.
- Approval. Prior to the Company's donation to any foreign charity, the Compliance Officer should authorize, in writing, the donation and affirm that it does not violate local laws, rules or regulations.
- Record Retention. Documentation that substantiates the Company's donation, e.g., receipts, should be retained and recorded properly in the Company's books and records. Supporting documentation relating to the donation must also be forwarded to the Controller so that the payment or expense is accurately described and reflected in the Company's books and records.

(e) **Foreign Political Contributions**

It is the Company's policy that under no circumstances shall Company funds be used to make political contributions to political parties or candidates in countries, other than the US and Canada (and then only in accordance with the Company's other policies and procedures on political contributions), even if such contributions are permitted by a country's written laws.

The Company's policy is not intended to discourage or prohibit national employees of a host country from voluntarily making personal political contributions, from participating in the political process on their own time and at their own expense, from expressing their personal views on legislative or political matters or from otherwise personally engaging in political activities in such country. Expatriate employees should, as a rule, refrain from participating in the political process in foreign countries.

**4.6 Emergency Health and Safety Payments**

This policy does not affect a situation in which an employee is required to make a payment to avoid a risk to personal health or safety. Although any such situations should be avoided if possible, neither the FCPA nor the Company policy prohibits forced or extorted payments in such circumstances.

**5. EDUCATION AND TRAINING**

**5.1 Code of Business Conduct**

All employees will be given a copy of the Code of Business Conduct. Each employee is required to sign an acknowledgment that he or she has read, understands, and agrees to abide by the Code of Business.

**5.2 Frequency and Participation**

The Compliance Officer will conduct or arrange for FCPA training or refresher sessions to be conducted on a regular periodic basis. Attendance at not less than one such training session each year is expected for all Company employees, management and accounting personnel who are engaging in or have approval authority over payments relating to foreign transactions as determined by the Compliance Officer. It is anticipated that these training sessions will be conducted annually, or as close to annually as reasonably practicable. The Compliance Officer will track employees' attendance at training sessions.

**5.3 Scope of Training**

Training sessions conducted pursuant to this Manual shall include electronic, written and oral presentations regarding FCPA requirements, Company policies,

and the procedures detailed in this Manual, and, as the Compliance Officer deems appropriate, question and answer sessions and the opportunity for one-on-one discussions, if requested.

#### **5.4 Advanced Training**

The Compliance Officer shall attend such formal FCPA education as appropriate to keep current with the developments in the law.

### **6. DUE DILIGENCE PROCEDURES**

#### **6.1 Acquisitions**

Whenever the Company pursues the acquisition of any business entity or pursues the acquisition of land, or an interest in land, the due diligence process associated with the proposed acquisition shall include an investigation of the acquisition target's compliance with the FCPA. The specific information to be obtained in connection with such investigation shall be specified by, and the written results of such investigation shall be reviewed and approved by, the Compliance Officer.

#### **6.2 Joint Ventures, Consultants, Agents, and Representatives**

Whenever the Company intends to enter into a joint venture with a local partner or to engage or retain a consultant, agent, sponsor or other independent third party representative ("local party") in connection with any business being sought or transacted outside the United States who will interact in any way with, including making payments to, any foreign government agency or foreign official, the Company will conduct an investigation of the local party in order to determine the local party's reputation, beneficial ownership, professional capability and experience, financial standing and credibility of the prospective representative and the history of such local party's compliance with applicable provisions of the FCPA or similar applicable legislation in other countries. The Company shall examine the ownership structure of any such local party to ensure that no direct or beneficial owners, principals or substantial stakeholders of the local party are governmental entities, governmental officials, or politically exposed persons. The specific information to be obtained in connection with such investigation shall be specified by, and the results of such investigation shall be reviewed, approved, and maintained by, the Compliance Officer. If the local party has previously been investigated and approved by the Company, a new investigation does not need to be conducted. However, the Company will continuously monitor its existing relationships with local parties to ensure compliance with the Code of Business Conduct and all laws and regulations.

#### **6.3 Red Flags**

One of the key aspects of FCPA due diligence investigations is the identification of "red flags" which may indicate the potential existence of an FCPA problem. The FCPA "red flags" identified by the U.S. Justice Department are described in

Annex C hereto. All due diligence investigations conducted by the Company will include an analysis of potential “red flag” issues. The Company will periodically review its existing relationships with third parties for “red flag” issues. All Company employees have been advised in the Code of Business Conduct to watch for “red flags” in the Company’s potential and existing third party relationships.

#### **6.4 Use of Due Diligence Experts**

In appropriate cases, consideration should be given to obtaining the services of an outside investigative service, law firm, accounting firm, or other consultant specializing in due diligence in the country in which the third party operates or intends to provide services to the Company.

### **7. CONTRACT PROCEDURES**

#### **7.1 Standard Forms and Provisions for Contracts Involving Dealings With Foreign Governments or Foreign Officials**

Unless otherwise approved in writing by the Compliance Officer, all contracts with consultants, agents, sponsors and other third party representatives, all joint venture, partnership and shareholder contracts and all contracts for the acquisition of entities or business assets, to the extent such contracts or agreements may involve dealings with any foreign government agency or foreign official and pertain to business carried out or to be carried out in whole or in part outside the United States, shall contain provisions in an Appendix substantially similar to those specified in Annex D.

In addition, all contracts that provide for the disbursement of funds by the Company to another contract party for services related to business transactions outside the United States and that may involve dealings with any foreign government agency or foreign official, shall be in writing and shall require the other party to submit a written invoice and to certify that during the period covered by the invoice the other party has complied with all of its obligations under the relevant contract and is in compliance with the terms of its contract with the Company on the date of such certification, in a form containing provisions substantially similar to those set forth in Annex E. Contracts requiring the disbursement of funds by the Company for such services shall also require that funds will be transferred only to a bank account owned by the designated recipient and that such account shall be located in the country where the relevant business services are to be performed.

### **8. THIRD PARTY ISSUES**

#### **8.1 Responsibility**

The FCPA also prohibits corrupt offers, promises and payments through intermediaries. Thus, persons and entities covered by the FCPA are liable for

indirect offers, promises or payments to foreign officials if such offers, promises or payments are made through an agent, joint venture partner or other third party intermediary with the knowledge that a foreign official will be the ultimate recipient. Knowledge includes conscious disregard and deliberate ignorance of facts which indicate a high probability that the relevant payment will occur. Payments include transfers of anything of value.

## **8.2 Disclosure of Knowledge and Discontinuance of Payment**

**If any Company personnel knows or reasonably believes that an offer, promise, or payment to a foreign official has been, is being, or may be made by an agent, joint venture partner, representative or other third party intermediary for or on the Company's behalf or for the benefit of the Company, the relevant individual shall immediately advise the Compliance Officer and shall use all reasonable efforts to prevent the payment or promise of payment from occurring.**

## **9. PERMITTED ACTIONS**

### **9.1 Facilitating Payments**

The FCPA does not prohibit payments made for the purpose of *expediting* or *securing routine* governmental action *to which the Company is entitled*. The FCPA bribery prohibitions do apply to routine governmental action to which the Company is not entitled or where discretionary action is involved. Examples of routine governmental actions may include:

- (a) routine processing of governmental papers that involves no exercise of discretion, such as visas and work orders;
- (b) providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance, or inspections related to transit of goods across country;
- (c) providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration; or
- (d) actions of a similar nature.

An example of a permissible payment for a routine governmental action is as follows:

A person is at the airport in a foreign country with the appropriate visa and passport. The immigration official requires a payment of US\$20 to stamp the passport, or the person will be required to sit and wait in the airport for an undetermined amount of time. Here, the person is entitled to have the passport stamped and the small payment is simply made to expedite the process.

An example of an improper payment is as follows:

A person is at the airport in a foreign country with his passport, but there is something incorrect in the visa. The immigration official requires a payment of US\$20 to stamp the passport, or the person will be returned to the country of origin, or put in jail. Here, the person is not entitled to have the passport stamped so the small payment is an illegal bribe to get something to which he is not entitled. This payment is prohibited under the FCPA and should not be made.

An example of a discretionary action is as follows:

The Company is applying for a license with a governmental agency. The granting of the license is not a matter of right, but is available under certain circumstances which may involve a decision by a government official as to whether to grant the license. The licensing agent requires a payment to issue the license. Here, the governmental action involves a discretionary action and the payment is prohibited.

Such payments, which are generally referred to as “facilitating payments” do not include payments which relate to a decision by a foreign official relative to the *award of new business* or *the continuation of existing business*. Facilitating payments must be relatively small in amount in order to qualify for the exception, usually less than US\$100.

No facilitating payment as described above may be made by any Company personnel without the express approval of the Compliance Officer. When possible, approval for facilitating payments should be obtained before the payment is made. The Compliance Officer may pre-approve certain narrow categories of facilitating payments, but all such pre-approvals shall be narrowly and strictly construed. It is essential that all facilitating payments be properly and promptly documented and recorded. All questions concerning the eligibility of proposed payments for classification as exempt facilitating payments must be directed to the Compliance Officer.

## **9.2 Local Written Law Affirmative Defense**

A payment which is lawful under the written laws and regulation of the country where it is made is not prohibited by the FCPA. However, since bribery of a government official is illegal in every country in the world, assertion of this defense will rarely if ever apply in the case of cash payments. Only the Compliance Officer may authorize a payment if the legitimacy of such payment is based on a local law defense.

## **9.3 Reasonable and Bona Fide Expenditures Affirmative Defense**

The FCPA also does not prohibit the payment of reasonable and bona fide expenditures, such as meals, travel and lodging expenses, incurred by or on behalf of a foreign official and directly related to:

- (a) the promotion, demonstration or explanation of products or services; or
- (b) the execution or performance of a contract with a foreign government.

Lavish or unnecessary travel or entertainment may violate the FCPA. Accordingly, payment of government official expenses of the type described above must be expressly approved *in advance* by the Compliance Officer.

## **10. AUDITING**

### **10.1 Regular Auditing**

Testing and analysis of Company transactions for possible violations of the FCPA, the Policy or the Compliance Procedure shall be a regular part of the Company's routine audit process and all Company personnel shall cooperate fully with the Company's audit staff in that regard.

### **10.2 FCPA Audit Reporting to EMT**

The results of all FCPA auditing activities shall be communicated to the Compliance Officer promptly after completion of the relevant audit, who shall, in consultation with the Chief Financial Officer determine whether such activities should be communicated to the EMT of Directors.

## **11. NON-U.S. LAWS**

Although these Guidelines focus on compliance with the FCPA, it is necessary to remain equally attentive to compliance with applicable local laws of each of the countries in which Loadcraft operates or seeks to operate. These laws include bribery laws, the laws, regulations, and policies that govern the activities of public officials, such as conflict of interest and ethics rules, tax laws, and others.

Following the entry into force of several important international conventions in recent years, more than 60 countries prohibit, as a matter of domestic law, illicit payments to government officials in other countries. As a result, the domestic laws in many of the countries where Loadcraft does business or may have business partners now include their own versions of the FCPA.

In addition, the international movement against official corruption has spawned new cooperation mechanisms between U.S. enforcement officials and their foreign counterparts, which significantly increase the risk of investigation and prosecution. For example, the SEC has entered into bilateral information-sharing and/or cooperation agreements with more than 30 foreign securities regulators. The Department of Justice regularly teams with foreign enforcement officials to pursue corruption cases. The international conventions all require countries to cooperate on extradition, mutual assistance in obtaining evidence, asset freezes and records, and the like.



## **ANNEX B**

### **LOADCRAFT INDUSTRIES, LTD.**

#### **GUIDELINES FOR HOSTING OFFICIALS OUTSIDE OF THEIR HOME COUNTRY**

On occasion, the Company may receive requests to host foreign officials for training, either at the Company facilities, or at training opportunities sponsored by outside vendors such as universities, language study organizations, and others. Similarly, the Company may also be asked to host foreign officials outside of their host country at technical or operational committee meetings, other project meetings, or negotiating sessions. These hostings may be required under contractual commitments, or requested or offered outside of those commitments.

Because hostings involve the payment or reimbursement by the Company of travel and travel-related expenses (including, for example, transportation, lodging, meals, and incidental expenses) of individual government officials, they raise FCPA issues. Paying the travel expenses of any foreign official must be carefully structured to ensure consistency with the FCPA and applicable laws of the officials country. In addition to the FCPA, the laws or regulations of a foreign official's country will in most cases contain provisions that govern the payment or reimbursement of expenses incurred by the official. Even where the local laws permit the Company to pay an official's expenses, there may be legal requirements applicable to the handling, accounting, and reporting of such payments. These laws and regulations must also be considered when planning the Company-paid official travel.

Because of the many business and legal considerations that apply to official travel, proposals for the Company-paid travel are subject to the following procedures and review requirements.

#### **Approval Process and Requirements**

Advance approval from the Compliance Officer is required for all payments of travel and travel-related expenses for foreign officials. Unscheduled or special trips made to accommodate foreign officials, for example a ride on a the Company jet, must also be pre-approved by the Compliance Officer.

For travel outside the official's home country: (1) the FCPA Pre-Approval Form (Exhibit A), (2) a description of the business meetings, activities and entertainments scheduled during the trip, and (3) a schedule of expenses to be reimbursed or paid, must be presented to the Compliance Officer as early as possible in advance of the hosting for consideration and approval.

## **Payments for Expenses**

### *Airfare.*

- Airfare expenses paid for by the Company should either be (a) reasonable commercial airfare or (b) use of the Company's plane where commercial airfare is not available or mirror the Company travel policies. The business sponsor will ensure that all airline travel is arranged by the Company's Corporate Travel Department. lodging Expenses.

### *Lodging Expenses.*

- Lodging expenses paid for by the Company should include only accommodation costs (including reasonable expenditures for meals) actually incurred in business class hotels and only during the period of the particular meeting, facility visit, seminar, or event, or en route to those activities.
- The Company will follow standard the Company expense reimbursement policies with respect to incidental charges at hotels, including, for example, laundry, telephone usage, movies, mini-bar items, access to fitness facilities, and hotel spa services.

### *Local Transportation Expenses.*

- The Company should pay only for incidental and local transportation associated with the officials participation in the relevant the Company activities. Thus, for example, the Company may reasonably pay for a standard car (use of limousines and other extravagant transportation should be avoided) to transport an official to and from his hotel and the relevant the Company sites (including the Company-hosted entertainment), but may not reasonably pay for an official to have a car at his disposal for a long weekend of sightseeing.

### *Meals and Entertainment Expenses.*

- Within the context of hosted travel, the appropriateness of the Company-paid meals and entertainment will be evaluated using the criteria set forth in the Guide and in consideration of the overall hosting agenda.
- The business sponsor is responsible for ensuring that meals and entertainments do not exceed what has been approved in advance by the Compliance Officer.

### *Form of Payment.*

- Cash payments to officials to cover travel and travel-related expenses are prohibited. Exceptions may be granted where special circumstances require them and the payments are approved in advance by the Compliance Officer.

- Unless a per diem has been approved, payments to cover expenses should be paid directly to vendors (i.e., airlines, hotels, car rental companies) and not to the official. Where direct payment is not possible, reimbursement is contingent upon the official's provision of receipts for the expenses for which reimbursement is requested, and, wherever possible, should be paid to the official's government rather than to the official directly.

*Per Diems.*

- Per diem allowances, which many foreign governments prefer and in some cases mandate as the means of expense reimbursement for their officials, present inherent FCPA risks as monies given directly to an individual official. The use of per diems is discouraged. Where per diems are required by the foreign government or government agency, or cannot otherwise be avoided without significant business disruption, they are permitted only with advance, written approval of the Compliance Officer.
- Per diems may be paid to cover the expenses of visiting officials, where consistent with local law, at a rate determined by the Company based on the reasonable cost of accommodation at the site visited or as required by local law.
- Per diems will not be paid in addition to direct payment or reimbursement for actual expenses. Costs paid directly to service providers will be deducted from daily per diem amounts.
- Per diems will not be provided in lump sum in advance of travel. No more than one week of per diem will be paid at any single time, unless inconsistent with local law. In situations where the travel duration is less than one month, and it is not practicable to make weekly payments of per diem, payment of up to one month of per diem may be paid in advance of the trip.
- The Company will pay a maximum of one travel day per diem for travel in each direction to and from the official's destination. As a general rule, additional per diem should not be necessary. If, however, the official's travel schedule is disrupted and an unexpected additional layover results, the Company will arrange for lodging and otherwise ensure that actual expenses are covered.
- The visitor's business sponsor is responsible for payment of the per diem amounts under the supervision of the International Accounting Manager.

**Communication of Hosting Parameters**

In all cases, it is important to ensure that the Company communicates clearly and in writing to the foreign official what expenses will and will not be covered by the Company. A failure to do so can increase legal risks as well as the potential for misunderstandings with the official. Accordingly, a letter memorializing all of the key

terms of the hosting, including what expenses will and will not be covered, should be sent prior to the commencement of the hosting. The Compliance Officer will work with the business sponsor to draft this letter.

## **ANNEX C**

### **RED FLAGS**

1. The contracting party has a history of improper payment practices.
2. The transaction or the contracting party is in a country where there is widespread corruption.
3. The transaction or the contracting party is in a country that has a history of bribes and kickbacks.
4. The transaction or the contracting party is involved in or with an industry that has a history of FCPA violations.
5. The contracting party refuses to agree to comply with the FCPA.
6. The contracting party has a family or business relationship with a government official.
7. The contracting party has a poor business reputation.
8. The contracting party insists that its identity remain confidential or refuses to divulge the identity of its owners.
9. A government customer recommends or insists on use of a particular intermediary or consultant.
10. The contracting party does not have offices or a staff.
11. The contracting party does not have significant experience.
12. The contracting party insists on unusual or suspicious contracting procedures.
13. The fee or commission to be paid to the contracting party is unusually high.
14. The payment mechanism to be utilized is secretive or unusual.
15. The contracting party submits inflated or inaccurate invoices.
16. The contracting party requests cash or bearer instrument payments.
17. The contracting party requests payment in a jurisdiction outside its home country that has no relationship to the transaction or the entities involved in the transaction.
18. The contracting party asks that a new customer be granted an excessive credit line.

19. The contracting party requests unusual bonus or special payments.
20. The contracting party requests unusual advance payment.

## ANNEX D

### STANDARD CONTRACT PROVISIONS

**Ethical Business Practices.** In carrying out its responsibilities under the Agreement (or otherwise acting on behalf of Loadcraft), Agent and its owners, officers, directors, employees, or agents thereof have not and will not, directly or indirectly, give, pay, promise, offer or authorize the giving of anything of value to any officer or employee of any non-United States Government, or any department, agency or instrumentality thereof, or any foreign political party or official thereof, for purpose of influencing any act or decision to perform or fail to perform official functions or for purposes of inducing the use of influence to effect any act or decision by any such Government or any department, agency, or instrumentality thereof to obtain or retain business for, or direct business to, Loadcraft. Agent understands that the U.S. Foreign Corrupt Practices Act (FCPA) permits, with certain limitations, some facilitating or expediting payments to foreign officials for the purpose of expediting or to secure the performance of a routine governmental action. However, Agent agrees not to make any such facilitating or expediting payments without prior written consent of Loadcraft.

Agent warrants its familiarity and compliance with all applicable local laws and regulations. Agent has received a copy of, and agrees to comply with, Loadcraft's Code of Business Conduct (and as it may be amended). Agent is familiar with the FCPA and represents and warrants to not engage in any conduct that might cause Loadcraft to violate the FCPA.

No owners, employees, directors, officers, agents or representatives of Agent or of any affiliate company of the Agent is or will become an official, officers, or representatives of any non-U.S. government or political party or candidates for political office without the prior written consent of Loadcraft.

No rights or obligations of, or services to be rendered by Agent under this Agreement, shall be assigned, transferred or subcontracted to any third party without the prior written consent of Loadcraft.

Agent agrees not to establish or maintain any undisclosed or unrecorded funds or assets, or falsify or cause the making of artificial entries in any books and records in connection with any services performed under this agreement.

Agent agrees to maintain all records relating to payments made or receipts realized relating to this Agreement. Agent agrees to make such records available to Loadcraft upon request for inspection and/or audit. As part of this inspection and audit right, Loadcraft has the right to have its representatives and/or third-party advisors of its choosing conduct an inspection and/or audit of Agent's books and records. Agent agrees to fully cooperate with any such inspections or audits.

Agent will indemnify and hold Loadcraft harmless from any and all loss, cost, damage or expense sustained by Loadcraft relating to the breach of any representation or warranty in

this section, including but not limited to, any penalties or fines incurred by Loadcraft (whether imposed upon Loadcraft or agreed to by Loadcraft) relating to Agent's breach or investigative or defense costs (including attorneys' and other professional fees and expenses) incurred responding to any governmental or regulatory requests, inquiries, or investigations ("Indemnity Loss"). Loadcraft has right to offset any payments due under this Agreement with any Indemnity Loss.

Loadcraft may terminate this Agreement immediately upon written notice in the event Loadcraft concludes, in its sole opinion, that Agent has failed to meet its obligations under this section. In the event of a breach of any warranty or representation of this section, this Agreement shall be terminated immediately without the requirement of any written notice of cancellation. In the event this Agreement is terminated by Loadcraft or by reasons of a breach of any representation or warranty by Agent, Agent shall not be entitled to any commission or other payments with regard to any transaction relating to the breach by Agent and all previous payments for such transaction shall be refunded to Loadcraft.

Agent's obligations to indemnify Loadcraft and to submit to an inspection shall survive the termination of this Agreement.

In the event that Loadcraft has reason to believe that a breach of any representations and warranties in this section has occurred or may occur, Loadcraft may withhold further payments until such time as it has received confirmation to its satisfaction that no breach has occurred or will occur. Loadcraft shall not be liable to Agent for any claim, losses, or damages whatsoever related to Loadcraft's decision to withhold payments under this provision.

In no event shall Loadcraft be obligated under this Agreement to take any action or omit to take any action that Loadcraft believes, in good faith, would cause it to be in violation of any laws, including without limitation the FCPA.

## ANNEX E

### **INVOICE CERTIFICATION FOR CONTRACTS THAT MAY INVOLVE PAYMENTS TO GOVERNMENT AGENCIES OR FOREIGN OFFICIALS**

We are familiar with the U.S. Foreign Corrupt Practices Act (“FCPA”), and understand that it prohibits the offer, payment, promise to pay, or authorization of the payment of any money or the giving of anything of value to any foreign official for purposes of influencing any act or decision of such foreign official in his official capacity, inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official, or securing any improper advantage. We agree to perform the services set forth above in full compliance with the FCPA, and agree that all payments to any government authority will be documented and supported by an official receipt, signed and stamped by the appropriate authority. We understand that you will not reimburse us for any charges that are not properly supported in this manner.

We further understand that the FCPA permits some facilitating or expediting payments in very small amounts to foreign officials for the purpose of expediting or securing the performance of a routine governmental action to which you are entitled. However, we agree to make no such payments on your behalf without prior advance notice to you and your prior written approval.