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NFSA ANTITRUST POLICY AND GUIDELINES (Adopted October 25, 2018)

It is the policy of the National Fire Sprinkler Association ("NFSA") to comply strictly with all laws that relate to the conduct of its activities, including the antitrust laws of the United States. All NFSA members, officers, and staff must familiarize themselves with the NFSA "Antitrust Guidelines," and shall agree to conduct all NFSA business, sponsored meetings and activities, in strict accordance with the Guidelines. The Guidelines shall be updated and revised as appropriate by the NFSA Board in consultation with counsel. Counsel should be consulted in all cases involving specific situations, interpretations or advice, and shall attend any meeting in which issues with antitrust implications are expected to be discussed.

ANTITRUST GUIDELINES

Overview of the Antitrust Laws

The antitrust laws are intended to foster and protect competition. As such, the laws prohibit particular anticompetitive activities, and more generally activities that are deemed to unreasonably restrain trade or create or maintain a monopoly -- in short, those that restrain competition. Agreements among competitors receive special scrutiny under the antitrust laws. Therefore, while the purpose of NFSA is to promote the exchange of ideas and developments in fire sprinkler industry, and thereby foster competition among industry participants, it must be careful that its activities do not violate the antitrust laws. For this reason, the Antitrust Guidelines below provide a general overview of the antitrust laws and activities that may violate the laws. In addition, below are some specific guidelines to assist NFSA in conducting its activities in conformity with the antitrust laws.

Sherman Act

The basic federal antitrust statutes that are applicable to trade associations are the Sherman Act and the Federal Trade Commission Act. Section 2 of the Sherman Act addresses conduct related to monopolies. The most important part of the Sherman Act for trade associations like NFSA, however, is Section 1 which prohibits "contracts, combinations or conspiracies in restraint of trade or commerce." Taken together, the contract, combination or conspiracy requirement has been found to exist where there is some form of agreement between two or more parties. Such agreements may be explicit, e.g., taking the form of a contract or other oral or written communication, or implicit, e.g., implied by the conduct of the parties and construed to indicate an agreement was formed. Certain activities are deemed unlawful without a detailed examination of their context or effects on competition and constitute "per se" or automatic violations of the Sherman Act.

Federal Trade Commission Act

Section 5 of the FTC Act prohibits "unfair methods of competition" and "unfair or deceptive acts or practices." The FTC Act's broad enforcement provision empowers the Commission to determine the

meaning of "unfair." In addition, activities considered illegal under the Sherman Act also are generally unlawful under Section 5 of the FTC Act.

Enforcement and Penalties

The U.S. Department of Justice, individual states, and private parties harmed by the anticompetitive conduct of others may bring suit for violations of the Sherman Act. Enforcement of the FTC Act is vested exclusively in the FTC. Violations of the Sherman Act may result in both criminal and civil penalties. In addition, private plaintiffs may recover three times the amount of damages suffered, plus the costs of bringing suit, including attorneys' fees.

In the past, not only organizations but also their officers and directors have been found criminally and civilly liable for antitrust violations. In addition to the strict penalties associated with antitrust violations, the courts and the FTC have ordered the dissolution of associations found to engage in anticompetitive practices. Therefore, it is imperative that all NFSA members, officers and staff take all appropriate measures to minimize the risk of antitrust violations.

General Antitrust Guidelines

This section describes the types of activities and practices that courts have found to violate the Sherman Act. NFSA officers, staff, and members must take extreme care to avoid even the appearance of engaging in these types of activities, as well as any others which could be construed as having an anticompetitive intent or purpose.

Per se violations traditionally include agreements among competitors that have the purpose and effect of "fixing prices," "allocating territories," "boycotting third parties" or "rigging bids." Under the antitrust laws, "price fixing" includes more than an agreement to set prices at a particular level, within a specific range, or in accordance with a particular formula. It potentially includes any agreement that tends to raise, fix, stabilize or otherwise affect price. Similarly, price fixing includes agreements to control other factors that directly or indirectly affect price, such as establishing production levels, setting uniform discounts, credit or warranty terms, the imposition of surcharges, or agreeing on matters relating to costs.

NFSA members shall not at any time discuss or make agreements about product prices, price changes, supply and demand for products or raw materials, or any other subjects bearing on product pricing.

Territorial or market allocation involves an agreement among competitors operating at the same level of the market - - such as manufacturers, distributors, etc.-- to divide the market in such a way as to allow each to serve its share of the market without competition from the others. Prohibited allocations can be based on geographical boundaries or particular types of customers.

NFSA members shall not at any time discuss or make agreements concerning allocation or division of markets or geographical or other restrictions on representatives, distributors or other customers of NFSA members' products.

Group boycotts or "refusals to deal" are considered per se violations in certain instances. Agreements or collective action to refuse to deal with certain suppliers, customers, or other competitors, or that tend to exclude certain participants from the marketplace or deny them access to a significant competitive benefit available to others in the market are prohibited.

Before the per se rule is applied, however, several factors are considered, such as whether the activity was undertaken for an anticompetitive purpose, whether the group possesses market power, and whether it holds exclusive or unique access to a business element necessary for effective competition.

In the trade association context, group boycott issues may arise in relation to membership restrictions, or in disciplinary or expulsion action against members. Because these situations must be analyzed closely, counsel should be notified prior to NFSA's consideration of any of these actions. Also, counsel shall be notified prior to any discussion by NFSA concerning restricting or denying membership to any nonmember firm that competes in the industry.

In addition, NFSA members shall not at any time discuss or make agreements concerning particular representatives, distributors, customers, or suppliers involving decisions to deny, limit or terminate business relationships between or among any NFSA member others whether or not a member of NFSA.

NFSA members shall not at any time discuss or make agreements concerning bids on contracts for particular products or the timing or procedures used for responding to bid invitations.

In addition to the issues described above, other antitrust problems may arise where trade association activities are undertaken which may have anticompetitive effects on non-members. Particular guidelines must be followed before undertaking certain association projects, such as an industry survey or other statistical program. Accordingly, counsel must be contacted before discussing or planning these programs.

There is an exemption under the antitrust laws for petitioning the government known as the Noerr-Pennington exemption. As a result, NFSA's joint petitioning of the government should be exempt from antitrust attack. The exemption typically extends to: lobbying before legislative or regulatory bodies, publicity campaigns associated with petitioning, participation in regulatory proceedings, and participation in court and administrative litigation to the extent that actions brought by NFSA are not objectively baseless. Recommendations to, or lobbying of, a private organization is not protected.

Antitrust problems may arise when the effect of standardization in an industry is to deprive customers of legitimate choices, to discriminate against competitors, or to fix prices or boycott suppliers. Standards that include as part of their development wide participation by others, such as suppliers or customers, are less likely to result in a problem. The members of NFSA shall not agree to adhere to any standard or guideline, and each member shall be free to follow or reject any proposed standards or guidelines discussed or suggested by NFSA members, unless adopted by the government.

Specific Antitrust Guidelines Do's and Don'ts

Based on the above principles, here is some specific guidance on what to do and not do.

DON'TS

Do not discuss or exchange information regarding any of the following matters, either on the NFSA website, in NFSA communications or during NFSA sponsored meetings or gatherings:

- Individual company actual or potential prices, price changes, price differentials, mark-ups, surcharges, discounts, warranties, allowances, credit terms, costs, production levels, capacity, or sales.
- Future plans of individual companies concerning the design, production, distribution or marketing of particular products, including proposed territories or customers.
- Division or limitation of sales to particular territories, customers or classes of customers.
- Refusal to sell to or purchase from, or termination or modification of sales or purchase arrangements with representatives, distributors, or other third parties, or prices or terms of sale or resale by customers.
- Industry pricing policies, price levels, price changes, differentials and/or changes in industry production, capacity or inventories.
- Limiting or eliminating competition in any way, or efforts to create a monopoly.
- NFSA Membership, denial of membership, or expulsion of members other than in formal meetings with the participation of counsel.

Again, do not discuss or exchange information regarding the above matters during NFSA events, in NFSA communications, through NFSA sponsored websites or message boards, or at NFSA sponsored meetings, even in jest.

DOS:

- Before meetings, prepare and have counsel review agendas of particular items to be discussed at meetings and adhere to the agenda unless additional matters for discussion have been approved in advance by counsel.
- Ensure that draft meeting minutes are promptly prepared after each meeting, reviewed by counsel, and then circulated to members present at the meeting to determine that the minutes accurately reflect the proceedings.
- Protest any discussions or meeting activities that appear to violate the antitrust laws or the NFSA Antitrust Compliance Policy and Guidelines. Disassociate yourself from any such discussions or activities and leave any meeting in which they continue. Be sure that counsel is made aware of any such activities.
- Provide NFSA members with a copy of the Antitrust Policy and Guidelines and have a copy available for reference at all NFSA sponsored events and meetings.

Adopted by NFSA Board of Directors October 25, 2018