TO: Members, Council of Industrial Boiler Owners

RE: Statement of Purpose and Antitrust Compliance

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The Council of Industrial Boiler Owners ("CIBO") was formed to communicate effectively the needs of companies with interests in the development and operation of industrial boiler facilities to the members of Congress and to officials in the various departments and independent agencies of the federal government. The work of CIBO from time to time will involve a variety of public issues.

It is the policy and practice of CIBO to comply fully with the federal antitrust laws and with all other applicable laws and regulations. Participants in the work of CIBO share the belief that the antitrust laws generally are designed to preserve and protect the free enterprise system and to enhance competition by preserving or restoring free markets, with the ultimate goal of providing the best possible goods and services to consumers at the lowest possible prices.

We caution that any trade association in which competitors participate carries with it the danger of providing a forum for activities that do not fall within the constitutional right of American citizens and organizations, including trade associations, to petition the government for redress of grievances but, rather, may fall within the proscriptions of the antitrust laws prohibiting collusive actions among competitors. As counsel to CIBO, we advise members, prospective member, and/or the Directors, officers and employees of CIBO, on procedures and practices to ensure antitrust compliance. All participants in the activities of CIBO are encouraged to consult immediately concerning any particular questions they may have. We also advise each CIBO member company to review with its own counsel its activities within the CIBO context, and bring to the attention of its counsel, CIBO leadership and counsel any aspect of CIBO activities that appear to be a CIBO source of concern.

ANTITRUST GUIDELINES

Although trade associations are recognized as valuable tools of American business, they are particularly subject to accusations of abuse. One of the most frequent dangers which trade associations and their members face is the threat of proceedings under the antitrust laws, which generally forbid any combination which restrains trade. Since a trade association is by its nature a combination of competitors, the association and its members must ensure that their activities do not comprise a trade restraint, or even create the impression of such restraint.

In addition to the monetary and time-consuming burden of undergoing a protracted civil or criminal trial, the statutory penalties for violation of the antitrust laws are severe. Substantial fines may be

imposed on both individuals and companies. In recent criminal cases, prison sentences have additionally been meted out to individual violators. Further, a company or individual injured by an antitrust violation can sue to recover threefold the damages suffered, and sue as a representative of all persons who have been injured, thereby substantially increasing potential liability.

It is, therefore essential for the association and its members to be vigilant in avoiding any activities, however innocuous, which could be construed as violating the antitrust laws.

Two concepts deserve special attention: "agreements" and activities that are per se illegal.

Neither a written contract nor a handshake is necessary for an illegal agreement. Tacit understandings, including responding to pressure, exerting pressure, or doing "what is expected," can be sufficient. An implied agreement may also be inferred from actions or the result of those actions.

Some activities are considered so inherently anti-competitive that they are per se illegal; that is, there is no legal defense, justification or excuse for the activity.

The following activities are among those which have commonly been held to be per se illegal under the antitrust laws:

(1) Agreements or understandings to fix prices -- regardless of whether prices are increased, decreased, stabilized, or set according to any agreed upon formula, or subject to collusive discounts or allowances, whether uniform or otherwise understood between the parties;

(2) Agreements or understandings to fix or stabilize other terms or conditions of sale or lease;

(3) Agreements or understandings to divide or allocate territories, customers or classes of equipment or services; and

(4) Agreements or understandings not to deal with a particular customer, class of customers, or group of customers.

CIBO members should, therefore, refrain from any discussion which could be interpreted as an agreement to take common action on prices, discounts, refusals to deal, production or allocation of customers or markets. This applies both to formal meetings and informal gatherings either before or after such meetings.

In order to avoid potential problems in this area, CIBO with the advice of counsel, adheres strictly to the following guidelines:

(1) CIBO meetings are held only when there is appropriate association business to discuss or act upon;

(2) Agenda is prepared, reviewed by counsel and circulated to members;

(3) All association meetings are attended either by counsel or with counsel's concurrence by a qualified CIBO staff member;

(4) Written minutes of all meetings under the aegis of CIBO are to be prepared;

(5) All documents of the association are subject to scrutiny by counsel, and it shall be the responsibility of staff to see that counsel is informed before any document which could be construed to raise questions under these guidelines is circulated or approved.

(6) Members standards and the content of all CIBO programs are subject to these guidelines and are to be cleared by counsel before implementations;

(7) CIBO members and staff shall promptly contact counsel for guidance in resolving all questions that may arise concerning the propriety of any proposed program, activity or discussion.