

**BASIN WATER, INC.
CODE OF BUSINESS CONDUCT AND ETHICS**

INTRODUCTION

Purpose

Basin Water, Inc., its subsidiaries and affiliates (collectively “Basin”) requires ethical business conduct by all of its employees. This Code of Business Conduct and Ethics (the “Code”) addresses the required conduct and policies. Each director, officer and employee of Basin shall comply with the requirements of the Code; failure to meet any of the Code requirements is subject to disciplinary action, including potential termination of employment. For purposes of interpretation, references to Basin’s interest in this Code refer to the interests of Basin’s shareholders.

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of Basin consistent with the highest standards of business ethics. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations; we adhere to these higher standards.

This Code applies to all of our directors, officers and other employees. We refer to all directors, officers and other employees covered by this Code as “Basin employees” or simply “employees,” unless the context otherwise requires. In this Code, we refer to our Chief Executive Officer, Chief Financial Officer, Director of Finance and Controller as our “principal financial officers.”

Basin’s Goal

The Code establishes guidelines and policies for making ethical decisions. The Code shall guide Basin employees company-wide and worldwide—officers, managers and employees—in creating and maintaining an ethical work environment. The Code also applies to Basin's dealings with its agents, representatives and other third parties.

Each employee shall act in a manner which promotes and supports the best interests of Basin. An employee shall not use Basin resources or opportunities for direct or indirect personal gain or for the direct or indirect benefit of family or friends. Loyalty to Basin must not be compromised by conflicts of interest or fraudulent actions toward Basin. Any employee found engaging in fraud shall be subject to termination and possible criminal proceedings. For more detail on conflicts of interest, see the Conflicts of Interest section below.

An activity that is not strictly prohibited in the Code is not for that reason necessarily permissible. The Code is not exhaustive; it does not address or mandate all ethical or unethical conduct. Each Basin employee is accountable for the decisions he or she makes regardless of whether policies or requirements have been expressly established in an area of ethical concern. In the event any employee has a question about the ethics of an action or a potential action, that employee should seek the input of his or her manager or the Legal Department regarding the subject action.

Waivers of the Code

If the standards set forth in this Code create or potentially create a conflict for an employee, then a waiver from the specific ethics policy requirements must be requested by the employee. For Basin officers and directors, the waiver request should be submitted in writing to the Board of Directors. For all other Basin employees, the waiver request should be submitted in writing to the General Counsel.

Seeking Help and Information

This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face. If you feel uncomfortable about a situation or have any doubts about whether it is consistent with Basin's ethical standards, seek help. We encourage you to contact your supervisor for help first. If your supervisor cannot answer your question, or if you do not feel comfortable contacting your supervisor, contact Basin's General Counsel, Human Resources Department or the Chief Financial Officer. Basin has also established an Ethics Helpline that is available 24 hours a day, 7 days a week. You may remain anonymous and will not be required to reveal your identity in calls to the Ethics Helpline, although providing your identity may assist Basin in addressing your questions or concerns.

Reporting Violations of the Code

All employees and directors have a duty to report any known or suspected violation of this Code, including violations of the laws, rules, regulations or policies that apply to Basin. If you know of or suspect a violation of this Code, immediately report the conduct to your supervisor, Basin's General Counsel, Human Resources Department or Chief Financial Officer. Basin's General Counsel will work with you and your supervisor or other appropriate persons to investigate your concern. If you do not feel comfortable reporting the conduct to your supervisor or you do not get a satisfactory response, you may contact Basin's General Counsel directly. You may also report known or suspected violations of the Code on the Ethics Helpline that is available 24 hours a day, 7 days a week. You may remain anonymous and will not be required to reveal your identity in calls to the Ethics Helpline, although providing your identity may assist Basin in investigating your concern. All reports of known or suspected violations of the law or this Code will be handled sensitively and with discretion. Your supervisor, Basin's General Counsel, Basin's Chief Financial Officer and Basin will protect your confidentiality to the extent possible, consistent with law and Basin's need to investigate your concern.

It is Basin's policy that any employee or director who violates this Code will be subject to appropriate personnel action, which may include termination of employment or removal from the Board, as appropriate. This determination will be based upon the facts and circumstances of each particular situation. Employees who violate the law or this Code may expose themselves to substantial civil damages, criminal fines and prison terms. Basin may also face substantial fines and penalties and may incur damage to its reputation and standing in the community. Your conduct as a representative of Basin, if it does not comply with the law or with this Code, can result in serious consequences for both you and Basin.

Policy Against Retaliation

Basin prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. Any reprisal or retaliation against an employee because the employee, in good faith, sought help or filed a report will be subject to disciplinary action, including potential termination of employment.

CONFLICTS OF INTEREST

Identifying Potential Conflicts of Interest

Basin and its employees shall not—in practice or appearance—enter into transactions or circumstances where there are conflicting interests. A conflict of interest is an activity or interest that is inconsistent with or opposed to the legitimate best interests of Basin. Basin employees should avoid all situations where personal and professional interests interfere with, or appear to interfere with, Basin's interests. A conflict situation can arise when an employee takes actions or has interests that may make it difficult to perform his/her work objectively and effectively. Conflicts may also arise when an employee, officer or director or a family member receives improper personal benefits as a result of such employee's position. Examples of conflicts of interest are:

- Direct or indirect ownership by an employee or family member of a significant financial interest in an outside enterprise that does business with Basin or is a competitor with Basin.**
- Acting as a broker or finder for the benefit of a third party in transactions involving Basin.**
- Any arrangement or circumstance which might dissuade an employee from acting in the best interest of Basin.**

Conflicts of interest may not always be clear-cut. When there are questions, an employee should consult with their supervisor or the Legal Department.

Basin buys and sells products based on quality, services, and price. The giving or receiving of gifts or entertainment must not affect our independent judgment, or that of our customers. Individual gifts of more than nominal value (\$75.00) or gifts from any one person or entity which cumulatively total more than \$500 in any one year should not be accepted. Business entertainment is appropriate only if reasonable and customary in nature and it is associated with bona fide business discussions, activities or purposes. More definitive guidelines are set forth in Attachment A.

Disclosure of Conflicts of Interest

Basin requires that employees disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it in writing to your supervisor or Basin's General Counsel. Your supervisor and Basin's General Counsel will work with you to determine whether you have a conflict of interest and, if so, how best to address it.

GIFTS AND ENTERTAINMENT

The giving and receiving of gifts are subject to a variety of laws, rules and regulations applicable to Basin's operations. These include, without limitation, laws covering the marketing of products, bribery and kickbacks. You are expected to understand and comply with all laws, rules and regulations that apply to your job position. Before you accept or give any individual gift of more than nominal value (\$75.00) or gifts from any one person or entity which cumulatively total more than \$500 in any year, or provide or receive any entertainment, other than reasonable and customary entertainment, in connection with your services to Basin, you should seek advice from your supervisor or Basin's General Counsel.

BASIN RECORDS

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports, regulatory submissions and many other aspects of our business and guide our business decision-making and strategic planning. Basin records include financial records, personnel records, records relating to our product development, manufacturing and regulatory submissions and all other records maintained in the ordinary course of our business.

All Basin records must be complete, accurate and reliable in all material respects. Basin has a formal document retention policy set forth in Attachment B that each employee and director must follow with respect to Basin records within such employee's or director's control. Please contact your supervisor, Basin's General Counsel or Basin's Chief Financial Officer with any questions concerning the policy.

ACCURACY OF FINANCIAL REPORTS AND OTHER PUBLIC COMMUNICATIONS

As a public company we are subject to various securities laws, regulations and reporting obligations. Federal and state laws, and our policies, require the disclosure of accurate and complete information regarding Basin's business, financial condition and results of operations. Inaccurate, incomplete or untimely reporting will not be tolerated.

Basin's principal financial officers and other employees working in the Finance Department have a special responsibility to ensure that all of our financial disclosures are full, fair, accurate, timely and understandable. These employees must understand and strictly comply with generally accepted accounting principles and all standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts.

COMPLIANCE WITH LAWS AND REGULATIONS

Each director, officer and employee has an obligation to comply with all applicable laws, rules and regulations. Basin's employees are committed to knowing and complying with the letter and spirit of the laws of all countries where they do business. No employee should believe that he/she is serving Basin's best interests by engaging in illegal conduct. These include, without limitation, laws covering bribery and kickbacks, the development, testing, approval, manufacture, marketing and sale of our groundwater treatment systems,

copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. You are expected to understand and comply with all laws, rules and regulations that apply to your job position. If any doubt exists about whether a course of action is lawful, you should seek advice from your supervisor or Basin's General Counsel.

INTERACTIONS WITH THE STATE REGULATORY AGENCIES AND ENVIRONMENTAL PROTECTION AGENCY

Basin's products, treatment systems and operations are subject to extensive and rigorous regulation by various federal and state regulatory agencies, such as the Environmental Protection Agency (the "EPA"). Violation of these laws and regulations can result in severe civil and criminal penalties, adverse publicity for Basin, total or partial suspension of production of Basin systems or services, withdrawal of Basin systems or services from the market, and disciplinary action by Basin against the responsible individuals, up to and including termination of employment.

INTERACTIONS WITH THE GOVERNMENT

Basin may conduct business with U.S., state and local governmental bodies, including legislative, executive, judicial, or administrative departments, boards, commissions, courts, agencies or other instrumentalities. Basin is committed to conducting its business with all governments and their representatives with the highest standards of business ethics and in compliance with all applicable laws and regulations, including the special requirements that apply to communications with governmental bodies that have regulatory authority over our products, treatment systems and operations, government contracts and government transactions. In your interactions with the government, you should:

- Be forthright and candid at all times. No employee or director should intentionally misstate or omit any material information from any written or oral communication with the government.
- Ensure that all required written submissions are made to the government and are timely, and that all written submissions, whether voluntary or required, satisfy applicable laws and regulations.
- You should not offer or exchange any gifts, gratuities or favors with, or pay for meals, entertainment, travel or other similar expenses for, government employees.

If your job responsibilities include interacting with the government, you are expected to understand and comply with the special laws, rules and regulations that apply to your job position as well as with any applicable standard operating procedures that Basin has implemented. If any doubt exists about whether a course of action is lawful, you should seek advice immediately from your supervisor and Basin's General Counsel.

Basin employees with responsibilities in the areas governed by the state regulatory agencies and the EPA are required to understand and comply with these laws and regulations. These employees are expected to have a thorough understanding of the laws, regulations and other relevant standards applicable to their job positions, and to comply with those requirements. If any doubt exists regarding whether your job, position or a particular course of action is governed by these laws and regulations, you should seek advice immediately from your supervisor and Basin's General Counsel.

POLITICAL CONTRIBUTIONS AND ACTIVITIES

Employees may participate in the political process as individuals and on their own time. However, federal and state contribution and lobbying laws may severely limit or prohibit the contributions Basin can make to political parties or candidates. It is Basin's policy that Basin funds or assets not be used to make a political contribution to any political party or candidate, unless prior written approval has been given by our General Counsel.

The following guidelines are intended to ensure that any political activity you pursue complies with this policy:

- Contribution of Funds. You may contribute your personal funds to political parties or candidates. Basin will not reimburse you for personal political contributions.**
- Volunteer Activities. You may participate in volunteer political activities during non-work time. You may not participate in political activities during working hours.**
- Use of Basin Facilities. Basin's facilities generally may not be used for political activities (including fundraisers or other activities related to running for office). However, Basin may make its facilities available for limited political functions, including speeches by government officials and political candidates, with the approval of the Chief Executive Officer and Basin's General Counsel.**
- Use of Basin's Name. When you participate in political affairs, you should be careful to make it clear that your views and actions are your own, and not made on behalf of Basin. For instance, Basin's letterhead should not be used to send out personal letters in connection with political activities.**

These guidelines are intended to ensure that any political activity you pursue is done voluntarily and with your own resources and time. Please contact Basin's General Counsel if you have any questions about this policy.

COMPLIANCE WITH COMPETITION LAWS

Antitrust laws of the U.S. and other countries are designed to protect consumers and competitors against unfair business practices and to promote and preserve competition. Our policy is to compete vigorously and ethically while complying with all antitrust, monopoly or competition laws in all countries, states or localities in which Basin

conducts business. You should consult Basin's General Counsel with any questions you may have concerning compliance with these laws.

COMPLIANCE WITH INSIDER TRADING LAWS

Consistent with Basin's Insider Trading Compliance Program, Basin's employees and directors are prohibited from trading in the stock or other securities of Basin while in possession of material, nonpublic information about Basin. Please contact Basin's General Counsel for a copy of the Insider Trading Compliance Program or with any questions you may have about insider trading laws.

PUBLIC COMMUNICATIONS AND REGULATION FD

Basin has adopted a separate Policy Statement – Guidelines for Corporate Disclosure as set forth in Attachment C – to maintain Basin's credibility and reputation in the community and to maintain the confidentiality of competitive and proprietary information and to prevent selective disclosure of market-sensitive financial data. Please contact Basin's General Counsel for a copy of the Policy Statement – Guidelines for Corporate Disclosure or with any questions you may have about disclosure matters.

THE FOREIGN CORRUPT PRACTICES

The Foreign Corrupt Practices Act (the "FCPA") prohibits Basin and its employees, directors and agents from offering or giving money or any other item of value to win or retain business or to influence any act or decision of any governmental official, political party, candidate for political office or official of a public international organization. Stated more concisely, the FCPA prohibits the payment of bribes, kickback or other inducements to foreign officials. This prohibition also extends to payments to a sales representative or agent if there is a reason to believe that the payment will be used indirectly for a prohibited payment to foreign officials. Violation of the FCPA is a crime that can result in severe fines and criminal penalties, as well as disciplinary action by Basin, up to and including termination of employment.

ENVIRONMENT, HEALTH AND SAFETY

Basin is committed to providing a safe and healthy working environment for its employees and to avoiding adverse impact and injury to the environment and the communities in which it does business. Basin's employees and directors must comply with all applicable environmental, health and safety laws, regulations and Basin's policies. It is your responsibility to understand and comply with the laws, regulations and policies that are relevant to your job. Failure to comply with environmental, health and safety laws, regulations and policies can result in civil and criminal liability against you and Basin, as well as disciplinary action by Basin, up to and including termination of employment. You should contact Basin's General Counsel if you have any questions about the laws, regulations and policies that apply to you.

Health and Safety

Basin is committed not only to comply with all relevant health and safety laws, but also to conduct business in a manner that protects the safety of its employees. All employees and directors are required to comply with all applicable health and safety laws, regulations and policies relevant to their positions. If you have a concern about unsafe conditions or tasks that present a risk of injury to you, please report these concerns immediately to your supervisor or Basin's General Counsel.

EMPLOYMENT PRACTICES

Basin pursues fair employment practices in every aspect of its business. The following is intended to be a summary of our employment policies and procedures. Copies of Basin's detailed policies, including its Employee Handbook, are available from the Human Resources Department. Basin employees must comply with all applicable labor and employment laws, including anti-discrimination laws and laws related to freedom of association and privacy. It is your responsibility to understand and comply with the laws, regulations and policies that are relevant to your job. Failure to comply with labor and employment laws can result in civil and criminal liability against you and Basin, as well as disciplinary action by Basin, up to and including termination of employment. You should contact Basin's Human Resources Department if you have any questions about the laws, regulations and policies that apply to you.

Harassment and Discrimination

Basin is committed to providing equal opportunity and fair treatment to all individuals on the basis of merit, without discrimination because of race, color, religion, national origin, sex (including pregnancy), sexual orientation, age, disability, veteran status or other characteristic protected by law. Basin also prohibits harassment based on these characteristics in any form, whether physical or verbal and whether committed by supervisors, non-supervisory personnel or non-employees. Harassment may include, but is not limited to, offensive sexual flirtations, unwanted sexual advances or propositions, verbal abuse, sexually or racially degrading words, or the display in the workplace of sexually suggestive or racially degrading objects or pictures.

If you have any complaints about discrimination or harassment, report such conduct to your supervisor, the Human Resources Department, the General Counsel or the Ethics Helpline. All complaints will be treated with sensitivity and discretion. Your supervisor and Basin will protect your confidentiality to the extent possible, consistent with law and Basin's need to investigate your concern. Basin strictly prohibits retaliation against an employee who, in good faith, files a complaint.

Any member of management who has reason to believe that an employee has been the victim of harassment or discrimination or who receives a report of alleged harassment or discrimination is required to report it to the Human Resources Department or General Counsel.

Alcohol and Drugs

Basin is committed to maintaining a drug-free work place. All Basin employees must comply strictly with Basin policies regarding the abuse of alcohol and the possession, sale and use of illegal substances. Drinking alcoholic beverages is prohibited while on duty or on the premises of Basin, except at specified Basin-sanctioned events. Possessing, using, selling or offering illegal drugs and other controlled substances is prohibited under all circumstances while on duty or on the premises of Basin. Likewise, you are prohibited from reporting for work, or driving a Basin vehicle or any vehicle on Basin business, while under the influence of alcohol or any illegal drug or controlled substance.

Violence Prevention and Weapons

The safety and security of Basin employees is vitally important. Basin will not tolerate violence or threats of violence in, or related to, the workplace. If you experience, witness or otherwise become aware of a violent or potentially violent situation that occurs on Basin's property or affects Basin's business you must immediately report the situation to your supervisor.

Basin does not permit any individual to have weapons of any kind in Basin property or vehicles, while on the job or off-site while on Basin business. This is true even if you have obtained legal permits to carry weapons. The only exception to this policy applies to security personnel who are specifically authorized by Basin management to carry weapons.

CONCLUSION

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of Basin consistent with the highest standards of business ethics. If you have any questions about these guidelines, please contact your supervisor or Basin's General Counsel. Basin expects all of its employees and directors to adhere to these standards.

This Code of Business Conduct and Ethics, as applied to Basin's principal financial officers, shall be our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder.

This Code and the matters contained herein are neither a contract of employment nor a guarantee of continuing Basin employment. Basin reserves the right to amend, supplement or discontinue this Code, and the matters addressed herein, without prior notice, at any time.

ATTACHMENT A
CONFLICTS OF INTEREST AND ENTERTAINMENT POLICIES

In general, a conflict of interest, insofar as it may affect Basin, may be defined as an activity or interest which is inconsistent with or opposed to Basin's best interests. Basin expects from its employees complete and undivided loyalty to its interests. It is not possible to identify all activities or interests which might be considered to be in conflict with the interests of Basin, but the following are certain prohibited activities:

1. No employee or member of his/her immediate family shall have any interest, direct or indirect, in any organization which has business dealings with Basin except (1) when such interest comprises securities in widely held corporations which are traded regularly in recognized security markets, and such interest is not in excess of 1% of the issued securities of such corporation; or (2) when such interest has been fully disclosed to the Chief Executive Officer or General Counsel of Basin for a determination as to the substantiality of such interest and the propriety of retaining it;
2. No employee shall serve as an officer, director, employee or consultant of another company or organization which is a competitor of Basin or which is doing or seeking to do business with Basin, except that with the knowledge and consent of the Basin Board of Directors such employee may serve as a director of a corporation which is doing business with Basin, where no competitive situation is present;
3. No employee shall seek or accept, or offer or provide, directly or indirectly, from or to any individual, partnership, association, corporation or other business entity or representative thereof, doing or seeking to do business with Basin, loans (except with banks or other financial institutions), services, payments, excessive entertainment beyond what is reasonable and customary, any individual gift of more than nominal value (\$75.00) or gifts from any one person or entity which cumulatively total more than \$500 in any one year or gifts of money in any amount;
4. No employee or member of his/her immediate family shall benefit personally from any purchase of goods or services of whatever nature by Basin, or derive personal gain from actions taken or associations made in his/her capacity as an employee of Basin;
5. No employee shall use or reveal (without proper authorization) to a third party, any confidential product information, data on decisions, plans or any other information concerning Basin;
6. No employee shall use, or permit others to use, Basin employees, materials or equipment improperly for personal purposes;
7. No employee shall appropriate to himself or herself, nor divert to any other person or entity, a business or financial opportunity which the employee knows, or reasonably could anticipate, Basin would have interest in pursuing;

8. **No employee shall have knowledge of a “Conflict of Interest” as used herein without reporting it to a supervisor or to the Ethics Helpline as described in the Code of Business Conduct and Ethics.**

ATTACHMENT B RECORDS RETENTION POLICY

Policy Statement

The Basin Records Retention Policy (the "Policy") establishes Basin's requirements for the retention, filing and destruction of Basin business records and documents. Although the guidelines are detailed, application of these guidelines to specific documents and matters requires employees responsible for following the Policy to apply their good judgment and common sense. In making decisions, employees are encouraged to consult with their supervisors or the Legal Department if they have questions or need additional guidance.

It is Basin's policy that business records and documents shall be maintained for easy access and retrieval and that unnecessary records and documents should be discarded promptly in accordance with this Policy. For purposes of this Policy, "documents" or "records" include all forms of media on which information may be stored including paper, electronic, microfiche, magnetic, photographic, video or audio. All records and documents generated in connection with Basin's business shall at all times be the property of Basin.

NOTWITHSTANDING THIS POLICY, NO RECORD OR DOCUMENT MAY BE DESTROYED AFTER BASIN RECEIVES NOTICE OF THE COMMENCEMENT OF ANY LITIGATION OR INVESTIGATION THAT MAY REQUIRE PRODUCTION OF THAT RECORD OR DOCUMENT.

Retention Guideline Goals

The guidelines which Basin sets by this Policy are meant to meet the following goals:-

1. All records shall be retained for the period required by applicable state and federal laws and regulations. Basin offices located outside the United States shall also comply with any local rules relating to retention of business records and documents.
2. All records necessary for business purposes shall be retained for a period of time that will reasonably assure the availability of those records when needed.
3. Records vital to the ongoing operations of Basin shall be identified and appropriately safeguarded.
4. All records not necessary for legal or business reasons and not required to be retained by law or regulation shall be destroyed in order to reduce the cost of storing, indexing and handling the vast amount of documents that would otherwise accumulate.
5. Destruction of records shall take place only in compliance with the Policy in order to avoid any inference that any document was destroyed in anticipation of a specific problem.

6. Documents that are not otherwise subject to retention for business reasons may need to be retained because of unusual circumstances, such as litigation or a government or internal investigation. If for any reason it is felt that an unusual circumstance exists or arises, the Legal Department should be notified immediately. When litigation or an investigation occurs, the Legal Department will notify the appropriate departments and direct that the relevant categories of documents be designated for retention until further notice.
7. The privacy and security of records shall be appropriately assured.
8. Records such as notes, memoranda, letters, reports, laboratory notebooks, computer disks, tapes etc. maintained in individual offices, at home, or any other offsite location are subject to this policy and shall be handled accordingly.

Department Compliance

Each Department Manager shall be responsible for assuring compliance with document retention and disposal standards in his or her Department.

Exceptions

Requests for exceptions to the general requirements of this Policy and the specific requirements of the Document Retention and Disposal Guidelines shall be submitted to the Legal Department.

Record Retention Guideline

These Guidelines set forth the periods for retention and destruction of business records and documents for internal use. Each department is responsible for following these guidelines and monitoring its compliance with them on a regular basis.

At the expiration of the specified retention period and after obtaining any necessary approvals, records (in all forms, including hard and electronic copies) shall be disposed of by means appropriate to their nature or level of confidentiality, e.g., shredding, recycling or deleting. If a business group has undertaken in a written agreement with a third party to retain certain documents or records for a specific period of time, then such obligations must be considered as part of such group's review of the appropriate retention period for the relevant record and documents.

These Guidelines shall apply to all documents and records irrespective of the medium in which they exist (e.g. paper, video or audio tape, microfilm or microfiche, or hard drive, disk or other electronic storage device).

When directed by the Legal Department, documents and records shall be retained and not disposed of, notwithstanding these guidelines.

E-Mail Messages

Employees are expected to apply these Guidelines to their mail and files contained in or transmitted through any Basin electronic mail\email system. Since some of the mail and documents transmitted through the e-mail system should be retained for longer time periods, it is the duty of each employee to regularly review and archive or otherwise save such documents in compliance with these Guidelines. Furthermore, when the retention time period under these Guidelines has lapsed for a document, it is the obligation of each employee to delete any digital copy of such document from his/her computer system or other media, as well as destroy any hard copy of such document in his/her possession.

GUIDELINE RETENTION PERIODS

ATTACHMENT C GUIDELINES FOR CORPORATE DISCLOSURE

LETTERS AND MEMORANDA

Description of Record or Document	Retention Period
Routine letters, copies of interdepartmental or other Basin correspondence, chronological correspondence files, letters or complaints.	1 Year
Letters and memoranda that explain but do not establish Basin policy, collection letters after account is paid	5 Years
All letters and memoranda that relate to patents, trademarks, copyrights, bills of sale, permits, and other similar documents. Letters denying liability on the part of Basin. Letters which constitute all or part of a contract or which are important as amendments to or supplements of a contract year.	For the life of the principal document which any letter supports

GENERAL CORPORATE RECORDS

Description of Record or Document	Retention Period
Proxies for election of directors	10 Years
Documents related to divested businesses	Review by Legal Dept. for destruction 15 years after divestiture
All other General Corporate Records, such as records of incorporation, bylaws and amendments thereto for Basin and subsidiaries, qualification to do business in states and related records, federal and state registration documents, portfolio trading records, corporate seals, dividend records, minute books, annual reports, quarterly reports and proxy material, shareholder proxies (except for those related solely to the election of directors), SEC filings, and other Basin disclosure documents used in connection with the placement of securities and documents related to the acquisition of any continuing business	Permanent
Financing documents, credit agreements, loan agreements, commitments, etc.	Review by Legal Dept. for destruction 10 years after satisfaction or termination
Cancelled stock certificates	Permanent

LEGAL FILES AND PAPERS

Description of Record or Document	Retention Period
Litigation Files (including correspondence, depositions, discovery, and pleadings)	
Litigation	1 Year after expiration of final appeals or time for filing of fund appeals
Legal memoranda and opinions	5 Years after close of matter with review by General Counsel (review for historic value or utility)
Written contracts including sales contracts, commercial contracts and related documents, leases, mortgages, licensing, agency and distribution agreements, consulting and employment agreements	2 Years after completion of the contract, but in no event less than 10 years
Government contracts	5 Years after completion of performance under contract, but in no event less than 10 years
Corporate loan and note/bond issuance agreements and documents	10 Years after satisfaction of loans
Agreements relating to Basin owned or leased real estate	10 Years after disposition of real estate with approval of General Counsel
Drafts of contracts (after definitive contract is executed), work notes and working files, duplicates and similar documents	Discard when final agreement is executed

HUMAN RESOURCES

Description of Record or Document	Retention Period
Employee benefit plans and amendments	Permanent
Employee benefit plan determination letters	Permanent
Records of employee service and eligibility for benefits. Required personal information on employees and former employees.	Permanent
Records of plan administrator setting forth authority to pay.	Permanent
Records of benefits paid to employees or beneficiaries	6 Years after final payment
Reports of benefit plans filed with Department of Labor or	6 Years after filing

Description of Record or Document	Retention Period
IRS	

PERSONNEL

Description of Record or Document	Retention Period
Invention assignment forms	Permanent
Records showing employee exposure to potentially hazardous substances	Permanent
Medical histories or health data	Permanent
Employee personnel records	5 Years after termination
Employee handbooks	Permanent
Advertised job openings	1 Year from date of non-hire decision
Attendance records and wage and salary surveys, census reports and headcount comparisons	3 Years
Job descriptions	3 Years after superseded
Affirmative action programs. EEO-1 and EEO-2 employer information reports.	5 Years after superseded
Commissions/bonuses, incentives, awards	7 Years
Individual contracts of employment, consulting agreements and employment agreements	7 Years after termination
Original union agreements	Permanent

PAYROLL

Description of Record or Document	Retention Period
Time Cards	4 Years
Employee Deduction Authorizations	5 Years after termination
Payroll Registers (gross and net)	7 Years
Government Filed Labor Reports	Permanent

INSURANCE RECORDS

Description of Record or Document	Retention Period
Insurance policies	Permanent
Certificates of insurance issued on behalf of Basin	5 Years after expiration
Certificates of insurance issued to Basin	Permanent
Insurance records – audits	5 Years after final adjustment
Group Insurance Plans	

Description of Record or Document	Retention Period
• Active employees	Until plan is amended or terminated
• Retirees	Permanent or until 6 years after death of last eligible participant
Claims Files	
• Group Life	5 Years after close
• Loss runs and annual loss summaries	10 Years
• Workers compensation	10 Years after close
• Long-term disability	10 Years after return to work, retirement or death
Release/Settlements	Permanent
Inspections	5 Years

PLANT AND REAL ESTATE

Description of Record or Document	Retention Period
Fixed asset ledgers	5 Years plus consent of Director of Finance or Controller
Property deeds, easements, rights of way, and other real estate records and documents	10 Years after disposition of the property with General Counsel's approval
Property insurance policies	Permanent
Leases and mortgages and agreements relating to Basin facilities	See Contracts
Property deeds, easements, rights of way, and other real estate records and documents	10 Years after disposition of the property with General Counsel's approval
Construction plans and drawings	Permanent
Visitor, alarm, error and other logs	1 Year
Original purchase, sale or lease agreements for plants and facilities	Permanent

ACCOUNTING AND FINANCE GENERAL FINANCIAL RECORDS

Description of Record or Document	Retention Period
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Description of Record or Document	Retention Period
Annual plans and budgets (including Departmental Budgets)	5 Years
Strategic plans	1 Year after termination of plan period
Accounts receivables	5 Years
Bank statements, cancelled checks, monthly financial statements, original copies of accounts payable invoices and employee expense reports	5 Years
General ledgers	Permanent
General ledger detail	5 Years
Annual audited financial statements	Permanent
Audit and review work papers	7 Years
Monthly financial statements	5 Years
Accounts and trade payables	5 Years
Inventory records	5 Years

TAX RECORDS

(The following retention time periods are subject to specific statutes of limitation governing each return and the necessity to keep documents for years which remain open pending settlement with the taxing authority.)

Description of Record or Document	Retention Period
Payroll tax records, excise tax records, sales and use tax records	7 Years
Tax returns, tax bills, receipts and statements and tax work paper packages	Permanent

RESEARCH AND DEVELOPMENT

Description of Record or Document	Retention Period
Original patents, trademarks and copyrights	Permanent
Minutes of technical meetings	Permanent
Invention and notebooks, test data and invention records	Permanent
Quality control data and production data	15 Years

ENGINEERING

Description of Record or Document	Retention Period
Laboratory data and test results	5 Years after expiration

Description of Record or Document	Retention Period
	of customer contract
Equipment drawings (electronic)	5 Years after expiration of customer contract
Equipment drawings (paper)	5 Years after expiration of customer contract
Project Information (electronic) includes customer/site specific drawings, drinking water permit and supporting documentation and critical customer communication	5 Years after expiration of customer contract
Project Information (paper)	5 Years after expiration of customer contract
Memorandum –Technical	5 Years after expiration of customer contract
Memorandum - Nontechnical	5 Years after expiration of customer contract
Engineering Change Orders	5 Years after expiration of customer contract

PRODUCTION

Description of Record or Document	Retention Period
Performance Testing	5 Years
Manufacturing Assembly Books	5 Years
Production schedules	1 Year

TRANSPORTATION

Description of Record or Document	Retention Period
Freight bills	3 Years
Freight claims	1 Year after settlement
Bills of lading	1 Year after delivery

SALES AND MARKETING

Description of Record or Document	Retention Period
Prospect lists	5 Years
Client Data Sheet and supporting information (contact water chemistry and site information)	5 Years after expiration of customer contract
Advertising copy and presentations	5 Years

Description of Record or Document	Retention Period
Sales Proposal and supporting documents (presentations, process engineering, engineering, costing and pricing information)	5 Years after expiration of customer contract
Call reports	5 Years
Customer presentations and proposals if no sale results	2 Years following last presentation or delivery to customer

CREDIT

Description of Record or Document	Retention Period
Credit applications, approval forms and reports	1 Year after account becomes inactive
Collection files	1 Year after legal settlement and satisfaction
Customer financial statements	Until superseded
Security agreements and financing statements	5 Years after satisfaction

PROCUREMENT

Description of Record or Document	Retention Period
Purchase orders	10 Years
Vendor files	6 Years
Quotations and requisitions	6 Years

SAFETY, HEALTH AND ENVIRONMENT

Description of Record or Document	Retention Period
OSHA forms and occupational injury records	5 Years
Material Safety Data sheets	Permanent
Employee medical records	Permanent
Environmental site files and permits	Permanent
Hazardous waste disposal records	5 Years

GENERAL

Description of Record or Document	Retention Period
Trade association materials, books, professional periodicals, published reports	Review annually by appropriate department for necessity
Consultants' reports	3 Years
Major speeches by corporate officers	4 Years, then department review for historical value
Charitable contribution records	5 Years
Policy and Procedure Manuals	5 Years

FIELD SERVICES

Description of Record or Document	Retention Period
Service Records	5 Years after expiration of customer contract or date of last service provided, whichever period is longer.
Operational Log Books	5 Years after expiration of customer contract or date of last service provided, whichever period is longer.
Laboratory Data Results	5 Years after expiration of customer contract or date of last service provided, whichever period is longer.
Written Client Communication	5 Years after expiration of customer contract or date of last service provided, whichever period is longer.
Training Activity Records	5 Years after expiration of customer contract or date of last service provided, whichever period is longer.

**ATTACHMENT D
ELECTRONICS COMMUNICATIONS USER POLICY**

E-MAIL SECURITY AND USAGE

E-Mail Usage is for Basin's Benefit – No right of user privacy

Electronic communications systems, and all messages generated on or handled by electronic communications systems, including back-up copies, are the property of Basin. Subject to local law, Basin reserves the right at all times to access, monitor, print and disclose all electronic messages or other electronically-produced documents transmitted or received through Basin's e-mail system and will do so in response to legal processes or to investigate conduct that might be illegal, improper or otherwise inconsistent with Basin's policies and/or procedures. Users should structure their electronic communications in recognizing that to the extent permitted under local laws, Basin will from time to time examine the content of electronic communications. Users should have no expectation that their use of the e-mail system will be a private communication.

E-Mail Policy

Incidental personal use of e-mail is permissible so long as: (a) it does not consume more than a trivial amount of resources, (b) does not interfere with worker productivity, and (c) does not preempt any business activity.

Use of Basin e-mail systems for charitable endeavors, private business activities, or amusement/entertainment purposes is prohibited.

E-mail messages shall not include profanity, obscenities, or derogatory remarks when discussing employees, customers, competitors, or others. Such remarks even when made in jest may create legal problems such as trade libel and defamation of character.

Basin employees shall not send or forward electronic junk mail or chain letters.

Except for technical support situations and only after receiving approval from the Basin Chief Financial Officer, passwords must never be shared or revealed to anyone else besides the authorized user.

Inappropriate use of e-mail is a violation of these policies and may result in disciplinary action including termination of employment.

All users shall comply with any license agreements covering public domain software or shareware, including shareware fees, copy or export restrictions and other such regulations.

Transmitting, soliciting, viewing or downloading non-business related material of an “adult” or sexually explicit nature is strictly prohibited. This applies to both laptop and desktop computers. Transmitting or downloading text or images that may contribute to the creation of a hostile work environment can be cause for termination of the user’s

employment. This would include pornography, hate group material, and gory or violent images or text, or other text or images that may tend to create a hostile work environment.

Basin's e-mail shall not be used in violation of any laws, including those covering copyrights, trademarks, trade secrets and patent protection.

Documents older than ninety, (90) days in a user's e-mail folders (inbox, drafts, sent, trash and personal folders) may be automatically purged.

INTERNET SECURITY AND USAGE

Internet Usage is for Basin's benefit – No Right of User Privacy

Internet connections shall be used for Basin sanctioned activities only. Basin reserves the right to monitor its Internet connections to determine access levels and appropriate use of the connections.

All electronic messages and other electronically produced documents transmitted over or received via the Internet shall be the sole property of Basin. Basin reserves the right under any circumstances to access, monitor, print and disclose all electronic messages or other electronically-produced documents transmitted or received over the Internet. Users shall have no expectation that their Internet use will be a private communication. Basin may access any Internet usage, including but not limited to a response to legal processes or to investigate conduct that might be illegal, improper or otherwise inconsistent with Basin's policies and/or procedures.

Internet Policy

Inappropriate or excessive personal use may result in disciplinary action including termination of employment.

All communications on the Internet shall be considered public. Proprietary or confidential Basin information shall not be transmitted via the Internet.

All users shall comply with any license agreements covering public domain software or shareware, including shareware fees, copy or export restrictions and other such regulations.

Internet communications can be unreliable. Business processes dependent on Internet communications shall not be developed without Chief Financial Officer approval.

It is against Basin policy for any PC attached to Basin's network to accept incoming calls through the PC modem without review and approval by Chief Financial Officer.

Web pages, bulletin boards, list servers, discussion group and news group postings are considered forms of external publishing. External publishing using the Internet to represent Basin or its products and services shall require prior approval through Chief Financial Officer.

Transmitting, soliciting, viewing or downloading non-business related material of an “adult” or sexually explicit nature is strictly prohibited. This applies to both laptop and desktop computers. Transmitting or downloading text or images that may contribute to the creation of a hostile work environment can be cause for termination of the user’s employment. This would include pornography, hate group material, and gory or violent images or text, or other text or images that may tend to create a hostile work environment.

Basin's Internet link shall not be used in violation of any laws, including those covering copyrights, trademarks, trade secrets and patent protection.

Software Piracy Policy

Unlicensed duplication or use of any software program is illegal and can expose the employee and Basin to civil and criminal liability under copyright law.

It is the policy of Basin to respect all computer software copyrights and to adhere to the terms of all software licenses to which Basin is a party. Basin shall take all steps necessary to prohibit users from duplicating any licensed software or related documentation for use either on Basin premises or elsewhere unless Basin is expressly authorized to do so by agreement with the licensor. Unauthorized duplication of software may subject users and/or Basin to both civil and criminal penalties under the United States Copyright Act. Basin may suffer substantial financial penalties if employees and/or contractors use software in any manner inconsistent with the applicable license agreement, including giving or receiving software from clients, contractors, customers and others. The statements below about United States law are for reference only and are intended to raise awareness to the existence of these laws and the associated penalties in this and other countries.

Basin shall license all software loaded on its computers. Users are not allowed to load software on any Basin computer that was not provided or explicitly authorized by Basin. For the purpose of this policy, printer or other-device drivers are considered licensed software approved by Basin.

All copyrighted files loaded on the computer must be licensed by Basin. Use of software designed to illegally share copyrighted material such as music files is prohibited. Basin considers violation of copyright laws to be theft. Violation of this policy may result in disciplinary action up to and including termination of employment and /or civil liability. Basin reserves the right to inspect its computer systems to ensure compliance of its policies. Basin reserves the right to monitor, suspend, and/or limit a user's access to ensure compliance with Basin policies, federal, state and local laws.

Users agree to adhere to all relevant federal, state and local laws applicable to their computer use. Basin reserves the right to release a user's identity to an appropriate authority to comply with an investigation into computer misuse.

Any copyrighted material loaded on a Basin computer that is in violation of this policy shall be removed immediately.

Employees having a valid business reason requiring the use of software not provided by Basin, or having questions regarding compliance with this policy, should contact the Chief Financial Officer.