

## **MSC INDUSTRIAL DIRECT CO., INC.**

### **POLICY ON INSIDER TRADING**

#### **Introduction**

In the course of your relationship with MSC Industrial Direct Co., Inc. and any of its subsidiaries (the “Company”), you may learn confidential and sensitive information concerning the Company, its customers or vendors, or other companies with which the Company has business or contractual relationships or may be negotiating transactions. Some of this information has the potential for affecting the market price of securities issued by the Company or the other companies involved.

The federal securities laws impose considerable civil and criminal penalties on persons who improperly obtain or use material, non-public information in connection with a purchase or sale of securities. In addition to civil damages of up to three times the profit gained, an individual may be subject to criminal sanctions, including imprisonment and a criminal fine of up to \$1,000,000, for any violation. The Securities and Exchange Commission (“SEC”) and courts have great power to impose penalties for violations of the insider trading provisions of the federal securities laws, and the SEC and governmental prosecutors vigorously enforce these laws against both individuals and institutions.

With this in mind, you are asked to carefully read this Policy on Insider Trading (the “Policy”). You are encouraged to contact the Vice President, Finance, Shelley Boxer, who serves as the Insider Trading Compliance Officer, at 516-812-1216 (or boxers@mscdirect.com) if you have any questions regarding, or do not understand any aspect of, this Policy. In addition to serving as a resource regarding compliance with the insider trading laws, the Insider Trading Compliance Officer is responsible for monitoring compliance with this Policy and is accountable to the Company’s Board of Directors. In Shelley Boxer’s absence, Chuck Boehlke, Executive Vice President and Chief Financial Officer, will fulfill the functions of Insider Trading Compliance Officer, and in both of their absence, Frank Nardolillo, Director of Internal Audit and Compliance, will serve in that role. Please be aware that the person who serves as Insider Trading Compliance Officer is subject to change. The Company will notify you of any such changes.

This Policy on Insider Trading supplements, and is supplemented by, the Company’s Code of Business Conduct.

Failure to observe and comply with all of the provisions contained in this Policy may subject you to disciplinary action by the Company, including termination.

#### **Explanation of the Law**

The federal securities laws and regulations (in particular Rule 10b-5 under the Securities Exchange Act of 1934) generally make it illegal to buy or sell a security while aware of material, non-public information concerning the issuer of the security, or the market for the security, that has been obtained or is being used in breach of a duty to the other party to the transaction (a duty that corporate insiders, including directors, officers and associates, always have) or a duty to maintain the information in confidence. Violation of these provisions does not depend on whether the material, non-public information is actually used in making the trade. The federal securities laws and regulations also prohibit sharing the material, non-public information with a third party (commonly called “tipping”) under circumstances where improper trading can be anticipated. These prohibitions apply to any security, including debt securities and options -- not just stock.

“Material, non-public information” is defined broadly and includes any information that is not available to the public at large which a reasonable investor would want to know in deciding whether to buy, sell or retain a security. Any information that could be expected to affect the market price of Company securities, whether positive or negative, should be considered material. Though not nearly a complete list, examples of information that will frequently be regarded as material are:

- matters involving significant new products or services and/or agreements;
- matters relating to new financing;
- gain or loss of a significant customer or vendor;
- earnings-related information, including preliminary financial results;
- new internally developed financial projections;
- a pending or proposed merger, acquisition, joint venture, tender offer or exchange offer;
- a pending or proposed sale or disposition of significant assets;
- changes in dividend policies, the declaration of a stock split or the offering of additional securities;
- impending bankruptcy or financial liquidity problems;
- changes in senior management;
- changes in auditors or notification that an audit report can no longer be relied upon;
- changes in credit ratings; or
- significant litigation or notifications from regulatory agencies (for example, the SEC or the Federal Trade Commission) or from an exchange or market on which Company securities are listed.

Determinations regarding the “materiality” of information are inherently judgment based and the Insider Trading Compliance Officer is available to assist you in this regard.

Information is considered to be available to the public only when it has been publicly disseminated through appropriate channels (for example, by means of a press release or a filing with the SEC) and enough time has elapsed to permit the investment market to absorb and evaluate the information. Information should normally be regarded as absorbed and evaluated at the close of the second full trading day after the date on which the appropriate public release has occurred.

## **Company Policy**

### **1. No Trading On Material, Non-Public Information.**

Subject to Section 2(d) below, if you are aware of material, non-public information about the Company, you may not (i) buy or sell securities issued by the Company or engage in any other action or conduct to take personal advantage of that information, (ii) pass along the information to others outside

the Company, including family or friends (so-called “tipping”), or (iii) permit any member of your immediate family (i.e., a spouse, parent, child or sibling), or any other person living in your household, or anyone acting on your behalf, or anyone to whom you have disclosed the information, to purchase or sell such securities.

It is irrelevant whether a transaction may be necessary or justifiable for independent reasons (such as a need to raise money for an emergency) or whether the inside information is actually used in connection with the transaction.

To further minimize the potential for tipping liability, you should never recommend or suggest that someone buy, sell or retain the Company’s securities. Additionally, to preserve the Company’s reputation for adhering to the highest standards of conduct, you should avoid taking any action that even suggests the possibility of insider trading or unlawful tipping, and the Company reserves the right to prohibit any transactions in Company securities if the Insider Trading Compliance Officer or the Company’s Board of Directors determines that such prohibition is in the best interests of the Company.

To allow for public dissemination and evaluation of material information after public disclosure through appropriate channels, you should allow a reasonable period of time to elapse (at least two full trading days after the date of the public disclosure) before trading. For example, if the Company makes an announcement on a Monday, before the opening of the market, you should not trade in Company securities until Wednesday. You should note that there will likely be instances where public disclosure does not occur for an extended amount of time, and therefore you may be forced to abstain from the transaction in question for a lengthy period.

You should disclose material, non-public information only to other associates, agents or attorneys of the Company who have a need to know the information to make a business judgment on behalf of the Company and only to the extent you have been authorized to do so. The recipient of the information may be bound by this Policy on Insider Trading as a result of the recipient’s position or relationship with the Company, but will in any event be bound by the insider trading laws discussed above.

## **2. Additional Restriction Relating to the Purchase or Sale of Company Securities by Designated “Covered Individuals”.**

### **(a) Trading is prohibited except during “trading windows”**

During certain periods, the Company’s outside directors, Vice Presidents of the Company and above, Members of Prism, Administrative Assistants to the Company’s Executives and Directors of Business Units (collectively referred to as “Covered Individuals”) are expected to more likely be in possession of material, non-public information regarding the Company’s results of operations, cash flows and financial condition.

As a result, subject to Section 2(d) below, Covered Individuals may not trade in the Company’s securities during a “blackout period”. For Covered Individuals, trading may take place for twenty business days commencing on the third trading day after the Company publicly releases its earnings for that fiscal quarter or fiscal year end. This period is designated as the trading “window”. In other words, if you are designated as a Covered Individual in accordance with the definition above, the only period during which you may be permitted to trade in the Company’s securities (referred to as “trading window”) begins on the third trading day following the Company’s public release of earnings for the prior fiscal quarter (or fiscal year as applicable), and continues through the end of the twentieth thereafter. However, Covered Individuals remain subject to the insider trading laws, and accordingly, you are

prohibited from engaging in transactions even during this trading window if you are aware of material, non-public information (again, subject to Section 2(d) below).

In addition, there may be other circumstances where the Company will impose a temporary blackout period on the Covered Individuals and/or other associates if the Insider Trading Compliance Officer or the Company's Board of Directors (or the Nominating and Corporate Governance Committee of the Board) determines that circumstances warrant a halt in trading by those persons. The Insider Trading Compliance Officer intends to appropriately notify the affected individuals of the existence of any temporary blackout period. Those persons may not trade in the Company's securities until the temporary blackout period expires or is terminated, and they are prohibited from disclosing the existence of the temporary blackout period to any other persons.

Furthermore, executive officers and directors will be prohibited from purchasing, selling or otherwise acquiring or transferring any equity securities of the Company during any "pension fund blackout period" (within the meaning of Section 306 of the Sarbanes-Oxley Act of 2002) with respect to those equity securities. The Insider Trading Compliance Officer will notify you on behalf of the Company of any such blackout period.

(b) Approval by the Insider Trading Compliance Officer is Required for Transactions by Covered Individuals.

To minimize the risk of an inadvertent violation of the securities law, subject to Section 2(d) below, any Covered Individual must notify the Insider Trading Compliance Officer for clearance before engaging in any transaction (acquisition, disposition, gift or other transfer, pledge, hedge, option exercise, etc.) in Company securities during a permitted trading window. A request for clearance should be submitted to the Insider Trading Compliance Officer via email or in writing prior to the proposed transaction. Permission within the trading window will be given for the remainder of the window, but the Covered Individual will continue to be subject to the prohibition on trading while aware of material, non-public information.

The non-officer level members of the Company's legal, finance, accounting, financial reporting and investor relations groups who are designated as Covered Individuals subject to the foregoing blackout periods and pre-clearance requirement may be modified from time to time by the Insider Trading Compliance Officer or the Company's Board of Directors (or the Nominating and Corporate Governance Committee of the Board) based on the degree of access those individuals have to material, non-public information.

(c) Hardship Exceptions.

A Covered Individual who is subject to a blackout period and who has an unexpected and urgent need to sell Company stock in order to generate cash may, in appropriate circumstances, be permitted to sell Company stock even during the blackout period. Hardship exceptions may be granted only by the Insider Trading Compliance Officer or the Board of Directors (or the Nominating and Corporate Governance Committee of the Board) and must be requested at least two days in advance of the proposed trade. A hardship exception may be granted only if the Insider Trading Compliance Officer or the Board of Directors (or the Nominating and Corporate Governance Committee of the Board) concludes that the Company's earnings information for the applicable period does not constitute material, non-public information. Under no circumstance will a hardship exception be granted during a temporary blackout period or a pension fund blackout period, each of which is described in subparagraph (a) above. Hardship exceptions granted pursuant to this Section 2(c) shall not be deemed to be "waivers" of this Policy.

- (d) Trading by Covered Individuals is Permitted Pursuant to Arrangements Established under Rule 10b-5-1.

Rule 10b5-1(c) under the Securities Exchange Act of 1934 provides an affirmative defense to insider trading liability for purchases or sales of securities executed pursuant to a contract, plan or instructions that comply with requirements set forth in that Rule. Accordingly, Covered Individuals may establish contracts, plans or instructions (referred to in this Policy as “10b5-1 Arrangements”) that comply with the requirements of Rule 10b5-1(c). However, a Covered Individual may not enter into a 10b5-1 Arrangement during any “blackout period” as set forth in Section 2(a) above or while the Covered Individual is aware of material, non-public information about the Company. Further, a Covered Individual must obtain the written approval of the Insider Trading Compliance Officer before entering into a 10b5-1 Arrangement, and the Company reserves the right to make public disclosure a condition to implementation of a 10b5-1 Arrangement. Additionally, a Covered Individual may not modify or terminate a 10b5-1 Arrangement during a blackout period, while aware of material, non-public information about the Company or without prior written approval as set forth in the preceding sentence.<sup>1</sup>

Any purchase or sale of Company securities by a Covered Individual executed in accordance with the requirements of Rule 10b5-1(c) pursuant to a pre-approved 10b5-1 Arrangement will not be subject to (i) the requirement of Section 1 above that such trade not be made while the Covered Individual is aware of material, non-public information, (ii) the requirement of Section 2(a) above that such trade be made only during a “window period” and not during a “blackout period,” or (iii) the requirement of Section 2(b) above that such individual trade be pre-cleared (specifically) by the Insider Trading Compliance Officer. However, the Company reserves the right to prohibit any transactions in Company securities, even pursuant to a previously approved 10b5-1 Arrangement previously approved, if the Insider Trading Compliance Officer or the Company’s Board of Directors determines that such prohibition is in the best interests of the Company.

### **3. Transactions by Family Members or those Residing in the Same Household as a Company Insider Must Conform to this Policy on Insider Trading.**

The restrictions on trading the Company securities imposed by this Policy, including the “blackout period” trading prohibitions and pre-clearance requirements set forth in Section 2 above, also apply (to the extent applicable to you) to the members of your immediate family (i.e., any spouse, parents, children and siblings), any other persons living in your household and any other persons acting on your behalf. Accordingly, you are responsible for informing any such persons of this Policy and ensuring that they conform their actions to the requirements of this Policy. If you are a Covered Individual, a 10b5-1 Arrangement may be established, in accordance with Section 2(d) above, for any person with such a relationship with you. Any purchase or sale by such person in accordance with the requirements of Rule 10b5-1 pursuant to such 10b5-1 Arrangement will be entitled to the same exceptions from the requirements of this Policy as those provided in the last paragraph of Section 2(d) above.

### **4. Associate Stock Plans.**

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<sup>1</sup> Note that based on SEC Staff interpretive guidance, a 10b5-1 plan may be terminated by an insider even while in possession of material, non-public information (as long as not part of a pattern of establishing and terminating such arrangements). However, particularly given that, under rules proposed by the SEC, any such termination will need to be disclosed on Form 8-K, at least some restrictions on terminating such plans (e.g., pre-clearance) would seem to be appropriate.

Subject to Section 2(d) above, the restrictions imposed by this Policy on Insider Trading apply to sales of your securities acquired through the exercise of stock options granted by the Company (including any sale as part of a broker-assisted cashless exercise of stock options) or acquired pursuant to an associate stock purchase plan or any other Company plan or program. These restrictions do not apply to (a) your acquisition of Company securities through stock option exercises or periodic, pre-determined contributions by you or the Company pursuant to an associate stock purchase plan, a 401(k) plan or any other Company-sponsored plan or program, or (b) your issuance or alteration of instructions regarding the purchase of Company securities under an associate stock purchase plan or any other Company-sponsored plan or program that provides for the purchase of securities directly from the Company (although restrictions may be imposed under the plan or program itself). However, you may not, while aware of material, non-public information about the Company, issue or alter any instructions regarding the purchase or sale of Company securities under a 401(k) plan or any other Company-sponsored plan or program that provides for the purchase or sale of Company securities in the open market, and if you are a Covered Individual, you also may not issue or alter any such instructions during a “blackout period” without the prior written approval of the Insider Trading Compliance Officer.

#### **5. Customers, Vendors and Strategic Alliance Partners.**

If you are working on a matter involving a publicly-held company that is a customer or vendor or with which the Company has entered into or is negotiating a business or contractual relationship or transaction, you are cautioned that the Company’s relationships with such entities often involve the exchange of material, non-public information. Consequently, if you are aware of material, non-public information about any such company, you are prohibited from trading in securities of that company or passing along the information to others outside the Company, and you must not recommend or suggest that anyone buy, sell or retain securities of that company.

Regardless of whether you are working on a matter involving any of the foregoing types of customers, vendors, etc., all of the Company officers and associates must notify the Company’s Insider Trading Compliance Officer before taking a “material position” in the securities, or becoming a member of the Board of Directors, of such a company. For these purposes, “taking a material position” means acquiring beneficial ownership of greater than 5% of such outstanding securities or investing 10% or more of your net worth in such securities.

#### **6. Other Trading Restrictions.**

In addition to the trading restrictions described above, you may not engage in any of the following activities with respect to Company securities:

- (a) Short selling (i.e., selling Company securities you do not own at the time of sale);
- (b) Buying or selling “uncovered” put options, call options or other derivative securities relating to the Company on a securities exchange or in any other organized securities market;
- (c) Engaging in hedging transactions, such as “costless collars” and forward sale contracts;
- (d) Purchasing Company securities on margin; or
- (e) Borrowing against Company securities in a margin account.

Furthermore, the Company strongly discourages you from actively trading in the Company's stock. Subject to the following considerations and the other provisions of this Policy on Insider Trading, (including the pre-clearance requirement set forth in Section 2(b)), you will be allowed to pledge the Company's stock, purchase the Company's stock on margin and borrow against the Company's stock in a margin account. You should be aware, though, that if you enter into any of these types of transactions, the volatility of the Company's stock price could require the sale of your stock (e.g., due to a margin call or foreclosure) during a period when trading otherwise would not be allowed under this Policy on Insider Trading. For this reason, the Insider Trading Compliance Officer may require, as a condition to approving any such transaction, that such transaction be entered into pursuant to a 10b5-1 Arrangement, as discussed in Section 2(d) of this Policy on Insider Trading. In addition, if you are an executive officer or director of the Company, any forced sale of stock that you have pledged or that is held in a margin account could inadvertently subject you to liability under the Section 16 short-swing transaction rules of the Securities Exchange Act of 1934 and would be reported to the public on filings with the SEC (on Form 4 and Form 144). You should also assume that any transactions in the Company's stock involving so-called "exchange funds" may be deemed a reportable sale. Therefore, you should consult your own counsel before pledging the Company's stock, purchasing the Company's stock on margin, borrowing against the Company's stock in a margin account or conducting a transaction in the Company's stock involving "exchange funds."

**7. Post-Termination Transactions.**

If your service as a director, officer or other associate of, or consultant to, the Company terminates during a blackout period applicable to you or otherwise while you are aware of material non-public information regarding the Company, you will continue to be subject to this Policy, and specifically to the ongoing prohibition against trading, until such blackout period ends or otherwise until the information has become public or is no longer material.

**8. Stop-Transfer Instructions.**

The Company may, in its discretion, provide stop-transfer instructions to its transfer agent in order to enforce trading restrictions imposed by this Policy on Insider Trading, including, without limitation, restrictions relating to blackout periods or post-termination transactions.

**9. Waivers.**

Waivers of the trading restrictions and limitations set forth in this Policy, in the case of waivers for directors or executive officers of the Company, can only be made by the Company's Board of Directors or by the Company's Nominating and Corporate Governance Committee of the Board of Directors, and must be promptly disclosed to the Company's shareholders. Waivers not involving directors or executive officers can be made by the Insider Trading Compliance Officer.

## **10. Violations.**

As mentioned in the Introduction to this Policy on Insider Trading, any person who violates the federal securities laws has committed a crime and may be subject to imprisonment and a criminal fine of up to \$1,000,000. A violator may also be personally liable in civil lawsuits for up to three times the profit gained for the harm caused by illegal trading by the violator or by third parties trading on material, non-public information provided by or through the violator. The SEC and courts have great power to impose penalties for violations of the insider trading provisions of the federal securities laws, and the SEC and governmental prosecutors vigorously enforce these insider trading laws against both institutions and individuals. The Company will cooperate with any state or federal law enforcement agency investigating or prosecuting individuals for allegedly trading on or transmitting material, non-public information.

In addition to federal securities law, profiting from, or unauthorized disclosure of, material, non-public information could also violate (1) state securities laws, (2) state right to financial privacy statutes, (3) federal and state laws relating to theft and conversion and (4) confidentiality agreements between the Company and companies with which the Company does business.

If you have any questions concerning the propriety of a proposed transaction, or a question about this Policy on Insider Trading generally, you are encouraged to contact the Vice President, Finance, Shelley Boxer, who serves as the Company's Insider Trading Compliance Officer, at 516-812-1216 (or [boxers@mscdirect.com](mailto:boxers@mscdirect.com)). You should note, however, that as a matter of law and corporate policy, you are ultimately responsible for conforming your actions to the requirements of the insider trading laws and this Policy on Insider Trading. Regardless of any advice or information you receive, you will bear the consequences of any legal or policy violations. Furthermore, an Insider Trading Compliance Officer's (or the Board of Directors' or a Committee of the Board of Directors') failure to raise an objection to a transaction will not constitute a recommendation by the Company or any of its directors, officers or associates that you engage in that transaction.

Failure to observe and comply with all of the provisions contained in this policy may subject you to disciplinary action by the Company, including termination. The Company reserves the right to amend this Policy on Insider Trading at any time, but intends to provide reasonable written notification of any such revision.

**Insider Trading Policy Compliance Statement**

**TO:** MSC Industrial Direct Co., Inc.

**RE:** Company Policy on Insider Trading

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I have carefully reviewed the Policy on Insider Trading (the "Policy") of MSC Industrial Direct Co., Inc. (the "Company") dated February 15, 2007 and understand all of its provisions. I certify that, to the best of my knowledge, I have complied with this Policy and its procedures since such date (or during my term of employment, directorship, or provision of services, if after such date) and that I will continue to adhere to this Policy and these procedures in the future.

Without limiting the preceding paragraph, I understand that the Company's Nominating and Corporate Governance Committee (the "Committee") and/or the Insider Trading Compliance Officer, as applicable, will be required, and will have the discretion to, exercise judgment in determining whether to (a) approve particular transactions by me in Company securities or my establishment of any plans or arrangements for trading in Company securities or (b) subject me to any temporary "blackout periods." I recognize that the Committee and/or the Insider Trading Compliance Officer will be required to analyze and assess any request I may make to engage in a particular transaction or to establish any plan or arrangement relating to trading in the Company's securities, based on verifiable information available to them at the time of the request and in the context of the Company's intent to preserve its reputation for maintaining the highest legal, business and ethical standards, as well as the Company's obligation to comply with all laws and regulations pertaining to insider trading. I acknowledge and affirm that the Committee and/or the Insider Trading Compliance Officer's determination with regard to any particular transaction, plan or arrangement or blackout period will be made solely on behalf of, and for the benefit of, the Company and further acknowledge and affirm the right to make that determination in their sole discretion. I hereby agree to be bound by, and to accept without objection, any determination of the Committee and/or the Insider Trading Compliance Officer not to permit any such transaction, plan or arrangement or to subject me to any such blackout period.

I realize that failure to observe and comply with all of the provisions contained in the Policy may subject me to disciplinary action by the Company, including termination.

Acknowledged by:

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title:

