

BUSINESS CONDUCT GUIDELINES

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A LETTER FROM THE PRESIDENT

Southwestern Energy Company has developed a reputation for ethical behavior and fair dealing. Through your efforts, this reputation has been achieved by adhering to the following Statement of Principles:

We will conduct our business and earn a profit with integrity according to the highest ethical standards and values that recognize (i) the dignity and worth of all individuals, (ii) commitment to excellence in performance, and (iii) courage of convictions and actions.

These basic principles provide a summary statement of the course of conduct that is expected of every Southwestern employee. We realize, however, that there are times in doing business when it can be more difficult to be certain of the right course of conduct. Accordingly, we have prepared the ***Business Conduct Guidelines*** to provide guidance on some of the situations you may encounter and questions that you may have. The Board of Directors has appointed Southwestern's General Counsel as the company's Corporate Compliance Officer to oversee and ensure compliance to these guidelines.

Every day will present unique challenges to these principles. Your full commitment to our basic Statement of Principles and in conducting Southwestern's business according to the highest ethical and legal standards is not only expected but is imperative to our success.



Steven L. Mueller
President and Chief Executive Officer

**SOUTHWESTERN ENERGY COMPANY
BUSINESS CONDUCT GUIDELINES**

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SOUTHWESTERN ENERGY COMPANY BUSINESS CONDUCT GUIDELINES

INTRODUCTION

Southwestern Energy Company and its subsidiaries (collectively, "Southwestern") conduct business in highly competitive industries. As such, we frequently encounter a variety of questions that are both ethical and legal in nature. In all cases, the way we decide these issues must be consistent with Southwestern's basic Statement of Principles. These ***Business Conduct Guidelines*** provide further guidance for resolving questions that you may encounter during the course of your employment.

You may have a number of questions about these Guidelines:

Why do we have them?

What happens if I violate these Guidelines?

To whom do I raise questions or report suspected violations?

I do not know the new Corporate Compliance Officer. Can I still talk to my supervisor?

Is everyone bound by these Guidelines?

I have read this booklet and do not follow it all. Are there going to be lectures or seminars to explain these Guidelines or a means to raise questions?

This section will address those questions. Following this section, this booklet outlines the various guidelines that everyone is expected to follow.

A. Southwestern Is Committed To Compliance With Applicable Laws

It is the firm policy of Southwestern to comply with all laws and regulations of the United States and all state and local government subdivisions where we do business. Management is committed to establishing effective programs to ensure compliance and will, where appropriate, report any wrongdoing to the appropriate authorities. All directors, officers and employees of Southwestern should understand and comply with governmental laws and regulations which impact performance of their jobs, and supervisors should ensure that all employees who report to them are given necessary information to be aware of and comply with such legal requirements.

Violations of the law or of the policies and principles set forth in these Guidelines will not be excused or tolerated for any reason. Likewise, it is Southwestern's policy to investigate any suspected violation of the law, and if the conclusion is that a possible violation has occurred, where appropriate, Southwestern will voluntarily report the suspected violation to the appropriate authorities for investigation. Southwestern also has a policy of fully cooperating with any government investigation into alleged violations. All directors, officers and employees of Southwestern are required to read, understand, refer to and comply with Southwestern's *Business Conduct Guidelines*. **Violation of these Guidelines is a very serious matter and can lead to immediate suspension or termination.** A breach of these policies can put the company, its people and its products and services at substantial risk.

B. Southwestern Has Appointed A Corporate Compliance Officer

To assist in interpretation of these Guidelines, Southwestern's General Counsel has been appointed as the Southwestern Corporate Compliance Officer. The General Counsel reports directly to the Audit Committee of the Board of Directors. The General Counsel shall provide periodic reports to the Audit Committee as the circumstances require, provided that such reports shall be made no less frequently than on an annual basis. Responsibility for overall compliance with these Guidelines rests with the Office of General Counsel. This responsibility includes development, dissemination, interpretation, implementation, maintenance (including scheduling additional training and seminars), updating and evaluation and enforcement of these Guidelines. In discharging his responsibilities under the Compliance Program, the Corporate Compliance Officer may be assisted by one or more deputy Compliance Officers. In addition, the Internal Audit Department is at the disposal of the Office of General Counsel for assistance in dissemination, review and implementation of these Guidelines.

These Guidelines set forth Southwestern's policies and identify practices which would violate the law or Southwestern's policies. They are not intended to equip you to act as your own legal counsel, but will help you to recognize when you need to seek the advice of the Office of General Counsel. While much of your business activity is conducted without the presence of counsel, **you have the responsibility to recognize**

potential problems as they arise and to consult the Corporate Compliance Officer before you act.

C. Southwestern Supports An Open Door Policy

Southwestern supports an open door policy concerning communication about compliance matters. The Corporate Compliance Officer has been appointed as a special resource to field questions concerning interpretation of these Guidelines, but if a question arises you should feel free to speak with another superior with whom you are comfortable. Your immediate supervisor is a valuable resource, as are the personnel in the Office of General Counsel. Any of these personnel with whom you speak are bound by the same standards of confidentiality as is the Corporate Compliance Officer and are required to bring matters to the attention of the Corporate Compliance Officer if it is mandated by these Guidelines or if they have a question concerning these Guidelines.

If you become aware of any illegal conduct or behavior in violation of these Guidelines by anyone working for or on behalf of Southwestern, you should report it immediately, fully and objectively to the Corporate Compliance Officer or to your superior, who will convey the information to the Corporate Compliance Officer. The Corporate Compliance Officer can be reached at 281-618-4806.

You can never be wrong in truthfully reporting conduct which you view as questionable. Every effort will be made to protect your confidentiality. Likewise, you will not be reprimanded or subject to any retaliation for making a truthful and accurate report.

D. Southwestern Is Committed To Ethics Education

These Guidelines were not drafted, and will not be applied, in a vacuum. Questions and issues will arise which are not addressed by these Guidelines. Additionally, many of the areas covered by these Guidelines are quite complex and may require further explanation. Accordingly, the Board has authorized the Corporate Compliance Officer to oversee continuing education on a variety of topics, some of which are covered by these Guidelines, some of which are not. These programs will assist us all in maintaining high standards of ethical conduct. In addition, the Corporate Compliance Officer is available to answer questions by telephone and can be reached at 281-618-4806. You should call that number if you have any questions about these Guidelines or if you need to report a suspected violation.

In reviewing these Guidelines, employees may note that various references are made to corporate policies and procedures of the Company where more details regarding the subjects covered in the Guidelines may be found. Employees are expected to review the complete policy or procedure where a full understanding of the particular subject is necessary for the proper handling of their responsibilities. Complete copies of the policies covered in these Guidelines may be obtained from the General Counsel's Office.

THE GUIDELINES

ENVIRONMENTAL POLICY GUIDELINES

Southwestern is committed to protecting our natural environment and resources in all areas where we conduct business. Implementation of this policy is a primary management objective and is the responsibility of every employee.

It is Southwestern's policy to:

- Comply with all applicable environmental laws and regulations and cooperate with local, state and federal agencies in their inspection and enforcement activities.
- Incorporate environmental considerations in the company's planning and operational decisions.
- Develop and communicate environmental objectives throughout the company so that all employees understand their individual responsibilities and are appropriately trained in carrying out these objectives.
- Manage operations in a responsible manner and respond effectively to avoid and/or mitigate adverse environmental impacts associated with operations.
- In the event of an environmental mishap, report and disclose to the appropriate authorities information concerning the situation so as to guarantee a prompt and appropriate response.
- Conduct periodic assessments of operations to evaluate, measure and assure environmental performance and compliance.
- Participate in the formulation of prudent and responsible environmental laws and regulations that may impact our business and foster a constructive working relationship with environmental organizations and agencies.
- Promote and encourage energy efficiency and environmental protection through new and existing technologies and innovative use of natural gas and related products and services.
- Commit the resources needed to implement these principles.

CONFLICT OF INTEREST GUIDELINES

Southwestern recognizes and respects the right of its directors, officers and employees to engage in outside financial, business or other activities as long as these activities are legal and do not impair or interfere with the conscientious performance of company duties and do not involve the misuse of Southwestern's name, reputation, influence, facilities or other resources. While specific provisions cannot be made for each situation that might confront an individual, the following Policy Statement and Guidelines govern certain matters of particular concern. In addition, if you work directly for a Southwestern Energy Company subsidiary (Southwestern Energy Production Company, for example) and to the extent the Southwestern Energy Company subsidiary has more stringent, existing policies, those policies apply to your conduct and must be followed, even if they are more stringent than these Southwestern-wide policies.

Policy Statement

No director, officer or employee of Southwestern shall have any position with or a substantial interest in any other business enterprise operated for a profit, the existence of which would conflict or might conflict with the proper performance of his duties or responsibilities, or which might tend to affect independence of judgment or action with respect to transactions between Southwestern and such other business enterprise, without full and complete disclosure thereof. No director, officer or employee of Southwestern should derive personal economic gain (directly, through a family member or otherwise) from a transaction to which Southwestern is a party unless Southwestern is advised of such director's, officer's or employee's potential to benefit from the transaction. Any director, officer or employee who has such a conflicting or possibly conflicting interest with respect to any transaction which is known to be under consideration by Southwestern, or any of its affiliates, is required to make timely disclosure thereof so it may be part of Southwestern's consideration of the transaction.

Southwestern is also sensitive to undertakings or affiliations with non-profit organizations. While Southwestern encourages participation with worthwhile non-profit organizations, each employee must take care that his or her participation does not adversely impact or reflect unfavorably upon Southwestern. For example, circumstances could occur where a non-profit organization's mission was in conflict with Southwestern's mission or otherwise worked against Southwestern's interests. Accordingly, if there is any question in your mind about your participation or affiliation with a non-profit organization, you should bring it to the attention of the Corporate Compliance Officer.

Guidelines

In order to implement the foregoing Policy Statement, but without limiting its intent, the following Guidelines are adopted:

- (1) Under no circumstances will any director, officer or employee of Southwestern accept or give cash for the purpose of influencing a business decision, or which could be construed as having been given or received for that purpose.
- (2) Without prior approval in the manner described in paragraph (11) below, no director, officer or employee, personally, through a family member or otherwise shall serve as a director, officer, employee or consultant to companies, which directly compete with Southwestern or which provide services to Southwestern or its affiliates.
- (3) Directors, officers and employees may not take or use for themselves any business opportunity which may come to them individually but which might be of interest to Southwestern. Any such opportunity in a line of business in which Southwestern or an affiliate has, or can reasonably be expected to have an interest, must be disclosed to the Corporate Compliance Officer and made available to Southwestern.
- (4) No director, officer or employee shall accept gifts from any person, firm or corporation doing business with Southwestern under any circumstances from which it could be reasonably inferred that the purpose of the gift could be to influence the director, officer or employee in the conduct of Southwestern transactions with the donor. A gift includes anything of value that is transferred to another for which no specific service or compensation is expected or received. This policy does not preclude business or seasonal gifts of nominal value. It is also permissible for a director, officer or employee to give or receive entertainment of moderate value, assuming a legitimate business purpose is being served. However, it is the responsibility of every director, officer and employee to avoid even the appearance of impropriety. If there is any doubt about whether a gift is of nominal value or whether a particular entertainment activity complies with this policy, a director or executive officer should contact the Corporate Compliance Officer for guidance and any other officer or employee should contact the Senior Vice President in charge of his/her business unit for guidance.
- (5) No director, officer or employee shall, either directly or indirectly, invest in (i) any real property in which he knows that Southwestern or any affiliate has, or is considering any investment or a tenancy, or (ii) any real property, the value of which may be affected by any action of Southwestern of which he has special knowledge.
- (6) No director, officer or employee shall purchase stocks, bonds, or other investment interests or securities where such purchase is based on information obtained by reason of his official position in Southwestern,

unless he shall have first secured permission to make such purchase from the President.

- (7) Any director, officer or employee concerned with investment or acquisition activities, who has any investment, either directly or indirectly, in any corporation or business enterprise which is under consideration for acquisition by Southwestern or any affiliate must make full disclosure of the circumstances of any investment held in such corporation or enterprise to the Corporate Compliance Officer, who shall then report such information to the President and the Audit Committee of the Board of Directors.
- (8) All directors, officers and employees shall treat as confidential any information which they receive about the financial condition and business activities of Southwestern, or any affiliate or any company which Southwestern or any affiliate, has under consideration for acquisition.
- (9) All directors, officers and employees shall make timely disclosure to the Corporate Compliance Officer of any situation which creates a conflict of interest or which could give the perception of a conflict of interest (whether relating to a for-profit or non-profit entity) between Southwestern and an individual's duties and responsibilities. All such situations disclosed to the Corporate Compliance Officer shall be reported to the Audit Committee of the Board of Directors.
- (10) All directors, officers and employees shall make timely disclosure to the Corporate Compliance Officer of any situation which creates or could give the perception of creating an indirect conflict of interest between Southwestern and an individual's duties and responsibilities as a result of transactions involving such individual's family members or business associates. The disclosure should in all cases be sufficient to enable Southwestern to determine the effect of any such indirect conflict of interest on the performance of the individual's duties and responsibilities. All such situations disclosed to the Corporate Compliance Officer shall be reported to the Audit Committee of the Board of Directors.
- (11) Prior to engaging in any activity that could result in a direct or indirect conflict of interest, all directors, officers and employees are required to review the proposed activity with the appropriate individual or group of individuals described below, and such individual or group of individuals shall make a written record of the manner in which the question is resolved and forward a copy of such record to the Corporate Compliance Officer. Directors and officers shall disclose any such activity to the Board of Directors. Employees shall disclose any such activity to their immediate supervisor, who shall promptly discuss such disclosure with the Senior Vice President in charge of his business unit. In all such cases, the Senior

Vice President shall be responsible for generating the written record described above. The Corporate Compliance Officer shall forward a copy of all such written records to the Audit Committee of the Board of Directors.

- (12) Any waiver of these Guidelines for executive officers or directors may be made only by the Board of Directors and shall be promptly disclosed to Southwestern's shareholders.

GUIDELINES CONCERNING INTERACTIONS WITH GOVERNMENT OFFICIALS OR EMPLOYEES

Because Southwestern and its subsidiaries often interact with public employees and officials, including but not limited to regulatory bodies like the Arkansas Oil and Gas Commission (“AOGC”), the Texas Railroad Commission (“TRC”) and the Pennsylvania Bureau of Oil and Gas Management (“PBOGM”), all directors, officers and employees must be familiar with the requirements and restrictions imposed by the various lobbying activity and government interaction statutes of Arkansas, Texas, Pennsylvania and, in some circumstances, the other states in which Southwestern does business (collectively, the “Government Interaction Statutes”). This section will briefly set out some of the main provisions of the Government Interaction Statutes of Arkansas, Texas and Pennsylvania which could have an effect on our business. As with any other matter, any question concerning the application of the Government Interaction Statutes to your activities should be referred to the Corporate Compliance Officer.

Essentially, a lobbyist who must register with the Arkansas Secretary of State, the Texas Ethics Commission or the Pennsylvania Department of State is any person who receives compensation from another person, group or entity to influence or attempt to influence legislation or administrative action (“lobbying”). Lobbying includes: (1) attempting to or promoting the introduction of, or seeking the defeat or enactment of legislation, (2) attempting to or promoting, opposing or seeking to influence executive approval of a bill or action, and (3) attempting to or promoting, opposing or influencing the enactment of regulations by a regulatory body (like the AOGC, the TRC or the PBOGM). In essence, if your job duties require you to have regular contact with legislators, the executive branch, or regulatory authorities, you should consider carefully whether you may be a lobbyist. If so, you are subject to certain reporting requirements and certain restrictions upon your activities. The lobbying statutes may contain exceptions to the registration and reporting requirements for certain “excused lobbying activities” (e.g. appearing in judicial or administrative hearings). Questions concerning the applicability of these lobbying statutes to your activities should be referred to the Corporate Compliance Officer.

Certain Government Interaction Statutes apply to **all persons**. These Statutes take more or less a common sense approach, with their focus on prohibiting any improper influence on the official actions of a public official or public employee. All directors, officers and employees are forbidden from:

- Soliciting a public official or employee to use or cause to be used equipment, facilities, time, materials, labor or other public property for your private or business benefit.
- Offering or giving a public official or employee or one of their family members any thing of value for the purpose of influencing official action.

- Making any false statement or misrepresentation of facts to a member of the legislative or executive branch.
- Causing a document containing a false statement to be received by a member of the legislative or executive branch.

These Guidelines are not intended to limit an individual's right of free speech and political activity. Southwestern employees are encouraged to take part in the political process as they see fit, but always be aware that certain activities may subject you to compliance with the Government Interaction Statutes. Questions concerning application of the Government Interaction Statutes to certain circumstances should be referred to the Corporate Compliance Officer.

GUIDELINES CONCERNING PAYMENTS TO GOVERNMENT OFFICIALS OR EMPLOYEES

This point should be obvious from the preceding discussion concerning interactions with government officials or employees, but it is so important as to be worth restating here. Payments of corporate, subsidiary or affiliate, or personal funds, or anything of value to a government official or employee of a political party or candidate for the purpose of obtaining or retaining business for Southwestern, or obtaining favorable governmental action, or to direct business to any other person are strictly prohibited. Indirect payments of this kind through a third person, such as a sales representative, distributor or consultant are also prohibited. Moreover, the Foreign Corrupt Practices Act prohibits such payments by Southwestern and its subsidiaries to government officials outside the United States even if the payment would be legal under the laws of the country where it is made. That Act also prohibits taking any action to assist or further any payments by third persons, even if not authorized, where there is "reason to know" that the payment will be used for any such purpose.

GUIDELINES CONCERNING EMPLOYEE RELATIONSHIPS

Sound relationships among Southwestern employees are essential to achieving and maintaining productivity and a high level of business conduct. Basic to these relationships is Southwestern's recognition of the personal value of every employee. Southwestern pledges that every employee will be treated and judged as an individual, on the basis of qualifications to perform jobs, without regard to race, color, religion, sex (including condition of pregnancy), age, national origin, veteran's status, or status as qualified individual with a disability.

Likewise, Southwestern is committed to providing a work environment in which employees are free from sexual harassment. As such, the following specific policy regarding sexual harassment has been adopted:

It is in violation of Southwestern policy for any employee or supervisor, male or female, to sexually harass another employee or supervisor.

It is also a violation of Southwestern policy for a non-employee who does business with this company to sexually harass an employee, as well as for an employee to sexually harass a non-employee who does business with Southwestern.

For purposes of this policy, sexual harassment includes, but is not limited to, the following:

- a. Making unwelcome sexual advances or requests for sexual favors a condition of an employee's continued employment;
- b. Making other verbal or physical conduct of a sexual nature a condition of an employee's continued employment;
- c. Making submission to or rejection of such conduct the basis for employment decisions affecting the employee, i.e., promotion, demotion, transfer, etc.; or
- d. Behavior that has the purpose or effect of creating an intimidating, hostile or offensive working environment.

These guidelines supplement and should be read in conjunction with, *but do not replace*, Southwestern's existing Policy on Sexual Harassment.

Southwestern views sexual harassment as a very serious matter. Any employee or supervisor who is found, after appropriate investigation, to be guilty of sexual harassment will be disciplined or discharged, depending on the circumstances involved.

Of course, Southwestern cannot respond to sexual harassment matters that are not brought to its attention. Any employee or supervisor who believes he or she has been subject to sexual harassment should report the alleged act as soon as possible to either his or her immediate supervisor, the Corporate Compliance Officer, the Vice President–Human Resources or the Director of Human Resources. An investigation of all complaints will be undertaken immediately.

All complaints will be held in confidence to the extent possible and at no time will an employee be retaliated against for reporting violations of this policy.

GUIDELINES FOR PROTECTING SOUTHWESTERN ASSETS

Southwestern has many valued assets, including its employees, physical property, proprietary trade secrets and confidential information. Protecting these assets against loss, theft and misuse is everyone's responsibility. These guidelines supplement and should be read in conjunction with, *but do not replace*, Southwestern's Policy on Information Security. These guidelines and the Policy on Information Security are not intended to hinder any employee in the performance of assigned duties, but rather to ensure that employees may continue to rely on the availability of physical resources and information assets necessary in their assignments.

Southwestern assets must be used for proper purposes during and following employment with the company. Improper use includes unauthorized personal appropriation or use of Southwestern assets, data or resources, including computer equipment, software and data.

Any individual aware of the loss or misuse of assets should report it to the appropriate supervisors. Supervisors receiving such reports will handle them in a careful and thorough manner. Investigations will be conducted confidentially and in a way that will avoid recrimination. If the violation potentially involves stolen assets or fraud, it should also be reported to the Internal Audit Department and the Treasury Department.

Southwestern's assets, however, are not limited to physical property. Each employee has access to intangible assets belonging to Southwestern, which consists of intellectual property, such as trademarks and copyrights, and proprietary information and trade secrets, such as confidential data, computer programs, designs, business expertise and unsecured business opportunities. Employees must protect these intangible assets as carefully as the company's physical property.

Southwestern's information has economic value. The company has developed products, processes, services and business practices over many years at considerable expense. Because of this effort, Southwestern now possesses considerable confidential information. Unauthorized disclosure of this information could destroy its value to the company and give unfair advantage to others.

To ensure confidentiality of Southwestern information, employees must adhere to the following principles in addition to the specific policies set forth in the Policy on Information Security:

1. Employees must not disclose any confidential information, either during or after employment, except to people authorized by Southwestern and bound by confidentiality to the company. Confidential Information means information that (i) is disclosed to or known by an employee as a consequence of employment with Southwestern, (ii) is not generally

known outside the employment and (iii) relates to Southwestern's business. The term "confidential information" is intended to include Southwestern's trade secrets as well as information relating to products, processes or ideas developed for or used by Southwestern.

2. Similar restrictions, usually spelled out in contracts, apply to information obtained from Southwestern's customers and suppliers. Southwestern's customers and suppliers have placed their trust in Southwestern in revealing their confidential information, and Southwestern employees must comply with these restrictions.

INFORMATION TECHNOLOGY GUIDELINES

Computer systems are an important tool of Southwestern's business, and employees are expected to avoid misuse of the Company's computers and software by:

- Installing only software approved/purchased by Southwestern for which a license is maintained.
- Never copying software or related documentation.
- Reporting misuse of software or related documentation to the Corporate Compliance Officer.

Employees with Internet access should not:

- Upload/download files except for work-related reasons.
- Represent Southwestern in on-line correspondence or post information about Southwestern unless specifically authorized.
- Post threatening or racially, ethically or sexually offensive messages.
- Attempt unauthorized access to any computer or communications systems.
- Access pornographic or sexually explicit materials in any way.

All files, e-mail or voice-mail messages, disks, desks, work or storage areas, mail, telephones, faxes, copiers, printers, etc. are not private but are subject to monitoring and search at any time by authorized Company personnel.

These guidelines supplement and should be read in conjunction with the Company's Policy on Information Security and Electronic Communications Policy.

GUIDELINES FOR TRADING IN SECURITIES

A complex body of Federal laws and regulations governs the trading of publicly held securities such as Southwestern common stock. Although the focus of this section is on trading in Southwestern common stock, you should assume (unless advised otherwise by the Office of General Counsel) that these same principles apply to bonds, debentures, preferred stock and any other securities issued by Southwestern Energy Company or any of its subsidiaries.

It is generally illegal for any person, either personally or on behalf of others, to trade in securities on the basis of material, nonpublic information. It is also generally illegal to communicate (or “tip”) material, nonpublic information to others who may trade in securities on the basis of that information. These illegal activities are commonly referred to as “insider trading”. Penalties for insider trading violations include imprisonment for up to 10 years, civil fines of up to three times the profit gained or the loss avoided by trading, and criminal fines of up to \$1 million. There also may be liability to those damaged by the trading. A company whose employee violates the insider trading prohibitions may be liable for a civil fine of up to the greater of \$1 million or three times the profit gained or the loss avoided as a result of the employee’s insider trading violation.

A. General Statement

It is Southwestern’s policy that no director, officer or employee shall trade or tip others who may trade in Southwestern’s securities when such director, officer or employee knows material, nonpublic information about Southwestern. You are also prohibited from trading or tipping others who may trade in the securities of another company if you learn material, nonpublic information about the other company in connection with your employment or position at Southwestern.

What information is *material*? All information that a reasonable investor would consider important in deciding whether to buy, sell or hold securities is considered material. Information that is likely to affect the price of a company’s securities is almost always material. Examples of some types of possible material information are:

- significant safety or environmental issues or claims
- possible strategic partnerships to explore for and/or to market production
- important exploration and/or production developments
- financial results for the quarter or the year
- financial forecasts and budgets
- possible mergers, acquisitions, joint ventures and other purchases and sales of companies, or investments in companies
- significant asset acquisitions or divestitures
- changes in supplier arrangements and relationships
- changes in relationships with significant customers or partners

- the gain or loss of important contracts
- major financing developments
- major personnel changes
- major patent developments
- major litigation developments
- changes in dividends

What is *nonpublic* information? Information is considered to be nonpublic **unless** it has been disclosed effectively to the public. Examples of public disclosure include public filings with the Securities and Exchange Commission and the Company's press releases. For information to be considered public, it must not only be disclosed publicly, but adequate time must have passed for the market as a whole to assess the information. Arguably the most risky time to trade in Southwestern's securities is shortly in advance of Southwestern's public release of important financial information or other important news, while the least risky time normally is the period shortly following the release and publication of such information (unless, of course, you are aware of other material information that has not been publicized). Even after Southwestern has released such information, sufficient time must have elapsed to enable the information to be assessed by the market as a whole. Although timing may vary depending upon the circumstances, for purposes of this Policy, information is not considered public until the **third trading day** after Southwestern publicly discloses it. Therefore, any director, officer or employee that possesses material, nonpublic information about Southwestern, or another company, shall wait until the third business day after the information has been publicly released before trading or recommending that others trade in Southwestern's securities, or the securities of such other company, as the case may be.

What transactions are *prohibited*? When you know material, nonpublic information about **any** company, then you, your spouse and people living in your house generally are prohibited from three activities:

- trading in that company's securities (including trading by or through that company's 401(k) or other employee benefit plans),
- having others trade for you in that company's securities, and
- disclosing the information to anyone else who then might trade.

You, anyone acting on your behalf, and anyone who learns the information directly or indirectly from you (including your spouse and members of your household) are prohibited from trading. The prohibition continues whenever and for as long as you know material, nonpublic information about the company.

Although it is most likely that any material, nonpublic information you might learn would be about Southwestern (including its subsidiaries), these prohibitions apply to trading in the securities of **any** company about which you have material, nonpublic information that you obtained in the course of your employment or position with Southwestern.

B. Unauthorized Disclosure

As previously discussed, the disclosure of material, nonpublic information to others can lead to significant legal difficulties, fines and punishment. You should not discuss material, nonpublic information about the Company or its subsidiaries with anyone, including other employees, except as required in the performance of your regular duties on a need-to-know basis. However, if you become aware of information about Southwestern that is material or may become material, you should promptly communicate the information to your supervisor and request that the supervisor communicate the information directly to the Company's General Counsel, Chief Executive Officer and Chief Financial Officer.

It is important that only a few representatives of the Company discuss the Company and its subsidiaries with the news media, securities analysis and investors. Inquiries about Southwestern from these people should be referred to Southwestern's Manager of Investor Relations. In his/her absence, such inquiries should be referred to the Chief Financial Officer or Chief Executive Officer.

C. Confidential Information

As discussed previously in these Guidelines, Southwestern has strict policies to safeguard the confidentiality of its internal, proprietary information. These include identifying, marking and safeguarding confidential information and employee confidentiality agreements. You should comply with these policies at all times.

D. Prohibition on Day Trading, Short Sales, Puts, Calls and Options

It is Southwestern's policy that neither you, your spouse nor any member of your household shall engage in day trading or make any short sales of any securities of Southwestern. In addition, no such person may buy or sell puts, calls or options in respect of Southwestern's securities at any time.

Day trading refers to the practice of rapidly buying and selling a stock throughout a day or over a period of a few days in the hope that the stock will continue climbing or falling in value, allowing a person to lock in quick profits. Day traders do not "invest" but seek to ride the momentum of the stock and get out of the stock before it changes course. Short sales are sales of securities that the seller does not own at the time of the sale or, if owned, that will not be delivered within 20 days of the sale. One usually sells short when one thinks the market is going to decline substantially or the stock will otherwise drop in value. If the stock falls in price as expected, the person selling short can then buy the stock at a lower price for delivery at the earlier sale price (this is called "covering the short") and pocket the difference in price as profit. In addition to the fact that it is illegal for directors and officers to sell their company's securities short, Southwestern believes it is inappropriate for its employees, consultants, officers or directors to bet against Southwestern's securities in either of these ways. Puts, calls and options for Southwestern's securities (other than employee benefit plan options)

also afford the opportunity to profit from a market view that is adverse to Southwestern, and they carry a high risk of inadvertent securities law violations. All such transactions are prohibited.

E. Other “Corporate Insider” Policies

Other policies apply specifically to officers, directors and “corporate insiders” of Southwestern and its subsidiaries. If you are such a person, you must inform yourself of and fully comply with the requirements under Section 16 of the Securities Act of 1934, Rule 144 under the Securities Act of 1933, and Rule 10b-5 under the Securities Act of 1934. If you are in doubt about whether you are an officer, director or “corporate insider” who is bound by these other policies, you should consult the Office of General Counsel. It is your responsibility to contact the appropriate persons within Southwestern and to make this determination.

Employees are encouraged to ask questions and seek any follow-up information that they may require about Southwestern’s policy for trading in securities. Please direct all questions to the Office of the General Counsel at 281-618-4806.

ANTITRUST COMPLIANCE GUIDELINES

Compliance with the antitrust laws is a fundamental part of Southwestern's overall policy to comply fully with all laws applicable to its operations. This section of these Guidelines sets forth Southwestern's policies concerning antitrust compliance. When there is any doubt about any course of action that relates to these policies, Southwestern's Office of General Counsel or the Corporate Compliance Officer should be consulted.

The antitrust laws, both at the federal and state level, have a pervasive influence and effect on virtually all phases of Southwestern's operations. The severe consequences for companies and individuals who fail to comply with them make the antitrust laws especially important.

Simply stated, Southwestern's policy is to comply fully and completely with all antitrust laws applicable to our operations. Unfortunately, in many criminal prosecutions and civil lawsuits arising under the antitrust laws, circumstantial evidence is the basis upon which antitrust liability is found. Therefore, Southwestern wants to ensure that it avoids even the appearance of anti-competitive conduct.

A. Government Inquiries

Before discussing the antitrust laws and their impact on Southwestern's business, it is worth making a note about government inquiries. Southwestern periodically receives inquiries from government agencies and departments relating not only to antitrust, but also to other areas of the law. These inquiries may take the form of letters, telephone calls or personal visits. It is Southwestern's policy to comply with all applicable laws and to cooperate with any reasonable requests for information from the federal, state and local governments. However, in doing so, the legal rights of Southwestern and its employees must be preserved and protected.

There are existing guidelines and procedures for handling many types of government inquiries and requests for information. When a request for information is received from any government branch, agency or department which is not covered by existing guidelines and procedures, the Southwestern Office of General Counsel should be notified promptly, before making any response or acknowledgment. For example, inquiries from the Department of Justice, the Environmental Protection Agency, the Federal Bureau of Investigation or the Federal Trade Commission should be referred to Southwestern's Office of General Counsel. In such circumstances, no employee should answer any question, submit to any interview, produce any information or hold any discussion or conversation with any government representative without prior consultation with Southwestern's Office of General Counsel. The same considerations apply to communications from attorneys representing private clients.

B. Summary of the Federal Antitrust laws

The principal purpose of the antitrust laws is to maintain a free enterprise system by prohibiting business activities that unreasonably restrain trade or lessen competition. In essence, Congress has determined that the public benefits by getting the highest quality products and services at the lowest prices through vigorous competition.

There are three basic federal antitrust laws, the Sherman Act, the Clayton Act (as amended by the Robinson-Patman Act), and the Federal Trade Commission Act. The basic antitrust law is the Sherman Act, which was passed in 1890. Section 1 of the Sherman Act outlaws agreements that unreasonably restrain interstate and foreign trade. Section 2 of that Act prohibits monopolization, as well as conspiracies and attempts to monopolize.

In 1914, Congress supplemented the Sherman Act with the Clayton Act, which prohibits specific types of anti-competitive conduct such as certain exclusive dealing arrangements, requirements contracts and certain mergers and acquisitions. The Clayton Act was amended and supplemented in 1936 by the Robinson-Patman Act, which deals with unlawful brokerage or commercial bribery, and discrimination in prices, services (such as advertising) or facilities.

Finally, the Federal Trade Commission Act declares that unfair methods of competition and unfair or deceptive acts or practices are unlawful.

In addition to these federal statutes, most states (including Arkansas, Texas and Pennsylvania) have their own antitrust laws, patterned to some extent after the federal statutes, which reach local activity not involving or affecting interstate commerce.

C. Consequences of an Antitrust Violation or Investigation

For both individuals and corporations, antitrust violations can have a disastrous effect. A corporation can be fined up to \$10,000,000 per violation, if convicted of a criminal antitrust offense. Individuals may incur fines up to \$350,000, or be sentenced to up to three years in jail, or both. Courts are also authorized to impose an “alternative fine” equal to up to twice the gain to the offender, or twice the loss to the victim occurring as a result of the illegal behavior. Furthermore, an antitrust violation will require the court to apply the Federal Mandatory Sentencing Guidelines, which leave the court with very little discretion in imposing a sentence. Currently, an individual found guilty of an antitrust violation could be sentenced to a maximum of three years, or a minimum in a range of six to twenty-four months in prison (depending upon the defendant's criminal history). Sentences for antitrust violations involving participation in an agreement to submit non-competitive bids carry minimum sentences in a range of eight to twenty-four months. In fact, the trend in recent years in sentencing individuals is that most individuals convicted of antitrust violations have been sentenced to jail time.

Criminal penalties, however, are not the end of the matter. The antitrust laws also provide for injunctive relief which allows a court to impose long-term or permanent

restrictions on the conduct of the corporation and individuals involved. For example, corporations have been required to divest assets, license patents or technology, or change established ways of doing business. Likewise, individuals may be enjoined from engaging in certain types of employment or business activity. Civil remedies also are available to persons or businesses injured by a violation of the antitrust laws. An injured party may recover three times the amount of its actual damages, plus attorneys' fees. Under some circumstances, a "class action" may be filed, in which a person may be permitted to sue on behalf of all other persons who allegedly have been similarly injured. The class action device can substantially increase the potential exposure in civil damage suits. In addition, state Attorneys General are authorized to seek damages and injunctive relief in certain circumstances on behalf of individual citizens of the various states.

Even aside from the possibility of incurring an enormous fine or civil judgment or settlement, a company or individual accused of an antitrust violation suffers throughout the entire experience. The disruption in business caused by the loss of executive time in helping to prepare for trial and in testifying may itself be very substantial. Even simple cases can cost enormous sums to defend, while the defense of major cases can cost millions of dollars. Finally, even the accusation of antitrust violations may cause a loss of reputation and standing in the community both for Southwestern and for individual employees. Acquittals rarely receive the publicity of indictments.

D. Areas for Concern

Antitrust issues can arise in three general areas of our business: (1) Southwestern's relations with competitors, (2) in joint business activity conducted by Southwestern[and its competitors], and (3) Southwestern's relations with customers. Each of those situations will be discussed in turn.

1. Relations With Our Competitors

Generally speaking, any agreement or understanding between competitors which unreasonably or unduly restrains trade is illegal. No formal offer or acceptance is required to form an agreement or understanding. An illegal agreement does not have to be in writing, but it may be oral and may even be inferred from a course of conduct.

Conduct generally is judged under the so-called "rule of reason," under which a restraint of trade is determined to be "reasonable" if, overall, it enhances competition to the ultimate benefit of consumers. However, courts have declared certain conduct to be unlawful *per se*, meaning that it is prohibited absolutely regardless of any claimed justification and without proof of any actual effect on competition. These activities that are prohibited, *per se*, involve joint action undertaken by agreement between two or more parties. Generally speaking, the best way to avoid unlawful "agreements" is to make all business decisions on the basis of completely independent judgment and self-interest, without any communication with competitors or coercion of customers or suppliers.

a. Price Fixing or Bid Rigging

Any agreement or understanding by which two or more competitors agree to raise, lower, or stabilize prices is considered price-fixing. As noted above, any type of agreement or understanding of this nature will be considered unlawful, *per se*. Likewise, any agreement by which competitors fix the prices that they will pay for raw material is illegal. Also, the exchange of information with competitors regarding price, costs, or pricing practices is risky. Indeed, enforcement authorities now will take the position that the concept of price-fixing embraces conduct called “signaling” which involves no direct contact between the competitors (*e.g.*, a pattern of press releases concerning future prices).

It is the enforcement policy of the Department of Justice to seek prison sentences in every criminal prosecution for price-fixing. In many of these prosecutions, the jury is asked to infer an agreement to fix prices from a pattern of general conversations among competitors about “the state of the market,” “the need for responsible pricing,” the impact of “discounting,” and similar topics bearing some relationship to price.

Accordingly, conduct and conversation suggestive of improper collusion must be avoided. It is the responsibility of employees to be sensitive to the implications of their remarks and the way they might be interpreted out of context.

b. Dividing Markets or Allocating Customers

Agreements or understandings with competitors to divide markets or allocate customers are prosecuted vigorously. Like price fixing, market or customer allocation is a *per se* offense. These agreements may take any of several forms. The following are illustrative:

- A division of geographic markets where one competitor agrees not to sell in particular territories in return for assurances from another competitor not to sell in other territories.
- A division of product markets where one competitor agrees to limit or cease its production or marketing of a given product in return for a competitor's agreement to limit or cease production or marketing of another product.
- A division of customers whereby one competitor agrees to sell only to certain designated buyers, while the other competitor agrees to sell only to others.
- Agreements by companies to refrain from competitive conduct, such as an understanding that a company will not enter a new geographic market or

manufacture a new product in exchange for another company's staying out of other geographic or product markets, or an arrangement that a company will not bid for one customer's business if another company will refrain from bidding on the business of another customer.

c. Capacity Limitations and Joint Research

Any agreement or understanding which may suppress technological development or limit the quality of products is also illegal. This type of agreement could be to limit research expenditures or to limit the capacity available to the marketplace.

Any proposal for joint research with competitors or potential competitors should be reviewed by the Office of General Counsel. Likewise, agreements among competitors establishing product standards or guidelines may present difficulties and should be reviewed with counsel when appropriate.

d. Refusals to Deal

Southwestern may decide unilaterally to sell to or buy from whomever it wishes. However, any understanding or agreement with competitors to refrain from dealing with designated buyers, traders, or suppliers must be avoided. This is a *per se* offense, and it is no excuse that there is a sound business reason for the joint refusal to deal. For example, the fact that a buyer is a "credit risk" would give each supplier, acting independently, a right to refuse to sell to him. However, it would be illegal for a group of competitors to take collective action to boycott the buyer. Each company must decide its own course of action independently.

All of the types of agreements described above usually are proved by circumstantial evidence. No actual agreement need be shown. Any attempt to arrive at an understanding from which an expectation that a particular course of conduct adopted by one competitor or potential competitor will also be adopted by another presents a risk of violation of the law. Therefore, every communication between representatives of competitors, whether oral or written, may be subject to the closest scrutiny in an antitrust investigation.

Because the antitrust risks concerning contacts with competitors are substantial and ought not to be taken lightly, employees should be familiar with and conduct themselves in accordance with the Guidelines set out below. Rather than take chances, seek the advice of the Office of General Counsel which will offer practical advice as to what should be done to avoid the antitrust risk in these situations.

Guidelines for Relations with Competitors

Because contacts with competitors, whether formal or informal, business or social, can be misconstrued and result in an antitrust challenge, it only makes good sense to be sensitive to the implications of such contacts.

Where contacts with competitors are necessary , employees should be sensitive to how their remarks might be interpreted to avoid any appearance of impropriety.

Follow these guidelines in any contacts with competitors:

- a. Avoid discussions which might be misconstrued as price-fixing, customer or market allocation, attempts to limit research or boycott suppliers and customers.
- b. Immediately leave any gathering or terminate any discussion with a competitor if he raises any of these topics, after first emphatically declining to discuss them. If you are in a large group, make sure everyone will remember that you objected and left.

These guidelines apply to any gathering of or communication with competitors. They apply to conversations during business meetings, at the bar, on the telephone, on the golf course, and during a “social” dinner. They apply whether the competitor is a stranger or a friend. There are no “off the record” conversations with competitors.

In following these Guidelines, do not feel awkward about appearing “uptight.” The stakes are too high to worry about being “one of the boys.” Any incident involving an attempted communication on an improper subject should be referred to the Office of General Counsel.

Professional or Trade Associations and Exchanges of Information

It should be obvious by this point that any meetings with Southwestern's competitors are especially vulnerable to antitrust challenge. It is not surprising that the members of the same industry often respond in a similar or identical fashion to various market occurrences because they all operate under similar conditions and presumably have similar goods. Parallel actions that affect the competitive marketplace can, however, give rise to an appearance of improper concerted action when coupled with frequent contacts among competitors through trade associations. The activities of trade associations are of particular interest to and are scrutinized carefully by antitrust prosecutors and prospective litigants.

Although participation in legitimate association activity is proper, it is important that you be careful to avoid any appearance of improper activity. Except for those limited instances in which antitrust immunity may be applicable, the trade association context does not provide any special privilege or exemption from the antitrust laws.

With regard to trade associations and other meetings with competitors, the following guidelines must be followed:

No employee shall attend or remain present:

- (a) at any surreptitious meeting of competitors;
- (b) at any meeting where any discussion takes place that is prohibited by these Guidelines;
- (c) at any informal meeting of competitor members which could be construed as an improper discussion of prohibited matters (this could occur following a regular meeting where formal procedural requirements were followed);
- (d) at a formal meeting where an inappropriate topic arises. If this happens, you should promptly state your objections to any further discussion. If the discussion nevertheless proceeds, you should immediately withdraw and request that your departure be noted in the minutes of the meeting. In the event of such an occurrence, promptly give full details to your superior and to the Office of General Counsel.

Any exchanges of competitive information among competitors may give rise to an inference of an improper conspiracy in restraint of trade. The practice of exchanging **current** business information with competitors presents substantial antitrust risks. Exchange of historical, or current non-confidential, information may be appropriate and desirable and may, indeed, enhance competition, particularly if such information is exchanged either through the offices of a trade association or some other external means, *thereby avoiding direct contacts among competitors*.

2. Joint Business Activity

The legal principles governing joint operations (such as “joint ventures”) are complex and require an assessment of the structure of the industry, the position of the participants in the industry, and the business purpose and likely competitive (or anti-competitive) effect of the joint operation. Nevertheless, there are many forms of joint operations, even among competitors, which are unquestionably legal.

Because of the dangers involved in communication with competitors, careful analysis is required of questions relating to joint operations. All such proposals or agreements should be reviewed by the Office of General Counsel prior to writing up any proposal, taking any action, or making any commitment.

3. Relationships With Customers

Distributors, jobbers, suppliers, customers and independent business concerns that Southwestern deals with are entitled to make their own decisions as to the manner in which they conduct their activities. Any attempt to deprive them of freedom to determine prices, terms, and conditions of sale, or to place undue limitations on their freedom to operate independently, involves a risk of violation of the antitrust laws.

It is always necessary when considering restrictions in customer or supplier relationships to explore the matter thoroughly with the Office of General Counsel. Frequently there will be a solution which will provide the company with the protection it needs without incurring antitrust risk. The following categories of agreements or understandings presenting antitrust risks could arise in dealings with jobbers, distributors, suppliers, and customers:

a. Resale Price Maintenance

Any agreement or understanding with a jobber, dealer, distributor, trader, or other reseller to control resale prices is likely to be unlawful. A manufacturer may suggest resale prices, but no attempt should be made to enforce them. Resale price maintenance agreements may be proved circumstantially and even the barest mention or criticism of price-cutting easily can be misconstrued as a threat. If, after such criticisms, a distributor changes its prices, an agreement to fix resale prices may be inferred.

Because there are substantial antitrust risks inherent in such conduct, no price counseling of resellers should take place without first reviewing the program or situation with the Office of General Counsel.

b. Refusals to Deal

Agreements or understandings among suppliers and their jobbers, distributors, dealers, traders, or customers not to sell to or buy from any particular concern or class of concerns have frequently been held to be unlawful. Even an inference of an agreement with others to act jointly to refuse to deal must be avoided. Any termination of a dealer is a very serious matter. Most private antitrust litigation arises out of termination of dealers over price issues. Because the law in this area has been evolving fairly rapidly over the last decade and is subject to frequent change, it is important that questions concerning the company's right be reviewed regularly with the Office of General Counsel.

c. Tying Arrangements

An unlawful tying arrangement occurs when a manufacturer with a strong market position with respect to one product conditions the sale of that product on the buyer's agreement to purchase other products which the buyer may not want. Similarly, using the leverage of one product in scarce supply or of unique quality to persuade a customer to buy an additional product is risky. The essence of the offense is a requirement that a customer purchase a product or service he does not want in order to obtain one he wishes to purchase. It is against company policy to engage in tie-in sales, and you should not condition the sale of one product upon the purchase of another product unless you have prior approval of the Office of General Counsel.

d. Exclusive Dealings, Requirements and Output Contracts

Contracts which prohibit a purchaser from buying or dealing in the goods of a competitor may be unlawful depending on their effect upon competition. Also, contracts which commit a customer to purchase all or substantially all of its requirements for a particular product from one seller, or commit the seller to sell all, or substantially all, of its production of a particular product to one customer have been attacked where a substantial share of a local or national market for the product is thereby foreclosed to competitors or potential competitors for a significant period of time. It is not necessary that the contract itself use the words "exclusive distributor," "requirements," or "output." Arrangements involving quantities which in fact will cover substantially all of the party's needs or output should be referred to counsel for advice before execution.

e. Price Discrimination

To this point, this section has discussed the Sherman Act. Another antitrust law, the Robinson-Patman Act, basically prohibits giving different prices, terms, services, or allowances to different customers who compete or whose customers compete in the distribution of Southwestern's products. This statute is narrowly tailored to reach only situations where sales of goods or commodities are involved. It does not apply to services (although some analogous state statutes may apply to services). Also, for the sale of goods or commodities to fall under the Robinson-Patman Act, the goods being sold must cross a state line in the course of the sale.

This statute is very complex, and any summarization of the Robinson-Patman Act is necessarily incomplete. The Office of General Counsel must be consulted as to its application to any particular situation. All new price lists, schedules, or terms or promotional or service arrangements should be reviewed by the Office of General Counsel in advance of their implementation. A different price or other allowance may be justifiable in certain limited situations such as meeting a specific competitor's price or reflecting verifiable cost savings, the requirements of these situations is difficult to meet. In short, any departure from Southwestern's established prices, terms, or other policies must have prior approval of counsel, and must be carefully documented. Although the federal antitrust enforcement agencies do not appear currently to be seeking out violations of the Robinson- Patman Act, private litigants can and often do seek treble damages for this type of alleged violation in suits against sellers.

4. Monopolies

Monopoly power is generally described as the power to control prices in, or exclude competitors or potential competitors from, the market for a given product in a substantial geographic area. The antitrust laws have been used to attack the maintenance of or the attempt to obtain such power in an improper way.

The law does not prohibit the existence of natural monopoly power which a company may achieve through normal competition as a result of its superior products, skill, foresight, industry, other superiority, or because of its ownership of important

patents. However, attempts by a single firm, or by a group of firms, to achieve or maintain a monopoly position through predatory (e.g., below cost) pricing designed to have or having the effect of driving competitors out of business, or through the use of business practices designed to exclude others from entering the market, have been attacked even though the use of these business practices might otherwise have been legal in the absence of the intent or tendency to acquire monopoly power.

Care should be taken to avoid any acts or statements which might be misconstrued as or give the appearance of being a power tactic or an attempt to drive a competitor out of the market, especially in those areas where Southwestern has a substantial market share, few competitors, or superior technology.

5. Mergers and Acquisitions

Transactions in which Southwestern or any of its affiliates acquire the stock or capital assets of, or merges with, any other entity generally cannot be completed until a substantial amount of information and documents about the proposed transaction have been submitted to and reviewed by United States antitrust authorities. The U.S. regulations governing the notification are detailed and complex. The U.S. notification requirement may apply even if the acquisition takes place abroad.

Under certain circumstances, private parties may also sue to challenge an acquisition or merger alleged to have anti-competitive effects. It is very important in responding to government inquiries or defending litigation that documents analyzing or commenting on a proposed acquisition or merger carefully and accurately reflect data of competitive significance. The advice of the Office of General Counsel should be sought at the earliest possible time when such transactions are being contemplated.

E. Ten Points About Antitrust Compliance

Careful language will not avoid antitrust liability when the conduct involved is illegal, but it is unfortunate when perfectly lawful conduct becomes suspect because of a poor choice of words. Careless and inappropriate language in Southwestern communications can have an extremely adverse effect on Southwestern's position in an antitrust investigation or lawsuit.

Under modern discovery procedures, no Southwestern documents other than privileged communications to or from counsel are exempt from disclosure. All other documents may be subject to production, including "personal" handwritten notes of individual employees made in the course of their work and drafts of documents. The fact that such notes reflect only internal thought processes will not deter opposing lawyers from seeking such documents and arguing that they show the purposes and intent of Southwestern. Although it may not seem like it, "E-Mail" is considered a document. Accordingly, an E-Mail file can become evidence in a lawsuit. Also, even after E-Mail is "deleted," it often is recoverable by a computer expert. The following general guidelines should be helpful:

1. Do not use guilt complex words (“Please destroy after reading”).
2. Do not use exaggerated power words (This program will “destroy” competition).
3. Be wary of “tough talk” in directives. It can lead to a finding of a specific intent to conduct predatory activity. (“Put [a competitor] out of business. Do whatever it takes. Squash him like a bug.”)
4. Do not speculate as to the legal propriety or consequences of conduct or attempt to paraphrase legal advice.
5. Do not mis-describe competition as something unexpected or improper such as referring to price cutting as “unethical” or to a lost customer as one “stolen” by a competitor.
6. Use particular care when discussing competition and prices. Avoid giving the false impression that Southwestern is not competing vigorously, that its prices are based on anything other than its own business judgment or that its public statements are “signals” to competitors.
7. When discussing the prices or plans of competitors, clearly identify the source of your information so that there will be no false implication that the information was obtained under a collusive arrangement with a competitor.
8. Avoid giving any impression that special treatment is being accorded to a customer or class of customers (“For you alone”).
9. Take care to avoid use of words that might imply falsely that a course of action was being pursued by Southwestern as a matter of “industry agreement” or “industry policy” rather than as a matter of Southwestern's individual self-interest.
10. Avoid using “canned” wording in memoranda which may sound as though you are writing for appearance's sake rather than to create an accurate record.

GOVERNANCE CONCERNING AFFILIATE TRANSACTIONS

Southwestern and its subsidiaries provide certain goods and services to each other in the ordinary course of business. Because the companies are under common ownership, regulatory agencies, business associates and competitors place these affiliate transactions under higher scrutiny. Therefore, it is important that all transactions between Southwestern affiliates be conducted in a manner that is fair and reasonable to all interested parties, that Southwestern avoid the appearance of unfair or unreasonable transactions between affiliates, and that Southwestern be able to demonstrate the fairness and reasonableness of these transactions if required to do so. To assure that these standards for affiliate transactions are met, Southwestern shall adhere to the following Guidelines, unless applicable federal, state or local laws or regulations impose other requirements:

- All transactions involving interstate pipelines and marketing affiliates will be governed by the **Federal Energy Regulatory Commission's Standards of Conduct for Interstate Pipelines with Marketing Affiliates** published in 18 CFR Part 161.

To the extent a particular situation is not specifically addressed by these Guidelines, all officers and employees are expected to use their best judgment to conduct each affiliate transaction in a manner that is fair and reasonable to all interested parties.

SUMMARY

It is not feasible to describe in these ***Business Conduct Guidelines*** every type of business practice that may raise problems under any of the areas that are discussed. Management is committed to enforcing these Guidelines, and expects all directors, officers and employees to abide by them. In the event of any questions about particular situations, these Guidelines provide a clear mechanism for individuals to find out how the company should react to a certain situation or how these Guidelines will be interpreted. Southwestern is only as good as its people make it, and the ultimate responsibility for compliance with these Guidelines rests with you.

ACKNOWLEDGMENT
(Employee's Copy)

I, _____, acknowledge that on _____, 20____, I received this copy of the ***Southwestern Energy Company Business Conduct Guidelines***, and that I have reviewed and agree to be bound by these Guidelines.

Employee Name

ACKNOWLEDGMENT
(Corporate Compliance Officer Copy)

I, _____, acknowledge that on _____, 20____, I received this copy of the ***Southwestern Energy Company Business Conduct Guidelines***, and that I have reviewed and agree to be bound by these Guidelines.

Employee Name

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