

**SOUTHWESTERN ENERGY COMPANY**



**CORPORATE GOVERNANCE GUIDELINES**

Effective March 23, 2011

# SOUTHWESTERN ENERGY COMPANY

## CORPORATE GOVERNANCE GUIDELINES

### **I. OVERVIEW.**

The purpose of these Corporate Governance Guidelines (the “Guidelines”) is to set forth the Company’s values with respect to Board governance and the principles the Company uses in Board governance. The Company is strongly committed to the principle of independence for its Board and member directors. It believes strongly that a diverse Board contributes to the decision-making ability of the Company, especially with respect to the long-term outlook of the Company and the strategic alternatives it chooses to pursue. The paramount principle governing all Board decision processes and structure is its adherence to strong representation of stockholder interests.

The Board plays a key role in shaping the long-term strategy of the Company, representing the Company effectively when called upon to do so, carefully monitoring performance with respect to strategic direction, advising during major decisions and evaluating the performance of top management. The governance guidelines that implement these broad principles are specified in the remainder of this document.

### **II. RESPONSIBILITIES OF THE BOARD OF DIRECTORS.**

The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company, except with respect to matters reserved to the stockholders. The Board of Directors selects the Chief Executive Officer and certain other members of the executive management of the Company, who are charged with directing the Company’s business. The primary function of the Board of Directors is therefore oversight – defining and enforcing standards of accountability that enable executive management to execute their responsibilities fully and in the interests of stockholders. Consistent with that function, the following are the primary responsibilities of the Board:

- evaluating the performance of the Company and its executive management, which includes (i) overseeing the conduct of the Company’s business to evaluate whether it is being effectively managed, including regular meetings of the outside directors without the presence of management; and (ii) selecting, regularly evaluating and planning for the succession of the Chief Executive Officer and such other members of executive management as the Board deems appropriate, including fixing the compensation of such individuals;
- reviewing the Company’s strategic plans and objectives, including the principal risk exposures of the Company;
- providing advice and counsel to the Chief Executive Officer and other executive management of the Company;

- assisting management in the oversight of compliance by the Company with applicable laws and regulations, including the public reporting obligations of the Company;
- overseeing management with a goal of ensuring that the assets of the Company are safeguarded through the maintenance of appropriate accounting, financial and other controls;
- appointing the members of and overseeing any required or appropriate Committees of the Board established for purposes of the execution of any delegated responsibilities of the Board of Directors;
- establishing the form and amount of compensation for directors, taking into account their responsibilities as such and as members of any Committee of the Board; and
- evaluating the overall effectiveness of the Board of Directors, as well as selecting and recommending to stockholders for election an appropriate slate of candidates for the Board of Directors.

In discharging their responsibilities, directors must exercise their business judgment to act in a manner that they believe in good faith is in the best interests of the Company and its stockholders. Directors are expected to attend all or substantially all Board meetings and meetings of the Committees of the Board on which they serve and to attend the Annual Meeting of Stockholders. Directors are also expected to spend the necessary time to discharge their responsibilities appropriately and to ensure that other existing or future commitments do not materially interfere with their responsibilities as members of the Board.

### **III. STRUCTURE AND OPERATION OF THE BOARD OF DIRECTORS.**

A. ***Size.*** The size of the Board may fluctuate because of circumstances, but the number shall be consistent with the Company’s organizational documents and allow for effective assignment to the Committees and proper distribution of the workload among members of the Board. On an annual basis, the Nominating and Governance Committee shall consider the size and composition of the Board and report to the full Board the results of its review and any recommendations for change.

B. ***Director Independence.*** It is the policy of the Board of Directors that a majority of the members of the Board be independent of the Company’s management. For a director to be deemed “independent”, the Board shall affirmatively determine that the director has no material relationship with the Company or its affiliates (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company or its affiliates) or any member of the senior management of the Company or his or her affiliates. This determination shall be disclosed in the proxy statement for each Annual Meeting of Stockholders. In making this determination, in accordance with the independence standards established by the New York Stock Exchange, the Board shall **not** deem a director to be independent if he or she has a material relationship with the Company (either directly or a partner, stockholder, or officer of an

organization that has a relationship with the Company. In addition, a director is not independent if he or she:

- is, or within the past three years has been, employed by the Company or any of its affiliates;
- has an immediate family member who is, or within the past three years has been, an officer of the Company or any of its affiliates
- has received during any twelve-month period within the last three (3) years more than \$120,000 in direct compensation from the Company and its affiliates (collectively), excluding director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- has an immediate family member who has received during any twelve-month period within the last three (3) years more than \$120,000 in direct compensation from the Company and its affiliates (collectively), excluding compensation for service as a non-officer employee of the Company;
- (A) is a partner or an employee of a present or former auditor of the Company or any of its affiliates; (B) is the immediate family member of a current partner of any such firm, or a current employee of such firm who personally works on the Company's audit; or (C) within the past three (3) years, has been a partner or employee of any such firm or has any immediate family member who has been a partner of such firm or an employee of any such firm, and personally worked on the Company's audit;
- is, or has an immediate family member who is, currently employed (or within the last three years has been employed) as an officer of another entity where any executive officer of the Company or any of its affiliates serves (or served) on the compensation committee of such entity; or
- is a current employee, or has an immediate family member who is an officer, of any entity that has made payments to, or received payments from, the Company for property or services in an amount which in any of the last three fiscal years of such entity exceeds the greater of \$1,000,000, or two percent (2%) of the entity's consolidated gross revenues.

Contributions to tax-exempt entities shall not be considered to be payments for purposes of the foregoing bullet-points, but will be considered in determining whether a director has a material relationship with the Company. The Company shall disclose, either on or through its website or in its annual proxy statement, any such contributions made by the Company to any tax exempt organization in which any independent director serves as an officer if, within the preceding three (3) years, contributions in any single fiscal year from the Company to the applicable organization exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues. For purposes of these Guidelines, the terms:

- “affiliate” means any corporation or other entity that controls, is controlled by or is under common control with the Company, as evidenced by the power to elect a majority of the board of directors or comparable governing body of such entity; and
- “immediate family” means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than employees) sharing a person’s home.
- “officer” has the meaning specified in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

The Nominating and Governance Committee shall undertake an annual review of the independence of all non-employee directors and report the results of such review to the full Board. In advance of the meeting at which this review occurs, each non-employee director shall be asked to provide the Board with full information regarding the director’s business and other relationships with the Company and its affiliates and with senior management and their affiliates to enable the Nominating and Governance Committee to evaluate the director’s independence. Directors have an affirmative obligation to promptly inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as “independent”. This obligation includes but is not limited to all commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships between directors and their immediate family members and the Company and its affiliates or members of senior management and their affiliates.

**C. *Selection of New Directors.*** The Board of Directors is responsible for selecting candidates for Board membership and for extending invitations to join the Board of Directors through the Nominating and Governance Committee. Candidates are selected for their character, judgment, business experience and specific areas of expertise, among other relevant considerations, such as the requirements of applicable law and listing standards. The Board of Directors recognizes the importance of soliciting new candidates for membership on the Board of Directors and that the needs of the Board of Directors, in terms of the relative experience and other qualifications of candidates, may change over time. Candidates for membership on the Board may be provided by any director or stockholder, and the Board may retain professional search firms. With regard to diversity, the Company is committed to considering candidates for the Board regardless of gender, ethnicity and national origin. Any search firm retained to assist the Nominating and Governance Committee in seeking candidates for the Board will affirmatively be instructed to seek to include diverse candidates from traditional and nontraditional candidate groups.

Consistent with its charter, the Nominating and Governance Committee is responsible for screening candidates (in consultation with the Chairman of the Board of Directors and the Chief Executive Officer), for establishing criteria for nominees and for recommending to the Board a slate of nominees for election to the Board of Directors at the Annual Meeting of Stockholders. After a concurrent review of all candidates by the Committee and the Chairman of the Board, the Chief Executive Officer shall interview the potential candidates selected by the Committee and

Chairman of the Board, and report his or her conclusions to the Committee, together with a recommendation of final candidates for interview by the members of the Committee. The Nominating and Governance Committee shall interview the final candidates and recommend to the full Board candidates for election based upon the results of the interview. Final approval of any candidate shall be determined by the full Board of Directors.

D. ***Board Membership Criteria.*** Each member of the Board brings a unique and valuable perspective to the governance of the Company. When these unique skill sets are combined in an environment of interaction and respect, they provide the overall skill set of the Board and provide a strong governance structure. In considering candidates for election as a director, the Nominating and Governance Committee and the Board, in addition to skills and experience, the Committee considers the independence of the individual, availability of service to the Company, age of the incumbent Directors on the Board, diversity and the Board's anticipated needs with regard to Director expertise and the following general criteria:

- each director should be an individual of the highest character and integrity and have the ability to work well with others;
- each director should have an inquiring mind, vision and good judgment;
- each director should be free of any conflict of interest which would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- each director should possess substantial and significant business experience in specific areas of expertise that would be important to the Company in the performance of the duties of a director;
- each director's skill set should be complementary to the background and experience of other Board members;
- each director should have sufficient time available to devote to the affairs of the Company in order to carry out the responsibilities of a director; and
- each director should have the capacity and desire to represent the balanced, best interests of all stockholders and objectively appraise management performance.

The Nominating and Governance Committee will evaluate the qualifications of each director candidate against the foregoing criteria in connection with its recommendation to the Board concerning his or her nomination for election or re-election as a director. The Nominating and Governance Committee, with direct input and advice from the Chairman of the Board and the Chief Executive Officer, is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time and shall periodically review and update the criteria as deemed necessary. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

Each director's continuation on the Board shall be reviewed at the expiration of his or her term and before that director is reconsidered for election. In connection with its annual recommendation of a slate of nominees, the Nominating and Governance Committee, in consultation with the Chairman of the Board, shall review and assess the contributions of those directors selected for re-election. At the conclusion of this process, the Chairman of the Nominating and Governance Committee shall report the Committee's conclusions to the full Board. Except as provided in the immediately following sentence, once a director reaches the age of 75, such director may not be considered for re-election to the Board of Directors, provided that (i) if a director reaches the age of 75 after the Nominating and Governance Committee submits its recommended slate of nominees for election to the Board of Directors for the ensuing year, such director may seek re-election to the Board for the ensuing year, and (ii) if a director reaches the age of 75 during his term as a director, such director shall be entitled to continue as a director until the expiration of his or her existing term. The mandatory retirement provisions of the preceding sentence shall not apply to any current member of the Board of Directors that reached the age of 75 by May 20, 2009.

Individual directors who change the position he or she held when elected to the Board should notify the Chairman of the Board and the Chairman of the Nominating and Governance Committee. It is not the sense of the Board that a director who retires from or changes the position they held when they first became a director should necessarily leave the Board. There should, however, be an opportunity for the Board, through the Nominating and Governance Committee (in consultation with the Chairman of the Board), to review the continued appropriateness of Board membership under these circumstances. A director should also provide advance notice to the Chairman of the Board of his or her acceptance of any invitation to serve on the board of directors or equivalent body of any other entity other than a subsidiary of the Company.

E. ***Policy on Voting for Directors.*** In accordance with the Company's Bylaws, if an election of directors is not a "contested election" (as defined in the Bylaws), a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board will nominate for election or re-election as director only candidates who agree to tender, promptly following the annual meeting at which they are elected or re-elected as director, irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next meeting of stockholders at which they face re-election and (ii) Board acceptance of such resignation. In addition, the Board will fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with these Corporate Governance Guidelines.

If an incumbent director fails to receive the required vote for re-election, the Nominating and Governance Committee will promptly review and consider such director's resignation tendered pursuant to this policy and will recommend to the Board whether the Board should

accept or reject such resignation. The Board expects the director whose resignation is under consideration to abstain from participating in any Board or committee decision regarding that resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation, including but not limited to the stated reasons, if any, why stockholders withheld their votes from the director, the length of service and qualifications of the director, the director's contributions to the Company and potential adverse consequences of the resignation (such as failure to comply with New York Stock Exchange listing requirements and Securities and Exchange Commission rules and regulations).

If a majority of the members of the Nominating and Governance Committee fail to receive the required vote for re-election in the same election, then the Board of Directors will appoint a special committee consisting of independent directors who received the required vote for re-election in that election, and such special committee will consider the resignations offered and recommend to the Board whether to accept or reject all or any of them.

The Board will vote and act on any resignations tendered pursuant to this policy no later than 90 days following certification of the stockholder vote for the meeting at which the director failed to receive the required vote for re-election. The Company will disclose publicly the Board's determination in a Form 8-K furnished to the Securities and Exchange Commission.

### **Form of Advance Resignation**

[Date]

Attention: Chairperson of the Board of Directors

Dear \_\_\_\_\_:

In accordance with the Corporate Governance Guidelines of Southwestern Energy Company (the "Corporation") regarding majority voting in director elections, I hereby tender my resignation as a director of the Board of Directors, provided that this resignation shall be effective only in the event that (a) I fail to receive a sufficient number of votes for re-election at the next meeting of the stockholders of the Corporation at which my seat on the Board will be subject to election (the "Applicable Meeting") and (ii) the Board accepts this resignation following my failure to be re-elected at the Applicable Meeting. If I am re-elected at the Applicable Meeting, this resignation will be deemed withdrawn upon my re-election. However, if I am not re-elected at the Applicable Meeting, this resignation will be deemed withdrawn if and when the Board decides not to accept this resignation in accordance with the preceding paragraph. This resignation may not be withdrawn by me at any time other than as set forth in this paragraph.

Very truly yours,

F. ***Director Stock Ownership Guidelines.*** The Board of Directors believes that non-employee directors should own and hold common stock of the Company to further align their interests and actions with the interests of the Company's stockholders. Therefore, the Board of Directors adopted director stock ownership guidelines effective December 13, 2009 (the "Effective Date") requiring non-employee directors to own a number of Qualifying Shares with a market value equal to three (3) times the annual cash retainer that is in effect upon the later of the Effective Date or the date he or she first becomes a director (the "Required Market Value"). This minimum stock ownership level must be achieved by each director within five (5) years of the later of the Effective Date or first appointment to the Board. Once established, a director's Required Market Value will not change as a result of any fluctuations in the market price of the Company's common stock or in the event of a stock split, reverse stock split, stock dividend or similar change in the Company's capital structure. Until such time as the director reaches his or her share ownership requirement, the director will be required to hold 50% of the shares of common stock received upon lapse of the restrictions upon restricted stock and upon exercise of stock options (net of any shares utilized to pay for the exercise price of the option and tax withholding). Once achieved, ownership of the Required Market Value must be maintained as long as the director retains his or her seat on the Board. Stock that counts toward satisfaction of these Guidelines ("Qualifying Shares") includes: stock purchased on the open market; stock obtained through stock option exercises; restricted stock; and stock beneficially owned in a trust, by a spouse and/or minor children. In instances where these Guidelines would place a severe hardship on a director, the Board of Directors will make the final decision as to developing an alternative stock ownership guideline for a director that reflects the intention of these Guidelines and his or her personal circumstances.

G. ***Separation of Chairman of the Board and Chief Executive Officer.*** The positions of Chairman of the Board and Chief Executive Officer have been at times held concurrently by the same person and at times by two different people. The Board has exercised discretion in combining or separating the positions as it has deemed appropriate in light of prevailing circumstances. The Board of Directors believes that the combination or separation of these positions should continue to be considered as part of the succession planning process. The Board further believes that it is in the best interests of the Company for the Board to make a determination as to the combination or separation of the positions of Chairman of the Board and Chief Executive Officer when it elects a new Chief Executive Officer.

If these positions are separated, the Chairman of the Board shall act as the liaison director for any informal confidential communication with the Chief Executive Officer outside of the normal Committee and Board procedures.

The Nominating and Governance Committee (in consultation with the Chairman of the Board if the offices of Chairman of the Board and Chief Executive Officer have been separated) shall report periodically to the Board of Directors regarding succession planning with respect to the office of the Chief Executive Officer and other members of executive management as may be determined by the Board of Directors.

H. ***Former Chief Executive Officer's Board Membership.*** The Board believes that Board membership for a former Chief Executive Officer is a matter to be decided in each individual instance. When discussing the retention of former officers on the Board, careful consideration of the independence criteria stated earlier, especially with regard to Committee assignments, should be given.

I. ***Non-Management and Independent Director Executive Sessions.*** The non-management directors (as defined by the rules of the NYSE) shall meet at regularly scheduled executive sessions (without management participation), and the independent directors, to the extent not identical to the non-management directors, shall meet in executive session as appropriate matters for their consideration arise, but, in any event, at least once a year. The agenda of these executive sessions shall include such topics as the participating directors shall determine. The Presiding Director shall act as the chair of all executive sessions of the independent directors and shall be responsible for coordinating the activities of the other independent directors, as required by these Guidelines and the NYSE listing standards.

J. ***Presiding Director.*** The intention of the Board is that one of the Company's independent directors shall serve as the "Presiding Director". The Presiding Director shall be appointed by the outside directors (*i.e.*, all directors who are not employees of the Company, regardless of their independence) annually at the Annual Meeting of the Board of Directors. If the positions of Chairman of the Board and Chief Executive Officer are held by the same person, the Presiding Director shall act as the liaison director for any informal confidential communications with the Chief Executive Officer outside of the normal Committee and Board procedures.

K. ***Board Meetings.***

Frequency and Conduct of Meetings. The Chairman of the Board shall, in consultation with the Chief Executive Officer, the General Counsel and the Presiding Director, prepare an annual schedule of meetings for the Board of Directors and the standing Committees thereof. Additional meetings may be scheduled as necessary or appropriate in light of the circumstances. Certain matters shall be addressed by the Board of Directors at least annually. These matters shall include a review of the Company's (i) strategic plan and the principal current and future risk exposures of the Company; (ii) strategic objectives; (iii) business and financial performance for the prior year, including a review of the achievement of strategic objectives; and (iv) the Company's compliance with applicable law and listing standards. The proposed annual schedule of meetings of the Board and its standing Committees shall be presented to the Board of Directors for approval.

The Chairman of the Board shall chair all meetings of the Board of Directors. The Secretary, the Chief Financial Officer, the General Counsel and such other members of management as may be requested by the Board shall also attend all meetings of the Board, subject to the Board's discretion to excuse one or more of these officers from all or portions of any meeting.

Outside directors shall meet in executive session with the Chief Executive Officer at least once each year to discuss matters relating to management succession (including the Chief Executive Officer's recommendation as to a successor should he or she be unexpectedly disabled) and management development and to evaluate members of executive management. In addition, outside directors shall meet in executive session without the Chief Executive Officer at least once each year to discuss the performance evaluation of the Chief Executive Officer and the approval of his or her compensation (which evaluation shall be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee).

Agenda. The Chairman of the Board and the Chief Executive Officer (if not the same as the Chairman) shall establish an agenda for each meeting of the Board of Directors. Each Board member is free to suggest the inclusion of items on the agenda and is free to raise, at any Board meeting, subjects that are not on the agenda for that meeting. When possible, the Chairman of the Board and the Chief Executive Officer (if not the same as the Chairman) should be informed in advance of any items that a member wishes to raise at a Board meeting.

Information to be Distributed Prior to Meetings. Insofar as practicable, information to inform the directors about the Company's business, performance and prospects and regarding recommendations for action by the Board shall be made available to the Board a reasonable period of time before meetings. Information should be relevant, concise and timely. Requests for action by the Board of Directors should include the recommendation of management and be accompanied by any historical or analytical data that may be necessary or useful to the directors in making a determination as to the advisability of the matter.

Minutes. The Secretary of the Company shall prepare minutes of all meetings of the Board of Directors and stockholders for the review and approval of the Board of Directors. In the absence or incapacity of the Secretary, the Chairman of the Board may designate an Assistant Secretary, a director or outside counsel for the Company to record the minutes of meetings of the Board of Directors or stockholders. With respect to any matter, a director voting against a proposal may ask to have his or her dissent recorded in the minutes of the meeting, and the Secretary shall do so.

L. ***Access to Management, Management Information and Counsel.*** Directors shall have free access to management and management information. Management shall be responsive to requests for information from Board members. The Board encourages the Chairman of the Board to invite members of management to make presentations at Board meetings in order to provide particular insights into aspects of the Company's business or to provide individuals with exposure to the Board of Directors for purposes of management development. Directors may suggest possible guests to the Chairman of the Board.

The Board of Directors, the Committees thereof and the Presiding Director (on behalf of the independent directors as a group) shall be entitled, at the expense of the Company, to engage such independent legal, financial or other advisors as they deem appropriate, without consulting or obtaining the approval of any officer of the Company, with respect to any matters subject to their respective authority.

M. ***Board Interaction with Institutional Investors, the Press and other Constituencies.*** The Board believes that management speaks for the Company. Directors may, from time to time, be contacted by institutional investors, other stockholders, sellers of businesses or merger partners, governmental or community officials, analysts or the press to comment on or discuss the business of the Company. Except as required by applicable law or regulation, directors are expected to refrain from communicating with any of the foregoing without prior consultation with the Chief Executive Officer or the Chief Financial Officer. Any proposed contact by a director in response to any inquiry by any governmental official shall also be notified in advance to the General Counsel of the Company.

In no event shall any director disclose any material non-public information concerning the Company. Among other considerations, such disclosures may violate applicable law. Questions about such information should be directed to the General Counsel. In the event that a director inadvertently discloses information that may be material and non-public, he or she should immediately so advise the General Counsel.

#### **IV. COMMITTEES OF THE BOARD.**

A. ***Committee Structure.*** There are currently four standing Committees of the Board of Directors: Audit Committee, Compensation Committee, Nominating and Governance Committee and Retirement Committee. From time to time, the Board may designate *ad hoc* Committees in conformity with the Company's Bylaws. Each standing Committee shall have the authority and responsibilities delineated in the Company's Bylaws, the resolutions creating them and any applicable charter. The Board of Directors shall have the authority to disband any *ad hoc* or standing Committee when it deems it appropriate to do so, provided that the Company shall at all times have Audit, Compensation and Nominating and Governance Committees and such other Committees as may be required by applicable law or listing standards.

Committees and their Chairpersons shall be appointed by the Board of Directors annually at the Annual Meeting of the Board of Directors, on recommendation of the Nominating and Governance Committee in consultation with the Chairman of the Board. It is the Board's policy that, with the exception of the Retirement Committee, only outside directors shall serve on the standing Committees. The members of the Audit, Compensation and Nominating and Governance Committees shall also meet the independence standards set forth herein, all requirements of applicable law and all applicable listing requirements. Members of the Audit Committee may not simultaneously serve on the audit committees of more than two other public companies. When the Board designates the members of the Committees, the desires of individual Board members and the suggestions of the Chairman of the Board shall be considered. Consideration shall be given to rotating Committee members periodically, but such a rotation will not be mandated since there may be reasons, at a given point in time, to maintain an individual director's Committee membership for a longer or shorter period. Prior to election of directors at the Annual Meeting of Stockholders, the Nominating and Governance Committee and the Chairman of the Board will report to the full Board regarding Committee membership.

B. ***Committee Charters.*** Each standing Committee shall have a written charter, which shall be approved by the full Board of Directors and state the purpose of such Committee.

Committee charters shall be reviewed not less frequently than annually to reflect the activities of each of the respective Committees, changes in applicable law or regulation and other relevant considerations, and proposed revisions to such charters shall be approved by the full Board of Directors.

C. *Committee Meetings.* The Chairpersons of the various Committees, in consultation with their Committee members, shall determine the frequency and length of Committee meetings. The Chairperson of each Committee, in consultation with appropriate Company officers, will establish the agenda for each Committee meeting. Committee members and other directors may suggest the addition of any matter to the agenda for any Committee meeting upon reasonable notice to the Committee Chairperson.

To the extent practicable, information regarding matters to be considered at Committee meetings shall be distributed to Committee members a reasonable period of time before such meetings. Each Committee Chairperson shall designate an individual of his or her choice to act as Secretary at, and to prepare the minutes of, Committee meetings for the review and approval of the Committee. The Chairperson of each Committee shall report on the activities of the Committee to the Board of Directors following Committee meetings, and minutes of Committee meetings shall be distributed to all directors for their information.

## **V. BOARD AND OFFICER COMPENSATION.**

Responsibility for compensation decisions for officers and Board members resides with the Board. For Section 16(b) officers of the Company, the Compensation Committee will recommend compensation changes annually. For non-management Board members, the Nominating and Governance Committee will recommend compensation changes to the Board. The levels of compensation may change or may remain the same at the direction of the Board.

The Nominating and Governance Committee will consider the status of the Company's Board compensation in relation to other similar companies, both in the peer group and outside the group, once a year. For those comparisons outside of the peer group, companies of similar size should be used. Changes in Board compensation, if any, should come at the suggestion of the Nominating and Governance Committee as a recommendation to the Board for its decision, which may engage an outside compensation consultant to provide information and recommendations. The Board continues to believe that an alignment of director interests with those of stockholders is important.

Similarly, the Compensation Committee will consider annually the compensation of officers and will recommend any required changes in the level of compensation. In conjunction with the recommendations, the Compensation Committee may engage an outside compensation consultant to provide comparative studies within the peer group and recommendations. The Committee will then make recommendations to the Board for its decision.

## **VI. CEO AND BOARD EVALUATION.**

A. *Formal Evaluation of the Chief Executive Officer.* The Board shall perform an evaluation of the Chief Executive Officer. The Chairman of the Compensation Committee (in consultation with the Chairman of the Board if the Chairman is not also the CEO) shall be responsible for compiling the CEO evaluation. The CEO evaluation form shall be approved by the Nominating and Governance Committee. The evaluation should be based on criteria including accomplishment of long-term strategic objectives, development of the management team, and other appropriate issues. When determining the compensation of the Chief Executive Officer, the Compensation Committee shall use the Board evaluation as well as rely strongly upon the specific performance criteria previously established. The Chairman of the Compensation Committee shall discuss the CEO evaluation with the full Board and then with the Chief Executive Officer.

B. *Annual Board Evaluation.* The Board shall perform an annual evaluation of its own performance and shall provide the means for each Board member to privately evaluate his or her own performance. In developing its evaluation criteria, the Board may choose to benchmark the practices of other boards of directors; circulate surveys, questionnaires and evaluation forms to directors; and use such other methods as it may deem helpful and appropriate in order to assess the Board's effectiveness. The Nominating and Governance Committee (in consultation with the Chairman of the Board if the Chairman is not also the CEO) annually will review the structure of the evaluation process and recommend, as necessary, any changes to the Board. The assessment will be performed in the same cycle as that for the evaluation of the Chief Executive Officer.

## **VII. DIRECTOR ORIENTATION AND CONTINUING EDUCATION.**

New directors shall participate in an orientation program. The agenda for the orientation program shall be determined by the Chairman of the Board, in consultation with the Chief Executive Officer, the Chief Financial Officer, the General Counsel and the Presiding Director, who may consult as appropriate with the Chairpersons of the standing Committees of the Board of Directors. The orientation program shall address the Company's strategic plans, significant risk exposures, compliance programs (including its Business Conduct Guidelines) and may include presentations by the Company's executive management, internal auditors and independent auditors, as well as one or more visits to the Company's headquarters or other operating sites or facilities. All other directors shall also be invited to attend each orientation program. The Chairman of the Board of Directors shall encourage directors to participate in continuing education programs by recommending relevant programs for their attendance, and the Company shall pay the reasonable expenses of attendance by a director at one such program per year.

## **VIII. REVISIONS TO THESE GUIDELINES.**

Each year, the Nominating and Governance Committee shall reevaluate these Guidelines and recommend to the Board of Directors such revisions as it deems necessary or appropriate for the Board to discharge its responsibilities more effectively.