



CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of Southern Union Company (the “Company”), upon recommendation by the Corporate Governance Committee of the Board (the “Governance Committee”), has adopted the following guidelines in furtherance of its continuing efforts to enhance its corporate governance. The Board has tasked the Governance Committee to review these guidelines at least annually and to recommend amendments for approval by the Board as the Governance Committee deems necessary and appropriate.

A. Board Mission and Director Responsibilities

The Board’s primary mission is the creation of long-term shareholder value while supporting and providing oversight to management in the business affairs and operations of the Company. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Company.

The core responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. Directors must fulfill their responsibilities consistent with their fiduciary duty to the shareholders, in compliance with all applicable laws and regulations. The directors understand that the long-term interests of shareholders are advanced by responsibly taking into consideration the interests of other stakeholders, including employees, customers, suppliers, members of communities in which the Company operates and the public at large.

In discharging their duties, directors should be entitled to rely on the factual representations, recommendations, honesty and integrity of the Company’s senior executives and outside advisors and auditors. Accordingly, skill and integrity will be important factors in selection of the Company’s senior executives and other advisors. The Board has the authority to hire independent legal, financial or other advisors as they may deem necessary. The directors will also have complete and unrestricted access to the Company’s management team and independent advisors. Any meetings or contact that a director wishes to initiate may be arranged through the Chief Executive Officer, the President or the Secretary. The directors should use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

Directors are expected to attend all meetings of the Board and of the Board committees on which they serve and be adequately prepared to participate fully in any discussion. Directors should devote the time and effort necessary to fulfill their responsibilities.

The directors shall be entitled to have the Company purchase directors’ and officers’ liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and to exculpation as provided by state law and the Company’s charter.

B. Board Membership

1. Director Qualifications

The Governance Committee shall evaluate candidates for election to the Board and recommend nominees for election to the Board. Directors may be nominated by the Board or by shareholders in accordance with the Company's By-laws. The Governance Committee will review all nominees for the Board, including proposed candidates of shareholders to the extent such recommendations are made in compliance with applicable laws, rules and regulations, the Company's By-laws and procedures established by the Governance Committee. Director candidates recommended by shareholders shall be evaluated by the Governance Committee based on the same criteria to be applied to director candidates identified by the Governance Committee.

The Governance Committee is responsible for establishing the selection criteria for candidates including the appropriate skills and characteristics required of directors in the context of the current make-up and needs of the Board and reviewing with the Board such criteria.

The assessment of any director candidate will include a review of the candidate's judgment, experience, integrity, independence, understanding of the Company's business and such other factors as the Committee concludes are pertinent in light of the current needs of the Board and interview(s) of the director candidate. In addition, the Governance Committee must be satisfied that each candidate for director meets the following minimum qualifications:

(a) Background/Expertise

- each director/director candidate should have a basic knowledge and understanding of (i) the critical/principal operational and financial objectives and plans and strategies of the Company, (ii) the results of operations and financial condition of the Company and of any significant subsidiaries or business segments, and (iii) the relative standing of the Company and its business segments in relation to its competitors;
- each director/director candidate should possess a sufficient level of financial literacy and the ability to comprehend and understand the Company's financial reporting information and disclosure;
- each director/director candidate shall be experienced and skillful in serving as a member of, overseer of, or trusted advisor to, the senior management or board of at least one substantial corporation, charity, institution or other enterprise;
- each director/director candidate shall exhibit an understanding and general acceptance of the Company's current corporate philosophy and practice;
- each director/director candidate must possess broad business and/or professional experience and exhibit an express understanding of business and financial affairs and the complexities of business organizations;

- each director/director candidate shall have a positive and proven record of accomplishments in present and prior corporate/professional positions; and
- each director/director candidate should possess sufficient personal resources so that any director compensation to be received from the Company would not be sufficiently meaningful as to impact one's judgment.

(b) Personal Traits/Qualifications

- each director/director candidate shall be a person of integrity with a commitment to ethical and moral behavior who is dedicated, industrious, honest, candid, fair and discreet;
- each director/director candidate shall exhibit a willingness to advance his/her opinions, but is expected once a decision is made by the majority of the Board to support the decision of the Board absent a question of ethics, propriety or legality;
- each director/director candidate shall be well regarded in the community, with a long-term, good reputation for highest ethical and moral standards;
- each director/director candidate shall exhibit common sense, good judgment and practical wisdom;
- each director/director candidate if serving on other boards should have an excellent reputation for preparation, attendance, participation, interest and initiative;
- each director/director candidate shall have the time, energy, interest and willingness to become involved in the Company and its future; and
- no director/director candidate shall have a conflict of interest that would interfere with the duty of loyalty owed to the Company and its shareholders.

(c) Share Ownership

- each director/director candidate must be a shareholder of the Company and be willing to acquire/hold direct and beneficial ownership of the number of shares required to meet the equity ownership guidelines set forth in Section H hereof;
- each director/director candidate, in order to qualify for nomination, must become a shareholder of the Company prior to the solicitation of proxies for his/her election;
- each director/director candidate must directly beneficially own shares of Company stock; and

- no director/director candidate may with respect to his/her service on the Board be (i) a party to any agreement written or otherwise with any entity/shareholder; or (ii) otherwise receive or become entitled to receive present or future remuneration related to his/her service on the Board except in the form of fees/equity paid by the Company.

2. Director Independence

The Board, based upon a recommendation of the Governance Committee, shall determine the independence of each director or nominee based on applicable regulatory requirements of the Securities and Exchange Commission (“SEC”), the listing standards of the New York Stock Exchange (“NYSE”), these guidelines and other applicable regulations. The Governance Committee and the Board will apply the following standards when assessing the independence of a director or nominee and the materiality of the relationship of the director or nominee with the Company. The term “Company,” for purposes of determining independence, shall have the meaning ascribed to such term by the listing standards of the NYSE. In making its determination of independence, absent other considerations, the Board will deem a director to be independent if:

- neither the director nor a member of the director’s immediate family has been employed by, or received direct compensation (other than director’s fees, pension payments or other form of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service) from the Company or any of its affiliates during the past three years (compensation received by an immediate family member for service as a non-executive employee is not considered in determining independence under this test);
- neither the director nor a member of the director’s immediate family, is, or in the past three years has been, affiliated with or employed (or, in the case of an immediate family member, employed in a professional capacity) by a present or former internal or external auditor of the Company or any of its affiliates;
- neither the director nor a member of the director’s immediate family is, or in the past three years has been, part of an interlocking directorate in which he or she was employed as an executive officer of another company where one of the Company’s current executive officers served at the same time on the compensation committee;
- neither the director nor a member of the director’s immediate family is, or in the past three years has been, an executive officer (or, in the case of the director, an employee) of a company that makes payments to, or receives payments from, the Company for property or services in an annual amount which exceeds 1% of such other company’s consolidated gross revenues; and
- neither the director nor a member of the director’s immediate family is, or in the past three years has been, an officer or director of a non-profit organization that has received charitable contributions from the Company or any of its subsidiaries or affiliates in an annual amount in excess of the greater of \$100,000 or 1% of such organization’s gross revenues.

For purposes of these standards, members of a director’s “immediate family” includes a director’s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-

in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such director's home.

Annually, the Board, based upon a recommendation of the Governance Committee, will review all relationships of the directors/director candidates to determine whether the directors/director candidate meet these standards of independence. If any relationship exists between a director/director candidate and the Company that is not covered by these standards, the Board, upon recommendation by the Governance Committee, shall determine whether such relationship is material, and whether the director/ director candidate should be independent. The Board may determine that a director/director candidate is "independent" even if the director/director candidate does not meet each of these standards of independence as long as the Board determines that such person is independent of management and free from any relationship that in the judgment of the Board would interfere with the independent judgment of the director/director candidate as a member of the Board. The Company, if required to comply with applicable regulations, will explain in its proxy statement any determination by the Board that a relationship was immaterial in the event that it did not meet the standards set forth above.

3. Size of the Board

Consistent with Article 2, Section 2 of the Company's By-laws, the Board is expected to consist of not less than five nor more than 15 members. The Governance Committee shall periodically review the appropriate size of the Board, with the objective of maintaining the necessary experience, expertise and independence, without becoming too large to function efficiently.

4. Term Limits; Retirement Age

The Board does not believe that it should mandate a retirement age or a limit on the number of terms a director may serve. Mandatory retirement or term limits may cause the loss of experience and expertise important to the optimal operation of the Board. However, to ensure that the Board remains composed of high functioning members able to keep their commitments to Board service, the Governance Committee will evaluate the qualifications and performance of each incumbent director before recommending the nomination of that director for an additional term.

5. Change in Occupation by a Management Director

The Board expects that when a management director resigns from his or her executive position, he or she will also simultaneously submit his or her resignation from the Board. Whether the individual continues to serve on the Board is a matter for discussion at that time with the Governance Committee and the Board.

6. Limitation on Board Memberships

Directors who are employed full-time shall not serve on the boards of more than two public companies. Directors who are not employed full-time shall not serve on the boards of more than four public companies.

To enable the Governance Committee to assess a director's ability to fully discharge his or her duties, each director must notify the Governance Committee in advance of accepting an invitation to serve as a member on another board of directors or taking on a significant committee assignment on another board of directors.

7. Selection of Chairman and Chief Executive Officer

The Board believes that it should not prohibit the same person from occupying the offices of Chairman of the Board and Chief Executive Officer. The decision instead should be made by the Board, from time to time, in its business judgment after considering relevant circumstances.

8. Lead Independent Directors

In a situation where the roles of Chairman and Chief Executive Officer are held by the same person, the Board shall establish a Lead "Independent Director" position, which will be filled by an independent director. The Lead Independent Director shall be nominated by the Governance Committee. The Lead Independent Director will have authority to preside at executive sessions of the independent directors and/or the non-management directors. The Lead Independent Director shall also serve as a liaison between the independent directors and the Chairman and Chief Executive Officer.

9. Meetings of the Board

The Board will meet as frequently as necessary to address the business needs of the Company. The Chairman of the Board will set the agenda for Board meetings. Any director may suggest items for inclusion on the agenda. Certain items pertinent to the oversight and monitoring function of the Board will be brought to the Board regularly.

Management shall be responsible for assuring that information and data that are important to the Board's understanding of the Company's business and to all matters that management expects to be considered and acted upon by the Board be distributed in writing to the Board sufficiently in advance of each Board meeting.

Presentations on specific subjects also should be sent to the directors in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to distribute in written form, there will be an opportunity for full discussion of the presentation at the meeting.

10. Committees of the Board

The Board has five standing Committees: Audit, Compensation, Finance, Governance and Investment. The Board may establish additional Committees as necessary or appropriate.

Only independent directors may serve on the Audit Committee, the Compensation Committee and the Governance Committee. Each of the standing committees will have its own charter. The charter will set forth the responsibilities of each Committee, the qualifications and procedures of the committee and how the committee will report to the Board. Each committee will conduct a self-evaluation annually.

The chairman of each committee will determine the frequency of committee meetings, consistent with the committee's charter and the Company's needs.

At each Board meeting, the chairman of each Board committee or his or her delegate shall report the matters considered and acted upon by such committee at each meeting or by written consent since the preceding Board meeting, except to the extent covered in a previous written report to the full Board, and shall be available to answer any questions the other Board members may have regarding the matters considered and actions taken by such committee.

C. Meetings of the Non-Management and Independent Directors

The non-management directors and independent directors shall meet separately from the other directors in regularly scheduled executive sessions, without the presence of management directors or executive officers of the Company (except to the extent the non-management and/or independent directors request the attendance of any management director or executive officer). Such regularly scheduled separate meetings shall be held at such times as may be determined by the Independent Directors Chairman.

D. Director Compensation

The Compensation Committee of the Board will periodically review director compensation (including any additional compensation for chairman of Board committees) to ensure that it is reasonable and competitive with companies that are similarly situated. Management directors shall receive no additional compensation for Board or Board committee service. To more closely align the interests of directors and the Company's shareholders, a significant portion of the directors' fees will be remunerated in the form of Company equity.

E. Director Orientation and Continuing Education

Each new director shall be given a thorough orientation with respect to his or her duties as a director, including: (a) copies of Company organizational documents, including the By-laws, committee charters and these guidelines; (b) meetings with senior management, including but not limited to the Company's President, Chief Financial Officer, General Counsel, Chief Accounting Officer and Secretary; and (c) except to the extent unnecessary for any director who is an executive officer of the Company, background material with respect to the Company, its business and issues of particular significance to the Company and visits to Company facilities.

Each new director and each new member of any Board committee also shall cooperate in fulfilling any additional orientation guidelines that may be recommended generally or from time to time by the Governance Committee to help assure that such director has the necessary skills to perform his or her responsibilities as a director and/or new member of any Board committee. Consistent with the importance of the Board's responsibilities, each director is expected to be familiar with the Company's business and public disclosures, to review in advance of Board meetings all related materials distributed to the Board and to attend and participate in meetings of the Board and meetings of any committee of which such director is a member.

Directors are encouraged to participate in continuing director education.

F. Evaluation of the Board and Board Committees

In order to determine if the Board and the Board committees are functioning effectively, the Board and the Board committees, under the direction of the Governance Committee, shall conduct a self-evaluation at least annually.

G. Succession

The Board has the responsibility to plan for Board and senior management succession.

H. Share Ownership

In order to more fully align the interests of directors and shareholders, directors of the Company shall be required to directly and beneficially own/hold at least 15,000 shares of Company common stock. Shares held by a director under any deferral plan are included in calculating the share total to determine whether this minimum ownership requirement has been met. The share requirement must be satisfied within a reasonable period after the commencement of Board service.

I. Board Interaction with Outside Interested Parties

The Board believes that management speaks for the Company. From time to time, at the request of management, individual Board members may meet or otherwise communicate with various constituencies that are involved with the Company. Where comments from the Board are appropriate, they will normally come from the Chairman or Vice Chairman.

J. Reliance

Each director is entitled to rely in good faith on (1) corporate records, corporate officers, corporate employees or Board committees; or (2) any other person selected with reasonable care as to matters reasonably believed to be within the person's professional or expert competence. The Board shall assess the qualifications of all such persons on whom it relies, shall inquire as to the processes used by such persons to reach their decisions, prepare their reports and make their recommendations and also shall inquire as to the substance of such matters, and shall hold such persons accountable for any follow-up reasonably needed to satisfy the Board.

K. Code of Ethics and Business Conduct

The Company will maintain, and the Chief Ethics Officer will oversee compliance with, a Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct as currently in effect is set forth on the Company's web-site at www.sug.com. The Code of Ethics and Business Conduct may be modified or replaced from time to time by the Board's Audit Committee. Any waiver or amendment to the Code of Ethics and Business Conduct will be disclosed in a Form 8-K filing and posted on the Company's web-site at www.sug.com.

L. Disclosure of the Corporate Governance Guidelines

These guidelines will be posted on the Company's web-site and the Company will make available a copy to any shareholder requesting them. Such availability on the Company's web-site and in print will be noted in the Company's annual report to shareholders.

M. Revisions/Amendment to the Corporate Governance Guidelines

As noted herein, the Board, upon recommendation of the Governance Committee, may revise these guidelines from time to time upon an affirmative vote of a majority of the directors then in office. The revised guidelines will be posted on the Company's web-site promptly after any revision is made to them.

Effective as of December 15, 2009