

GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES

The Board of Directors of the Company is to direct the management of the business affairs of the Company in accordance with the Georgia Business Corporation Code, the Company's articles of incorporation and its bylaws. The role of the Board is to effectively govern the affairs of the Company for the benefit of its shareholders and other constituencies, which include the Company's employees, customers, suppliers and creditors and the communities in which it does business. The Board strives to ensure the success and continuity of the Company's business through qualified management.

The Board has adopted the following guidelines (the "Guidelines") to assist it in the exercise of its responsibilities. These guidelines are in addition to, and are not intended to modify, the requirements of any Federal or state law or regulation, including the Georgia Business Corporation Code, or the articles of incorporation or the bylaws of the Company. The Guidelines, as they may be amended from time to time, shall be made available on the Company's public web site. In the event of any conflict between a provision of these Guidelines and a provision of federal or state law or regulation (including, without limitation, the Georgia Business Corporation Code), the articles of incorporation or the bylaws, the relevant provision of law or of the articles of incorporation or bylaws of the Company shall control.

1. Selection of Chairman and CEO

The Board may designate as the Chief Executive Officer of the Company, the President or any other officer of the Company, including the Chairman if the Chairman is a full-time officer and employee of the company. The Chairman of the Board of Directors may be chosen from among the directors of the Company and need not be an executive officer or employee of the Company. If the Chairman of the Board of Directors is an executive officer or employee of the Company, then the Chairman of the Executive Committee of the Board of Directors shall be the Lead Director (appointed pursuant to numbered paragraph 6 below).

2. Time Commitment of the Directors

The number of Board and committee meetings will vary with circumstances. Special meetings are called as necessary. It is the responsibility of the directors to attend meetings. Attendance is expected at all Board and committee meetings and at the annual meeting of shareholders unless unavoidable circumstances preclude attendance. At a minimum, each director is expected to attend during each fiscal year at least 75% of the aggregate of the total number of meetings of the Board of Directors (held during the period for which he or she has been a director) and the total number of meetings held by all committees of the Board on which he or she served (during the periods that he or she served).

3. Board Committees

The current committee structure of the Company is appropriate for the Company's needs. The Board, from time to time, may elect, in its discretion, to form a new committee or disband a current committee depending upon the circumstances. The current five committees are: Audit; Compensation and Management Development; Finance and Risk Management; Nominating,

Governance and Corporate Responsibility; and Executive. While all committees are encouraged to have written charters which are approved by the full Board of Directors, the following committees must have written charters that have been approved by the full Board: Audit, Compensation and Management Development and Nominating, Governance and Corporate Responsibility.

The Board, by resolution, may designate from among its members one or more committees, each committee to consist of one or more directors, except that committees appointed to take action with respect to indemnification of directors, directors' conflicting interest transactions or derivative proceedings shall consist of two or more directors qualified to serve pursuant to the Georgia Business Corporation Code. The Board has no set policy for the regular rotation of committee members or committee chairs. However, as part of its normal review of governance issues, the Nominating, Governance and Corporate Responsibility Committee will from time to time examine committee assignments and make recommendations to the Board concerning changes in such assignments that it deems appropriate.

The Chairman of the Board of Directors will establish the agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda. Information and data that are important to the Board's understanding of matters to be discussed at each Board meeting should be distributed in writing to the Board before each meeting, if feasible, so that Board meeting time may be as productive as possible. Board members are expected to familiarize themselves with such materials to help ensure productive meetings. When the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.

4. Frequency of Committee Meetings

Each committee Chair, in consultation with committee members and management, will determine the frequency and length of the meetings of the committee. Regular meetings of any committee may be held without notice at such time and at such place, within or without the State of Georgia, as from time to time shall be determined by such committee or by the committee Chair. A special meeting of any committee appointed by the Board may be called by the Chairman of the Board of Directors, the President, the Board of Directors, the committee Chair, the committee by vote at a meeting, or by two members of the committee in writing without a meeting; in each case, by giving each committee member two days written notice of the date, time and place of the meeting.

The committee Chair, in consultation with the appropriate members of management and staff, will develop each committee's meeting agenda. Each committee is encouraged to develop a schedule of agenda subjects to be discussed for the ensuing year and share them with the Board.

Information and data that are important to a committee's understanding of matters to be discussed at each committee meeting should be distributed in writing to the committee before each meeting, if feasible, so that committee meeting time may be as productive as possible. Committee members are expected to familiarize themselves with such materials to help ensure productive meetings. When the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting. Certain committees, as provided in their charters, shall have access to, and the means to engage, independent advisors.

5. Executive Sessions of Non-Management Directors

Not less than four times per year, in conjunction with regularly scheduled Board meetings, the non-management directors of the Board will meet in Executive Session without the Chief Executive Officer. In these Executive Sessions, the Board may meet with any members of management or outside advisors with whom it wishes to meet. Executive Sessions shall be chaired by the Lead Director or, if a Lead Director shall not have been appointed, then by the Chairman of the Executive Committee of the Board of Directors. In such person's absence, the Chairman of the Nominating, Governance and Corporate Responsibility Committee shall chair such sessions.

If the Board has any non-management directors who are not independent, the independent directors shall meet in Executive Session at least once each year.

6. Lead Director

If the Chairman of the Board of Directors is an executive officer or employee of the Company, then the Board of Directors shall appoint, from among the independent directors, a Lead Director. The Lead Director shall be appointed for a term ending on the earlier of (a) three years from the date of appointment or (b) the last day of the individual's service on the Board of Directors. The Lead Director shall: (a) serve as Chairman of the Executive Committee of the Board of Directors; (b) preside at the Executive Sessions of non-management directors; (c) collaborate with the Chief Executive Officer, the General Counsel and the Corporate Secretary on setting the annual calendar for all regular meetings of the Board and its standing committees; (d) maintain close contact with the chairmen of each standing committee; (e) oversee the Company's policy on communications between shareholders or other interested parties and non-management directors; and (f) communicate the results of the annual evaluation of the Chief Executive Officer to the Chief Executive Officer on behalf of the Board of Directors.

7. Board Access to Senior Management

Board members have complete access to Senior Management.

It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chief Executive Officer.

Furthermore, the Board encourages Senior Management to, from time to time, bring managers into board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in those areas, and/or (b) represent managers with future potential that Senior Management believes should be given exposure to the Board.

8. Board Compensation Review

The Compensation and Management Development Committee shall periodically review and recommend to the Board retainer fees, meeting fees or any other compensation (including stock-based compensation) to be paid to non-employee Board members.

With the assistance of outside consultants, the Compensation and Management Development Committee shall periodically review the Company's Board compensation practices in relation to other companies of comparable size and the Company's peers.

Changes in Board compensation, if any, should come at the suggestion of the Compensation and Management Development Committee, but with full discussion and concurrence by the Board.

9. Size of the Board

The bylaws of the Company provide that the Board of Directors shall consist of at least five (5) members and not more than sixteen (16) members, the exact number of directors to be fixed from time to time solely by the Board.

10. Board Determination of Director Independence

The Board shall consist of a majority of independent directors. The Nominating, Governance and Corporate Responsibility Committee shall develop categorical standards to be used by the Board in making determinations of director independence. Such standards shall be submitted by the Nominating, Governance and Corporate Responsibility Committee to the full Board for approval. The categorical standards developed by the Nominating, Governance and Corporate Responsibility Committee and approved by the Board, as they may be modified from time to time, shall be attached to these Guidelines as Exhibit A and shall be incorporated herein by reference.

The Nominating, Governance and Corporate Responsibility Committee is responsible for annually evaluating the independence of each Board member, using the categorical standards described above, and making a recommendation to the Board with respect to each Board member's independence.

11. Board Membership Criteria

Board members shall be natural persons who have attained the age of 18 years and do not need to be residents of the State of Georgia.

The Nominating, Governance and Corporate Responsibility Committee will review, at least annually, the appropriate skills and characteristics that it believes are desirable for Board members and nominees for Board membership to possess in the context of the then current make-up of the Board. This assessment may include issues of diversity, age, business or professional background, financial literacy and expertise, availability and commitment, independence and other criteria that the Nominating, Governance and Corporate Responsibility Committee and Board believe are relevant. A diversity of skills, backgrounds and experience is desirable.

In addition, no Board member may serve, without the prior approval of the Nominating, Governance and Corporate Responsibility Committee, on the board of directors of more than four other companies that are subject to the periodic reporting requirements of the Securities Exchange Act of 1934. Members of the Board of Directors are expected to advise the Chairman of the Board and the Chairman of the Nominating, Governance and Corporate Responsibility Committee prior to accepting membership on the board of directors or equivalent governing body of any other "for profit" enterprise, whether public or private; provided, however, that if the director is the Chairman

of the Board of the Company, he or she shall advise the Chairmen of the Executive and Nominating, Governance and Corporate Responsibility Committees prior to accepting such membership and if the director is the Chairman of the Nominating, Governance and Corporate Responsibility Committee of the Company, he or she shall advise the Chairman of the Board and the Chairman of the Executive Committee prior to accepting such membership.

As indicated in numbered paragraph 10 above, the Board must consist of a majority of independent directors.

12. Board Committee Membership Criteria

Each member of the Audit, Compensation and Management Development and Nominating, Governance and Corporate Responsibility Committees shall be independent as required by applicable rules and regulations and more particularly described in each such committee's charter and in the categorical standards attached as Exhibit A hereto. At least a majority of the Finance and Risk Management Committee shall be independent as described in such committee's charter and in the categorical standards attached as Exhibit A hereto.

Additionally, each member of the Audit Committee shall be financially literate and at least one member of the Audit Committee shall be a financial expert within the meaning of applicable rules and regulations. If an Audit Committee member simultaneously serves on the audit committees of more than three companies subject to the periodic reporting requirements of the Securities Exchange Act of 1934, then the Board must make a determination that such simultaneous service would not impair the ability of such member to effectively serve on the Company's Audit Committee.

13. Selection of New Director Candidates

The Board delegates to the Nominating, Governance and Corporate Responsibility Committee responsibility for identifying appropriate candidates to serve on the Board of Directors. The Nominating, Governance and Corporate Responsibility Committee may consider candidates for director that come to the attention of the Nominating, Governance and Corporate Responsibility Committee through current directors, management, professional search firms, shareholders or other persons.

A shareholder may recommend a person for nomination for election to the Board of Directors of the Company by writing to the Company's corporate secretary at: Corporate Secretary, AGL Resources Inc., P.O. Box 4569, Location 1466, Atlanta, GA 30302-4569. Each submission must include:

- A brief biographical description of the candidate, including background and experience;
- The candidate's name, age, business address, and residence address;
- The candidate's principal occupation;
- The following information about the shareholder making the recommendation:

- the name and record address of such shareholder;
- the number of shares of the Company's common stock owned beneficially or of record by such shareholder;
- a description of all arrangements or undertakings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nominations are to be made by such shareholder; and
- The written consent of the candidate to being named as a nominee and to serve as a director if elected.

A shareholder's recommendation for a candidate for nomination to be elected at the next annual meeting of shareholders must be received by the Company's corporate secretary no later than 45 days prior to the end of the Company's fiscal year preceding such annual meeting of shareholders. The Nominating, Governance and Corporate Responsibility Committee will evaluate these recommendations in the same manner as it evaluates all other nominees, using the criteria described in numbered paragraph 11 above.

14. Former Chief Executive Officer's Board Membership

The Board believes this is a matter to be decided in each individual instance. It is assumed that when the Chief Executive Officer resigns from that position, he or she will offer his or her resignation from the Board at the same time. Whether the individual continues to serve on the Board, for the duration of the term for which he or she was elected as a director, is a matter for discussion at that time with the new Chief Executive Officer and the Board.

15. Management Participation

The Chief Executive Officer should encourage senior managers to understand that Board membership is not necessary to attain a higher management position in the Company, and that managers other than the Chief Executive Officer attend Board meetings on a regular basis even though they are not members of the Board.

16. Assessing the Board's Performance

The Nominating, Governance and Corporate Responsibility Committee is responsible for overseeing an annual assessment of the Board's and each of its committee's performance. The assessment results will be discussed with each committee and with the full Board, as applicable.

17. Board Interaction with Institutional Investors, the Press, Customers, etc.

Directors generally owe a broad legal duty of confidentiality to the Company with respect to information they learn about the Company in the course of their duties. Maintaining confidentiality is essential for the protection of the individual directors, since directors can be responsible for any misleading statements that are attributable to them. Even when a director believes that the subject

matter of his or her statements is within the public domain, individual directors should avoid commenting on matters concerning the Company.

Management should speak for AGL Resources Inc., and individual directors should not, without prior consultation with management, have substantive discussions regarding Company policy or Company business issues with constituencies that are involved with AGL Resources Inc. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.

18. Directors Who Change Their Job Responsibility

A director who retires from, or experiences a change in, the position that he or she held at the beginning of the current term for which he or she was elected as a director, shall promptly submit an offer of resignation to the Chairman of the Board upon the occurrence of such change. In each case, the Nominating, Governance and Corporate Responsibility Committee will review and make a recommendation to the full Board with respect to whether such offer of resignation should be accepted and whether such director should be eligible for re-election.

19. Terms

All directors elected at the annual meeting of shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders and until his or her successor shall be elected and shall qualify, or until his or her earlier death, resignation, retirement, removal or disqualification from office.

20. Formal Evaluation of the Chief Executive Officer

The Compensation and Management Development Committee shall oversee an annual evaluation of the Chief Executive Officer. The evaluation should be communicated to the Chief Executive Officer by the Lead Director or, if there is no Lead Director, then by the Chairman of the Executive Committee. In the event such person is not available, then the evaluation should be communicated by the chairman of the Compensation and Management Development Committee.

The evaluation should be based on objective criteria including attainment of established goals and objectives, performance of the business, accomplishment of long-term strategic objectives, development of management, etc. The Compensation and Management Development Committee also may consider such other criteria, and solicit input from such other parties, as it deems relevant.

The evaluation will be used by the Compensation and Management Development Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

21. Succession Planning

The Compensation and Management Development Committee and/or the Board of Directors shall review with the Chief Executive Officer, management succession and executive development plans.

In addition, there should be available to the committee, on a continuing basis, the Chief Executive Officer's recommendation as to a successor(s) should he or she become disabled.

There should be an annual review of succession planning by the Chief Executive Officer with the Board of Directors.

22. Director Education

Management will develop and implement an orientation program for new Board members. The orientation process will include providing new Board members with comprehensive information about the Company's business and financial performance, as well as the policies, procedures and responsibilities of the Board and its committees. New Board members also will meet with Senior Management and will have the opportunity to visit Company facilities. In addition, the Company will facilitate the participation of all Board members in relevant continuing education programs.

23. Director Compensation and Share Ownership Requirement

Annual Retainer

Each non-employee director receives an annual retainer for service as a director on the first day of each annual service term. The amount and form of the annual retainer is fixed from time to time by resolution of the Board. Currently, a limited portion of the annual retainer (the "Cash Portion") is payable (1) in cash or, at the election of each director, in shares of AGL Resources common stock or deferred under the 1998 Common Stock Equivalent Plan for Non-Employee Directors, which we refer to as the "CSE Plan." The remainder of the annual retainer (the "Equity Portion") is payable, at the election of each director, in shares of AGL Resources common stock or deferred under the CSE Plan.

Lead Director, Chairman of the Board and Committee Chair Retainer

The Lead Director or, if there is no Lead Director, the non-employee Chairman of the Board, and each committee chair will receive a retainer on the first day of each annual service term. The amount and form of these retainers is fixed from time to time by resolution of the Board. These retainers will be payable, at the election of each director, in cash or shares of AGL Resources common stock, or deferred under the CSE Plan.

Share Ownership Requirement

Each non-employee director is expected to hold company stock or common stock equivalents with a value equal to at least five times the Equity Portion of the annual retainer.

Each non-employee director has five years from the date of his or her election to the Board to meet the share ownership requirement.

24. Other Governance Policies and Issues

From time to time, the Board and its committees have adopted various policies, codes and guidelines as required by law, rules of the New York Stock Exchange or as deemed in the best

interests of the Company. The policies, codes and guidelines adopted by the Board or its committees include, but are not limited to, the following:

- Code of Business Conduct and Ethics (the “Code of Conduct”)
- Procedures for Communicating with Board of Directors of AGL Resources Inc.
- Code of Ethics for the Chief Executive Officer and the Senior Financial Officer, together with Certificate of Compliance with Code of Ethics for the Chief Executive Officer and the Senior Financial Officers
- Policy for Complaints Regarding Audit and Accounting Practices
- Pre-approval Policy for Audit and Non-audit Services
- Environmental Policy
- Hiring Guidelines for Former Employees of the Independent Registered Public Accounting Firm of AGL Resources Inc.
- Statement of Policy Regarding Securities Trades by Company Personnel
- Stock Option Grant Policy
- Statement of Policy with respect to Related Persons Transactions

EXHIBIT A

Approved December 9, 2011

AGL RESOURCES INC.

STANDARDS FOR DETERMINING DIRECTOR INDEPENDENCE

I. General

The Board of Directors of AGL Resources Inc. (“AGL Resources” or the “Company”) must consist of at least a majority of independent directors. No director shall qualify as independent unless the Board of Directors affirmatively determines that the director has no material relationship with AGL Resources (directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). In making its independence determination for each director, the Board of Directors shall consider all relevant facts and circumstances. In particular, when assessing the materiality of a director’s relationship with the Company, the Board will consider the issue not merely from the standpoint of the director, but also from the standpoint of persons or organizations with which the director has an affiliation. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

II. Relationships that are Conclusively Deemed to be Material

The following categories of relationships shall conclusively be deemed to be material and shall preclude the Board of Directors from making a determination that a director who has such a relationship is independent until expiration of the “cooling off” periods described below:

- A. A director who is, or has been within the last three years, an employee¹, or whose Immediate Family Member² is, or has been within the last three years, an Executive Officer,³ of the Company is not independent.
- B. With regard to a firm that is the Company’s internal or external auditor:
 - 1. A director who is, or whose Immediate Family Member is, a current partner of such firm is not independent.
 - 2. A director who is a current employee of such firm is not independent.
 - 3. A director whose Immediate Family Member is a current employee of such firm and personally works on the Company’s audit is not independent.

¹ Employment as interim chairman or chief executive officer or other executive officer does not disqualify a director from being considered independent following that employment.

² “Immediate Family Member” includes a person’s spouse, parents, step-parents, children, step-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 person’s home.

³ “Executive Officer” has the same meaning as “officer” as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and includes an issuer’s president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the issuer in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the issuer. Officers of the issuer’s parent(s) or subsidiaries shall be deemed officers of the issuer if they perform such policy-making functions for the issuer.

4. A director who was, or whose Immediate Family Member was, within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time is not independent.
- C. A director who is, or has been within the last three years, or whose Immediate Family Member is, or has been in the last three years, employed as an Executive Officer of another company where any of the Company's present Executive Officers at the same time serves or served on that company's compensation committee is not independent.
- D. A director who is a current employee, or whose Immediate Family Member is a current Executive Officer, of another company 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, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues is not independent.
- E. A director who has received, or whose Immediate Family Member has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than 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), is not independent.⁴

III. Relationships that Create a Presumption of Materiality

Relationships arising from a Related Person Transaction (as defined in the Company's "Statement of Policy with respect to Related Person Transactions" (the "Policy")), in which a director has a direct or indirect interest, shall create a presumption of materiality if the transaction involves an amount that is greater than or equal to two percent of either the Company's or the Related Party's consolidated gross revenues for the prior fiscal year.⁵

The Board of Directors may negate this presumption with respect to a director if the Board determines (and no independent director dissents) that, based upon the relevant facts and circumstances, such relationship is not material.

IV. Additional Independence Standards for Certain Committees

A. Audit Committee Member Independence

⁴ Compensation received by a director for former service as an interim chairman or chief executive officer or other executive officer and compensation received by an Immediate Family Member for service as an employee other than as an executive officer need not be considered in determining independence under this test.

⁵ "Related Party" means the individual or entity with whom the Company or its subsidiary is transacting provided, however, that when the director's interest in the transaction arises because the director is an officer, general partner, or managing member of the entity (or of such entity's Affiliate, as defined herein) with which the Company or its subsidiary is transacting, then the Related Party shall be deemed to be the highest level entity (in the corporate family) of which said director is an Executive Officer (or would be deemed an Executive Officer if the company were publicly traded), general partner, or managing member. In the case where the Related Party is an individual, the threshold will be ten percent of the Related Party's total income prior to adjustments for the prior fiscal year as reported to the Internal Revenue Service.

In addition to being determined by the Board of Directors to be independent under the standards described in Sections II and III above, directors who serve on the Audit Committee of the Board of Directors of the Company must satisfy the following additional standards:

1. A member of the Audit Committee, other than in his or her capacity as a member of the board or committee of the board, cannot accept directly or indirectly any consulting, advisory or other compensatory fees from the Company or any of its subsidiaries, other than fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service).
2. A member of the Audit Committee cannot be an affiliated person⁶ of the Company or any of its subsidiaries.

B. Compensation and Management Development Committee Member Independence

In addition to being determined by the Board of Directors to be independent under the standards described in Sections II and III above, directors who serve on the Compensation and Management Development Committee of the Board of Directors of the Company must satisfy the following additional standards:

1. No member of the Compensation and Management Development Committee may be a former employee of the Company receiving compensation for prior services (other than under a tax-qualified retirement plan).
2. No member of the Compensation and Management Development Committee may be a former officer⁷ of the Company.
3. No member of the Compensation and Management Development Committee may have an interest in any transaction requiring disclosure under Item 404(a) of Regulation S-K (attached hereto as Annex "A").

C. Nominating, Governance and Corporate Responsibility Committee Member Independence

⁶ As defined under the Exchange Act, an "affiliate" of, or a person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

⁷ An "officer" means an administrative executive who is or was in regular and continued service. Someone who only has or had the title of "officer" but lacked the authority of an officer is not an officer. Whether or not the individual is or was an officer depends on the facts and circumstances (including the source of the individual's authority, the term for which the individual is elected or appointed, and the nature and extent of the individual's duties). Treas. Reg. § 1.162-27(e)(3)(vii) (as amended in 1996); Priv. Ltr. Rul. 9732011.

Directors who serve on the Nominating, Governance and Corporate Responsibility Committee of the Board of Directors of the Company must satisfy only the standards described in Sections II and III above.

D. Finance and Risk Management Committee

At least a majority of the Directors who serve on the Finance and Risk Management Committee of the Board of Directors of the Company must satisfy the standards described in Sections II and III above.

Item 404 -- Transactions with Related Persons, Promoters and Certain Control Persons

(a) Transactions with related persons. Describe any transaction, since the beginning of the registrant's last fiscal year, or any currently proposed transaction, in which the registrant was or is to be a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest. Disclose the following information regarding the transaction:

- (1) The name of the related person and the basis on which the person is a related person.
- (2) The related person's interest in the transaction with the registrant, including the related person's position(s) or relationship(s) with, or ownership in, a firm, corporation, or other entity that is a party to, or has an interest in, the transaction.
- (3) The approximate dollar value of the amount involved in the transaction.
- (4) The approximate dollar value of the amount of the related person's interest in the transaction, which shall be computed without regard to the amount of profit or loss.
- (5) In the case of indebtedness, disclosure of the amount involved in the transaction shall include the largest aggregate amount of principal outstanding during the period for which disclosure is provided, the amount thereof outstanding as of the latest practicable date, the amount of principal paid during the periods for which disclosure is provided, the amount of interest paid during the period for which disclosure is provided, and the rate or amount of interest payable on the indebtedness.
- (6) Any other information regarding the transaction or the related person in the context of the transaction that is material to investors in light of the circumstances of the particular transaction.

Instructions to Item 404(a):

1. For the purposes of paragraph (a) of this Item, the term *related person* means:
 - a. Any person who was in any of the following categories at any time during the specified period for which disclosure under paragraph (a) of this Item is required:
 - i. Any director or executive officer of the registrant;
 - ii. Any nominee for director, when the information called for by paragraph (a) of this Item is being presented in a proxy or information statement relating to the election of that nominee for director; or

- iii. Any immediate family member of a director or executive officer of the registrant, or of any nominee for director when the information called for by paragraph (a) of this Item is being presented in a proxy or information statement relating to the election of that nominee for director, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such director, executive officer or nominee for director, and any person (other than a tenant or employee) sharing the household of such director, executive officer or nominee for director; and
 - b. Any person who was in any of the following categories when a transaction in which such person had a direct or indirect material interest occurred or existed:
 - i. A security holder covered by Item 403(a) (§229.403(a)); or
 - ii. Any immediate family member of any such security holder, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such security holder, and any person (other than a tenant or employee) sharing the household of such security holder.
- 2. For purposes of paragraph (a) of this Item, a *transaction* includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.
- 3. The amount involved in the transaction shall be computed by determining the dollar value of the amount involved in the transaction in question, which shall include:
 - a. In the case of any lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments due on or after the beginning of the registrant's last fiscal year, including any required or optional payments due during or at the conclusion of the lease or other transaction providing for periodic payments or installments; and
 - b. In the case of indebtedness, the largest aggregate amount of all indebtedness outstanding at any time since the beginning of the registrant's last fiscal year and all amounts of interest payable on it during the last fiscal year.
- 4. In the case of a transaction involving indebtedness:
 - a. The following items of indebtedness may be excluded from the calculation of the amount of indebtedness and need not be disclosed: Amounts due from the related person for purchases of goods and services subject to usual trade terms, for ordinary business travel and expense payments and for other transactions in the ordinary course of business;

- b. Disclosure need not be provided of any indebtedness transaction for the related persons specified in Instruction 1.b. to paragraph (a) of this Item; and
- c. If the lender is a bank, savings and loan association, or broker-dealer extending credit under Federal Reserve Regulation T (12 CFR part 220) and the loans are not disclosed as nonaccrual, past due, restructured or potential problems (see Item III.C.1 and 2. of Industry Guide 3, Statistical Disclosure by Bank Holding Companies (17 CFR 229.802(c))), disclosure under paragraph (a) of this Item may consist of a statement, if such is the case, that the loans to such persons:
 - i. Were made in the ordinary course of business;
 - ii. Were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender; and
 - iii. Did not involve more than the normal risk of collectibility or present other unfavorable features.

5.

- a. Disclosure of an employment relationship or transaction involving an executive officer and any related compensation solely resulting from that employment relationship or transaction need not be provided pursuant to paragraph (a) of this Item if:
 - i. The compensation arising from the relationship or transaction is reported pursuant to Item 402 (§229.402); or
 - ii. The executive officer is not an immediate family member (as specified in Instruction 1 to paragraph (a) of this Item) and such compensation would have been reported under Item 402 (§229.402) as compensation earned for services to the registrant if the executive officer was a named executive officer as that term is defined in Item 402(a)(3) (§229.402(a)(3)), and such compensation had been approved, or recommended to the board of directors of the registrant for approval, by the compensation committee of the board of directors (or group or independent directors performing a similar function) of the registrant.
- b. Disclosure of compensation to a director need not be provided pursuant to paragraph (a) of this Item if the compensation is reported pursuant to Item 402(k) (§229.402(k)).

6. A person who has a position or relationship with a firm, corporation, or other entity that engages in a transaction with the registrant shall not be deemed to have an indirect material interest within the meaning of paragraph (a) of this Item where:
 - a. The interest arises only:
 - i. From such person's position as a director of another corporation or organization that is a party to the transaction; or
 - ii. From the direct or indirect ownership by such person and all other persons specified in Instruction 1 to paragraph (a) of this Item, in the aggregate, of less than a ten percent equity interest in another person (other than a partnership) which is a party to the transaction; or
 - iii. From both such position and ownership; or
 - b. The interest arises only from such person's position as a limited partner in a partnership in which the person and all other persons specified in Instruction 1 to paragraph (a) of this Item, have an interest of less than ten percent, and the person is not a general partner of and does not hold another position in the partnership.
7. Disclosure need not be provided pursuant to paragraph (a) of this Item if:
 - a. The transaction is one where the rates or charges involved in the transaction are determined by competitive bids, or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;
 - b. The transaction involves services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture, or similar services; or
 - c. The interest of the related person arises solely from the ownership of a class of equity securities of the registrant and all holders of that class of equity securities of the registrant received the same benefit on a pro rata basis.