

A Statement of Ethics

Values, Principles and Standards

PNM Resources* is committed to ethical behavior and legal compliance. Employees, officers, members of our PNM Resources Board of Directors and all other Company agents and representatives are expected to observe both the letter and spirit of the law and applicable Company policies in every transaction.

Each of us must demonstrate a personal commitment to ethical behavior and follow the Company's Core Values of Safety, Integrity, Stewardship, Accountability, Innovation and Teamwork. We must ensure that all our dealings are above reproach—with customers, co-workers, shareholders, our colleagues and in the communities we serve. At all times, we must treat others with respect, communicating openly and honestly while respecting the need for confidentiality whenever appropriate.

This **Do the Right Thing** code of conduct (or "guidebook") is designed to help us better understand what this commitment means regarding our own responsibilities. It explains the Principles and expected behaviors that will help our Company meet its commitment to our high ethical standards.

Do the Right Thing applies to employees, officers, PNM Resources Board of Directors and Company affiliates. Every person working within our Company is expected to act in conformity with the **Principles** expressed in this guidebook.

The Company prohibits any act that violates the law, applicable regulations, Company policies, procedures or these **Principles**. Violations are serious matters because they can put the Company and you at risk.

Therefore, violations can subject employees to disciplinary action and possible termination of employment. Certain violations may be referred to legal authorities for investigation and civil or criminal prosecution.

Every supervisor and manager is responsible for helping employees understand and comply with these **Principles**. In addition, those who work with us, such as contractors, suppliers, consultants, agents and other representatives, are also expected to adhere to standards no less stringent than those of PNM Resources.

You play an important role in making sure the Company operates in a highly ethical manner. **Do the Right Thing** cannot address every conceivable circumstance you may encounter in your work life that might present an ethical challenge. Our Core Values, along with these guiding **Principles**, give you a framework for ethical decision-making.

It's your responsibility to familiarize yourself with all applicable laws, regulations, Company policies and procedures that may affect your work. It is also your responsibility to ask for guidance when you are unsure. As noted throughout this guidebook, there are many resources available to answer your questions and listen to your concerns.

This code of conduct is posted in its entirety on PNMResources.com and on our Intranet.

PNM Resources Values

The **Principles of Business Conduct** outlined in **Do the Right Thing** are grounded in our Core Values:

Safety – We are committed to protecting the health and safety of others and ourselves

Integrity – We take pride in doing the right thing and keeping our word

Stewardship – We protect our assets and our natural resources

Accountability – We take personal responsibility for ourselves and our Company

Innovation – We look for better ways to conduct our business

Teamwork – We help each other succeed

These Principles are not an express or implied contract and are not intended to be interpreted as a contract. To the contrary, they present guidelines and constitute a statement of principles to which all of us are held accountable.

*PNM Resources and Company are used interchangeably in this guidebook.



Ethics & Compliance (E&C) Program

Program Overview

The Company's commitment to business ethics and legal compliance is not new; we've had a corporate compliance program since 1994 which includes:

- a toll-free Integrity Line callers can use to remain anonymous (see Page 4)
- an officer-level Ethics Committee
- a corporate-wide network of Ethics & Compliance Representatives (ECRs) to assist employees
- a full-time director of the E&C program
- this guidebook, **Do the Right Thing: Principles of Business Conduct**
- regular educational and training initiatives

For more information on the E&C Program and a list of additional resources for assistance, see the back inside cover of this guidebook or visit the E&C Intranet site.

Assistance

You should seek assistance before acting if you are ever uncertain of how to handle a specific legal or ethical situation. Initially, you should refer to this guidebook and talk to your supervisor.

However, if you feel your supervisor's response is inadequate, the situation is sensitive or you prefer to talk to someone else, you should contact the next higher level of management or other internal resources, including those listed at the end of this guidebook.

Reporting Violations

If you suspect or know that an employee (or other business partner or Company representative) has violated the law or these Principles, you are obligated to report it to your supervisor, to the Integrity Line (see Page 4) or to one of the resources listed in this guidebook. Once a violation is reported, the matter will be investigated for any necessary corrective or remedial action.

You can report violations without giving your name, but it is important that your report be made in good faith and that enough information be provided so that a reasonable inquiry can be conducted. Employees must cooperate in any investigation of violations and must provide truthful information.

To the extent permissible, the Company will keep confidential the identity of the employees about whom allegations are brought and the identity of anyone reporting possible violations. Some laws, however, require the Company to disclose criminal acts or violations of the law to regulatory agencies or other authorities.

PNM Resources Board of Directors has adopted procedures for the submission of complaints or concerns regarding financial matters, including accounting and auditing issues or other matters which might involve violations of law. These procedures can be found on PNMResources.com.

Q. Am I required to report suspected violations of the law or Principles of Business Conduct?

A. Yes. If you suspect or know that an employee (or other business partner or Company representative) has violated the law or these Principles, you are obligated to report it to your supervisor, to the Integrity Line (1-888-840-4158) or to one of the other resources listed in this guidebook.

Should you have the need to make an anonymous report through the Integrity Line, **please follow up** as requested. Doing so will allow for dialogue while preserving your anonymity.

For a diagram of the E&C Inquiry and Reporting process, refer to Appendix A, Page 23.



E&C Program

Reporting Violations (continued)

The following are examples of ethics and compliance issues or improper practices that employees would need to report:

- accounting or audit irregularities
- insider trading
- antitrust or securities law violations
- fraud
- conflicts of interest
- falsification or unapproved destruction of Company data and records
- misuse of Company resources (proprietary information, time, goods, services, cash)
- kickbacks, bribes, unauthorized discounts or inappropriate gifts
- harassing or discriminatory behavior
- retaliation
- substance abuse
- wage/hour issues
- product quality concerns
- workplace safety (violence, threats, environmental hazards)
- compliance concerns involving Federal Energy Regulatory Commission (FERC) Code of Conduct and Standards of Conduct, the Texas Code of Conduct, or other affiliate or merchant rules and regulations
- other compliance issues relating to federal, state or local laws and regulations
- accessing inappropriate Internet sites

Retaliation Prohibited

PNM Resources does not tolerate retaliation against anyone who, in good faith, reports an actual or suspected violation of law or these **Principles**. Employees who do retaliate will be subject to disciplinary action, including the possibility of discharge from employment. Similarly, employees who provide false information in bad faith, with an intent to harm the Company or another person, will be subject to disciplinary action, including the possibility of discharge from employment. If you believe you are experiencing retaliation after having made a good faith report, immediately contact E&C Program personnel or call the Integrity Line (see next page).

Retaliation defined: Any action taken to “get even” with or punish an individual for engaging in a protected activity. Examples of protected activities would include reporting an incident of harassment or discrimination, reporting fraudulent business practices or participating in a workplace investigation of a claim. Retaliation includes verbal and non-verbal behaviors, threats, intimidation and manipulation of employment status, job duties or benefits.

Q. If I call the Integrity Line, will the information be kept confidential?

A. Yes. To the extent permissible under law, the Company will keep confidential all information provided, the identity of any employees about whom allegations are brought and the identity of anyone reporting possible violations.

Q. What do I do if I feel I am experiencing retaliation after making a report?

A. Retaliation is strictly prohibited and will not be tolerated. If you believe you are experiencing retaliation after making a good faith report, call the Integrity Line (1-888-840-4158) or E&C Program personnel. Contact information is available on the E&C Intranet site.



Q. If I make an anonymous report through the Integrity Line, how will I know that something is being done?

A. When you place your call, the Integrity Line interview specialist will give you a code number and a date to call back. While you are not required to make a follow-up call, doing so provides a unique opportunity. While maintaining your anonymity, any additional information that might be needed to complete an inquiry or investigation can be gathered in this follow-up call.

Also, the Integrity Line intermediary will advise you on the progress of the investigation.

Q. I overheard a supervisor who works outside my department making inappropriate comments about a co-worker's religious beliefs during a meeting. I know that was wrong, but what should I do?

A. You should raise your concerns to your supervisor. If that is not an option, speak with a representative from the Law Department or People Services. You could also consult with an Ethics & Compliance Representative (ECR), Ethics & Compliance Program staff or call the Integrity Line at 1-888-840-4158.

E&C Program

PNM Resources Integrity Line 1-888-840-4158

The Integrity Line is an anonymous reporting line available to employees 24 hours a day, seven days a week. It is operated by an independent company that provides similar services to hundreds of companies nationwide, including our Company. If you feel uncomfortable using the other internal processes to raise your concerns, you may call the Integrity Line.

The Integrity Line is not intended as a substitute for regular Company conflict resolution processes or speaking directly with your supervisor or other members of management. It is simply another tool for you to use if you want confidential help regarding an ethical concern or to anonymously report a suspected violation.

Here's What Happens When You Call:

1. You are connected to a qualified interview specialist at an independent company who documents your concern.

Your phone number is not displayed (no "caller ID"), and your call is not tape recorded.

You may give your name or remain anonymous, in which case you will receive a special code.

You may be asked to call back again in order to provide additional information, if needed, to fully investigate your concern.

2. Your information is confidentially relayed to the Company's E&C director.

Your concern will be addressed by the E&C director or referred to designated Company personnel or the PNM Resources Board of Directors (Audit and Ethics Committee) for investigation.

3. Using your special code or your name, please follow up as requested. Doing so will allow for dialogue while preserving your anonymity. You may also follow up to confirm that the issue is being addressed.

Bear in mind that because personnel matters or actions may be involved in addressing the issue, you will likely not be advised on the specifics of investigatory outcomes or disciplinary actions taken.

When you call the Integrity Line, please make follow-up calls as requested.

Commitment to Employees

Our Culture

We strive to attract and keep the best people and to create an environment where everyone has the opportunity for growth and development. We are proud to employ a diverse workforce and recognize the tremendous value that diverse backgrounds and perspectives bring to our organization.

Achieving our Company goals depends not only on utilizing our unique skills and abilities, but also on **how** we get the job done. We have established workplace and employment principles to help ensure that employees are treated fairly and with dignity and respect. By following our **Principles of Business Conduct** and using our Core Values to guide the way, we will have a great place to work.

For additional information, refer to PNM Resources Personal Conduct Policy #104.

Equal Employment Opportunity

As a federal government contractor, we comply with Affirmative Action and Equal Employment Opportunity (AA/EEO) requirements. We recruit, hire, train and promote into all job levels employees and applicants without regard to sex, race, color, religion, age, pregnancy, gender identity, sexual orientation, national origin, physical or mental disability, veteran status or any other protected status as specified under state or federal law. All such decisions are based on:

- individual merit, qualifications and competence as they relate to the particular position, and
- promotion of equal employment opportunity principles

All other personnel programs such as compensation, benefits, transfers, layoff, return from layoff, training, education, tuition assistance and social and recreational programs are administered without regard to sex, race, color, religion, age, pregnancy, gender identity, sexual orientation, national origin, physical or mental disability, veteran status, or any other protected status as specified under state or federal law.

For additional information, refer to PNM Resources Policy #102.

Employee Safety and Health

The Company is committed to the continuous improvement of its safety program and the continual pursuit of zero personal injuries. Our ultimate objective is a safety culture and world-class safety performance that ensures the health and well being of all PNM Resources employees, contractors, and the communities we serve.

For more information on compliance with health and safety requirements, contact your supervisor, People Services Business Partner or your safety consultant. For more information, see Page 19 on our commitment to environmental health and safety, and consult our PNM Resources Safety Policy #402.

Q. I know we are supposed to report injuries, job-related illnesses, and accidents, but our work group's performance award depends on our incident rate going down. What does the Company really want?

A. You should always report job-related injuries, illnesses and accidents. Business or personal goals are not designed to compromise employee safety, which is one of the Company's Core Values. The safety goal is to eliminate injuries and accidents, and employee reporting can help determine the steps necessary to prevent future problems or accidents.

All employees are expected to:

- comply with safe work practices, processes and rules
- identify and coordinate training needs
- avail yourself of health and safety training opportunities and meet all training requirements
- comply with all applicable federal and state safety laws and regulations
- report unsafe conditions
- take measures to protect yourself and others from unsafe conditions





Q. Can sexual harassment occur between members of the same sex?

A. Yes. For example, verbal or physical conduct of a sexual nature need not be directed at a member of the opposite sex in order for it to be offensive and prohibited.

Q. I told a sexually suggestive joke in a meeting and everyone laughed, both men and women. Isn't that okay?

A. Any joke of a sexual or racial nature is improper. Sometimes people laugh to cover up embarrassment or discomfort. You can't assume a joke is acceptable just because nobody objects at the time.

Q. One of my team members is always insulting another team member. This person makes everyone else in our work group feel uncomfortable. What can I do?

A. Every member of your team deserves respect. Your co-worker is not acting in a manner consistent with our Core Values of teamwork and integrity. The co-worker should be made aware that his or her actions are affecting others. If you feel comfortable and safe doing so, you can talk to this person yourself. If not, you should alert your supervisor about the situation immediately.

Commitment to Employees

Harassment-Free Workplace

We do not tolerate any form of harassment, whether based on sex, race, color, religion, age, pregnancy, gender identity, sexual orientation, national origin, physical or mental disability, veteran status or any other protected status as specified under local, state or federal law. Harassment also includes “hazing” or other inappropriate activities directed toward co-workers or retaliation against an employee who has made a charge of discrimination or testified, assisted or participated in an investigation or an inquiry into alleged misconduct.

In addition, we do not tolerate any form of aggressive act that deprives an employee of the right to work in an environment free from discriminatory intimidation, ridicule, insult or violence.

For more information, refer to PNM Resources Policy #103. To get help with issues involving harassment in the workplace, contact your supervisor, E&C Program personnel, People Services Business Partner or your Law Department representative. A listing of contacts is on the back inside cover of this guidebook and on the Intranet.

Sexual Harassment. Harassment on the basis of sex is against the law.

Examples of this inappropriate behavior include:

- unwelcome sexual advances
- requests for sexual favors
- other verbal or physical conduct of a sexual nature

We are committed to providing a work environment free of sexual harassment and expect all employees to do their part to make sure we reach that goal. You must report complaints of sexual harassment to your supervisor, People Services or your Law Department representative.

Managers and supervisors are responsible for:

- implementing all aspects of Company policy prohibiting sexual harassment
- taking all steps necessary to prevent sexual harassment from occurring
- promptly reporting and correcting any such behavior
- contacting People Services or their Law Department representative for help with correcting sexual harassment, determining appropriate procedures to be followed and issuing discipline

Commitment to Employees

Workplace Free of Drugs and Alcohol

We are committed to a drug- and alcohol-free workplace. The trust and confidence of our customers and shareholders, as well as the safety of our employees and the energy systems we operate, depend on a workplace free from the effects of substance abuse. Illegal use of controlled substances or the abuse of alcohol negatively affects productivity, attendance and on-the-job safety.

We are forbidden from selling, distributing, possessing, transferring, using or being under the influence of alcohol or illegal drugs during the work day, on Company time, in private vehicles when conducting Company business or at any time while on Company property or in Company vehicles. Illegal drug use is forbidden at any time, whether on or off the job.

For more information about the Company drug and alcohol policy and random drug testing, refer to PNM Resources Policy #404, or contact your supervisor or People Services.

Violence-Free Workplace

We stress the importance of safety and security in our workplace and strive to provide safe and secure working conditions for all employees. We do not tolerate violence in any form by any person. Violence includes, but is not limited to, any form of the following:

- written, verbal or nonverbal threats or gestures that cause another person to fear for his or her safety or the safety of others
- physical confrontation or aggression toward any person(s)
- threatening, injuring or attempting to injure someone

For more information on policies and procedures regarding workplace violence, contact your supervisor, People Services, an ECR or refer to PNM Resources Policy #403.

Q. During the holidays, an inexpensive bottle of wine was delivered to me at the office as a small thank you from a business associate. Is it against Company policy to receive a gift like this, especially on Company premises?

A. No, the gift is probably OK. Since it does not appear to be a pricey item, it would not seem to violate our gift policy, which requires that excessive gifts from vendors be refused. It would, however, be important that the **unopened** gift be taken home promptly and only be consumed after-hours—not on Company property or while on Company time. Recognizing that holiday gifts of this kind are fairly common, our drug and alcohol policy allows this sort of brief alcohol “possession.”

Q. What should I do if I see a potentially violent situation developing between two of my co-workers?

A. If you witness a life-threatening event, immediately call 911.

Also take immediate action if you see or hear any situation that carries the potential for violence.

- In those facilities with Security staff, notify Security first then your supervisor and your group’s People Services Business Partner.
- In those facilities without Security staff, contact your supervisor and your group’s People Services Business Partner. The supervisor or Business Partner should notify corporate Security after the appropriate action has been taken.



Relationships with Customers, Suppliers and Competitors

Conflicts of Interest

Q. I have a personal business and have catalogs that advertise my products. Is it OK for me to give out catalogs to my co-workers?

A. While it is OK to let your co-workers know that you have these personal businesses, you should not use Company time and resources to conduct your business.

Q. A vendor offered me two tickets to a concert in Phoenix. The value of each ticket was \$100 but he told me he paid \$200 each for them. I didn't accept but am unclear what "appropriate and not excessive value" means in our Conflict of Interest Policy.

A. You made the right decision not to accept the tickets as it would likely have been unacceptable even at the face value of \$100 each. If you're unsure about accepting a gift, talk to your supervisor or an ECR.

A conflict of interest can occur when our positions or responsibilities at the Company present an opportunity for personal gain. Conflicts can also arise when our personal or financial interests are inconsistent with Company interests.

All employees have the responsibility to avoid any situation or relationship that can cause a conflict of interest or create the appearance of a conflict of interest. The Company does not regulate or interfere with employees' personal activities unless they adversely affect Company interests, the workplace or work performance.

Reporting a Conflict of Interest

All employees and job applicants must disclose any actual or potential conflicts of interest. We are expected to discuss our particular situations with our supervisor to ensure appropriate steps are in place to avoid a conflict of interest, including impact on our job performance.

We have a tool to monitor compliance with Do the Right Thing and to promptly resolve actual or potential conflicts.

For more information regarding this tool and conflicts of interest, refer to PNM Resources Policies #105 and #135.

Upon hire, employees are required to complete an Ethics and Compliance Certification designed to surface potential conflicts so they can be addressed in a reasonable and timely manner. Additionally, employees are required to submit an updated Ethics and Compliance Certification:

- whenever their circumstances change in a way that could present a conflict of interest.
- periodically as notified by the Company



Relationships with Customers, Suppliers and Competitors

Gifts, Gratuities and Other Favors

Company policy prohibits seeking or receiving personal gain from vendors, suppliers or contractors, either directly or indirectly, whether actual or perceived. Accepting or extending gifts, gratuities or invitations can create or appear to create a sense of obligation or appearance of favoritism of one employee, vendor or customer over another.

On the other hand, building relationships with customers, suppliers and other constituencies is an integral part of doing business. Therefore, reasonable hospitality is appropriate and permitted. Common sense and good judgment must be used when deciding whether to accept or give gifts, gratuities, invitations or other favors.

In general, gifts, gratuities and invitations of appropriate and not excessive value may be accepted. For example, you may give and receive common courtesies, such as sales promotion items, occasional meals or entertainment that are:

- appropriate to the business relationship
- of reasonable value
- extended in the ordinary course of business
- reciprocated

Some specific prohibitions include:

- cash, cash equivalents (for example, anything that is redeemable for cash) and credit
- gifts or invitations that could place you in a position (or creates the appearance you are in a position) of being obligated to a person or company with whom the Company does business
- favors, gifts or anything of value, including meals, transportation or entertainment offered to agency or governmental employees, agents or representatives (unless you are certain such favors or gifts don't violate agency or governmental rules or restrictions)
- any favors or gifts that will result in an appearance of impropriety

Transportation, travel and hotel expenses can be paid by a vendor or contractor so long as the expenses are in line with the provisions stated above and are for legitimate business or projects.

Q. What are the Company's general guidelines on avoiding conflicts of interest on gifts?

A. You may give and receive common courtesies, such as sales promotion items, occasional meals or entertainment, if they are appropriate to the business relationship, of reasonable value, extended in the ordinary course of business and reciprocated.

It is prohibited to give or receive cash, cash equivalents or credit.

You may never give or receive any gift or invitation that could place you in a position of being obligated or that will result in an appearance of an obligation.

Q. A long-time friend recently took a job with a PNM Resources supplier. We've socialized for years, but now I wonder if we might encounter a conflict of interest in our friendship.

A. You might. If you play a role in selecting your friend's employer as a supplier, or if you have to deal with your friend on behalf of the Company, you should disclose your friendship to management and excuse yourself from participating in decisions or negotiations with your friend and the supplier. You should also complete an Ethics & Compliance Certification, disclosing the relationship in the Conflict of Interest section.



Q. I've been working at a PNM Resources plant for 20 years and one of the Company's vendors has asked me to help them with a project at a non-PNM Resources power plant. Is it okay for me to do this job during my off hours?

A. You need to discuss this matter with your supervisor to determine if it presents a direct conflict with Company interests. You may also need to discuss with an ECR. Some of the factors that should be considered are:

- the actual work you would be doing
 - how the job will affect your work at PNM Resources
 - the relationship between PNM Resources and the vendor
- If no conflict exists and you take the job, you should fill out an Ethics and Compliance Certification.

Q. To support my family, I really need to have a second job. I've been offered a position at a local greeting card store. Do I need to tell my supervisor and fill out an Ethics and Compliance Certification?

A. Talk with your supervisor to make sure no conflicts will be presented by you taking a second job. Although this particular position does not seem to be a direct conflict with Company interests, you should fill out an Ethics and Compliance Certification if you accept the position. Please refer to PNM Resources Conflict of Interest Policy #135 for more detail on this subject.

Relationships with Customers, Suppliers and Competitors

Outside Employment

The Company discourages, but does not prohibit, employees from working in self-employment or for another employer. Working elsewhere on one's own time or accepting outside employment is subject to certain conditions.

We may not engage in outside employment, consulting or contracting that:

- interferes with effective performance of Company business
- creates or appears to create a conflict of interest
- biases or appears to bias independence and objectivity in using judgment on the Company's behalf
- is detrimental to the Company's interests
- reveals confidential or proprietary information about the Company

Employees working outside the Company may be ineligible to receive all or part of the Company's medical, dental or other benefits and Workers' Compensation payments if injured or disabled during, or resulting from, such outside employment. Employees may not use any Company-owned vehicles, equipment, supplies, tools or wear clothing with Company insignia, while performing outside employment.

Supervisors are responsible for assisting employees and should seek guidance from Ethics & Compliance Program personnel when questions arise regarding conflicts of interest to assure compliance with PNM Resources Conflict of Interest Policy #135 and these Principles of Business Conduct.

Political, Community and Professional Activities

The Company is proud of its record as a good corporate citizen and encourages employees to participate in community activities, civic or charitable projects and business or professional associations. We also encourage our employees, as individuals, to take an active interest in local, state and national government.

Employees must be careful, however, to avoid participation that could adversely affect job performance, cause a conflict of interest or harm the reputation of the Company. For more information on potential conflicts of interest, please refer to PNM Resources Conflict of Interest Policy #135, talk with your supervisor or contact E&C Program personnel.

Relationships with Customers, Suppliers and Competitors

Antitrust / Fair Competition

Antitrust laws promote and protect free competition among businesses.

Activities that restrict free competition or allow a company or group of companies to dominate a market may violate federal or state antitrust laws.

For example, antitrust laws generally prohibit anti-competitive conduct, including agreements among companies to restrain free trade. These laws also generally prohibit efforts by companies to monopolize the marketplace, fix and control prices, boycott certain customers or suppliers, or allocate markets or customers.

If you interact with competitors, customers or suppliers, you must take care to avoid antitrust violations, especially if you have pricing authority or knowledge. You also must be aware of any circumstances that could invoke the antitrust laws or other laws governing fair competition and business practices. Violations can expose the Company and individuals to criminal penalties, large fines and civil lawsuits that could limit the Company's ability to carry on its business.

This summary of the principles of antitrust law is intended to assist us in determining when we should ask questions and seek legal advice. Antitrust laws are complex.

If doubts arise about whether an activity or transaction may violate antitrust laws, refer to the Company's *Antitrust and Fair Competition Compliance Guide*. This Guide is available from the Law Department or the E&C Program office.

Fair Competition Guidelines —

At all times we must:

- be accurate and truthful in all dealings with competitors, customers and suppliers
- accurately represent products and services
- use care not to engage in conduct that may be prohibited under the antitrust laws or other laws governing fair competition and business practices in attending industry or trade meetings and in dealing with competitors, customers and suppliers

Q. We're always being encouraged to look to "best practices" in the industry. Is there a danger in talking to representatives from other companies about what we're doing?

A. It is possible. Particular risk areas include product pricing, allocating service territories, etc. When in doubt, talk to Company counsel before discussing competitive Company practices or processes with others.

Q. Can I agree with a competitor not to buy power from another third company if it goes above a certain dollar limit?

A. Absolutely not. Any agreement between competitors relating to boycotting a particular company is against antitrust laws and regulations, regardless of whether or not various competitors believe the price is not appropriate. PNM Resources makes its own decisions regarding who it will work with, not in consultation with any competitor.



Stewardship of Corporate Assets

Insider Trading

Each of us must serve as good stewards of the Company assets provided for our use and of the information we gain in our respective roles. We must protect the equipment entrusted to us, appropriately manage and use data and records, and avoid insider trading.

Insider trading is the use of “inside information” (material information obtained about a company before it becomes known publicly) to decide whether to purchase or sell the Company’s securities (e.g., stocks, bonds, options, etc.). Inside information can include:

- financial results
- financial forecasts
- changes in dividends
- proposed mergers or acquisitions
- information concerning changes in management
- the gain or loss of a significant customer or supplier

It is illegal as well as unethical for any officer, director or employee to trade using inside information or give that information to anyone else so that they can trade before the general public is aware of the information. Company policy, therefore, prohibits the use or disclosure—either intentionally or by mistake—of inside information about PNM Resources for the purpose of buying or selling securities. Securities laws violations are taken very seriously and can result in large civil and criminal penalties against companies and individuals.

Before trading, ask yourself these questions:

- Does the information make me want to buy (or sell) the Company’s stock?
- Has an official public announcement been reported and absorbed by the market (usually two trading days following the date of the public disclosure)?
- If the newspaper published what I know, would it make the Company’s stock rise (or fall)?
- How would the trade I’m considering look to government prosecutors if it became the subject of an investigation?

Q. I am not an officer or director requiring pre-clearance under Company policy prior to trading. Does the Company insider trading policy apply to me?

A. Yes. Even though you may not be required to obtain pre-clearance from the Company’s General Counsel before trading, you still must comply with the Insider Trading Policy. If you have access to internal financial information of PNM Resources and its affiliates, you should not buy or sell the Company’s securities during the established black-out periods. All employees, even those not having access to internal financial information, must avoid trading at any time they are in the possession of any material, non-public information.

Q. I have access to our earnings information before it is released and know that giving out the exact information before it’s filed with the SEC would be insider trading. What if someone asks me about the results before the filing? Can I give them a vague idea of the results?

A. No. Disclosures of non-public information of any type—even gestures or hints—are strictly prohibited. Non-public information should only be discussed among employees who have a business reason to know.

For more information on insider trading rules, consult our PNM Resources Policy #601 and contact your Law Department representative.

Stewardship of Corporate Assets

Company Property

Each of us is responsible for safeguarding against theft, loss and misuse of the Company property we use to do our job. Company property includes:

- physical assets such as buildings, vehicles, office equipment, telephones, tools, materials, supplies, computers and similar assets
- intangible assets such as computer programs and data, Company records, proprietary information and intellectual property, such as patents, copyrights and trademarks
- the property of others for which the Company is responsible, such as equipment, proprietary information and reports, computing resources or computer programs that are leased or loaned to the Company

While Company property is to be used for business purposes, your supervisor can authorize occasional personal use, including:

- local telephone calls
- voice mail messaging
- emails
- fax machines
- computer software
- certain Internet access

Use of the property, however, must not violate the Principles expressed in this document, licensing or other agreements, or other Company policies and procedures.

Here are additional guidelines to keep in mind when using Company property:

- Company property, equipment, resources or services cannot be used for personal gain – this is prohibited.
- Get your supervisor's approval before using Company resources for community or charitable activities.
- Safeguard your computer hardware, software and data stored electronically against damage, loss, unauthorized alteration, theft or unauthorized access.
- Protect and keep confidential your computer passwords and other personal computer systems and network access information.

For more information, refer to the Electronic Communications and Information Security section on Page 17 of this guidebook or call Business Technology Services Information Security personnel. Also, see our Information Management Policies: Information Security Policy #302 and associated User Security Manual, and our Internet and E-mail Procedures Policy #301.

Q. Can I use my Company computer for my community volunteer activities?

A. The answer here is "generally, yes." You should always check with your supervisor before using your computer for personal use.





Stewardship of Corporate Assets

Integrity of Company Data and Records, Accounting and Disclosures

The law requires that all business records be accurate and reliable. Accurate records also are critical to the Company's decision-making process and efficient management. That is why the Company requires that all expense reports, vouchers, bills, payrolls, time sheets, medical claim forms, reports of customer contacts and other records and reports be completed with care and honesty.

In addition, shareholders, regulators, investors, lending institutions and others depend on the truthfulness of our Company information. Therefore, all disclosures in Company filings and reports must be full, fair, accurate and timely and written in clear and understandable language.

To help make sure its financial records and reports are accurate, the Company maintains internal controls over financial reporting and accounting. The internal controls require that you record and report all business and financial transactions in accordance with Company policies and procedures, applicable laws and accounting standards.

You must never create any false or misleading financial record or report, even if you believe the effect would be harmless. In all the Company's operations, it is against policy for any employee, officer or member of PNM Resources Board of Directors to cause the Company's data, records or reports to be inaccurate in any way.

Q. If I have a concern about the maintenance of Company data, books or records, what should I do?

A. You should report the matter immediately to your supervisor, RIMS, the Law Department, E&C Program personnel or the Audit and Ethics Committee of the PNM Resources Board of Directors.

You also can report the concern to the Integrity Line: 1-888-840-4158.

Q. What is my responsibility for Company records?

A. You are responsible for the integrity, maintenance and proper disposal of all Company data and records in your possession. You should contact RIMS before destroying records or if you have any questions.

Q. I don't have time to check all the invoices that come across my desk. Isn't it the responsibility of the person who prepared it and the employee who submitted it to make sure an invoice is correct?

A. Each of us is responsible for making sure all invoices and reports are filled out correctly. If you are approving an invoice, you are responsible for its accuracy.

Company Data and Records Management

A key feature of our Company data and records management program involves use of the Records & Information Management Services (RIMS). RIMS keeps and protects official records as well as confidential and vital information so that we will have the ability to respond to internal and external inquiries in a timely manner. Effective Company data and records management also means retaining only information that is required and properly disposing of records and copies that no longer meet any compliance or business requirements.

To ensure that the data and records management and disposal process is consistent across the Company, a record retention schedule has been established. This schedule lists the retention requirements for all official records produced within the Company. Make sure the Company data and records for which you have responsibility are kept in compliance with the record retention schedule. Remember that when the Company becomes aware of an imminent government investigation, audit or litigation, the destruction of documents related to the investigation, audit or litigation is prohibited. For additional guidance, contact your supervisor or a representative from the Law Department, Audit Services or RIMS. Refer to our PNM Resources Policy #219 for more information.

Stewardship of Corporate Assets

Confidential Information

Our information and business data – and the security of that information and data – is crucial to our success. Company information (or information that the Company maintains on behalf of its employees, customers, suppliers, agents or other representatives) that hasn't been publicly disclosed should be treated as confidential.

Such information, whether verbal, written or stored on electronic media, includes non-public information on products, services, methods, systems, internal reports, analyses, financial data, business plans and marketing methods.

You have a critical role in protecting confidential information against misuse, improper disclosure or unauthorized destruction. You must hold confidential information you acquire through your employment in the strictest confidence and, except for a business reason or where legally required, must not disclose it to anyone, not even family members. The information is never to be used for personal gain or to compete with the Company. Your obligation to protect confidential information is in effect while you're employed by the Company and even after your employment ends. In addition, if you received confidential information or trade secrets from a previous employer, you have an obligation to avoid disclosing it to the Company or Company personnel.

Customer, Supplier and Employee Information. We must take great care in handling information that has been entrusted to us by our customers, suppliers, agents and co-workers. Only those who have a business need to know should have access to the information unless the customer, supplier, agent or employee authorizes the release or the law requires disclosure. If doubts arise about releasing such information, contact your supervisor, ECR or Law Department representative before releasing the information.

Competitive Intelligence. It is a legitimate business practice for the Company to be interested in information concerning competitors, including competitive prices. Where such information has been acquired from public sources and in the proper manner, it's acceptable to disseminate it within the Company for use in making business decisions. While we may seek competitive information and record certain unsolicited information, we will not seek, with the aid of misrepresentation, coercion or other improper means, the confidential information of another company. We will not engage in industrial espionage or theft of proprietary information.

Intellectual Property. Company trade secrets and other intellectual property often result from a significant investment of Company resources. Such intellectual property is an important Company asset that helps with our competitive advantage in increasingly competitive business environments and therefore must be protected. We should take measures to protect the Company's intellectual property and to avoid infringing on the intellectual property rights of others.

Q. As a Company employee, what are some common examples of "intellectual property" that I would need to protect?

A. Examples of "intellectual property" include Company business or marketing plans, new technologies, products, patents, services, applications or systems.



Q. What are some examples of copyrighted material?

A. Examples include:

- computer programs
- professional journals
- newspapers
- magazines
- books
- advertisements
- cartoons
- artwork
- musical recordings
- Web site content
- seminar materials
- presentations
- photography
- motion pictures
- music videos

Stewardship of Corporate Assets

Confidential Information (continued)

Disclosures Required by Law. We must cooperate with reasonable requests for information from government agencies and regulators. Before disclosing the information, consult with your Law Department representative to determine what disclosure is required. All information provided must be truthful and accurate.

Federal and State Rules Governing Confidential Information. There are rules at the Federal level that govern the sharing of confidential information. The FERC Code of Conduct restricts the exchange of non-public marketing and trading information between marketing affiliates. The FERC Standards of Conduct restricts non-public transmission information from being communicated to any marketing group. The Texas Code of Conduct applies to activities within the State of Texas and applies to PNM Resources Shared Services and TNMP employees. These Federal and State rules should be adhered to at all times. If questions arise, contact our FERC and Texas Code of Conduct compliance officers in Regulatory Policy.

Copyright Protection

Copyrighted material for use inside or outside the Company may not be reproduced without proper approval. This includes use of material in print, video, electronic format or any other form.

Examples of violations that may subject you and the Company to civil and criminal penalties, including fines and imprisonment:

- unauthorized photocopying
- unauthorized email distribution
- copying, distributing or storing copyright-protected files or programs (from sources such as the Internet or other electronic database services)

Even if the materials have no copyright notice, you should assume that someone has copyright ownership of those materials, and you should not copy them. Seek approval from the copyright owner or contact your Law Department representative.

Computer Software. We regularly license computer software from a variety of outside companies. We do not own this software or its related documentation and do not have the right to reproduce it unless authorized by the owner of the software.

Your responsibilities in this area are to:

- use licensed software, including “off-the-shelf” software, strictly in accordance with the terms of the underlying license agreement
- not copy the software or documentation for personal or home use or on more than one PC or local area network unless expressly authorized under the license agreement and by your supervisor
- review with your Law Department representative the rights available under the license agreement and how to obtain authorization to make multiple copies of software for business use



Stewardship of Corporate Assets

Copyright Protection (continued)

Publications. We have purchased the right to make copies of certain published materials for internal business purposes. That right is set out in a licensing agreement with the Copyright Clearance Center (CCC). To find out if a particular publication is covered by this agreement, contact your Law Department representative. Copying from other publications is prohibited, except with the prior authorization of the copyright owner or upon advice of legal counsel.

For more copying guidelines, contact your Law Department representative.

Electronic Communications & Information Security

PNM Resources information and information systems are critical and very valuable Company assets. Employees are responsible for the proper use and protection of those assets.

The purpose of information security is to protect information assets from all types of threats, whether internal, external, deliberate or accidental. Information security also assures the confidentiality, integrity and availability of information and information systems to authorized users. Employees using Company information assets must take appropriate actions necessary to protect the information and information systems from accidental or unauthorized access, modifications, destruction, disclosures, inappropriate use or loss.

We have access to various electronic and telephone communication systems to help us perform our job. These systems include:

- e-mail
- voice mail
- pager
- telephone/cell phone
- fax machine
- Internet and Intranet access
- personal digital assistant and other electronic devices

These electronic information and communication systems are provided for business purposes. While it's possible that your supervisor may authorize occasional personal use, your use must be appropriate for a business environment. Your use also must fully comply with these Principles of Business Conduct, Company policies, procedures, and applicable laws and regulations.

Information that we create or disseminate via the Company's communications systems and electronic media is not private. In conformance with applicable state or federal laws, authorized Company representatives may periodically access and monitor the use of the Company's electronic communication systems or electronically created or stored data. They also may access information as necessary for business operations or when there is reason to believe that inappropriate use has taken place.

Q. May I make personal use of the Internet before, during or after normal working hours?

A. Company policy states that computers, Internet access and e-mail are provided for business purposes, even outside work hours. However, incidental personal use is allowed with your supervisor's approval.

Keep the following in mind regarding personal use of your computer and other electronic tools:

- We must have supervisory approval.
- Our use should not be excessive or overburden Company systems.
- We must not use Company computers, e-mail or the Internet to run a personal business.
- We must not use our Company tools to take part in an illegal activity.
- Our use of the Internet must not interfere with our own job performance or our coworkers' job performance.
- We must not access pornographic, offensive or inappropriate Web sites.
- Internet usage is monitored.



Stewardship of Corporate Assets

Electronic Communications & Information Security (continued)

Examples of inappropriate use of systems:

- viewing pornography, offensive or inappropriate content
- behavior that is wasteful of Company time or resources
- activities that are unlawful, malicious, hostile, abusive, objectionable or misrepresentative of oneself or the Company
- use that could harm or disrupt networks and systems
- communications that include confidential, proprietary or derogatory information about the Company

Q. Some Internet sites have non-descriptive names. What happens if I accidentally access an inappropriate site?

A. Immediately leave the Web site, don't browse around and don't display any of the pictures on your screen. It is fairly easy to tell that you are in an inappropriate site as soon as you get there. Let your supervisor know that you accidentally accessed the site and how it happened.

Q. What if someone sends me something that is inappropriate or even pornographic? Can I be disciplined or fired even though I did not request such emails?

A. Immediately report receipt of pornographic, offensive or inappropriate emails to your supervisor.

If you receive junk e-mail or spam, do not respond to the 'unsubscribe' link – just delete the e-mail.

If you receive numerous unsolicited or inappropriate messages or spam, talk to your supervisor and then contact the Service Desk.

The Company will not discipline you for others' indiscretions as long as you take these reasonable steps.

For more information, please review PNM Resources Policies #301 and #302, including the User Security Manual. You may also contact your supervisor, Human Resources or Business Technology Services Information Security personnel.

Responsibilities to the Public

Environment

As members of the communities we serve, we share a common interest in ensuring the quality of our environment today and for future generations. Our Corporate Environmental Policy #509 calls on us to grow our business and improve shareholder value while protecting, preserving and wisely using natural resources. We must be sure that our business decisions balance environmental, social and economic considerations.

The Company is committed to excellence and continuous improvement in environmental performance. The Company is fully committed to implementing the Corporate Environmental Policy throughout all its operations, activities and services.

The Environmental Management System (EMS) provides employees with a plan of action for executing and demonstrating environmental stewardship. All employees will use natural resources and energy efficiently to reduce or eliminate waste. We will minimize and responsibly manage the environmental impacts and risks of operations. We will make environmental protection and stewardship integral to facility design, construction, operation and maintenance, as well as business planning and employee and management training.

In this effort, it is important to remember that the Company's facilities and operations are subject to regulation by federal, state, Native American and local governmental agencies charged with preservation of cultural and historic resources, the conservation of wildlife and protection of the natural environment.

We must familiarize ourselves and comply with all applicable environmental laws, regulations and internal Company environmental policies and procedures. We must be aware of the Company's EMS for our facility or operational area and the performance metrics to which each area subscribes. Supervisors and managers have the additional responsibility to effectively communicate roles and responsibilities and ensure appropriate training for employees within the EMS and the applicable laws and obligations governing employee work activities.

The Company is committed to providing the resources, training and incentives to carry out our environmental commitment. We encourage all employees to use energy, water and other resources wisely and to conduct their personal and business lives to preserve the earth's environment for future generations.

For more information on environmental issues, contact your supervisor, Law Department representative or Environmental Services personnel.

Q. What does "Environmental Sustainability" mean for PNM Resources?

A. Sustainability is a business model that balances economic, social and environmental objectives. Viewing our decisions through this lens allows PNM Resources to better understand the trade-offs required to balance economic, social and environmental considerations.





Responsibilities to the Public

Regulatory Agencies

We are subject to various types of regulatory requirements, depending on the particular businesses within which we are engaged. Our utility operations, in particular, are subject to the rules and regulations of multiple state and federal regulatory agencies regarding our customer rates, terms and conditions for service, system integrity and safety, etc. We also are subject to various laws and regulations pertaining to securities, standards of conduct, environmental protection, fair business practices, Company data and records, equal employment opportunities and numerous other areas of compliance.

Codes of Conduct and Standards of Conduct

Do the Right Thing is our corporate code of conduct for employees, officers, PNM Resources Board of Directors and Company affiliates. Some state and federal agencies have adopted codes of conduct or standards of conduct which establish rules governing relationships among our affiliates. Depending on the work you do, it may also be necessary for you to be knowledgeable about these rules. Contact your supervisor or Law Department representative to learn more.

Q. What's an example of prohibited dealings with government officials?

A. Employees may not offer, give or transfer anything of value to, or accept anything of value from, any official, employee or agent of any governmental entity with which the Company does business. The prohibition also applies to any governmental entity with which the Company is seeking to do business or has a regulatory relationship. Insignificant or inexpensive items may be provided only if allowed by law.

Q. What is meant by "items of value"?

A. Items of value include things like money, goods, services, entertainment or favors and are impermissible when they are given or offered as an inducement to obtain a particular outcome.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act (SOX) was passed by Congress in 2002 and imposes sweeping corporate governance and financial disclosure requirements on companies such as PNM Resources. While our Company has had a strong compliance program in place for many years, we have adopted new processes and procedures and revised some existing ones to comply with SOX. These processes affect the work of some Company departments and many individual employees. SOX requires, for example, that public companies establish and maintain internal controls over financial reporting that mitigate the risk of fraudulent accounting. SOX also requires companies to disclose all relevant financial performance information publicly in a consistent, clear manner. Companies also must implement anonymous systems for employees to report allegations of wrongdoing. At PNM Resources, our system for this anonymous reporting is via our Integrity Line 1-888-840-4158 (see Page 4). In addition, SOX establishes auditor and director independence requirements and prohibits insider trades of Company securities during any blackout periods.

It is the Company's policy to comply with all aspects of SOX. Violation of SOX may subject the Company and employees, officers or directors to criminal and civil penalties. For more information on the requirements of this law and how it may affect you and your work, talk to your supervisor or a representative from SOX Compliance, Audit Services or the Law Department. For more information, please review PNM Resources Policy #601.

Responsibilities to the Public

Foreign Corrupt Practices Act

The U.S. Foreign Corrupt Practices Act (FCPA) makes certain conduct illegal by or on behalf of U.S. companies abroad. It is important to understand and comply with FCPA in all business dealings with foreign officials.

FCPA includes anti-bribery provisions that make it illegal to give anything of value directly or indirectly to foreign officials to obtain or keep business. FCPA also contains accounting provisions that require public companies to keep accurate data, books and records and an adequate system of internal accounting controls.

Violation of FCPA may subject the Company and employees, officers or directors to criminal and civil penalties. If your job involves dealings with foreign officials, you must make sure you understand your responsibilities under this law. Always contact your Law Department representative if you have any questions about doing business with foreign officials.

For more information on the many regulatory requirements affecting our business and the way we perform our jobs, contact your supervisor or a representative from Regulatory Policy or the Law Department.

Interactions with Government Officials

As a good corporate citizen, we engage in the processes of our government. We also encourage our employees, as individuals, to take an active interest in local, state and national government. We may not, however, use Company funds, time, equipment, supplies or facilities when making personal contributions in support of candidates or political organizations.

The Company's dealings with regulators and other elected or appointed governmental officials are subject to various legal requirements. Giving gifts to officials, making political contributions and engaging in activities designed to influence government action (especially lobbying) are all regulated.

If you, as a part of your job responsibilities, interact with elected officials, candidates for public office, agency officials or other government employees, contact your supervisor, or a representative from Governmental Affairs or the Law Department for more information about dealing with government officials.

Q. What is the Sarbanes-Oxley Act of 2002? What does it require?

A. In response to a series of U.S. corporate scandals the Sarbanes-Oxley Act of 2002 (sometimes called "SOX") was enacted to restore investor confidence.

Its purpose is to promote corporate responsibility, increase public disclosure and improve the quality and transparency of financial reporting and auditing.





Responsibilities to the Public

Doing Business with the Government

Federal, state, Native American and local governments are our customers. Doing business with these governments is subject to a number of laws, the violation of which can result in criminal and civil penalties for individuals and the Company. Companies that break government contracting laws can be banned for many years from the right to further contract with the government. Examples of violations include:

- incorrect or unauthorized charges to government contracts
- making false or misleading reports
- conflicts of interest with present or former government employees
- offering gifts, bribes or other kickbacks to government employees

If your work involves transactions with government customers, contact your supervisor or Law Department representative to discuss any special requirements.

Communications with Shareholders

The Company's Fair Disclosure Policy #606 and associated guidelines designate authorized spokespersons who provide timely, factual and accurate disclosure of all material information in order to keep shareholders and other financial stakeholders informed about the Company's activities and business.

Through these authorized spokespersons, the Company communicates with its shareholders, investors and the financial community on a regular basis by distribution of quarterly reports, annual reports and press releases. Unauthorized disclosures by other employees could subject the Company to severe federal penalties and may constitute grounds for termination of employment.

The Company also has a process in place for shareholders to communicate with the PNM Resources Board of Directors. The process is described in the Company's annual proxy statement.

Any shareholder information requests relating to the Company should be forwarded to an Investor Relations and Shareholder Services representative for proper action.

Q. Are all of the Company's public filings available on its Web site?

A. Yes. All of the Company's filings with the Securities and Exchange Commission and corporate governance documents can be viewed on PNMResources.com.

Q. My neighbor, a Company shareholder, knows that I work in Treasury at PNM. He's always asking me about the Company's financials. How can I politely and firmly help him understand that I cannot discuss this information?

A. It's important to reply in an appropriate manner. You could tell your neighbor that the information he seeks can only be released by authorized Company spokespersons at certain times. Adding that you could lose your job if you make unauthorized disclosures should get the point across.

Responsibilities to the Public

Media Relations

The company values its reputation among customers, community leaders and other stakeholders. Accurate, consistent communications – particularly with the news media – are critical to building and maintaining this reputation.

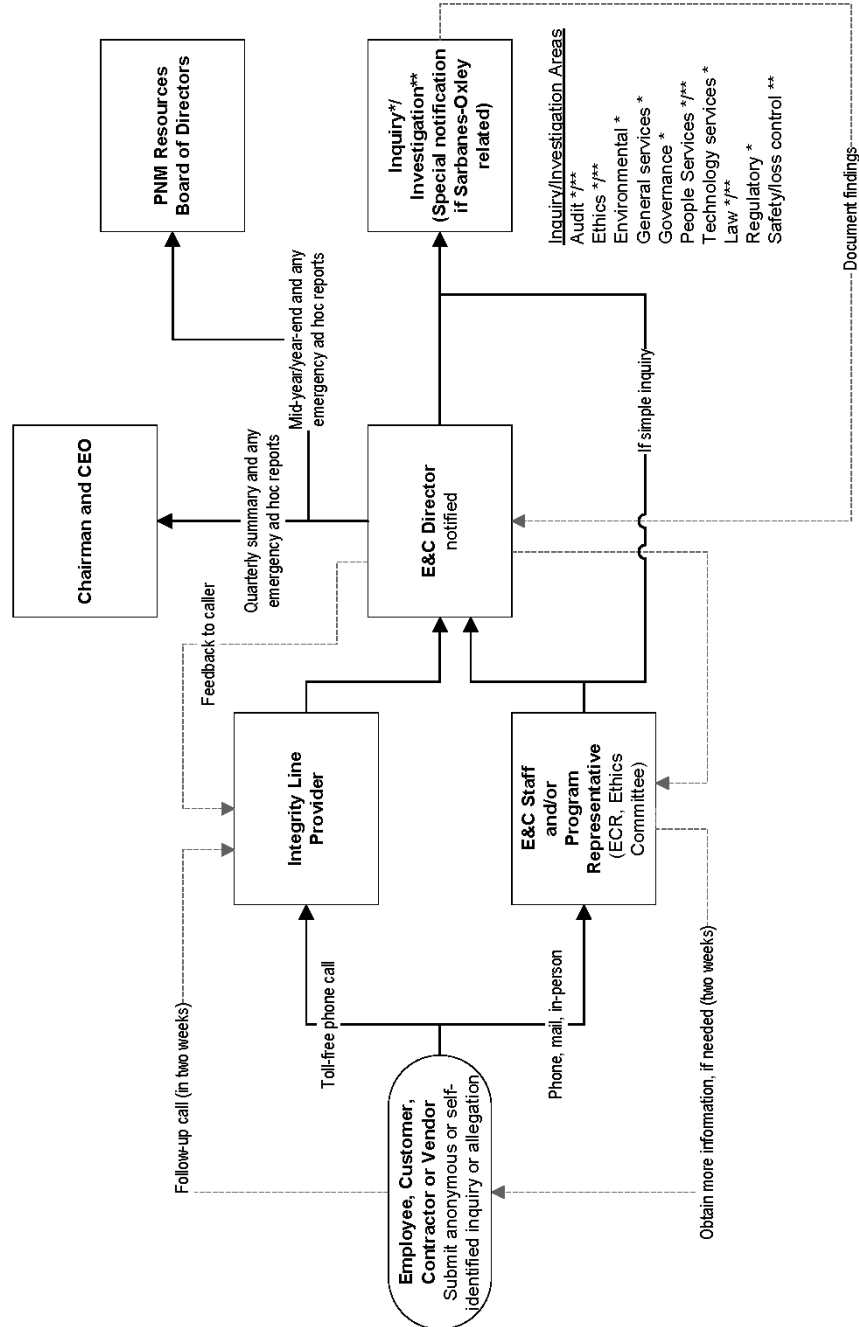
It is the responsibility of PNM Resources' Customer and Corporate Communications Department to manage all contacts with news media on company-related matters. If an employee receives a media inquiry on a company matter, the inquiry should be referred to Customer and Corporate Communications as quickly as possible, and the department will coordinate an appropriate response.

In addition, if an employee becomes aware that a company vendor or business partner is preparing an external communication (such as press release, product publicity or marketing brochure) that mentions PNM Resources or any of its subsidiaries, the employee should contact Customer and Corporate Communications so that the company can review and approve the proposed communication. For additional information on our media relations policy, please refer to PNM Resources Policy #303.

Appendix A

Ethics & Compliance Program - Inquiry & Reporting Process

Ethics & Compliance Program - Inquiry & Reporting Process



Legend
 E&C: Ethics & Compliance Program
 ECR: Ethics & Compliance Representative

Note: Do the Right Thing Principles of Business Conduct standards apply to all employees, officers and members of the PNM Resources Board of Directors. Inquiry & Reporting Process activity and related communications are confidential to the extent allowed under law. The Ethics & Compliance Inquiry & Reporting process is not intended to replace any existing processes such as the peer grievance process or the union grievance process.