# EXCO RESOURCES, INC.

## Corporate Governance

**Guidelines** Board Responsibilities and Guidelines

1. Board Responsibilities. The Board of Directors (the "Board") is responsible for oversight of the business and affairs of EXCO Resources, Inc. (the "Company") in accordance with applicable laws, the Company's Third Amended and Restated Articles of Incorporation and Second Amended and Restated Bylaws. Part of that responsibility includes:

   - Evaluating the performance of the Chief Executive Officer (the "CEO") and other Securities and Exchange Commission ("SEC") reporting officers (consisting of those officers that file Forms 3 and 4 with the SEC under Section 16 of the Securities Exchange Act of 1934) and taking appropriate action, including removal, when warranted;
   - Selecting, evaluating, retaining and compensating the Company's SEC reporting officers and establishing policies regarding the compensation of other members of management;
   - Reviewing succession plans and management development programs for members of senior management;
   - Reviewing, monitoring and approving periodically long-term strategic, financial and business plans and monitoring corporate performance against such plans;
   - Overseeing and adopting policies of corporate conduct and ethics, including compliance with applicable laws and regulations and maintenance of accounting, financial and other controls, and reviewing the adequacy and effectiveness of compliance systems and controls;
   - Evaluating periodically the overall effectiveness of the Board;
   - Reviewing the work and effectiveness of the Board's committees; and
   - Deciding on matters of corporate governance.

   The Company's senior management, under the direction of the CEO, is responsible for the operations of the Company; implementation of the strategic, financial, and management policies of the Company; preparation of financial statements and other reports that accurately reflect requisite information about the Company and timely reports which inform the Board about the foregoing matters.

   These guidelines are not intended to, and do not, create any legal or fiduciary duties or other responsibilities or form the basis for a claim of breach of fiduciary duty or potential liability. These principles are subject to modification and interpretation of the Board. These guidelines do not modify, and are subject to, the Company's Second Amended and Restated Bylaws and Third Amended and Restated Articles of Incorporation.

2. Guidelines. The Board has adopted these guidelines to assist it in the exercise of its responsibilities. These guidelines are not rigid rules. These guidelines are reviewed periodically and revised as appropriate to reflect the dynamic and evolving processes related to the operation of the Board. The Nominating and Corporate Governance Committee is responsible for assessing the appropriateness and efficacy of these guidelines annually.

Board Structure and Membership

1. Majority of the Members of the Board Must Be Independent Directors. The Board has determined that, as a matter of policy, a majority of the members of the Board must be independent directors. To be "independent," a director must meet the independence standards of the New York Stock Exchange ("NYSE") and any applicable federal securities laws, including the rules and regulations of the SEC. The Board must affirmatively determine annually and at other times required by the NYSE listing standards that the director does not have any material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Company must identify which directors are independent and disclose the basis for that determination.

   The definition of independence and compliance with these criteria will be reviewed periodically by the Nominating and Corporate Governance Committee.

   The Board believes that employee directors should number not more than two. While this number is not an absolute limitation, other than the CEO, who should at all times be a member of the Board, employee directors should be limited only to those officers whose positions make it appropriate for them to sit on the Board. The Board believes that management should communicate that Board membership is not necessary for higher management positions in the Company.

2. Size of the Board. The Board believes that, optimally, the Board should number between 9 and 11 members. The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully.

3. Service of Former Chief Executive Officers and Other Former Employees on the Board. When an employee director resigns or retires from his or her employment, he or she should submit his or her resignation from the Board at the same time. Whether the person will be invited to remain or rejoin the Board will be a decision considered by the Nominating and Corporate Governance Committee and approved by the Board.

4. Directors with Change in Responsibilities. Individual directors who substantially change the responsibilities they held when they were elected to the Board should volunteer to resign from the Board. This should provide an opportunity for the Board, via the Nominating and Corporate Governance Committee, to review the continued Board membership of such a director under changed circumstances.

5. Board Membership Criteria. Directors should possess high personal and professional ethics, integrity and values. The Nominating and Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board or any of its committees at a given point in time and will periodically review and update the criteria as deemed necessary. The Nominating and Corporate Governance Committee will evaluate the qualifications of each director candidate against the criteria outlined herein and the criteria in its own charter, as well as any additional criteria it sees fit to consider in making its recommendation to the Board concerning a candidate's nomination for election or reelection as a director.

6. Selection of Directors. The Board is ultimately responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Nominating and Corporate Governance Committee is responsible for identifying and screening candidates for Board membership and for recommending director candidates to the Board for nomination or appointment. The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company's business.

7. Voting for Directors. In an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election (a "Majority Withheld Vote") shall promptly tender his or her resignation following certification of the shareholder vote.

   The Nominating and Corporate Governance Committee shall consider the resignation offer and recommend to the Board whether to accept it. The Board will consider and act on the Nominating and Corporate Governance Committee's recommendation within 90 days following certification of the shareholder vote.

   Thereafter, the Board will promptly disclose their decision whether to accept the director's resignation offer (and, if applicable, the reasons for rejecting the resignation offer) in a press release to be disseminated in the manner that Company press releases typically are distributed.

   Any director who tenders his or her resignation pursuant to this provision shall not participate in the Nominating and Corporate Governance Committee recommendation or Board action regarding whether to accept the resignation offer.

   However, if each member of the Nominating and Corporate Governance Committee received a Majority Withheld Vote at the same election, then the independent directors who did not receive a Majority Withheld Vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

   However, if the only directors who did not receive a Majority Withheld Vote in the same election constitute two or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers.

8. Director Retirement. The Board does not believe in setting a mandatory retirement age for the members of the Board. Setting such a mandatory retirement age could result in losing the contribution of directors who have developed necessary insight into the

Company and its operations. The Board will continue to evaluate each director's ability to serve on the Board through the Nominating and Corporate Governance Committee's review of each director's continued service on the Board. The Nominating and Corporate Governance Committee is responsible for establishing policies relating to the retirement of directors. Such policies should ensure a well-managed and coordinated transition of membership on the Board. Factors to be considered in any such retirement policy should include an assessment of the director's terms served, the mix of skills and characteristics required by Board members and such other factors the Nominating and Corporate Governance Committee may deem appropriate.

Director Relations with Management

1. Board Access to Senior Management. Directors will have open access to the Company's management, subject to reasonable time constraints. Directors will also have access, as necessary and appropriate, to independent advisors. Any director or committee that wishes to meet with an employee, including any officer, of the Company must arrange such meeting through the CEO or the General Counsel. In addition, members of the Company's senior management will, at the request of the Board or the appropriate committee, routinely attend Board and committee meetings and they and other managers should frequently brief the Board and the committees on particular topics. The Board encourages senior management to bring managers into Board or committee meetings and other scheduled events who (a) can provide additional insight into matters being considered or (b) represent managers with future potential whom senior management believe should be given exposure to the members of the Board.

2. Role of Chief Executive Officer. The CEO is responsible to the Board for the overall management and functioning of the Company. The Board will assist the CEO in complying with his or her obligations under the rules of the SEC and the rules of the NYSE.

3. Formal Evaluation of the Chief Executive Officer. Annually, the Compensation Committee should evaluate the compensation package of the CEO and will consider the performance of the CEO in the course of its deliberations. The Board is charged with communicating the results of this evaluation to the CEO prior to each annual meeting of shareholders.

4. Reliance on Senior Management. In discharging its obligations, the Board will be entitled to rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors.

Operation of the Board – Meetings

1. Chairman of the Board and Chief Executive Officer. The Board does not believe that the roles of Chairman and CEO must be separate. The Chairman of the Board, who may also be the CEO, will preside at all Board meetings unless a majority of the full Board votes in favor of appointing a different presiding officer for a particular meeting.

2. Lead Director. If the Chairman is not an independent director, the non-management directors will appoint a lead independent director (the "Lead Director"). The Lead Director will represent and coordinate the activities of the non-management and independent directors and help ensure the independence of the Board from the CEO and

Chairman. The Lead Director will convene sessions of the non-management and independent directors. The principle responsibilities of the Lead Director will be to chair the executive sessions of the non-management and independent directors, to facilitate communication among the non-management and independent directors, and to act as a liaison between the non-management and independent directors and the CEO. The Lead Director may also perform such other roles and responsibilities as may be assigned by the Nominating and Corporate Governance Committee or the full Board.

3. Executive Sessions of Non-Management Directors. The non-management directors of the Company will meet in regularly scheduled executive sessions without management. If the group of non-management directors includes directors who are not independent as defined above, the Company will at least once a year schedule an executive session including only independent directors. "Non-management" directors are those who are not company officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1933), and includes directors who are not independent by virtue of a material relationship, former status or family membership or for any other reason.

4. Frequency and Length of Board Meetings. The Board will have at least four regularly scheduled meetings per year. Special meetings will be called as necessary. If a director is unable to attend a regularly scheduled meeting of the Board either in person or by telephone, he or she is expected to notify the Corporate Secretary prior to the meeting date. Because the Board believes personal interaction with management is important, during each full year of service, directors are expected to attend at least seventy-five percent of all scheduled Board meetings in person or by telephone.

   Long-term strategic and business plans will be reviewed at least annually at one of the Board's regularly scheduled meetings.

   Each regularly scheduled Board meeting will last until the Board agrees to adjourn such meeting.

5. Selection of Agenda Items for Board Meetings. The Chairman and the Lead Director establish the agenda for each Board meeting, although the other Board members are free to and encouraged to suggest items for inclusion on the agenda. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. At regularly scheduled Board meetings, each committee of the Board should present a report of its activities since the last Board meeting.

6. Information Flow; Pre-meeting Materials. In advance of each Board or committee meeting, a proposed agenda will be distributed to each member. In addition, to the extent feasible or appropriate, information and data important to the members' understanding of the matters to be considered, including background summaries of presentations to be made at the meeting, will be distributed in advance of the meeting. Directors should review the advance materials prior to each meeting and should come prepared to discuss the items on the agenda.

Committees of the Board

1. Numbers and Types of Committees. A substantial portion of the analysis and work of the Board is done by its standing committees (each, a "Committee"). The Board may, from time to time, establish additional Committees. Each Committee will have its own charter

setting forth its purpose, goals, powers and responsibilities. In addition, each charter will outline qualifications for membership as well as set forth procedures, structure and reporting requirements. In accordance with each Committee's charter, a director is expected to participate actively in the meetings of each Committee to which he or she is appointed.

The Board has established the following standing Committees: Audit; Compensation; and Nominating and Corporate Governance. Each Committee's charter is to be reviewed periodically by the relevant Committee and the Board. Annually, each Committee will review and evaluate its own performance.

2. Composition of Committees. The Board believes that, as a matter of policy, only independent directors should serve on Board Committees.

   The Nominating and Corporate Governance Committee is charged with reviewing the qualifications of the members of each Committee to ensure that each member meets the criteria set forth in applicable NYSE listing standards and SEC rules and regulations, as well as the Committee's charter and these guidelines.

3. Assignment and Rotation of Committee Members. The Nominating and Corporate Governance Committee recommends to the Board the membership of the various Committees and considers rotation of Committee members. The Board will approve the Committee assignments. In making its recommendations to the Board, the Committee will take into consideration the need for continuity; subject matter expertise; applicable SEC and NYSE requirements; the performance of the incumbent members; tenure; and the desires of individual Board members.

4. Frequency and Length of Committee Meetings. Each Committee will meet as frequently and for such length of time as may be required to carry out its assigned duties and responsibilities. The schedule for regular meetings of the Board and Committees for each year is submitted and approved by the Board in advance. In addition, the chairman of a Committee may call a special meeting any time.

5. Committee Agendas; Reports to the Board. Appropriate members of management and staff will prepare draft agenda and related background information for each Committee meeting. Each Committee member is free to suggest items for inclusion on the agenda and to raise at any Committee meeting subjects that are not on the agenda for that meeting. Reports on each Committee meeting will be made to the full Board. All directors are furnished copies of each Committee's minutes and reports.

Other Board Practices

1. Director Orientation and Continuing Education. An orientation program will be developed for any new directors, which will include comprehensive information about the Company's business and operations; general information about the Board and its Committees, including a summary of director compensation and benefits; a review of director duties and responsibilities; a review of the Company's strategic plans and risk management issues; and a review of the Company's compliance program and its Code of Business Conduct and Ethics. The Nominating and Corporate Governance Committee will oversee the establishment, review and maintenance of the program as necessary.

Each new director must participate in the Company's orientation program within 12 weeks of election as a director.

In addition, the Board believes continuing education is important for its directors and each year members of the Board will be offered opportunities to receive training in areas relevant to their service as the Company's directors. Directors are encouraged to attend some or all of these programs.

2. Board Interaction with Institutional Investors and Other Shareholders. The Board believes that it is senior management's responsibility to speak for the Company. With the prior approval of the full Board, individual Board members may, from time to time, meet or otherwise communicate with outside constituencies that are involved with the Company. In those instances, however, it is expected that directors will do so only with the knowledge and involvement of senior management.

3. Director Compensation Review. It is appropriate for senior management of the Company to report periodically to the Compensation Committee on the status of the Company's director compensation practices in relation to other companies of comparable size and the Company's competitors. The form and amount of director compensation should be determined by the Compensation Committee in accordance with its charter. Changes in director compensation, if any, should come upon the recommendation of the Compensation Committee, but with the approval of the full Board.

4. Evaluation of Board Performance. The Nominating and Corporate Governance Committee is responsible for overseeing an annual assessment of the Board's performance. Its purpose is to increase the effectiveness of the Board, not to target individual Board members. The Board should also conduct a self-evaluation at least annually to determine whether it and its Committees are functioning effectively.

5. Succession Planning. There should be an annual report from the Compensation Committee on succession planning. There should also be available, on a continuing basis, the CEO's ongoing recommendations as to a successor should he or she be unexpectedly disabled.

6. Access to Independent Advisors. The Board shall have the sole authority to (i) select, retain, and obtain the advice of, independent legal and other advisors ("Advisors") as it deems necessary to fulfill its responsibilities under these guidelines and applicable law, regulations and the rules of the NYSE, (ii) determine the compensation of such Advisors, and (iii) oversee the work of such Advisors and (iv) terminate the engagement of such Advisors.

   The Board shall receive appropriate funding from the Company, as determined by the Board, for the payment of compensation and fees to its Advisors.

7. Insurance and Indemnification. The Board will be entitled to have the Company purchase reasonable directors' and officers' liability insurance on its behalf. Directors will be entitled to the benefits of indemnification to the fullest extent permitted by law, the Company's Third Amended and Restated Articles of Incorporation and the Company's Second Amended and Restated Bylaws and to the extent provided in any indemnification agreements. Directors will be entitled to the benefits of exculpation provided by state law as well as provided in the Restated Certificate of Incorporation.

8. Code of Business Conduct and Ethics. The Board has adopted a Code of Business Conduct and Ethics for its directors, officers and employees that contains compliance standards and procedures to facilitate the operation of the Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics addresses conflicts of interest; corporate opportunities; confidentiality; fair dealing; protection and proper use of company assets; compliance with laws, rules and regulations and reporting illegal or unethical behavior. The Nominating and Corporate Governance Committee will periodically review the Code of Business Conduct and Ethics and make recommendations with respect to any changes, amendments and modifications that it deems desirable.

9. Shareholder Communications with Board of Directors and Committees. Any shareholder who desires to make his or her concerns known to an individual director, a Committee of the Board or the entire Board may do so by mail to: Board of Directors of EXCO Resources, Inc. at 12377 Merit Dr., Suite 1700, Dallas, Texas 75251. The Company's Secretary shall forward all shareholder communications, other than communications that are not properly directed or are frivolous, to the director, specific Committee, non-management director or directors, or the entire Board, as requested in the communications.

   Any communications to the Company from one of the Company's officers or directors will not be considered "shareholder communications." Communications to the Company from one of the Company's employees or agents will only be considered "shareholder communications" if they are made solely in such employee's or agent's capacity as a shareholder. Any shareholder proposal submitted pursuant to Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, will not be viewed as "shareholder communications."