

## NORTHWESTERN CORPORATION

### INSIDER TRADING POLICY

#### and Guidelines with Respect to Certain Transactions in Company Securities

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This Insider Trading Policy (the “**Policy**”) provides guidelines to employees and officers of NorthWestern Corporation (the “**Company**”) and members of the Company’s Board of Directors (the “**Directors**”) with respect to transactions in the Company’s securities.

#### Applicability of Policy

This Policy applies to all transactions in the Company’s securities, including common stock, options and warrants to purchase common stock and any other debt or equity securities the Company may issue from time to time, such as bonds, preferred stock and convertible debentures, as well as to derivative securities relating to the Company’s stock, whether or not issued by the Company, such as exchange-traded options. It applies to all officers of the Company, all members of the Company’s Board of Directors, and all employees of the Company and its subsidiaries who receive or have access to Material Nonpublic Information (as defined below) regarding the Company. This group of people, members of their immediate families who reside with them or anyone else who lives in their household and family members who live elsewhere but whose transactions in Company securities are directed by them or subject to their influence and control (collectively referred to as “**Family Members**”) are sometimes referred to in this Policy as “**Insiders**”. This Policy also applies to any person who receives Material Nonpublic Information from any Insider.

**Any person who possesses Material Nonpublic Information regarding the Company is an Insider for so long as the information is not publicly known.** Any employee can be an Insider from time to time, and would at those times be subject to this Policy. However, certain portions of this Policy only apply to the Company’s executive officers and Directors and certain other designated officers and employees, such as compliance with the prescribed Blackout Period restrictions and pre-clearance procedures.

The current “**Insider Trading Compliance Officer**” referred to herein is the General Counsel of the Company.

#### Definition of Material Nonpublic Information

It is not possible to define all categories of material information. However, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision to buy, hold or sell securities. Any information that could be expected to affect the market price of the Company’s securities whether or not, positive or negative, should be considered material.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information may include:

- Financial results;
- Projections of future earnings or losses;
- News of a pending or proposed merger, acquisition or tender offer;
- News of a pending or proposed acquisition or disposition of significant assets;
- Actions of regulatory agencies and particularly the U.S. Federal Energy Regulatory Commission, the Public Service Commissions of Montana and Nebraska and the Public Utilities Commission of South Dakota;
- News of a pending or proposed acquisition or disposition of a subsidiary;
- Impending bankruptcy or financial liquidity problems;
- Gain or loss of a significant customer or supplier;
- Significant energy generation or supply problems;
- Significant pricing changes;
- Stock splits and stock repurchase programs;
- New equity or debt offerings;
- Significant litigation exposure due to actual or threatened litigation; and
- Changes in senior management.

“**Material Nonpublic Information**” is material information that has not been previously disclosed to the general public through a press release or securities filings and is otherwise not available to the general public.

### **Statement of Policy** **General Policy**

It is the policy of the Company to oppose the unauthorized disclosure of any nonpublic information acquired in the workplace, the misuse of Material Nonpublic Information in securities trading, and any other violation of applicable securities laws.

### **Specific Policies**

**1. Trading on Material Nonpublic Information.** No Director, officer or employee of, or consultant or contractor to, the Company and its subsidiaries and no Family Member of any such person, shall engage in any transaction involving a purchase or sale of the Company’s securities, including any offer to purchase or offer to sell (other than pursuant to a trading plan that complies with SEC Rule 10b5-1 pre-cleared by the Company’s Insider Trading Compliance Officer), during any period commencing with the date that he possesses Material Nonpublic Information concerning the Company, and ending at the close of business on the second Trading Day following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. As used in this Policy, the term “**Trading Day**” shall mean a day on which national stock exchanges and Nasdaq are open for trading. If, for example, the Company were to make an announcement on a Monday, Insiders shall not trade in the Company’s securities until Thursday.

2. **Tippling.** No Insider shall disclose or pass on (“**tip**”) Material Nonpublic Information to any other person, including a Family Members or friend (commonly referred to as a “**tippee**”), nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company’s securities.

3. **Confidentiality of Nonpublic Information.** Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden.

### **Potential Criminal and Civil Liability and/or Disciplinary Action**

1. **Liability for Insider Trading.** Insiders may be subject to penalties and sanctions for engaging in transactions in the Company’s securities at a time when they have knowledge of Material Nonpublic Information including:

- up to 10 years in jail;
- a criminal fine of up to \$1,000,000;
- a civil penalty of up to 3 times the profit gained or the loss awarded; and
- SEC civil enforcement injunctions.

2. **Liability for Tippling.** Insiders who tip other (“**tippers**”) may also be liable for improper transactions by tippees to whom they have tipped Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities. Tippers would be subject to the same penalties and sanctions described above, and the SEC has imposed large penalties even when the tipper did not profit from the trading. The SEC, the stock exchanges and Nasdaq use sophisticated electronic surveillance techniques to uncover insider trading.

3. **Control Persons.** The Company and its supervisory personnel, if they fail to take appropriate steps to prevent illegal insider trading, may in certain circumstances, be subject to the following penalties:

- a civil penalty of up to \$1,000,000 or, if greater, 3 times the profit gained or loss avoided as a result of the employee’s violation;
- a criminal penalty of up to \$2,500,000.

4. **Possible Company-Imposed Disciplinary Actions.** Employees of the Company who violate this Policy shall also be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company’s equity incentive plans or termination of employment.

### **Mandatory Guidelines**

1. **Trading Blackout Period** . To ensure compliance with this Policy and applicable federal and state securities laws, the Company requires that all Directors, officers and

employees having access to the Company's internal financial statements or other Material Nonpublic Information regarding the Company's performance during annual and quarterly fiscal periods, refrain from conducting transactions involving the purchase or sale of the Company's securities during a "Blackout Period." The persons subject to the prohibition on trading during Blackout Periods include Directors and executive officers, all employees in the accounting and finance departments of the Company and its subsidiaries and all employees designated by the Company's Insider Trading Compliance Officer as subject to the Blackout Period prohibitions (collectively, "**Designated Insiders**"). Each of the following periods will constitute a "**Blackout Period**":

The period commencing on the first calendar day of the third fiscal month of each fiscal quarter (i.e. March 1, June 1, September 1, and December 1, as applicable) and ending at the close of business on the second Trading Day following the date of public disclosure of the financial results for such fiscal quarter (which is generally 30 to 50 days after the end of such quarter). If such public disclosure occurs on a Trading Day before the markets close, then that day shall be considered the first Trading Day. If such public disclosure occurs after the markets close on a Trading Day, then the date of public disclosure shall not be considered the first Trading Day following the date of public disclosure.

In addition to the Blackout Periods described above, the Company may announce "special" Blackout Periods from time to time. Typically, this will occur when there are nonpublic developments that would be considered material for insider trading law purposes, such as, among other things, developments relating to regulatory proceedings or a major corporate transaction. Depending on the circumstances, a "special" Blackout Period may apply to all employees or only a specific group of employees. The Insider Trading Compliance Officer will provide written notice to employees subject to a "special" Blackout Period. Any person made aware of the existence of a "special" Blackout Period should not disclose the existence of the Blackout Period to any other person. The failure of the Company to designate a person as being subject to a "special" Blackout Period will not relieve that person of the obligation not to trade while aware of Material Nonpublic Information. As used in this Policy, the term "Blackout Period" shall mean all periodic Blackout Periods and all "special" Blackout Periods announced by the Company.

The purpose behind the Blackout Period is to help establish a diligent effort to avoid any improper transaction. Trading in the Company's securities outside a Blackout Period should not be considered a "safe harbor", and all Directors, officers, employees and other persons subject to this Policy should use good judgment at all times. Even outside a Blackout Period, any person possessing Material Nonpublic Information concerning the Company should not engage in any transactions in the Company's securities until such information has been known publicly for at least two Trading Days after the date of announcement. Although the Company may from time to time impose special Blackout Periods, because of developments known to the Company and not yet disclosed to the public, each person is individually responsible at all times for compliance with the prohibitions against insider trading.

**2. Pre-clearance of Trades.** The Company has determined that all Designated Insider must refrain from trading in the Company's securities, without first complying with the

Company's "pre-clearance" process. Each Designated Insider must contact the Company's Insider Trading Compliance Officer not more than two (2) business days prior to commencing any trade in the Company's securities.

The Insider Trading Compliance Officer must pre-clear each proposed trade in writing. The Insider Trading Compliance Officer is not under any obligation to approve a trade submitted for pre-clearance, and may determine not to permit a trade.

To facilitate the process, the Company has prepared a pre-clearance form to be completed and provided to the Insider Trading Compliance Officer. The Insider Trading Compliance Officer will assist with the approval process.

The Company may also find it necessary, from time to time, to require compliance with the pre-clearance process from employees Designated Insiders.

Any Designated Insider who wishes to implement a trading plan under SEC Rule 10b5-1 must first pre-clear the plan with the Insider Trading Compliance Officer. As required by Rule 10b5-1, a Designated Insider may enter into a trading plan only when he is not in possession of Material Nonpublic Information. In addition, a trading plan may not be entered into during a Blackout Period. Transactions effected pursuant to a pre-cleared trading plan will not require further pre-clearance at the time of the transaction.

**3. Individual Responsibility.** Every officer, Director and employee has the individual responsibility to comply with this Policy against insider trading, regardless of whether a transaction is executed outside a Blackout Period or is pre-cleared by the Company. The restrictions and procedures are intended to help avoid inadvertent instances of improper insider trading, but appropriate judgment should always be exercised in connection with any trade in the Company's securities.

An Insider may, from time to time, have to forego a proposed transaction in the Company's securities even if he planned to make the transaction before learning of the Material Nonpublic Information and even though the Insider believes he may suffer an economic loss or forego anticipated profit by waiting.

### **Certain Exceptions**

**1. Stock Options Exercises.** For purposes of this Policy, the Company considers that the exercise of stock options for cash under the Company's stock option plans to be exempt from this Policy. This Policy does apply, however, to any sale of stock as part of a broker-assisted "cashless" exercise of an option, or any market sale for the purpose generating the cash needed to pay the exercise price of an option.

**2. 401(k) Plan.** This Policy does not apply to purchases of Company stock in the Company's 401(k) plan resulting from periodic contributions of money to the plan pursuant to payroll deduction elections. This Policy does apply, however, to certain elections that may be made under the 401(k) plan, including (a) an election to increase or decrease the percentage of periodic contributions that will be allocated to the Company stock fund, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund,

(c) an election to borrow money against a 401(k) plan account if the loan will result in a liquidation of some or all of a participant's Company stock fund balance, and (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

**3. Employee Stock Purchase Plan.** This Policy does not apply to purchases of Company stock in the Company's employee stock purchase plan resulting from periodic contributions of money to the plan pursuant to the elections made at the time of enrollment in the plan. This Policy also does not apply to purchases of Company stock resulting from lump sum contributions to the plan, provided that the participant elected to participate by lump-sum payment at the beginning of the applicable enrollment period. This Policy does apply to a participant's election to participate or increase in his or her participation in the plan, and to a participant's sales of Company stock purchased pursuant to the plan.

**4. Dividend Reinvestment Plan.** This Policy does not apply to purchases of Company stock under the Company's dividend reinvestment plan resulting from reinvestment of dividends paid on Company securities. This Policy does apply, however, to voluntary purchases of Company stock that result from additional contributions a participant chooses to make to the plan, and to a participant's election to participate in the plan or increase his level of participation in the plan. This Policy also applies to his sale of any Company stock purchased pursuant to the plan.

#### **Applicability of Policy to Inside Information Regarding Other Companies**

This Policy and the guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company's customers, vendors or suppliers ("**business partners**"), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All employees should treat Material Nonpublic Information about the Company's business partners with the same care required with respect to information related directly to the Company.

#### **Section 16 Liability - Directors and Officers**

Directors and certain officers of the Company must also comply with the reporting obligations and limitations on short-swing profit transactions set forth in Section 16 of the Securities Exchange Act of 1934 (the "**Exchange Act**"). The practical effect of these provisions is that these officers and Directors who purchase and sell the Company's securities within a six-month period must disgorge all profits to the Company whether or not they had knowledge of any Material Nonpublic Information. Under these provisions, and so long as certain other criteria are met, neither the receipt of stock or stock options under the Company's stock plans, nor the exercise of options nor the receipt of stock under the Company's employee stock purchase plan, dividend reinvestment plan or the Company's 401(k) retirement plan is deemed a purchase that can be matched against a sale for Section 16(b) short swing profit disgorgement purposes; however, the sale of any such shares is a sale for these purposes. Moreover, no such

officer or Director may ever make a short sale of the Company's stock which is unlawful under Section 16(c) of the Exchange Act. The Company will provide separate memoranda and other appropriate materials to the affected officers and Directors regarding compliance with Section 16 and its related rules.

**The rules on recovery of short swing profits are absolute and do not depend on whether a person has Material Nonpublic Information.**

### **Publicly Traded Options**

A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that the director or employee is trading based on inside information. Transactions in options also may focus the director's or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited. Option positions arising from certain types of hedging transactions are governed by the section below captioned "Hedging Transactions."

### **Hedging or Monetization Transactions**

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, Director or employee to lock in much of the value of his stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions would allow them to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, their interests and the interests of the Company and its shareholders may be misaligned and may signal a message to the trading market that may not be in the best interests of the Company and its shareholders at the time it is conveyed. Therefore, any person wishing to enter into such an arrangement must first pre-clear the proposed transaction with the Board of Directors. Any request for pre-clearance of a hedging or similar arrangement must be submitted to the Board of Directors and the Company's Insider Trading Compliance Officer at least two weeks prior to the proposed execution of documents evidencing the proposed transaction and must set forth a justification for the proposed transaction. This will allow the Company to consider the time and circumstances of the proposed transaction and if necessary direct how the transaction is disclosed to the public.

### **Margin Accounts and Pledges**

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. A margin sale or foreclosure sale may occur at a time when the pledgor is aware of Material Nonpublic Information or otherwise is not permitted to trade in Company securities pursuant to Blackout Period restriction. Thus, unless pre-cleared by the Insider Trading Compliance Officer, Directors, officers and employees are prohibited from pledging Company securities as collateral for a loan. Any Director, officer and employee preparing to pledge his Company securities must clearly demonstrate the financial capacity to repay the loan without resort to the pledged securities. Any person proposing to pledge Company securities as

collateral for a loan must submit a request for approval to the General Counsel at least two weeks prior to the proposed execution of documents evidencing the proposed pledge.

### **Post-Termination Transactions**

This Policy continues to apply to transactions in Company securities even after a Director, officer or employee has resigned or terminated employment. If the person who resigns or separates from the Company is in possession of Material Nonpublic Information at that time, he may not trade in Company securities until that information has become public or is no longer material.

### **Communications with the Public**

The Company is subject to the SEC's Regulation FD and must avoid selective disclosure of Material Nonpublic Information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. Pursuant to Company policy, only the executive officers who have been authorized to engage in communications with the public may disclose information to the public regarding the Company and its business activities and financial affairs. The public includes, without limitation, research analysts, portfolio managers, financial and business reporters, news media and investors. In addition, because of the risks associated with the exchange of information through such communications media, employees are strictly prohibited from posting or responding to messages containing information regarding the Company on Internet "bulletin boards," Internet "chat rooms" or in similar online forums. Employees who inadvertently disclose any Material Nonpublic Information must immediately advise the Insider Trading Compliance Officer so the Company can assess its obligations under Regulation FD and other applicable securities laws.

### **Inquiries**

Please direct questions as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officer.

### **Certifications**

All directors, officers and other employees of the Company must certify their understanding of, and intent to comply with, this Policy. Please return the enclosed certification immediately.

## CERTIFICATIONS

I certify that:

**1.** I have read and understand the Company's Insider Trading Policy. I understand that Insider Trading Compliance Officer is available to answer to any questions I have regarding the Statement of Policy.

**2.** Since November 1, 2004, or such shorter period of time that I have been a Director or an employee of the Company or I have been subject to the Statement of Policy, I have complied with the Statement of Policy.

**3.** I will continue to comply with the Insider Trading Policy for as long as I am subject to the policy.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print name: \_\_\_\_\_

**NORTHWESTERN CORPORATION  
INSIDER TRADING PRE-CLEARANCE REQUEST FORM**

**To:** Insider Trading Compliance Officer or Designee      **Date:** \_\_\_\_\_

**From:** \_\_\_\_\_      **Phone #:** \_\_\_\_\_

This is to advise you that I intend to execute a transaction in NorthWestern Corporation (“the Company”) securities on or about \_\_\_\_\_ [date] and hereby request that the Company pre-clear the transaction as required by the Company’s Insider Trading Policy (the “Policy”).

The general nature of the transaction is as follows:

- Purchase shares of Company stock in the open market
- Sell shares of Company stock in the open market
- Employee Stock Purchase Plan:
  - Enroll     Make investment change     Discontinue participation
- Dividend Reinvestment and Direct Stock Purchase Plan:
  - Enroll     Make investment change     Discontinue participation
- Transfer shares of Company stock to another person (includes family members)
- Other [explain] \_\_\_\_\_

I have read and understand the Policy and certify that the above proposed transaction will not violate the Policy.

I certify that I am not in possession of material nonpublic information about the Company and will not enter into the transaction if I come into possession of material nonpublic information about the Company between the date hereof and the proposed execution date.

I agree to advise the Company promptly if, as a result of future developments, any of the foregoing information becomes inaccurate or incomplete in any respect. I understand that the Company may require additional information about the transaction, and agrees to provide such information upon request.

*Print Name:* \_\_\_\_\_      *Signed:* \_\_\_\_\_

*Approved By:*

\_\_\_\_\_  
*Date:* \_\_\_\_\_

Timothy P. Olson (*Insider Trading Compliance Officer*)  
Interim General Counsel and Corporate Secretary

*or*

\_\_\_\_\_  
*Date:* \_\_\_\_\_

Tamra F. Lydic (*Designated Insider Trading Compliance Officer*)  
Assistant Corporate Secretary

*Approval for this transaction expires on:* \_\_\_\_\_