

Date: October 30, 2012
To: All Employees, Officers and Directors
From: Southcross Energy Partners, L.P.
Re: Insider Trading Policy

Introduction

Now that Southcross Energy Partners, L.P. (NYSE: SXE) (the “**Partnership**”) is a publicly traded partnership, we all have important responsibilities with respect to the purchase or sale of the units of the Partnership. Among the more important of those responsibilities is the obligation to insure that persons, including yourself, your family members, and any trusts or businesses controlled by you or any of those persons, not purchase or sell units of the Partnership while in possession of information that could be considered “material” and “non-public.” Publicly traded entities typically adopt “insider trading” policies to prevent trading by such persons (often referred to as “insiders”), and we have similarly adopted the policies and procedures attached to this memorandum.

Summary

To assist with your review of the attached, please consider the following key elements of the policy. This should help provide you with quick answers to common questions you may have regarding the policy, but is not a complete description of the policy requirements. Please familiarize yourself with the full policy and do not hesitate to call or email the Director of Legal Affairs with any questions.

Covered Persons: You, your family members, and any trust or business entity controlled by you or your family members are subject to the requirements of our insider trading policy. In addition to “insiders,” our policy also applies to other persons in possession of material, non-public information where the information either was given in breach of an insider’s duty to keep it confidential or was misappropriated.

Trading Periods: You must not purchase or sell any securities of the Partnership during the period beginning two weeks before the end of any calendar quarter and ending two days after the public release of earnings data for such calendar quarter. The other periods of any calendar year are generally available for trading by insiders so long as the trade is not otherwise done while in possession of material, non-public information and such trade has been precleared (see below).

Even when considering a trade during a permissible trading period, you must consider whether you or the person trading is in possession of

information, that could be considered “material” and “non-public.” **When in doubt, do not trade.**

Preclearance:

All transactions in the Partnership’s securities (including, purchasing or selling common units and the “cashless” exercise of options) must be precleared by the Compliance Officer, currently Phil Schnorbach.

Tipping:

Communicating or “tipping” material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information, is prohibited by law and our policy.

Penalties:

Insider trading is a crime and the penalties for violating the law include imprisonment, disgorgement of profits, civil fines of up to three times the profit gained or loss avoided, and criminal fines of up to \$1,000,000 for individuals and \$2,500,000 for entities. Insider trading is also prohibited by our policy and could result in serious sanctions, including dismissal.

INSIDER TRADING POLICY

Adopted as of October 30, 2012

This Insider Trading Policy (this “**Policy**”) of Southcross Energy Partners GP, LLC (the “**General Partner**”), the general partner of Southcross Energy Partners, L.P. (together with its subsidiaries, the “**Partnership**,” and together with its subsidiaries, the General Partner and any subsidiary of the General Partner whose employees provide services to the Partnership, the “**Company**”) is presented in the following four sections:

- Section I – Summary: this section provides an overview of the Policy;
- Section II – Statement of Policies Prohibiting Insider Trading: sets forth the policies of the Company prohibiting insider trading;
- Section III – Explanation of Insider Trading: explains insider trading; and
- Section IV – Statement of Procedures Preventing Insider Trading: consists of various procedures which have been put in place by the Company to prevent insider trading.

I. Summary

Preventing insider trading is necessary to comply with securities law and to preserve the reputation and integrity of the Partnership as well as that of all persons affiliated with it. “Insider trading” occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, “inside information” is information that is considered to be both “material” and “non-public.” Insider trading is a crime and the penalties for violating the law include imprisonment, disgorgement of profits, civil fines of up to three times the profit gained or loss avoided, and criminal fines of up to \$1,000,000 for individuals and \$2,500,000 for entities. Insider trading is also prohibited by this Policy and could result in serious sanctions, including dismissal.

This Policy applies to all members of the Board of Directors of the General Partner (“**directors**”), and all officers and employees of the Company, and extends to all activities within and outside an individual’s duties at the Company. Every officer, director and employee (together, the “**Covered Persons**” and each a “**Covered Person**”) must review this Policy. This Policy also applies to transactions by each Covered Person’s (i) spouse, children or other relatives living in the same household (“**family members**”); (ii) corporations or other business entities controlled by the Covered Person or his family members; (iii) corporations or other business entities controlled by the Company; and (iv) trusts in which the Covered Person or any family member acts as trustee or otherwise has investment control. Questions regarding the Policy should be directed to Phil Schnorbach, the Director of Legal Affairs of the Company (the “**Compliance Officer**”) at 214-979-3718.

II. **Statement of Policies Prohibiting Insider Trading**

A. General Insider Trading Policy

No Covered Person shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Partnership or any other company. To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Partnership securities, **all transactions in Partnership securities (including without limitation, acquisitions and dispositions of Partnership common units, the exercise of options and the sale of Partnership common units issued upon exercise of options) by Covered Persons must be precleared by the Compliance Officer.**

Additionally, except for the exercise of options that does not involve the sale of the Partnership's securities (e.g., a cashless exercise of an option involving the sale of Partnership securities therefore would not qualify under this exception) or transactions pursuant to a valid 10b5-1 Plan (defined below), **no Covered Person shall purchase or sell any security of the Partnership during the period beginning two weeks before the end of any fiscal quarter of the Partnership and ending two days after the public release of earnings data for such fiscal quarter.**

No Covered Person shall directly or indirectly tip material, non-public information to anyone who may trade while in possession of such information. In addition, material, non-public information generally should not be communicated to anyone outside the Company, or to anyone within the Company other than on a need-to-know basis.

B. Exception for Affirmative Defenses under Securities Exchange Act Rule 10b5-1

The federal securities laws provide for an affirmative defense to certain insider trading violations when a transaction in securities is consummated in accordance with a contract, instruction or plan satisfying the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (the "**1934 Act**"). Notwithstanding the trading preclearance requirement stated above (Section II.A.), a Covered Person shall not be required to preclear a transaction in Company securities if such transaction is executed pursuant to a valid contract, instruction or plan that provides an affirmative defense (a "**10b5-1 Plan**") pursuant to Rule 10b5-1 under the 1934 Act and such transaction is lawful under any applicable state securities laws.

However, a 10b5-1 Plan cannot be entered into or adopted by a Covered Person when the Covered Person is in possession of material, non-public information related to the security, whether the issuer of such security is the Partnership or any other company. To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the adoption of a 10b5-1 Plan, **the adoption of any 10b5-1 Plan providing for transactions in the securities of the Partnership (including without limitation, acquisitions and dispositions of Partnership common units, the exercise of options and the sale of Partnership common units issued upon exercise of options) must be precleared by the Compliance Officer to confirm the absence of material non-public information at the time of such adoption. The Compliance Officer will not otherwise pass**

upon the conformity of the 10b5-1 Plan or its execution to the requirements of Rule 10b5-1 or any applicable state law, which shall be solely the responsibility of the Covered Person. In addition, any proposed amendment to, alteration of or deviation from an established 10b5-1 Plan will be treated as the adoption of a new 10b5-1 Plan, which must be precleared by the Compliance Officer. In connection with this preclearance, the Covered Person shall provide the Compliance Officer with a copy of the 10b5-1 Plan proposed to be entered into or adopted by the Covered Person.

Additionally, no Covered Person shall enter into or adopt a 10b5-1 Plan providing for transactions in any security of the Partnership during the period beginning two weeks before the end of any fiscal quarter of the Partnership and ending two days after the public release of earnings data for such fiscal quarter.

III. Explanation of Insider Trading

As noted above, “insider trading” refers to the purchase or sale of a security while in possession of “material” “non-public” information relating to the security. “Securities” include common units of limited partnership, stocks, bonds, notes, debentures, options, warrants and similar instruments. “Purchase” and “sale” are defined broadly under the federal securities laws. “Purchase” includes the actual purchase of a security and any contract to purchase or otherwise acquire a security. “Sale” includes the actual sale of a security and any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions including conventional cash-for-equity transactions, conversions, and acquisitions and exercises of warrants or puts, calls or other options related to a security. It is generally understood that insider trading includes the following:

- Trading by insiders while in possession of material, non-public information;
- Trading by persons other than insiders while in possession of material, non-public information where the information either was given in breach of an insider’s duty to keep it confidential or was misappropriated; or
- Communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

A. What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered “material” if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company’s business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) facts concerning: distributions; earnings or earnings forecasts; mergers or acquisitions; major litigation; significant

borrowings or financings; defaults on borrowings; and bankruptcies. Moreover, material information does not have to be related to a company's business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

A good general rule of thumb: **when in doubt, do not trade.**

B. What is Non-public?

Information is "non-public" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Reuters, The Wall Street Journal or Associated Press. The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately 48 hours following publication as a reasonable waiting period before such information is deemed to be public.

C. Who is an Insider?

"Insiders" include officers, directors, and employees of a company and anyone else who has material inside information about a company. Insiders have duties to their company and its securityholders not to trade on material, non-public information relating to the company's securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about business, activities and securities. Officers, directors and employees may not trade the Partnership's securities while in possession of material, non-public information relating to the Partnership nor tip (or communicate except on a need-to-know basis) such information to others.

It should be noted that trading by members of an officer's, director's or employee's household can be the responsibility of such officer, director or employee under certain circumstances and could give rise to legal and Company-imposed sanctions.

D. Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party ("*tippee*"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee's liability for insider trading is no different from that of an

insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

E. Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The Securities and Exchange Commission (“*SEC*”) and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

- SEC administrative sanctions;
- Securities industry self-regulatory organization sanctions;
- Civil injunctions;
- Damage awards to private plaintiffs;
- Disgorgement of all profits;
- Civil fines for the violator of up to three times the amount of profit gained or loss avoided;
- Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of \$1,000,000 or three times the amount of profit gained or loss avoided by the violator;
- Criminal fines for individual violators of up to \$1,000,000 (\$2,500,000 for an entity); and
- Jail sentences of up to 10 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws: other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated upon the occurrence of insider trading.

F. Examples of Insider Trading

Examples of insider trading cases include actions brought against: officers, directors and employees who traded a company’s securities after learning of significant confidential corporate developments; friends, business associates, family members and other tippees of such officers, directors, and employees who traded the securities after receiving such information; government

employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

Trading by Insider

An officer of X Partnership learns that earnings to be reported by X Partnership will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Partnership's common units. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to \$1,000,000 in additional fines and 10 years in jail. Depending upon the circumstances, X Partnership and the individual to whom the officer reports also could be liable as controlling persons.

Trading by Tippee

An officer of X Partnership tells a friend that X Partnership is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Partnership's common units in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits and each is liable for all penalties of up to three times the amount of the friend's profits. In addition, the officer and his friend are subject to, among other things, criminal prosecution, as described above.

IV. Statement of Procedures Preventing Insider Trading

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every Covered Person is required to follow these procedures.

A. Pre-Clearance of Trades in Company Securities by All Covered Persons

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of Partnership securities, **all transactions in Partnership securities (including without limitation, acquisitions and dispositions of Partnership common units, the exercise of options and the sale of Partnership common units issued upon exercise of options) by Covered Persons must be precleared by the Compliance Officer. If after consultation with the Compliance Officer it is determined that the Company and/or such Covered Person is in possession of material, non-public information, there may be no trading in Partnership securities.**

Additionally, except for the exercise of options that does not involve the sale of Partnership securities or transactions pursuant to a valid 10b5-1 Plan, **no Covered Persons shall purchase or sell any security of the Partnership during the period beginning two weeks**

before the end of any fiscal quarter of the Partnership and ending two days after the public release of earnings data for such fiscal quarter.

B. Transactions Pursuant to 10b5-1 Plans and Pre-Clearance of 10b5-1 Plans

Notwithstanding the trading preclearance requirement stated above (Section IV.A.), a Covered Person shall not be required to preclear a transaction in Partnership securities if such transaction is executed pursuant to a valid contract, instruction or plan that provides an affirmative defense (a 10b5-1 Plan) pursuant to Rule 10b5-1 under the 1934 Act and such transaction is lawful under any applicable state securities laws.

However, a 10b5-1 Plan cannot be entered into or adopted by a Covered Person when the Covered Person is in possession of material, non-public information related to the security, whether the issuer of such security is the Partnership or any other company. To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the adoption of a 10b5-1 Plan, **the adoption of any 10b5-1 Plan providing for transactions in the securities of the Partnership (including without limitation, acquisitions and dispositions of Partnership common units, the exercise of options and the sale of Partnership common units issued upon exercise of options) must be precleared by the Compliance Officer to confirm the absence of material non-public information at the time of such adoption. The Compliance Officer will not otherwise pass upon the conformity of the 10b5-1 Plan or its execution to the requirements of Rule 10b5-1 or any applicable state law, which shall be solely the responsibility of the Covered Person. In addition, any proposed amendment to, alteration of or deviation from an established 10b5-1 Plan will be treated as the adoption of a new 10b5-1 Plan, which must be precleared by the Compliance Officer.** In connection with this preclearance, the Covered Person shall provide the Compliance Officer with a copy of the 10b5-1 Plan proposed to be entered into or adopted by the Covered Person. **If after consultation with the Compliance Officer it is determined that the Company and/or such Covered Person is in possession of material, non-public information, the Covered Person may not enter into or adopt the 10b5-1 Plan at such time.**

Additionally, **no Covered Person shall enter into or adopt a 10b5-1 Plan providing for transactions in any security of the Partnership during the period beginning two weeks before the end of any fiscal quarter of the Partnership and ending two days after the public release of earnings data for such fiscal quarter.**

C. Information Relating to the Company

1. Access to Information

Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and employees of the Company on a need-to-know basis. In addition, such information should generally not be communicated to anyone outside the Company.

In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment

of such information and adherence to the Company's policies with regard to confidential information.

2. Inquiries From Third Parties

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to Kristin Hodges at 214-979-3720.

D. Limitations on Access to the Company Information

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

1. All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

- Maintaining the confidentiality of Company-related transactions;
- Conducting business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;
- Restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents);
- Promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;
- Disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;
- Restricting access to areas likely to contain confidential documents or material, non-public information; and
- Avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

2. Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

E. Avoidance of Certain Aggressive or Speculative Trading

Covered Persons and their respective family members (including spouses, minor children, or any other family members living in the same household) should ordinarily not directly or indirectly participate in transactions involving trading activities which by their aggressive or speculative nature may give rise to an appearance of impropriety. Such activities would include the purchase of put or call options, or the writing of such options.

F. Execution and Return of Acknowledgment

After reading this policy statement all Covered Persons should execute and return to the Compliance Officer the Certification of Compliance form attached hereto as “Attachment A” (with respect to outside directors) or “Attachment B” (with respect to officers, management directors and employees).

CERTIFICATION OF COMPLIANCE

RETURN BY _____, 20__

TO: _____, Compliance Officer

FROM: _____

RE: INSIDER TRADING POLICY OF SOUTHCROSS ENERGY PARTNERS,
L.P. GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND
THE PREVENTION OF INSIDER TRADING (DATED: _____, 2012)

I have received, reviewed, and understand the above-referenced Policy and hereby undertake, as a condition to my present and continued affiliation with Southcross Energy Partners, L.P., to comply fully with the policies and procedures contained therein.

I hereby certify, to the best of my knowledge, that during the calendar year ending _____, 20__, I have complied fully with all policies and procedures set forth in the above-referenced Insider Trading Policy.

SIGNATURE

DATE

TITLE

CERTIFICATION OF COMPLIANCE

RETURN BY _____, 20____

TO: _____, Compliance Officer

FROM: _____

RE: INSIDER TRADING POLICY OF SOUTHCROSS ENERGY PARTNERS,
L.P. GOVERNING MATERIAL, NON-PUBLIC INFORMATION AND
THE PREVENTION OF INSIDER TRADING (DATED: _____, 2012)

I have received, reviewed, and understand the above-referenced Policy and hereby undertake, as a condition to my present and continued employment at Southcross Energy Partners, L.P., to comply fully with the policies and procedures contained therein.

I hereby certify, to the best of my knowledge, that during the calendar year ending _____, 20__, I have complied fully with all policies and procedures set forth in the above-referenced Insider Trading Policy.

SIGNATURE

DATE

TITLE