

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM S-8
Registration Statement
Under The Securities Act of 1933

SOUTHWEST AIRLINES CO.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

P.O. Box 36611, Dallas, Texas
(Address of Principal Executive Offices)

75-1563240
(I.R.S. Employer
Identification No.)

75235-1611
(Zip Code)

Southwest Airlines Co.
Amended and Restated 1991 Employee Stock Purchase Plan
(Full title of the plan)

Laura Wright
Senior Vice President Finance & Chief Financial Officer
Southwest Airlines Co.
P.O. Box 36611
Dallas, Texas 75235-1611
214-792-4000
(Name, address, and telephone number, including area code, of agent for service)

Copy to:
Madeleine Johnson
Vice President & General Counsel
Southwest Airlines Co.
P.O. Box 36611
Dallas, Texas 75235-1611

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Accelerated filer ☐
Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(2)
Common Stock, \$1.00 par value per share	5,000,000 shares	\$6.98	\$34,900,000	\$1,948

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement shall be deemed to cover any additional shares of common stock, par value \$1.00 per share, of Southwest Airlines Co. that may be offered or issued to prevent dilution resulting from stock splits, stock dividends, or similar transactions.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rules 457(c) and 457(h) under the Securities Act of 1933, as amended. The offering price and registration fee are based on a price of \$6.98 per share, which price is the average of the high and low prices for the common stock, as reported on the New York Stock Exchange on July 21, 2009.

REGISTRATION OF ADDITIONAL SECURITIES

This registration statement covers an additional 5,000,000 shares of common stock, par value \$1.00 per share, of Southwest Airlines Co. (the “Company”) for offer and sale pursuant to the Company’s Amended and Restated 1991 Employee Stock Purchase Plan (the “Plan”). The Plan is an amendment and restatement of the Southwest Airlines Co. 1991 Employee Stock Purchase Plan, with respect to which the Company has previously filed registration statements on Form S-8. Accordingly, pursuant to General Instruction E to Form S-8, the contents of earlier registration statements on Form S-8 (Registration Numbers 33-40653 and 333-139362) are incorporated herein by reference.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents, which have been filed with the Securities and Exchange Commission (the “Commission”), are incorporated by reference into this registration statement (excluding any information furnished pursuant to Items 2.02 or 7.01 on any Current Report on Form 8-K):

- (i) the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008;
- (ii) the Company’s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, and June 30, 2009;
- (iii) the Company’s Current Reports on Form 8-K filed with the Commission on January 6, 2009, January 14, 2009, January 15, 2009, January 22, 2009, April 3, 2009, and May 21, 2009; and
- (iv) the description of the Company’s common stock contained in its registration statement on Form 8-A filed with the Commission on October 6, 1975, including any amendments or reports filed for the purpose of updating such description.

In addition, all documents subsequently filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Securities Exchange Act of 1934, as amended, prior to the filing of a post-effective amendment to this registration statement that indicates that all securities offered hereby have been sold or that deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this registration statement to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this registration statement.

Item 5. Interests of Named Experts and Counsel.

The validity of the common stock registered hereunder has been passed upon for the Company by Madeleine Johnson, Vice President & General Counsel of the Company. As of July 22, 2009, Ms. Johnson’s equity interest in the Company consisted solely of options (granted under the Company’s 2007 Equity Incentive Plan) to purchase 13,500 shares of common stock, none of which are vested.

Item 6. Indemnification of Directors and Officers.

Article VIII, Section 1 of the Company's Bylaws provides as follows:

"Right to Indemnification: Subject to the limitations and conditions as provided in this Article VIII, each person who was or is made a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter called a "proceeding"), or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he (or a person of whom he is the legal representative) is or was a director or officer of the corporation (or while a director or officer of the corporation is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, Employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, trust, Employee benefit plan, or other enterprise) shall be indemnified by the corporation to the fullest extent permitted by the Texas Business Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, court costs and attorneys' fees) actually incurred by such person in connection with such proceeding, appeal, inquiry or investigation, and indemnification under this Article VIII shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder; provided, however, that in no case shall the corporation indemnify any such person (or the legal representative of any such person) otherwise than for his reasonable expenses, in respect of any proceeding (i) in which such person shall have been finally adjudged by a court of competent jurisdiction (after exhaustion of all appeals therefrom) to be liable on the basis that personal benefit was improperly received by him, whether or not the benefit resulted from an action taken in such person's official capacity, or (ii) in which such person shall have been found liable to the corporation; and provided, further, that the corporation shall not indemnify any such person for his reasonable expenses actually incurred in connection with any proceeding in which he shall have been found liable for willful or intentional misconduct in the performance of his duty to the corporation. The rights granted pursuant to this Article VIII shall be deemed contract rights, and no amendment, modification or repeal of this Article VIII shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability.

Article Ten of the Company's Articles of Incorporation (as amended) provides that a director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for an act or omission in the director's capacity as a director, subject to certain limitations.

Article 2.02-1B. of the Texas Business Corporation Act provides that, subject to certain limitations, "a corporation may indemnify a person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a director only if it is determined in accordance with Section F of this article that the person: (1) conducted himself in good faith; (2) reasonably believed: (a) in the case of conduct in his official capacity as a director of the corporation, that his conduct was in the corporation's best interests; and (b) in all other cases, that his conduct was at least not opposed to the corporation's best interests; and (3) in the case of any criminal proceeding, had no reasonable cause to believe his conduct was unlawful."

The Company has entered into indemnification agreements with each of its current members of the Board of Directors (each an "Indemnitee"). Each indemnification agreement requires the Company to indemnify each Indemnitee to the fullest extent permitted by the Texas Business Corporation Act and any successor statute thereto (including the Texas Business Organization Code) when such successor statute becomes applicable to the Company. The Company will also make the Indemnitee whole for taxes imposed on the indemnification payments and for costs in any action to establish Indemnitee's right to indemnification, whether or not wholly successful.

The Company also maintains directors' and officers' liability insurance.

Item 8. Exhibits.

- 4.1 Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 33-52155)); Amendment to Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 (File No. 1-7259)); Amendment to Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 1-7259)); Amendment to Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (File No. 333-82735); Amendment to Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 1-7259)); Articles of Amendment to Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-7259)).
- 4.2 Amended and Restated Bylaws of the Company, effective January 15, 2009 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated January 15, 2009 (File No. 1-7259)).
- 4.3 Specimen certificate representing common stock of the Company (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-7259)).
- 5 Opinion of Madeleine Johnson, Vice President & General Counsel of the Company.
- 23.1 Consent of Ernst & Young LLP, independent auditors.
- 23.2 Consent of Madeleine Johnson, Vice President & General Counsel of the Company (included in the opinion filed as Exhibit 5).
- 24 Power of Attorney (included on signature page to this registration statement).
- 99 Southwest Airlines Co. Amended and Restated 1991 Employee Stock Purchase Plan.

Item 17. Undertakings.

A. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (A)(1)(i) and (A)(1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

B. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Gary C. Kelly, Laura Wright, and Ron Ricks, and each of them acting individually, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this registration statement, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might and could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas on July 23, 2009.

SOUTHWEST AIRLINES CO.

By: /s/ Laura Wright
Laura Wright
Senior Vice President Finance &
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on July 23, 2009.

<u>Signature</u>	<u>Title</u>
<u>/s/ Gary C. Kelly</u> Gary C. Kelly	Chairman of the Board, President, & Chief Executive Officer (Principal Executive Officer)
<u>/s/ Laura Wright</u> Laura Wright	Senior Vice President Finance & Chief Financial Officer (Principal Financial & Accounting Officer)
<u>/s/ David W. Biegler</u> David W. Biegler	Director
<u>/s/ C. Webb Crockett</u> C. Webb Crockett	Director
<u>/s/ William H. Cunningham</u> William H. Cunningham	Director
<u>/s/ John G. Denison</u> John G. Denison	Director
<u>/s/ Travis C. Johnson</u> Travis C. Johnson	Director
<u>/s/ Nancy B. Loeffler</u> Nancy B. Loeffler	Director
<u>/s/ John T. Montford</u> John T. Montford	Director
<u>/s/ Daniel D. Villanueva</u> Daniel D. Villanueva	Director

Index to Exhibits

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- 24 Power of Attorney (included on signature page to this registration statement).
- 99 Southwest Airlines Co. Amended and Restated 1991 Employee Stock Purchase Plan.



SOUTHWEST AIRLINES CO.

Madeleine Johnson
Vice President & General Counsel
P.O. Box 36611
Dallas, Texas 75235-1611
(214) 792-4680
Facsimile: (214) 792-5151

July 23, 2009

Southwest Airlines Co.
2702 Love Field Drive
P.O. Box 36611
Dallas, TX 75235-1611

Ladies and Gentlemen:

I am the Vice President & General Counsel of Southwest Airlines Co., a Texas corporation (the "Company"). This opinion is being delivered in connection with the registration under the Securities Act of 1933, as amended (the "Securities Act"), of 5,000,000 shares (the "Shares") of the Company's common stock, par value \$1.00 per share, pursuant to the Company's registration statement on Form S-8 (the "Registration Statement") filed with the Securities and Exchange Commission on July 23, 2009, which Shares are to be issued pursuant to the Southwest Airlines Co. Amended and Restated 1991 Employee Stock Purchase Plan (the "Plan").

In rendering the opinions set forth below, I have reviewed and relied upon the original or certified copies of such documents, corporate or other records, certificates, and other papers as I have deemed necessary for the purpose of rendering such opinions. In making the foregoing examinations, I have assumed the genuineness of all signatures on original documents, the authenticity of all documents submitted to me as originals, and the conformity to original documents of all copies submitted to me.

Based upon the foregoing, subject to comments hereinafter stated, and limited in all respects to the Texas Business Corporation Law and the federal laws of the United States of America, in each case as in effect on the date hereof, it is my opinion that the Shares, when issued by the Company pursuant to the terms and conditions of the Plan, will be validly issued, fully paid and nonassessable.

I consent to the use of this opinion as an exhibit to the Registration Statement and the reference to me in Item 5 of the Registration Statement. In giving this consent, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations thereunder.

Sincerely,

/s/ Madeleine Johnson

Madeleine Johnson

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement pertaining to Southwest Airlines Co. Amended and Restated 1991 Employee Stock Purchase Plan of our reports dated January 29, 2009, with respect to the consolidated financial statements of Southwest Airlines Co. included in its Annual Report (Form 10-K) for the year ended December 31, 2008, and the effectiveness of internal control over financial reporting of Southwest Airlines Co. filed with the Securities and Exchange Commission.

/s/ Ernst & Young, LLP

Dallas, Texas
July 23, 2009

**SOUTHWEST AIRLINES CO.
Amended and Restated
1991 Employee Stock Purchase Plan**

1. Purpose.

The Southwest Airlines Co. Amended and Restated 1991 Employee Stock Purchase Plan (the “**Plan**”) is intended to provide an incentive for Employees of Southwest Airlines Co. (the “**Company**”), and any Designated Subsidiary, to acquire a proprietary interest (or increase an existing proprietary interest) in the Company through the purchase of shares of the Company’s Common Stock. It is the intention of the Company that the Plan qualify as an “employee stock purchase plan” under Code section 423. Accordingly, the provisions of the Plan shall be construed in a manner consistent with the requirements of Code section 423.

2. Definitions.

- (a) “**Administrator**” means the Board or any committee duly appointed by the Board to administer the Plan.
- (b) “**Board**” means the Board of Directors of the Company.
- (c) “**Code**” means the Internal Revenue Code of 1986, as amended. References in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.
- (d) “**Common Stock**” means the Company’s common stock, par value \$1.00 per share.
- (e) “**Company**” has the meaning set forth in Section 1.
- (f) “**Designated Subsidiary**” means a “subsidiary corporation,” as defined in Code section 424(f), of the Company that has been designated by the Administrator as an entity to which this Plan applies.
- (g) “**Employee**” means any person that is providing services to the Company or any Designated Subsidiary as a common law employee.
- (h) “**Fair Market Value**” means the mean between the highest and lowest quoted selling prices on the New York Stock Exchange on the applicable valuation date.
- (i) “**Month End Date**” has the meaning set forth in Section 3.
- (j) “**New York Stock Exchange**” means the New York Stock Exchange, or any other stock exchange on which the Company’s Common Stock is traded at the applicable determination date.
- (k) “**Offering Period**” has the meaning set forth in Section 3.
- (l) “**Option**” has the meaning set forth in Section 3.
- (m) “**Option Price**” means, with respect to the grant of a particular Option, 90% of the Fair Market Value of the Common Stock on the Month End Date.
- (n) “**Participant**” means an Employee eligible to participate in the Plan pursuant to Section 6 who elects to participate in the Plan pursuant to Section 7.
- (o) “**Payroll Deduction**” means a withholding of amounts by the Company or a Designated Subsidiary from a Participant’s salary or wages to be used to purchase Common Stock pursuant to the Plan.
- (p) “**Payroll Period**” means, with respect to a particular Participant, the recurring period during which such Participant regularly receives payment of salary or wages.
- (q) “**Plan**” has the meaning set forth in Section 1.
- (r) “**Purchase Date**” has the meaning set forth in Section 3.
- (s) “**Trading Day**” means a day on which trading in Common Stock takes place on the New York Stock Exchange.

3. Grant of an Option.

For purposes of Code section 423, the Company shall be deemed to have granted a Participant an option to purchase shares of Common Stock (an “**Option**”) on the last Trading Day of each month in which such Participant has made a Payroll Deduction (the “**Month End Date**”). Each Option shall entitle the Participant to acquire a set number of shares of Common Stock, including fractional amounts, determined by dividing the total Payroll Deductions for such month (the “**Offering Period**”) by the Option Price, and shall be exercisable at such Option Price for each share. Each Option granted shall be exercised on the Month End Date (the “**Purchase Date**”), in accordance with, and subject to the limitations of, Section 7.

4. Administration.

The Plan shall be administered by the Administrator. Subject to the express provisions of the Plan, to the overall supervision of the Board, and to the limitations of Code section 423, the Administrator may administer and interpret the Plan in any manner it believes to be desirable, and any such interpretation shall be conclusive and binding on the Company and all persons.

5. Number of Shares of Common Stock.

(a) The maximum aggregate number of shares of Common Stock that may be issued under the Plan is 18,750,000 (which includes the 13,750,000 shares previously approved by the Company’s shareholders for issuance pursuant to the Company’s 1991 Employee Stock Purchase Plan). Common Stock acquired pursuant to the Plan may be either newly issued shares, treasury shares, or open market purchases, but, regardless of source, all such shares shall be counted against the maximum amount of shares that may be issued under the Plan.

(b) In the event of any reorganization, recapitalization, stock split, reverse stock split, stock dividend, combination of shares, merger, consolidation, offering of rights or other similar change in the capital structure of the Company, the Administrator shall make such adjustment as it deems appropriate in the number of shares of Common Stock available for purchase under the Plan.

6. Eligibility Requirements.

(a) Any Employee who has completed six (6) months of continuous service with the Company or a Designated Subsidiary may participate in the Plan; provided, however, that the following Employees are ineligible to participate in the Plan:

(1) Employees who would, immediately upon the receipt of the right to purchase any Common Stock under the Plan, own, directly or indirectly, or hold options or rights to acquire, an aggregate of 5% or more of the total combined voting power or value of all outstanding shares of all classes of stock of either the Company or any corporation related to the Company;

(2) Employees whose customary employment is for not more than five months in any calendar year; and

(3) Employees who are citizens or residents of a foreign jurisdiction (without regard to whether they are also citizens of the United States or resident aliens (within the meaning of Code section 7701(b)(1)(A)) if:

(i) the grant of an option under the Plan to a citizen or resident of the foreign jurisdiction is prohibited under the laws of such jurisdiction; or

(ii) compliance with the laws of the foreign jurisdiction would cause the Plan to fail to meet the requirements of Code section 423.

(b) No option shall be granted pursuant to the Plan to any person who is not an Employee. Specifically, options may not be granted to consultants and other non-Employees.

(c) In order to facilitate participation in the Plan, the Administrator may provide for such special terms applicable to Participants who are citizens or residents of a foreign jurisdiction, or who are employed by the Company or a Designated Subsidiary outside of the United States, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such special terms may not be more favorable than the terms of Options granted under the Plan to Employees who are residents in the United States. Moreover, the Administrator may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose. No such special terms, supplements, amendments or restatements shall include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

7. Enrollment and Payroll Deductions.

(a) Any Employee who is eligible under Section 6 may enroll as a Participant in the Plan by completing and submitting an election, in writing or electronically, in the manner specified by the Administrator. Participation in the Plan is entirely voluntary by Employees.

(b) Contributions to the Plan by Participants shall be made only through Payroll Deductions. A Participant's election shall specify the Participant's Payroll Deduction for each Payroll Period and shall authorize the Company to withhold such Payroll Deduction from the Participant's salary or wages with respect to each Payroll Period thereafter until such Participant's participation in the Plan is terminated or until the amount of the Participant's Payroll Deduction is changed or suspended as hereafter provided. The following shall apply with respect to any Participant who authorizes Payroll Deductions pursuant to the Plan:

(1) The Administrator may adopt rules and procedures for the implementation and administration of Payroll Deduction elections, including the following:

(i) the definition of "salary or wages" to which a Participant's Payroll Deduction election applies; provided that, in the absence of any determination by the Administrator, "salary or wages" shall refer to the Participant's base salary or wages for such period (exclusive of commissions, bonuses, overtime pay, shift differential, long-term disability or workers compensation payments and similar amounts);

(ii) whether a Participant's Payroll Deduction election may be stated in terms of a dollar amount per payroll period, a percentage of salary or wages within a payroll period or in any other manner;

(iii) any methods or assumptions used by the Administrator in the calculation of the Participant's Payroll Deduction election; and

(iv) any minimum or maximum dollar or percentage limitations that apply to a Participant's Payroll Deduction election; provided that, in the absence of any determination by the Administrator, the minimum to be made by a Participant is \$5.00 (if a specific amount is selected) or 1% (if a specific percentage is selected).

(2) No Employee may be permitted to purchase stock under all employee stock purchase plans (within the meaning of Code section 423) of the Company and its related corporations at a rate that exceeds \$25,000 in fair market value of the stock (determined at the time the option is granted) for each calendar year in which any Option granted to the Employee is outstanding at any time. Payroll Deduction amounts in excess of the foregoing limit will be returned to the Participant as soon as administratively feasible.

(3) A Participant may elect to change the Participant's Payroll Deduction election by completing and submitting a new Payroll Deduction election, in writing or electronically, in the manner specified by the Administrator. Any new election made by a Participant shall be effective as soon as is administratively practicable after the election is received by the Administrator but shall in no event be effective before the next subsequent Offering Period after the election is received by the Administrator.

(4) The Company shall maintain records of a Participant's Payroll Deduction amounts for each Offering Period. The Company shall have no obligation to pay interest on Payroll Deduction amounts and shall have no obligation to hold such amounts in trust or in any segregated account.

(c) All amounts available with respect to Payroll Deductions on the Purchase Date will be used by the Administrator for the purchase of Common Stock as set forth in Section 8.

8. Purchase of Common Stock.

(a) On the Purchase Date, the Company shall apply the Participant's Payroll Deduction amounts to the purchase of shares, including fractional shares, of Common Stock at the applicable Option Price. Participants shall be treated as the record owners of their Common Stock effective as of the Purchase Date. Any cash remaining following a purchase of shares on behalf of a Participant shall, subject to the limitations of Section 7(b)(2) or any other limit established by the Administrator, be carried forward for purchase on behalf of such Participant on the next Purchase Date at the applicable Option Price. In no event shall a purchase of Common Stock take place with respect to an Option granted more than five years prior to the Purchase Date.

(b) If purchases of Common Stock for a Participant are restricted by the limit in Section 7(b)(2), the Participant's Payroll Deduction election shall be suspended for the remainder of the calendar year. A Participant's Payroll Deduction election and purchases of Common Stock for such Participant shall automatically resume for the Offering Period that begins as of January 1 of the following calendar year.

9. Termination of Employment.

(a) Participation in the Plan will terminate immediately when a Participant dies or ceases to be employed by the Company or any of its Designated Subsidiaries due to:

- (1) the determination of total disability under any long-term disability coverage funded by the Company or any of its Designated Subsidiaries; or
- (2) other termination of the Employee's employment.

(b) A termination of employment shall not include any period in which the Participant is on sick leave, military leave or a leave of absence in accordance with Company policies.

(c) Any of a Participant's Payroll Deduction amount that remains upon the termination of the Participant's participation in the Plan and that has not been used to purchase Common Stock under this Plan shall be returned to the Participant as soon as administratively feasible after termination of employment.

10. Assignment.

The Options granted under the Plan are not transferable by the Participant other than by will or the laws of descent and distribution, and must be exercisable, during the Participant's lifetime, only by the Participant. No Participant may create a lien on any funds, securities, rights or other property held by the Company on behalf of the Participant under the Plan.

11. Administrative Assistance.

If the Administrator in its discretion so elects, it may retain a brokerage firm, bank or other financial institution to assist in the purchase or recordkeeping of Common Stock, delivery of reports or other administrative aspects of the Plan.

12. Costs.

All costs and expenses incurred in administering the Plan shall be paid by the Company. Any brokerage fees for the purchase of Common Stock by a Participant shall be paid by the Company, but any brokerage fees for the sale of Common Stock by a Participant shall be borne by the Participant.

13. Equal Rights and Privileges.

Notwithstanding any provision of the Plan to the contrary and to ensure compliance with the requirements of Code section 423, all Employees who are granted Options pursuant to the Plan shall have the same rights and privileges. Any provision of the Plan that is inconsistent with Code section 423 shall, without further act or amendment by the Company or the Board, be reformed to comply with the requirements of Code section 423. This Section 13 shall take precedence over all other provisions of the Plan.

14. Applicable Law.

The Plan shall be governed by the laws of the State of Texas.

15. Modification and Termination.

(a) The Board may amend, alter or terminate the Plan at any time. No amendment shall be effective unless within twelve months either before or after it is adopted by the Board it is approved by the shareholders of the Company, if such amendment would:

- (1) increase the aggregate number of shares of Common Stock that may be issued under the Plan (other than an increase merely reflecting a change in the number of outstanding shares, such as a stock dividend or stock split); or
- (2) otherwise require approval of the Company's shareholders by the rules of the New York Stock Exchange, the Code or regulations of the Department of the Treasury, or other laws.

(b) In the event the Plan is terminated, the Board may elect to terminate all participation either immediately or upon completion of the purchase of Common Stock on the next Purchase Date. All Payroll Deduction amounts that have not been used to purchase Common Stock pursuant to the Plan shall be returned to the Participants as soon as administratively feasible.

(c) If at any time the shares of Common Stock available under the Plan are overenrolled, enrollments shall be reduced as determined by the Administrator to eliminate the overenrollment. Any of a Participant's Payroll Deduction

amounts that cannot be applied to the purchase of shares of Common Stock due to overenrollment shall be paid to the Participant as soon as administratively feasible.

16. Securities Laws.

The Company shall not be obligated to issue any Common Stock pursuant to the Plan at any time when the requirements of any securities exchange upon which the Company's securities shall then be listed have not been met or when the shares of Common Stock have not been registered under the Securities Act of 1933, as amended, or such other state, federal, or other laws, rules, and regulations as the Company or the Administrator deem applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules, and regulations available for the issuance and sale of such shares.

17. Notices.

Except as otherwise provided by the Administrator, all notices that may be or are required to be given by Participants or Employees of the Company to the Company or the Administrator under the terms of this Plan shall be effective when received in writing addressed to Administrator, Southwest Airlines Co. Amended and Restated 1991 Employee Stock Purchase Plan, at the Company's principal place of business.

18. Effective Date.

The Plan shall become effective subject to, and as of the date of, shareholder approval.