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

SCHEDULE 14D-9

Solicitation/Recommendation Statement
under Section 14(d)(4) of the Securities Exchange Act of 1934

Southwest Gas Holdings, Inc.
(Name of Subject Company)

Southwest Gas Holdings, Inc.
(Name of Person Filing Statement)

Common Stock, par value \$1 per share
(Title of Class of Securities)

844895102
(CUSIP Number of Class of Securities)

Karen S. Haller
Executive Vice President / Chief Legal & Administrative Officer
Southwest Gas Holdings, Inc.
8360 S. Durango Dr., P.O. Box 98510
Las Vegas, Nevada
(702) 876-7237

(Name, address and telephone number of person authorized to receive notices and communications
on behalf of the person filing statement)

With copies to:

Brandon C. Parris
Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105
(415) 268-7000

Spencer D. Klein
Morrison & Foerster LLP
250 West 55th Street
New York, NY 10019
(212) 468-1000

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Item 1. Subject Company Information

Name and Address

The name of the subject company to which this Solicitation/Recommendation Statement on Schedule 14D-9 (together with any exhibits and annexes attached hereto, this “Statement”) relates is Southwest Gas Holdings, Inc., a Delaware corporation (“Southwest Gas” or the “Company”). The Company’s principal executive offices are located at 8360 S. Durango Dr., P.O. Box 98510, Las Vegas, NV 89193-8510. The Company’s telephone number at this address is (702) 876-7237.

Securities

The title of the class of equity securities to which this Statement relates is the Company’s common stock, par value \$1 per share (the “Common Stock” or the “Shares”). All references in this Statement to the “Shares” shall include the associated rights to purchase shares of Series A Junior Participating Preferred Stock, no par value per share (the “Rights”), issued pursuant to the Rights Agreement, dated as of October 10, 2021, by and between the Company and Equiniti Trust Company, as rights agent (the “Rights Agreement”). As of October 29, 2021, there were 60,385,084 Shares outstanding, no outstanding stock options and 333,828 Shares issuable upon the vesting of unvested time-lapse RSUs, Performance Shares and Non-threshold Performance Shares (each as defined below), assuming the Performance Shares and Non-threshold Performance Shares vest at target (potential Shares issued range from 0 to 195 percent of the target awards).

Item 2. Identity and Background of Filing Person

Name and Address

The name, business address and business telephone number of the Company, which is the subject company and the person filing this Statement, are set forth in “Item 1. Subject Company Information” above. The Company’s website address is www.swgasholdings.com. The information on the Company’s website should not be considered a part of this Statement or incorporated herein by reference.

Tender Offer

This Statement relates to the unsolicited tender offer by IEP Utility Holdings LLC, a Delaware limited liability company (the “Offeror”), which, according to the Schedule TO (as defined below), is a wholly owned subsidiary of Icahn Enterprises Holdings L.P., a Delaware limited partnership (“Icahn Enterprises Holdings”), and was formed solely for the purpose of making the Offer, and Icahn Enterprises Holdings, along with other entities affiliated with Carl C. Icahn who may be deemed to be co-bidders, to purchase any and all of the issued and outstanding Shares for \$75.00 per Share in cash, without interest, less any applicable withholding taxes. The value of the consideration offered, together with all of the terms and conditions applicable to the tender offer, is referred to in this Statement as the “Offer.” The Offer is subject to the terms and conditions set forth in the Tender Offer Statement on Schedule TO (together with the exhibits thereto, as amended or supplemented, the “Schedule TO”) filed by the Offeror with the Securities and Exchange Commission (the “SEC”) on October 27, 2021.

The Schedule TO was filed jointly by the Offeror, Icahn Enterprises Holdings, Icahn Enterprises L.P., Icahn Enterprises G.P. Inc., Beckton Corp. and Mr. Icahn, a citizen of the United States of America (collectively, the “Icahn Group”).

According to the Schedule TO, the purpose of the Offer is for Icahn Enterprises L.P., through the Offeror, to acquire any and all Shares validly tendered and not properly withdrawn prior to the expiration date of the Offer, which is 12:00 midnight, New York City time, on December 27, 2021, unless extended or earlier terminated by the Offeror (the “Expiration Date”).

The Icahn Group has also stated that it intends to nominate and solicit proxies for the election of ten nominees (the “Icahn Slate”) for election to the board of directors of the Company (the “Board”) at the Company’s 2022 Annual Meeting of Stockholders (the “2022 Annual Meeting”). The Offeror has stated that, if the Regulatory Approval Condition (as defined below) has not been satisfied prior to the time of the 2022 Annual Meeting and at least 35% of the outstanding Shares are validly tendered in the Offer and not properly withdrawn at such time (excluding the 4.9% of Shares purportedly beneficially owned by affiliates of the Offeror), then the Offeror intends to continue extending the Expiration Date for at least six months following the 2022 Annual Meeting. Under these circumstances, the Offeror has also stated that it intends to ask stockholders to vote on a proposal at the 2022 Annual Meeting to approve calling a special meeting of stockholders and requiring the Board to put forth at such special meeting the election of the Icahn Slate following the satisfaction of the Regulatory Approval Condition. Moreover, if, at the time of the initial Expiration Date and/or at the time of any subsequent Expiration Date of the Offer, at least 35% of the outstanding Shares are validly tendered in the Offer and not properly withdrawn at such time (excluding the 4.9% of Shares purportedly beneficially owned by affiliates of the Offeror), then the Offeror has stated that it **must** extend the Expiration Date for at least another sixty days.

The Schedule TO provides that the Offer is subject to numerous conditions, including, among others:

- the Company has validly terminated the Rights Agreement or the Rights have been redeemed and are otherwise inapplicable to the Offer and the Offeror and its affiliates (the “Rights Plan Condition”);
- the Board has waived the applicability of Article 7(A) of the Company’s Certificate of Incorporation (the “COI”) to the purchase of the Shares by the Offeror in the Offer so that the provisions of Article 7(A) would not, at or following consummation of the Offer, prohibit, restrict or apply to any business combination involving the Company and the Offeror or any of its affiliates or associates (the “Dominant Stockholder Condition”);
- the Company has not (a) issued, or authorized or proposed the issuance of, any securities of any class (including, for the avoidance of doubt, any equity or equity-linked securities), or any securities convertible into, or rights, warrants or options to acquire, any such securities or other convertible securities or (b) issued or authorized or proposed the issuance of any other securities, in respect of, in lieu of, or in substitution for, all or any of the presently outstanding Shares (except, in each case, (x) under ordinary course compensation arrangements, (y) pursuant to the exercise of or conversion of currently outstanding stock options or convertible securities or (z) pursuant to a rights offering that treats all stockholders equally and that permits each stockholder of the Company to participate in such transaction on a pro-rata basis in order to prevent dilution) (the “Equity Condition”); or
- the Offeror has received any required governmental or regulatory approvals, consents, clearances or waivers which, in each case, have not been appealed and are no longer appealable, and do not impose any Burdensome Conditions (as defined in the Schedule TO) on the Offer or the Offeror or any of its affiliates, including the expiration or termination of any applicable waiting period (and extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), and any necessary approvals from the appropriate regulatory authorities located in each of Arizona, California and Nevada (the “Regulatory Approval Condition”).

In addition to the foregoing conditions, the Schedule TO provides that none of the following conditions shall have occurred at any time prior to the expiration of the Offer:

- a preliminary or permanent injunction or other order of any federal or state court, government or governmental authority or agency shall have been issued and shall remain in effect which: (i) makes illegal, delays or otherwise directly or indirectly restrains or prohibits the making of the Offer or the acceptance for payment, purchase of or payment for any Shares by the Offeror; (ii) imposes or confirms limitations on the ability of the Offeror effectively to exercise full rights of ownership of any Shares, including, without limitation, the right to vote any Shares acquired by the Offeror pursuant to the Offer or otherwise on all matters properly presented to the Company’s stockholders; (iii) imposes

or confirms limitations on the ability of the Offeror to fully exercise the voting rights conferred pursuant to its appointment as proxy in respect of all tendered Shares which it accepts for payment; (iv) requires divestiture by the Offeror of any Shares; or (v) seeks to impose a Burdensome Condition (the “No Injunction Condition”);

- there shall have occurred: (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States; (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States; (iii) any limitation by any governmental authority on, or other event which might affect, the extension of credit by lending institutions or result in any imposition of currency controls in the United States; (iv) a commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States; (v) a material change in United States or other currency exchange rates or a suspension or a limitation on the markets thereof; or (vi) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof (the “No External Events Condition”);
- there shall have been threatened, instituted or pending any action or proceeding before any court or governmental agency or other regulatory or administrative agency or commission or by any other person, challenging the acquisition of any Shares pursuant to the Offer or otherwise directly or indirectly relating to the Offer (the “No Challenge Condition”);
- the Company, the Board or any of the Company’s subsidiary entities or any governing body thereof shall have authorized, proposed or announced its intention to propose any material change to its articles of incorporation or bylaws, any merger, consolidation or business combination or reorganization transaction, acquisition of assets, disposition of assets or material change in its capitalization or indebtedness, or any comparable event not in the ordinary course of business (the “No Events Outside of the Ordinary Course Condition”); or
- a tender offer or exchange offer for some or all of the Shares shall have been made or publicly announced or proposed to be made, supplemented or amended by any person other than the Offeror (the “No Competing Offer Condition”)

The Offer is not conditioned upon the Offeror obtaining financing, any due diligence review of the Company or any minimum number of Shares being tendered.

According to the Schedule TO, the foregoing conditions are for the sole benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances giving rise to any such condition, and may be waived by the Offeror, in whole or in part, at any time and from time to time, prior to the Expiration Date, in the sole discretion of the Offeror and subject to the applicable rules and regulations of the SEC (including Rule 14d-4 under the Exchange Act). For a full description of the conditions to the Offer, please see Annex A to this Statement. The foregoing summary of the conditions to the Offer does not purport to be complete and is qualified in its entirety by reference to the contents of Annex A to this Statement.

According to the Schedule TO, the principal business address of the Offeror is 16690 Collins Avenue, Suite PH-1, Sunny Isles Beach, FL 33160, where the business phone number is (305) 422-4100.

With respect to all information described in this Statement contained in the Schedule TO and any exhibits, amendments or supplements thereto, including information concerning the Icahn Group or their respective affiliates, officers or directors, or actions or events with respect to any of them, the Company takes no responsibility for the accuracy or completeness of such information or for any failure by the Icahn Group to disclose any events or circumstances that may have occurred and may affect the significance, completeness or accuracy of any such information.

Item 3. Past Contacts, Transactions, Negotiations and Agreements

Except as described in this Statement or in the excerpts from the Company's Definitive Proxy Statement on Schedule 14A, dated and filed with the SEC on March 22, 2021 (the "2021 Proxy Statement"), relating to the Company's 2021 Annual Meeting of Stockholders, which excerpts are filed as Exhibit (e)(1) to this Statement and incorporated herein by reference, as of the date of this Statement, there are no material agreements, arrangements or understandings, nor any actual or potential conflicts of interest, between the Company or any of its affiliates, on the one hand, and (i) the Company or any of its executive officers, directors or affiliates, or (ii) the Offeror or any of its executive officers, directors or affiliates, on the other hand. Exhibit (e)(1) contains the following sections from the 2021 Proxy Statement: "Governance of the Company—Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners," "Executive Compensation—Compensation Discussion and Analysis," "Executive Compensation Tables—Summary Compensation Table (2020, 2019 and 2018)," "Executive Compensation Tables—Grants of Plan Based Awards (2020)," "Executive Compensation Tables—Outstanding Equity Awards at Fiscal Year End 2020," "Executive Compensation Tables—Pension Benefits," "Executive Compensation Tables—Non-Qualified Deferred Compensation (2020)," "Executive Compensation Tables—Post Termination Benefits" and "Director Compensation."

Any information contained in the sections from the 2021 Proxy Statement incorporated by reference herein shall be deemed modified or superseded for purposes of this Statement to the extent that any information contained herein modifies or supersedes such information.

Relationship with the Offeror

According to the Schedule TO, affiliates of the Offeror beneficially owned, in the aggregate, 2,898,676 Shares as of November 2, 2021. The Shares owned by the Offeror represent approximately 4.91% of the issued and outstanding Shares as of July 30, 2021.

Shares Held by Non-Employee Directors and Executive Officers of the Company

As a group, the non-employee directors and executive officers of the Company hold an aggregate of approximately 491,629 Shares as of October 29, 2021. If the Company's non-employee directors and executive officers were to tender any Shares they own for purchase pursuant to the Offer, then they would receive the same cash consideration per Share on the same terms and conditions as the other stockholders of the Company who tender their Shares. If the non-employee directors and executive officers were to tender all of the 491,629 Shares owned by them for purchase pursuant to the Offer and those Shares were purchased by the Offeror for \$75.00 per Share, then the non-employee directors and executive officers would receive an aggregate amount of approximately \$36.9 million in cash. To the knowledge of the Company, none of the Company's non-employee directors or executive officers currently intends to tender any of their Shares pursuant to the Offer.

Equity-Based Awards Held by Non-Employee Directors and Executive Officers of the Company

Set forth below is a discussion of the treatment in connection with the Offer of various equity incentive compensation awards held by the Company's non-employee directors and executive officers. For purposes of valuing the amount of benefits that could be realized by the non-employee directors and executive officers in respect of such awards in connection with the Offer, the discussion below assumes that the non-employee directors and executive officers will receive the same \$75.00 per Share consideration being offered to all other stockholders of the Company in connection with the Offer. The Offer, if consummated according to its terms, may constitute a change in control of the Company as defined in the plan under which the awards were granted.

As of October 29, 2021, certain non-employee directors and executive officers of the Company held equity awards issued pursuant to the Southwest Gas Holdings, Inc. Omnibus Incentive Plan (the "Equity Plan"), which is filed as Exhibit (e)(31) to this Statement and incorporated herein by reference.

A change of control of the Company will occur for purposes of the Equity Plan if, among other things, any person acquires 30% or more of the combined voting power of the Company and/or there is a change of at least 50% of the directors of the Board during any 24-month period unless the nomination or election of the new directors were approved by a vote of at least 3/4 of the existing directors. While the consummation of the Offer where the Offeror acquires 30% or more of the outstanding Shares would constitute a change of control of the Company, the terms of the grant agreements with the applicable non-employee directors and executive officers provide that the consummation of such transaction alone will not accelerate the vesting of the outstanding awards granted under the Equity Plan.

The equity award agreements with the executive officers provide participants (including all executive officers of the Company) with, among other things, different vesting treatment in respect of outstanding awards upon a qualifying termination of employment. Specifically, the equity award agreements with the Company's executive officers provide that, upon a termination of employment or service following a change of control of the Company, the outstanding restricted stock units ("RSUs") would vest in full and a prorated portion of the performance-based shares ("Performance Shares") and the time-based shares, which may be modified based on financial performance but are not subject to a threshold ("Non-threshold Performance Shares"), would vest at target levels of performance based on the number of months of service relative to the number of month in the performance cycle, as applicable.

Restricted Stock Units

As of October 29, 2021, seven executive officers of the Company held RSUs in respect of 39,625 Shares in the aggregate, all of which were unvested. As of October 29, 2021, nine non-employee directors of the Company held RSUs in respect of 271,504 Shares in the aggregate, all of which were vested and held as deferred compensation. If the Offer were completed at a price of \$75.00 per Share, the aggregate value of the shares subject to all outstanding RSUs held by (a) the executive officers would be \$2,971,897 and (b) the non-employee directors would be \$20,362,800.

Performance Shares

As of October 29, 2021, seven executive officers of the Company held 177,067 Performance Shares in the aggregate (assuming satisfaction of performance goals based on target performance), all of which were unvested. The non-employee directors of the Company do not hold Performance Shares. If the Offer were completed at a price of \$75.00 per Share, the aggregate value of all outstanding Performance Shares held by the executive officers would be \$13,280,025 (assuming satisfaction of performance goals based on target performance).

Non-threshold Performance Shares

As of October 29, 2021, one executive officers of the Company held 11,118 Non-threshold Performance Shares in the aggregate (assuming satisfaction of performance goals based on target performance), all of which were unvested. The non-employee directors of the Company do not hold Non-threshold Performance Shares. If the Offer were completed at a price of \$75.00 per Share, the aggregate value of all outstanding Non-threshold Performance Shares held by the executive officers would be \$833,850 (assuming satisfaction of performance goals based on target performance).

Director Compensation

During fiscal year 2021, the annual cash retainer for non-employee directors is \$90,000. Additional annual cash retainers for the Chairs of the Audit, Compensation, and Nominating and Corporate Governance Committees are \$20,000, \$15,500 and \$15,000, respectively. The additional annual cash retainer paid to our Chair of the Board is \$100,000. Individual cash meeting fees of \$1,650 are only payable when the number of meetings of the Board or a committee exceeds regularly scheduled meetings by three or more.

Cash compensation received by the non-employee directors may be deferred until retirement or termination of their status as directors pursuant to the Directors Deferral Plan, which is filed as Exhibit (e)(36) to this Statement and incorporated herein by reference. Amounts deferred bear interest at 150% of the Moody's Seasoned Corporate Bond Rate ("Bond Rate"). At retirement or termination, such deferrals will be paid out over 5, 10, 15 or 20 years, and will be credited during the applicable payment period with interest at 150% of the average of the Bond Rate on January 1 of each of the five years prior to retirement or termination.

A fixed dollar value (\$130,000 for 2021) will be granted annually in the form of equity compensation under the Equity Plan during the February Board meeting. The fixed dollar value is converted into awards representing a number of shares of Common Stock based on the closing share price for the last trading session of the most recently completed fiscal year. Under this program, each member of the Board was granted the equivalent of 2,140 shares of Common Stock on February 24, 2021.

Non-employee director equity compensation vests immediately upon grant, and the directors are provided the option to defer receipt of equity compensation until they leave the Board. Deferred stock units are credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on Common Stock. Such notional dividends are valued as of the date on which they are credited to the director and are reallocated into additional deferred stock units. When a director leaves the Board, any deferred stock units of such director will be converted into shares of Common Stock.

Directors are entitled to participate in the same gift matching program that is available to all of the employees. Under this program, the Company matches contributions to qualified charitable organizations up to a maximum of \$2,500 in any calendar year.

Directors who are full-time employees of the Company or its subsidiaries receive no additional compensation for serving on the Board.

Indemnification of Directors and Officers.

The COI contains a provision which eliminates the liability of directors for monetary damages to the fullest extent permissible under Delaware law. Section 102 of the General Corporation Law of the State of Delaware ("DGCL") permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

The COI provides that, except to the extent prohibited by the DGCL, the Company's directors shall not be liable to the Company or its stockholders for monetary damages for any breach of fiduciary duty as directors of the Company. Under the DGCL, the directors have a fiduciary duty to the Company, which is not eliminated by these provisions of the COI and, in appropriate circumstances, equitable remedies such as injunctive or other forms of nonmonetary relief will remain available. This provision does not affect the directors' responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

The Company has entered into indemnification agreements with its directors and officers which require that the Company indemnify its directors and officers in all cases to the fullest extent permitted by applicable provisions of the laws of its state of incorporation. The Company also maintains a directors' and officers' liability insurance policy insuring directors and officers of the Company for covered losses as defined in the policy.

Section 145 of the DGCL empowers a corporation to indemnify its directors and officers and to purchase insurance with respect to liability arising out of their capacity or status as directors and officers. The DGCL

provides further that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise. The bylaws of the Company provide that it shall indemnify, to the fullest extent permitted by the DGCL and applicable law, as may be amended, any person who was or is a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was one of the Company's directors, officers, employees or agents or is or was serving at the Company's request as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all expenses, liability and loss (including attorneys' fees, judgments, fines, Employee Retirement Income Security Act of 1974 excise taxes or penalties, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt of any indemnification payments made to such person by the Company) reasonably incurred or suffered by such person.

Item 4. The Solicitation or Recommendation

Solicitation/Recommendation

The Board has reviewed the Offer with the assistance of the Company's management and legal and financial advisors and, after careful consideration, the Board has unanimously determined that the Offer is inadequate, undervalues the Company and is not in the best interests of the Company and its stockholders. **Accordingly, and for the reasons described in more detail below, the Board unanimously recommends that holders of Shares REJECT the Offer and NOT TENDER any Shares pursuant to the Offer.**

If you have tendered any of your Shares, you can withdraw them. For assistance in withdrawing your Shares, you can contact your broker or the Company's information agent, Innisfree M&A Incorporated ("Innisfree"), at the contact information below:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
Stockholders May Call Toll-Free: (877) 825-8621
Banks & Brokers May Call Collect: (212) 750-5833

A copy of a letter to stockholders communicating the Board's recommendation is filed as Exhibit (a)(7) hereto, and is incorporated herein by reference.

Background of the Offer; Reasons for Recommendation

Background of the Offer

The Board regularly reviews, with management and with the assistance of financial and legal advisors, its business strategy, capital allocation, and potential strategic alternatives in an effort to drive stockholder value. This review is iterative, and takes into account the perspectives of Southwest Gas stockholders, whose views are actively sought through Southwest Gas' stockholder engagement program. In connection with this review, the Board has considered and implemented various strategic and financial initiatives, including strategic acquisitions.

On June 28, 2021, Centuri Group, Inc. ("Centuri"), a wholly-owned subsidiary of Southwest Gas, entered into a definitive agreement to acquire Riggs Distler & Company, Inc. and its affiliates ("Riggs Distler") for \$855 million in cash subject to customary adjustments, including a working capital adjustment. On June 29, 2021, Centuri issued a press release announcing the transaction, which stated, among other things, that "in addition to its turnkey solutions for utility providers, Riggs Distler is the only provider in the region with a full

suite of civil, mechanical, electrical and fabrication capabilities. Their addition to the Centuri enterprise brings additional opportunities in 5G telecom and renewable power generation, further advancing both companies' commitments to support clean energy delivery and reduce carbon emissions." That same day, Southwest Gas stated in a press release that the transaction is expected to be accretive to Southwest Gas earnings in the first full year following its completion.

In July 2021, Southwest Gas entered an auction process for the potential sale by Dominion Energy, Inc. of Dominion Energy Questar Pipeline, LLC, its subsidiaries and certain associated affiliates, including Overthrust Pipeline, White River Hub and Questar Field Services (collectively, "Questar").

From July 2021 through October 5, 2021, the management of Southwest Gas, with the assistance of its financial, legal and other advisors, conducted a financial, operational, legal, tax and other due diligence review of Questar, and negotiated the definitive agreement for the acquisition of Questar. Throughout this period, Southwest Gas management provided regular updates to the Board regarding the Questar transaction. During this period, the Board met with management to discuss the Questar transaction and evaluated the proposed terms with management and its financial, legal and other advisors.

On October 3, 2021, and prior to Southwest Gas entering into a definitive agreement to acquire Questar, Reuters published an article that Southwest Gas was pursuing an acquisition of Questar at a potential purchase price of \$2 billion, including assumed debt.

On the evening of October 3, 2021, Mr. Hester, President and Chief Executive Officer of Southwest Gas, received an email message from representatives of Mr. Icahn.

On October 4, 2021, Southwest Gas received a letter from Mr. Icahn opposing the Questar transaction, although the terms of the acquisition had not yet been disclosed by Southwest Gas, and criticizing Southwest Gas' performance and management.

On October 5, 2021, the Board met via video conference with certain members of Southwest Gas' management and advisors, including representatives of Lazard Frères & Co. LLC ("Lazard"), Southwest Gas' financial advisor, and Morrison & Foerster LLP ("MoFo"), Southwest Gas' outside legal counsel, to review and discuss the potential acquisition of Questar. The Board also discussed Mr. Icahn's October 4, 2021 letter and Mr. Icahn's disclosed and potential ownership position in Southwest Gas. The Board also discussed the views Mr. Icahn had expressed with respect to Southwest Gas' business and the Questar transaction. After careful consideration of, among other things, the due diligence conducted by Southwest Gas' management with the assistance of financial, legal and other advisors, the terms of the definitive agreement, and the significant financial and strategic benefits to Southwest Gas and its stockholders, the Board unanimously approved Southwest Gas entering into a definitive agreement for the acquisition of Questar. The Board also discussed Mr. Icahn's approach to Southwest Gas and the steps the Board should take to consider and respond to Mr. Icahn's letter and to the potential threat posed to Southwest Gas and its stockholders if Mr. Icahn rapidly increased his ownership position in light of his proposals for Southwest Gas, including the potential adoption of a stockholder rights plan. The Board reiterated their desire to obtain the perspective of Southwest Gas stockholders as part of their oversight of the business.

Later that day, Southwest Gas entered into a definitive agreement with Dominion Energy Questar Corporation (the "Questar Purchase Agreement") to acquire Questar and issued a press release announcing the transaction. The press release stated, among other things, that the Questar acquisition "will provide significant financial and strategic benefits to our company, shareholders, employees and partners, as we continue to significantly increase our role in the transitioning energy landscape. In particular, this transaction further enhances our earnings metrics, further diversifies our business with FERC-regulated infrastructure, secures consistent rate-regulated cash flow, supports dividend growth, and increases our business flexibility for funding our capital needs, thereby creating significant near- and long-term value for shareholders. This acquisition accelerates our energy transition strategy by strengthening our ability to provide affordable, low carbon energy to customers while positioning us

to transport renewable natural gas, responsibly sourced gas, and eventually, hydrogen and CO2.” The press release also provided that the transaction is expected to be accretive to earnings per share in 2022, the first full year after close.

Also on October 5, 2021, Mr. Icahn publicly released his October 4, 2021 letter to the Board opposing Southwest Gas’ decision to enter into the Questar transaction.

On October 7, 2021, Mr. Hester and certain other members of Southwest Gas management had a telephone call with Mr. Icahn and several of his representatives. During that conversation, Mr. Icahn expressed his opposition to the Questar transaction and the possibility that, to pay for the Questar transaction, Southwest Gas would raise equity financing that might be dilutive to current Southwest Gas stockholders. Mr. Icahn proposed that Southwest Gas raise equity financing through a rights offering to Southwest Gas stockholders, which Mr. Icahn would “backstop” by agreeing to purchase all the equity in Southwest Gas that was not purchased by other stockholders. Mr. Icahn also said he thought he could secure up to three or four seats on the Board, but said he might settle for two seats. Mr. Hester and Mr. Icahn agreed to speak again in a few days.

On October 10, 2021, the Board met via video conference with certain members of Southwest Gas’ management and advisors, including representatives of Lazard, MoFo and Southwest Gas’ proxy solicitor. Mr. Hester reviewed with the Board his conversation with Mr. Icahn, and the Board discussed this conversation and Mr. Icahn’s recent SEC filings, as well as Mr. Icahn’s announced intentions and the potential threat posed to Southwest Gas and its stockholders if Mr. Icahn rapidly increased his ownership position. Representatives of Southwest Gas’ proxy solicitor and Lazard reviewed with the Board Mr. Icahn’s disclosed purchases of Shares and forward purchase contracts to purchase additional Shares, and Mr. Icahn’s history of activities with other companies. The representatives from Lazard and MoFo also reviewed with the Board the mechanics of a potential stockholder rights plan and related matters, and representatives of MoFo provided a review of the Board’s fiduciary duties in connection with the decision whether to adopt such a plan. The Board then reviewed with its advisors various factors in determining whether it was appropriate and in the best interest of Southwest Gas stockholders to adopt a stockholder rights plan, including, among other things, Mr. Icahn’s ownership in Southwest Gas and potential changes to that ownership (including through the use of derivatives and other ways that might make it difficult for Southwest Gas and other stockholders to have notice of such changes), the potential impact caused by Mr. Icahn’s rapid accumulation of Shares on management’s ability to focus on operation of the business and delivering long-term stockholder value, the potential for Mr. Icahn to acquire a large or even controlling block of Shares without paying an appropriate premium, and Mr. Icahn’s history of activist campaigns and hostile takeovers. After considering various factors, including those described in the preceding sentences, and concluding that the further accumulation by Mr. Icahn of additional Shares or derivative positions in Southwest Gas was a threat to Southwest Gas and its stockholders, the Board unanimously determined that it was in the best interests of Southwest Gas and its stockholders to adopt a stockholder rights plan (the “Rights Agreement”). In doing so, the Board reiterated its desire to engage with stockholders and noted that the Rights Agreement was intended to ensure that all stockholders receive fair and equal treatment and maintain the ability to realize the long-term value of their investment in Southwest Gas.

On October 11, 2021, Southwest Gas issued a press release announcing that the Board had adopted the Rights Agreement, and noted that the Rights Agreement was designed to protect stockholder interests by reducing the likelihood that any person or group would gain control of Southwest Gas without appropriately compensating Southwest Gas stockholders for control. Southwest Gas also stated that the Rights Agreement was not designed to prevent any action with respect to Southwest Gas, but rather intended to position the Board to fulfill its fiduciary duties on behalf of all stockholders by ensuring that the Board has sufficient time to make informed judgments about any attempts to control Southwest Gas and to encourage anyone seeking to gain a controlling interest in Southwest Gas to negotiate directly with the Board prior to attempting a takeover.

On October 13, 2021, Southwest Gas issued an open letter to Mr. Icahn responding to points raised by Mr. Icahn in his October 4, 2021 letter. The letter reiterated that Southwest Gas was open to listening to ideas for enhancing stockholder value, and responded to points raised by Mr. Icahn in his October 4, 2021 letter, including that:

- *“Questar Pipelines Is an Especially Compelling Asset That Aligns with Southwest Gas Holdings”*
- *“The Acquisition of Questar Pipelines is Appropriately and Fairly Priced”*
- *“Our Financing Plan Rebalances Our Capital Structure and Supports Our Balance Sheet”*
- *“We Have a Long and Demonstrated History of Constructive Relationships with Our Regulators”.*

Also, on October 13, 2021, Mr. Hester and certain other members of Southwest Gas management had another telephone call with Mr. Icahn and several of his representatives. During this call, Mr. Icahn reiterated his previous views with respect to the Questar transaction and the potential equity financing. In addition, although he did not provide any specific proposal to Mr. Hester, Mr. Icahn indicated that he would be making a public announcement as soon as the following day.

On October 14, 2021, Mr. Icahn publicly announced his intention to commence the Offer and to nominate a full slate of directors for election at Southwest Gas’ 2022 Annual Meeting. That same day, Southwest Gas issued a press release acknowledging Mr. Icahn’s announcement.

On October 15, 2021, a representative of Mr. Icahn notified Southwest Gas, pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, of (i) Mr. Icahn’s intention to “acquire any and all of the issued and outstanding voting securities of” Southwest Gas and (ii) Mr. Icahn’s anticipated filing of a notification with the Federal Trade Commission and the Antitrust Division of the Department of Justice with respect to such acquisition.

On October 18, 2021, the Board met via video conference with certain members of Southwest Gas’ management and advisors, including representatives of Lazard, MoFo and Southwest Gas’ proxy solicitor, as well as representatives of Cravath, Swaine & Moore LLP (“Cravath”), who had been retained as additional legal counsel to Southwest Gas, to, among other things, review and discuss market and stockholder reaction to the potential offer as well as the terms and conditions of the potential offer that were included in Mr. Icahn’s October 14, 2021 announcement. The Board reviewed, and also discussed with management and its financial and legal advisors, proposed amendments to Southwest Gas’ bylaws to modernize the requirements with respect to the information and agreements that a director nominee who is nominated by a stockholder must provide to Southwest Gas. MoFo reviewed the Board’s fiduciary duties and certain legal matters in connection with the potential offer and the bylaw amendment. After consideration and discussion, the Board unanimously determined that it was in the best interests of Southwest Gas and its stockholders to adopt the bylaw amendment. The bylaw amendment was publicly disclosed through the filing of a Current Report on Form 8-K later that day.

On October 19, 2021, certain affiliates of the Icahn Group sent a letter to Southwest Gas requesting the director candidate questionnaire and the director nominee agreement. Southwest Gas provided both documents to Mr. Icahn the next day.

On October 20, 2021, Mr. Icahn issued an open letter to Southwest Gas stockholders asserting rebuttals to Southwest Gas’ letter dated October 13, 2021. That same day, Southwest Gas issued a statement reiterating that the “Board and management team remain committed to pursuing long-term value for the Company and all of our shareholders, whether coming from ideas through our shareholders or otherwise.”

On October 22, 2021, certain affiliates of the Icahn Group delivered a letter to representatives of Southwest Gas demanding, pursuant to Section 220 of the DGCL, inspection of Southwest Gas’ stockholder list, security position listing and other information.

On October 25, 2021, the Board met via video conference with certain members of Southwest Gas’ management and advisors, including representatives of Lazard, MoFo, Cravath and Southwest Gas’ proxy solicitor, to, among

other things, review and discuss the recent communications from Mr. Icahn, including Icahn's October 20, 2021 letter to stockholders and ongoing preparations to analyze, consider and respond to any proposal made by Mr. Icahn.

Also on October 25, 2021, Mr. Icahn issued an open letter to the Board, which, among other things, reiterated Mr. Icahn's belief that a rights offering was the preferred method to finance the Questar transaction and Mr. Icahn's offer to backstop such a rights offering. In the letter, Mr. Icahn also offered to provide all of the equity financing necessary for the Questar transaction.

On October 27, 2021, certain members of the Icahn Group commenced the Offer and filed the Schedule TO with the SEC. That same day, Southwest Gas issued a press release acknowledging Mr. Icahn's announcement and advising Southwest Gas stockholders to take no action pending the Board's review and evaluation of the Offer.

On November 1, 2021, the Board met via video conference with certain members of Southwest Gas' management and advisors, including representatives of Lazard, MoFo, Cravath and Southwest Gas' proxy solicitor, as well as representatives of Moelis & Company LLC ("Moelis"), who had been retained as an additional financial advisor to Southwest Gas, to review in detail the terms of the Offer, as well as to review and discuss, among other things, Southwest Gas' operational performance and financial forecasts. MoFo reviewed the Board's fiduciary duties and certain legal matters in connection with the Offer. The Board also reviewed, and discussed with management and its financial and legal advisors, the 364-day bridge debt facility for the Questar transaction. The Board also determined to reconvene on November 5, 2021 to further consider the terms of the Offer.

On November 5, 2021, the Board met via video conference with certain members of Southwest Gas' management and advisors, including representatives of Lazard, Moelis, MoFo, Cravath and Southwest Gas' proxy solicitor. The Board continued its consideration of various factors relating to the Offer. During this meeting, representatives of Lazard and Moelis discussed their respective financial analyses of the Offer. MoFo reviewed the Board's fiduciary duties and certain legal matters in connection with the Offer. The Board also determined to reconvene on November 8, 2021 to further consider the terms of the Offer.

On November 8, 2021, the Board met via video conference with certain members of Southwest Gas' management and advisors, including representatives of Lazard, Moelis, MoFo, Cravath and Southwest Gas' proxy solicitor. The Board continued its consideration of various factors relating to the Offer. At the meeting, each of Lazard and Moelis informed the Board that there were no changes to their respective financial analyses with respect to the Offer and rendered their respective oral opinions to the Board, each subsequently confirmed in writing, to the effect that, as of November 8, 2021, and based upon and subject to the assumptions, qualifications, matters and limitations set forth in their respective written opinions, the consideration proposed to be paid to the holders (other than the Offeror and any of its affiliates) of Shares pursuant to the Offer was inadequate from a financial point of view to such holders. MoFo reviewed the Board's fiduciary duties and certain legal matters in connection with the Offer. After discussion, the Board unanimously determined (1) that the Offer is inadequate, undervalues Southwest Gas, is coercive, and is not in the best interests of Southwest Gas and its stockholders, and (2) that the Board would recommend that stockholders reject the Offer and not tender any Shares into the Offer.

On November 9, 2021, Southwest Gas filed this Statement. That same day, Southwest Gas issued a press release and letter to its stockholders announcing the Board's recommendation that Southwest Gas stockholders reject the Offer and not tender their Shares into the Offer.

Reasons for the Recommendation

The Board has determined that the Offer is not in the best interests of Southwest Gas stockholders. Accordingly, the Board unanimously recommends that Southwest Gas stockholders reject the Offer and not tender any Shares pursuant to the Offer.

In reaching this conclusion and making its recommendation to reject the Offer, the Board consulted with its independent financial and legal advisors and management and took into account numerous factors, including but not limited to the following:

I. The Offer is inadequate and undervalues Southwest Gas.

The Offer undervalues Southwest Gas, as it does not reflect Southwest Gas' strong track record of value creation and disregards Southwest Gas' compelling prospects for continued growth and the ongoing creation of sustainable, long-term stockholder value. The Board and management have been and will continue to be focused on optimizing the value of Southwest Gas' component businesses (which is expected to soon include Questar) as well as Southwest Gas as a whole and are focused on implementing plans that they believe will further drive stockholder value and relative stock price performance.

- *The Board and management have delivered strong, consistent financial and operational performance.* In evaluating the Offer, the Board considered Southwest Gas' track record of delivering attractive, risk-adjusted total returns comprised of stable earnings growth and a meaningful dividend. Southwest Gas' strong operational success has yielded a 5-year compound annual growth rate ("CAGR") from 2015 to 2020 of 11.4% in net income and 6% in revenue. Southwest Gas has also consistently increased its dividend, growing at a 5-year CAGR from 2016 to 2021 of 5.8% and returning approximately \$517 million to stockholders from 2016 to 2020. Southwest Gas is committed to continuing this strong record of capital return.

In addition, Southwest Gas' public utility, Southwest Gas Corporation, which serves customers in portions of Arizona, Nevada, and California, has produced a 5-year CAGR from 2015 to 2020 of 10.8% in utility ratebase. Importantly, this utility ratebase growth has been pursued in a responsible manner from the perspective of stakeholders—that is, while managing the impact of cost to customers and doing so in a way that maximizes safety and reliability.

During the last four years, in respect of Southwest Gas' utility infrastructure services business, Centuri, the Board and management have successfully integrated three acquisitions, which has resulted in Centuri's revenue nearly doubling—from approximately \$1.2 billion to approximately \$2.2 billion—and has transformed Centuri into a business with a significant and diversified scope in the areas of customer type, geography and service offerings. Indeed, Centuri now serves the entire utility and infrastructure value chain nationally. This growth has been pursued with a focus on value creation through organic and inorganic activities. Southwest Gas' recent acquisition of Riggs Distler in 2021 is just the latest in the series of actions that has contributed to this narrative.

The Board and management's execution of these efforts has resulted in significant growth and created compelling value for stockholders.

- *Southwest Gas' standalone plan has positioned it for significant value creation.* The Offer is an opportunistic attempt by Mr. Icahn to take advantage of opportunities that should benefit all stockholders.
 - Public Utility Business Growth. The Board expects the significant expansion in Southwest Gas' public utility customer base to persist, as residents and businesses continue to move into its geographic footprint, drawn by robust economies, job growth, attractive business climates and excellent quality of life. As a result, Southwest Gas' public utility has a strong utility ratebase and is expected to grow 7.5% per year over 2021-2025. As has been the case historically, this ratebase growth will be pursued in a responsible manner from the perspective of stakeholders.
 - Utility Infrastructure Services Business Uniquely Positioned to Benefit from Infrastructure Investment Tailwinds. Centuri is diversified across the U.S. and Canada with a blue-chip, attractive customer base composed of electric, gas and combination utilities, and is poised for high growth and significant upside associated with infrastructure investment in the U.S. and Canada.

Centuri is positioned to capitalize on the strong tailwinds and policy initiatives (for example, the \$1 trillion+ infrastructure bill that was approved by Congress in November 2021) across infrastructure end markets, which are expected to see significant increases in investments related to repair and replacement of aging infrastructure and the transition to renewable energy. The Board and management's foresight to strategically invest and transform Centuri into a high growth utility and infrastructure services business—including its acquisitions of Linetec Services and Riggs Distler—positions Centuri well to take advantage of these infrastructure investments and other related government initiatives.

- **Questar Acquisition.** The pending Questar transaction is expected to further enhance Southwest Gas' earnings metrics, further diversify its business with FERC-regulated infrastructure, secure consistent rate-regulated cash flow, support dividend growth, and increase Southwest Gas' business flexibility for funding capital needs, thereby creating significant near- and long-term value for stockholders. Further, Questar's exceptional re-contracting record, its high-quality, long-standing customer base and culture of safety, makes it an attractive addition to Southwest Gas' regulated business platform. This acquisition is expected to accelerate Southwest Gas' energy transition strategy by strengthening its ability to provide affordable, low carbon energy to customers while positioning it to transport renewable natural gas, responsibly sourced gas, and eventually, hydrogen and CO₂. Forecasted to be accretive to earnings in 2022—the first full year after the expected close—the transaction will enhance Southwest Gas' dividend growth prospects and will help Southwest Gas fund critical, forward-looking investments for continued effective growth.
- *The Offer does not reflect a compelling premium.* The premium represented by the Offer is insufficient for the acquisition of effective control of Southwest Gas. The Offer price of \$75.00 per Share represents a premium of only 15.5% over Southwest Gas' unaffected closing stock price as of October 13, 2021, the last day prior to Mr. Icahn's announcement of his intention to make the Offer; 10.2% over Southwest Gas' 30-day volume-weighted average closing stock price; and 2.9% over Southwest Gas' highest closing stock price during the six months prior to Mr. Icahn's announcement of his intention to make the Offer. As a comparison, the average premium to the unaffected closing market price in transactions involving U.S. targets in the last five years (from October 14, 2016 to October 14, 2021, the date Mr. Icahn announced his intention to make the Offer) was 33.23%.¹
- *The Board has received an inadequacy opinion from each of Lazard and Moelis.* The Board considered the fact that on November 8, 2021, Lazard rendered an oral opinion to the Board, subsequently confirmed in writing, to the effect that, as of November 8, 2021, and based upon and subject to the assumptions, qualifications, matters and limitations set forth in its written opinion, the consideration proposed to be paid to the holders (other than Offeror and any of its affiliates) of Shares pursuant to the Offer was inadequate from a financial point of view to such holders. The full text of the written opinion of Lazard, dated November 8, 2021, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with its opinion, is attached as Annex B to this Statement. Lazard provided its opinion for the information and assistance of the Board in connection with its consideration of the Offer. The opinion of Lazard is not a recommendation as to whether any holder of Shares should tender its Shares in connection with the Offer or otherwise how to act in connection with the Offer or any other matter.

The Board also considered the fact that on November 8, 2021, Moelis rendered an oral opinion to the Board, subsequently confirmed in writing, to the effect that, as of November 8, 2021, and based upon and subject to the assumptions, qualifications, matters and limitations set forth in its written opinion, the consideration proposed to be paid to the holders (other than Offeror and any of its affiliates) of Shares pursuant to the Offer was inadequate from a financial point of view to such holders. The full

¹ Source: Dealpointdata

text of the written opinion of Moelis, dated November 8, 2021, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with its opinion, is attached as Annex C to this Statement. Moelis provided its opinion for the information and assistance of the Board in connection with its consideration of the Offer. The opinion of Moelis is not a recommendation as to whether any holder of Shares should tender its Shares in connection with the Offer or otherwise how to act in connection with the Offer or any other matter.

In short, the Board believes that it and Southwest Gas' management can deliver more value to Southwest Gas stockholders than the Offer.

II. The Offer is blatantly coercive and provides no protection for stockholders who do not tender. Mr. Icahn has a history of coercive actions towards minority stockholders.

The Offer provides no protection whatsoever to Southwest Gas stockholders who do not tender into the Offer. Stockholders face the threat that if they do not tender into the Offer, and the Offer is subsequently consummated, they may find themselves as minority stockholders in a company with a new majority or controlling stockholder and an entirely new Board selected by Mr. Icahn, with no strategic direction yet articulated and facing default on significant debt, as noted below. Mr. Icahn makes no mention of any intention to effect a second step merger or otherwise offer terms or protections to remaining stockholders. Further, Mr. Icahn has stated that, following the completion of the Offer, the Company may be delisted from the New York Stock Exchange and the remaining outstanding shares deregistered (in which case Southwest Gas would no longer be required to file reports with the SEC). In addition, as described by Mr. Icahn in the Offer, "depending upon the number of Shares purchased and the number of remaining holders of Shares, the purchase of Shares pursuant to the Offer may adversely affect the liquidity and market value of the remaining Shares held by the public." These events would almost certainly lead to a substantial decline in value of the remaining outstanding Shares. In addition, minority stockholders have frequently complained about Mr. Icahn's tactics, and these tactics have at times led to protracted and costly litigation with minority stockholders, including situations involving Voltari Corporation, CVR Energy, Lions Gate Entertainment Corporation and XO Holdings.

III. The track record of Mr. Icahn, as well as the quantity and nature of the conditions to the Offer, create significant uncertainty and risk.

The Board believes that Mr. Icahn's poor track record in similar situations, coupled with the numerous conditions to the Offer, create significant uncertainties about the Offer.

- *Mr. Icahn has an extremely poor track record of completing transactions in similar situations.* According to publicly available data, since 2000, affiliates of Mr. Icahn have commenced numerous tender offers to acquire at least a majority of the outstanding shares of other public companies that were not in bankruptcy proceedings at the time. Mr. Icahn and his affiliates failed to consummate all but two of these tender offers.
- *The Offer contains a long list of conditions.* As described in "Item 2. Identity and Background of Filing Person—Tender Offer", the Offer is subject to numerous conditions, many of which are ambiguously written, thereby making it unclear as to what Mr. Icahn's obligations are to close the Offer. These conditions include, among others, the following, many of which are outside the control of Southwest Gas and Mr. Icahn:
 - Regulatory Approval Condition
 - No Injunction Condition
 - No External Events Condition

- No Challenge Condition
 - No Events Outside of the Ordinary Course Condition
 - No Competing Offer Condition
 - Rights Plan Condition
 - Dominant Stockholder Condition
 - Equity Condition
- *The conditions give Mr. Icahn wide latitude not to consummate the Offer.* According to the Offer, each of the foregoing conditions are for the sole benefit of Mr. Icahn and may be asserted by Mr. Icahn in his sole discretion regardless of the circumstances giving rise to any such condition failing to be satisfied and may be waived by Mr. Icahn, in whole or in part, at any time and from time to time, prior to the expiration of the Offer. In other words, the Offer claims that Mr. Icahn may assert whenever he chooses, for any reason he chooses, that a condition has not been satisfied, and such determination will not be subject to challenge. For example, Mr. Icahn could claim that the No Events Outside of the Ordinary Course Condition is not satisfied if there is any acquisition of assets or disposition of assets by Southwest Gas since the date of the Offer. The Board believes that the effect of these conditions is that Southwest Gas stockholders cannot be assured that Mr. Icahn will consummate the Offer.
 - *Mr. Icahn can amend the Offer in any respect.* Mr. Icahn expressly reserves the right to amend the Offer in any respect—including by decreasing the offer price or by changing the number of Shares being sought or the type of consideration—at any time before it expires.

IV. The Offer is highly illusory and it is very unlikely that stockholders will ever receive any Offer consideration.

The Offer is highly conditional and illusory and stockholders should not be deceived into thinking that they will ever receive any Offer consideration, whether on the initial Expiration Date of December 27, 2021 or otherwise. Mr. Icahn has made the Offer conditioned on satisfaction of the Regulatory Approval Condition. Mr. Icahn cannot acquire control of Southwest Gas without obtaining the necessary regulatory approvals. In fact, Mr. Icahn must obtain regulatory approval to acquire more than 25% of Southwest Gas' outstanding Shares – an amount well below the 35% that Mr. Icahn has indicated he needs if he is to extend his Offer.

Mr. Icahn seems to want to hide this fact. Mr. Icahn's Regulatory Approval Condition has been drafted to be purposely vague—*e.g.*, “any required governmental or regulatory approvals, consents, clearances or waivers, including any necessary approvals from the appropriate authorities located in each of Arizona, California and Nevada.” These approvals, consents, clearances and waivers are all obligations of Mr. Icahn to obtain if he is to complete the Offer. Mr. Icahn does not provide any details about his plan to obtain the necessary approvals, in fact, Mr. Icahn does not even provide the most basic details of what approvals, consents, clearances and waivers that he must obtain in each of the relevant jurisdictions to complete the Offer. Without even this most basic information, stockholders can only guess as to what approvals Mr. Icahn must obtain, what his plans are to obtain such approvals, and the likelihood of satisfying the condition or the potential timing of satisfaction.

Even assuming Mr. Icahn eventually satisfies the Regulatory Approval Condition—and there is no certainty that he will—the process of satisfying the condition could take up to 18 months.

V. Consummation of the Offer could trigger a default under Southwest Gas' credit agreements and a mandatory repurchase offer for Southwest Gas' outstanding 2041 senior notes. The Offer describes no plan to fund these liabilities or the resulting effects on Southwest Gas.

If Mr. Icahn consummates the Offer and acquires more than 50% of the outstanding Shares, or if Mr. Icahn is successful in electing his slate of director nominees to the Board, then a default would be triggered under Southwest Gas' credit agreements. In such event, the lenders under the credit agreements will have, among others, the right to cause all unpaid amounts under the credit agreements, which were approximately \$553.4 million as of September 30, 2021, to be immediately due and payable.

In addition, if Mr. Icahn consummates the Offer and acquires more than 50% of the outstanding Shares, or if Mr. Icahn is successful in electing his slate of director nominees to the Board, then Southwest Gas will be required to make an offer to repurchase all of Southwest Gas' outstanding 6.10% senior notes due 2041 at a price equal to 100% of the principal of such notes plus a 1% premium on such principal amount, together with accrued interest. As of September 30, 2021, approximately \$125 million in aggregate principal amount of such 2041 senior notes was outstanding.

In addition to its credit agreements and 2041 senior notes, Southwest Gas has also issued additional senior notes, each of which contains cross-acceleration provisions that are triggered when amounts owing by Southwest Gas under the credit agreements, the 2041 senior notes or any other evidence of indebtedness (in excess of a specified amount) are accelerated following an event of default thereunder. Upon acceleration under any of the credit agreements, the 2041 senior notes or such other evidences of indebtedness, the holders of more than 25% in principal amount of the applicable series of other senior notes of Southwest Gas at the time outstanding would have the right to accelerate all such senior notes of such series then outstanding. As of September 30, 2021, approximately \$2,225 million in aggregate principal amount of such other senior notes was outstanding.

Southwest Gas currently does not have sufficient cash on hand to fund the full amount of these liabilities. The Offer does not describe any plan, or source of funds, to finance these very significant liabilities that will result if the Offer is completed in accordance with its terms, nor does it describe the very serious consequences to Southwest Gas and its remaining minority stockholders that would result in the event Southwest Gas is unable to satisfy these liabilities, or is able to satisfy them only by refinancing the debt on disadvantageous terms. The prospect of holding a potentially delisted and unregistered minority equity interest in an insolvent entity is further evidence of the coercive nature of the Offer.

VI. The Offer demonstrates that Mr. Icahn has no strategic plan for Southwest Gas if he acquires control.

In his open letters, Mr. Icahn has proposed material changes to Southwest Gas' business, operations, governance and capital structure, including terminating the Questar transaction, financing the Questar transaction and selling Centuri. Mr. Icahn has also repeatedly told Southwest Gas stockholders that he will nominate a "blue ribbon" slate of directors to the Board at the 2022 Annual Meeting and that these directors will execute his "plan for long-term value creation." But despite these statements, Mr. Icahn notably includes no information in the Offer about any of these plans, proposals or director nominees.

To be sure, the only statements Mr. Icahn provides about his plans if he acquires control of Southwest Gas is boilerplate, vague language that he "intends to conduct a detailed review, subject to applicable law, of the Company and its assets, corporate structure, capitalization, operations, properties, policies, management and personnel and consider and determine what, if any, changes would be desirable in light of the circumstances which then exist." In other words, Mr. Icahn admits he has not developed any strategic plan for operating Southwest Gas. If Mr. Icahn does in fact complete the Offer, the fact that he has no strategic plan for Southwest Gas presents a substantial risk for any stockholder that does not tender its Shares into the Offer, as the stockholder will be left holding shares of a company with no strategic direction, and is further evidence of the coercive nature of the Offer.

ACCORDINGLY, BASED ON THE FOREGOING, THE BOARD UNANIMOUSLY RECOMMENDS THAT HOLDERS OF SHARES REJECT THE OFFER AND NOT TENDER ANY SHARES PURSUANT TO THE OFFER.

The foregoing discussion of the information and factors considered by the Board is not meant to be exhaustive, but includes the material information, factors and analyses considered by the Board in reaching its conclusions and recommendations. The members of the Board evaluated the various factors listed above in light of their knowledge of the business, financial condition and prospects of the Company and consulted with the Board's financial and legal advisors.

In light of the number and variety of factors that the Board considered, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the factors summarized above in reaching its recommendation. However, the recommendation of the Board was made after considering the totality of the information and factors involved. In addition, individual members of the Board may have given different weight to different factors.

After considering the totality of the information and factors involved, the Board has determined that the Offer is not in the best interests of Southwest Gas stockholders. Accordingly, the Board unanimously recommends that Southwest Gas stockholders reject the Offer and not tender any Shares pursuant to the Offer.

Intent to Tender

To the Company's knowledge, after making reasonable inquiry, none of the Company's executive officers, directors, affiliates or subsidiaries intends to tender any Shares he, she or it holds of record or beneficially owns for purchase pursuant to the Offer.

Item 5. *Persons/Assets, Retained, Employed, Compensated or Used*

The Company has retained Lazard as its financial advisor in connection with, among other things, the Company's analysis and consideration of, and response to, the Offer. In connection with its engagement, the Company has agreed to pay Lazard a monthly retainer fee in the amount of \$250,000 beginning in October 2021 and continuing through the earlier of (x) the date on which the fee described in the following sentence is earned and (y) May 2022. The Company will also pay Lazard an additional fee in the amount of \$2,000,000 on the earlier to occur of (i) the irrevocable termination, withdrawal or completion of matters relating to the Offer, including the proxy contest at the 2022 Annual Meeting, and (ii) the termination of Lazard's engagement, in each case, subject to the terms of Lazard's engagement letter with the Company.

The Company has retained Moelis as its financial advisor in connection with the Company's analysis and consideration of, and response to, the Offer. The Company has agreed to pay Moelis a fee of \$1,000,000 for such services, which is currently payable. In addition, the Company has agreed to reimburse Moelis for certain expenses arising out of or in connection with the engagement and to indemnify it against certain liabilities relating to or arising out of the engagement.

The Company has engaged Innisfree to assist it in connection with the Company's communications with its stockholders related to the Offer. The Company has agreed to pay customary compensation to Innisfree for such services. In addition, the Company has agreed to reimburse Innisfree for its reasonable out-of-pocket expenses and to indemnify it and certain related persons against certain liabilities relating to or arising out of its engagement.

The Company has also retained Joele Frank, Wilkinson Brimmer Katcher (“Joele Frank”) as its public relations advisor in connection with the Offer. The Company has agreed to pay Joele Frank customary compensation for such services. In addition, the Company has agreed to reimburse Joele Frank for its out-of-pocket expenses and to indemnify it against certain liabilities relating to or arising out of its engagement.

Except as set forth above, neither the Company nor any person acting on its behalf has or currently intends to employ, retain or compensate any person to make solicitations or recommendations to the Company’s stockholders with respect to the Offer.

Item 6. Interest in Securities of the Subject Company

Other than in the ordinary course of business in connection with the Company’s employee benefit plans, no transactions with respect to the Shares have been effected by the Company or, to the knowledge of the Company, by any of its executive officers, directors, affiliates or subsidiaries during the past 60 days, except for the following transactions:

Transactions by Executive Officers and Directors

None.

Transactions by the Company

<u>Name</u>	<u>Date</u>	<u>No. of Shares</u>	<u>Price Per Share(1)(2)</u>	<u>Price Range(1)(2)</u>	<u>Transaction Description</u>
Southwest Gas Holdings, Inc.	9/1/2021	71,015	\$ 71.33	\$ 70.15-71.76	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/2/2021	65,533	\$ 71.78	\$ 71.45-72.08	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/3/2021	69,775	\$ 71.48	\$ 71.00-71.78	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/7/2021	48,771	\$ 70.85	\$ 70.22-71.55	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/8/2021	81,393	\$ 71.60	\$ 70.50-72.11	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/9/2021	32,751	\$ 70.75	\$ 70.14-71.88	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/10/2021	34,479	\$ 69.17	\$ 68.66-70.52	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/13/2021	77,906	\$ 69.28	\$ 68.66-70.01	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/14/2021	76,499	\$ 69.19	\$ 68.85-69.74	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/15/2021	8,181	\$ 69.36	\$ 69.03-69.53	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/17/2021	84,776	\$ 68.23	\$ 68.00-69.00	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/20/2021	800	\$ 68.02	\$ 68.00-68.07	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/23/2021	27,700	\$ 68.09	\$ 68.00-68.27	Issuer At-the-Market sale
Southwest Gas Holdings, Inc.	9/24/2021	1,400	\$ 68.03	\$ 68.00-68.10	Issuer At-the-Market sale

(1) Shares were acquired in multiple transactions each day at prices within the price range set forth in the column labeled “Price Range”. The price reported in the column labeled “Price Per Share” is a weighted average price.

(2) Excluding commissions.

Item 7. Purposes of the Transaction and Plans or Proposals

The Company routinely maintains contact with third parties, including other participants in its industry, regarding a wide range of potential business transactions. It has not ceased, and has no intention of ceasing, such activity as a result of the Offer. The Company’s policy has been, and continues to be, not to disclose the existence or content of any such discussions with third parties (except as may be required by law) as any such disclosure could jeopardize any future negotiations that the Company may conduct.

Except as described in the preceding paragraph or as otherwise set forth in this Statement (including in the Exhibits to this Statement) or as incorporated in this Statement by reference, the Company is not currently undertaking or engaged in any negotiations in response to the Offer that relate to, or would result in, (i) a tender offer for, or other acquisition of, Shares by the Company, any of its subsidiaries or any other person, (ii) any extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, (iii) any purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries or (iv) any material change in the present dividend rate or policy, or indebtedness or capitalization, of the Company.

Except as described above or as otherwise set forth in this Statement (including in the Exhibits to this Statement) or as incorporated in this Statement by reference, there are no transactions, resolutions of the Board, agreements in principle or signed contracts in response to the Offer that relate to, or would result in, one or more of the events referred to in the preceding paragraph.

Item 8. Additional Information

Information Regarding the Compensation of Executive Officers

The Company has previously entered into change in control agreements or employment agreement with the Company's executive officers. These agreements provide enhanced benefits and other rights upon a change in control or a qualifying termination of employment thereafter. These enhanced benefits and other rights are discussed below.

Equity Incentive Awards

As described above under the section of this Statement titled "*Item 3. Past Contracts, Transactions, Negotiations and Agreements—Equity-Based Awards Held by Non-Employee Directors and Executive Officers of the Company,*" the Equity Plan and the award agreements granted thereunder provide for accelerated vesting held by the Company's executive officers upon a termination of employment following a change in control, as described below.

Southwest Change in Control Agreements

The Company has previously entered into change in control agreements with each of the executive officers of the Company, other than Mr. Daily. The provisions of the change in control agreements are substantially in the same form, which is filed as Exhibit (e)(32) to this Statement and incorporated herein by reference. The consummation of the Offer where the Offeror acquires 30% or more of the outstanding Shares would constitute a change in control for purposes of the change in control agreements.

Under the change in control agreements, upon a termination without cause or for good reason within 24 months following a change in control and subject to execution and effectiveness of a release of claims, the executive officer is eligible to receive:

- a lump sum cash payment in an amount equal to a multiple (three years in the case of Mr. Hester and two and one-half years for all senior vice presidents) of the annual base salary;
- a lump sum cash payment in an amount equal to a multiple (three years in the case of Mr. Hester and two and one-half years for all senior vice presidents) of the greater of the annual incentive compensation at the time of termination or change of control, calculated at 100% of the target level;
- payment of a lump sum medical benefit stipend of an amount equal to the full cost of health and dental coverage (for three years for Mr. Hester and two and one-half years for all senior vice presidents), calculated based on the full cost of continued health and dental coverage for the executive and his or her eligible dependents under COBRA as of the date of termination or, if greater, as of the date of change of control; and

- payment of a lump sum benefit stipend equal to the cost of replacement of disability and life insurance coverage (for three years for Mr. Hester and two and one-half years for all senior vice presidents), calculated as of the date of termination or, if greater, as of the date of change of control;
- if the executive officer has reached the age of 50 on the date of termination, the executive officer will receive additional benefits under Southwest Gas Corporation Supplemental Executive Retirement Plan (the "SERP") such that the executive officer will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits, 6 points which, at the election of the executive officer, may be applied either to an age assumption or continuous length of service assumption or a combination thereof; and
- reimbursement of outplacement services of up to \$30,000.

In the event that payments to an executive officer under a change in control agreement would be subject to Section 280G and 4999 of the Internal Revenue Code, such payments would be reduced to the extent the executive officer would be better-off after taxes.

Centuri CEO Employment Agreement

The Company has previously entered into an employment agreement with Mr. Paul M. Daily, the CEO of Centuri Group, Inc. ("Centuri"). The employment agreement with Mr. Daily is filed as Exhibit (e)(27) to this Statement and incorporated herein by reference. Mr. Daily's employment agreement provides for benefits upon certain termination events following a change in control of either the Company or Centuri. The consummation of the Offer where the Offeror acquires 50% or more of the outstanding Shares would constitute a change in control for purposes of Mr. Daily's employment agreement.

Under the terms of the employment agreement, if Mr. Daily's employment is terminated by the employer without cause or by Mr. Daily for good reason within two years after a change in control of the Company or Centuri, subject to execution and effectiveness of a release of claims, Mr. Daily is eligible to receive:

- vesting acceleration of the outstanding equity awards held by Mr. Daily;
- a lump sum cash payment in an amount equal to two times the annual base salary;
- a lump sum cash payment in an amount equal to two times the greater of the annual incentive compensation at the time of termination or change of control, calculated at 100% of the target level;
- an amount equal to the greater of the incentive compensation under the Centuri long-term incentive compensation plan at the time of termination or change of control, for the period during the applicable plan years preceding the date of such termination as if Mr. Daily was retirement eligible under the plan and for the two years following the date of termination, at two times target for the most recent three-year cycle;
- payment of a lump sum medical benefit stipend of an amount equal to the full cost of health and dental coverage for two years, calculated based on the full cost of continued health and dental coverage for the executive and his eligible dependents under COBRA as of the date of termination or, if greater, as of the date of change of control;
- payment of a lump sum benefit stipend equal to the cost of replacement of disability and life insurance coverage for two years, calculated as of the date of termination or, if greater, as of the date of change of control; and
- reimbursement of outplacement services of up to \$30,000.

In the event that payments to Mr. Daily under the employment agreement would be subject to Section 280G and 4999 of the Internal Revenue Code, such payments would be reduced to the extent Mr. Daily would be better-off after taxes.

The Southwest Gas Corporation 2005 Executive Deferral Plan provides executive officers of the Company and Southwest Gas Corporation with an opportunity to defer a portion of their salary, bonus and other specified compensation. The participants are also entitled to receive employer matching contributions in an amount equal to 50% of the compensation deferred, up to a maximum of 3.5% of a participant's base salary. Employer contributions and interest earned on such contributions vest at the rate of 20% per year of service by the participant. Upon a change of control of Southwest Gas Corporation, the benefits under this plan will become fully vested and the interest credited to a participant's account balances will be retroactively adjusted to 200% of the Bond Rate. The consummation of the Offer where the Offeror acquires 50% or more of the outstanding Shares would constitute a change of control of the Southwest Gas Corporation for purposes of this plan.

Quantification of Potential Payments to the Company's Named Executive Officers in Connection with the Offer

The information set forth in the tables below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about certain compensation for each of the Company's named executive officers ("NEOs") that is based on or otherwise relates to the Offer and assumes, among other things, that the Offer is consummated, the Offer constitutes a change of control of the Company and that the NEOs will incur a severance-qualifying termination of employment immediately following consummation of the Offer.

The amounts indicated below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described below, and do not reflect certain compensation actions that may occur before the consummation of the Offer. In the event that any payments to a named executive officer indicated below would be subject to Section 280G and 4999 of the Internal Revenue Code, such payments would be reduced to the extent the named executive officer would be better-off after taxes. For purposes of calculating such amounts, the Company has assumed:

- December 27, 2021 as the date on which the Offer is consummated; and
- a termination of each NEO's employment by the Company without cause or by the applicable NEO for good reason (in each case, as defined in the applicable change in control agreement or the employment agreement with Mr. Daily, as applicable) on December 27, 2021, based on the terms of the change in control agreements and the employment agreement with Mr. Daily.

Name	Cash \$(1)	Equity \$(2)	Pension/ NQDC \$(3)	Perquisites Benefits \$(4)	Total (\$)
John P. Hester	6,795,600.84	5,014,723.00	606,731.00	30,000.00	12,447,054.84
Gregory J. Peterson	1,997,375.70	1,104,792.00	245,971.00	30,000.00	3,378,138.70
Paul M. Daily	6,518,710.24	1,491,298.00	—	30,000.00	8,040,008.24
Karen S. Haller	2,295,500.70	1,476,119.00	272,406.00	30,000.00	4,074,025.70
Eric DeBonis	1,588,603.60	698,005.00	212,827.00	30,000.00	2,529,435.60

- (1) As discussed above, under the change in control agreements and the employment agreement with Mr. Daily, upon a qualifying termination following a change of control, each of the NEOs would be entitled to receive a cash amount consisting of the following components, which is in each case is payable in a lump sum within 60 days of a qualifying termination:
- (a) an amount equal to a multiple (three in the case of Mr. Hester, two in the case of Mr. Daily, and two and one-half in the case of other NEOs) of the annual base salary;
 - (b) an amount equal a multiple (three in the case of Mr. Hester, two in the case of Mr. Daily, and two and one-half in the case of other NEOs) of the greater of the annual incentive compensation at the time of termination or change of control, calculated at 100% of the target level;
 - (c) for Mr. Daily only, an amount equal to the greater of the incentive compensation under the Centuri long-term incentive compensation plan at the time of termination or change of control, for the period

- during the applicable plan years preceding the date of such termination as if Mr. Daily was retirement eligible under the applicable plan and for the two years following the date of termination, at two times target for the most recent three-year cycle;
- (d) an amount equal to the full cost of health and dental coverage (for three years for Mr. Hester, two years for Mr. Daily and two and one-half years for other NEOs), calculated based on the full cost of continued health and dental coverage for the executive and his or her eligible dependents under COBRA as of the date of termination or, if greater, as of the date of change of control; and
- (e) an amount equal to the cost of replacement of disability and life insurance for the NEOs (for three years for Mr. Hester, two years for Mr. Daily and two and one-half years for other NEOs), calculated as of the date of termination or, if greater, as of the date of change of control.

All components of the cash severance amount are “double-trigger” (i.e., they are contingent upon a termination without cause or for good reason following the consummation of a change of control) and are subject to the NEO’s execution and effectiveness of a release of claims. The estimated amount of each component of the cash payment is set forth in the table below.

<u>Name</u>	<u>Base Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Health Benefit Stipend (\$)</u>
John P. Hester	3,375,000.00	3,375,000.00	45,600.84
Gregory J. Peterson	1,187,500.00	771,875.00	38,000.70
Paul M. Daily	1,572,000.00	1,572,000.00	—
Karen S. Haller	1,290,000.00	967,500.00	38,000.70
Eric DeBonis	962,500.00	577,500.00	48,603.60

- (2) Under the Equity Plan and the award agreements with the NEOs, a termination of employment following the consummation of a change of control would result in vesting of all outstanding RSUs held by the NEOs. A pro rata portion of the target number of Performance Shares and the Non-threshold Performance Shares based on the number of months of service relative to the 2020-2022 and 2021-2023 performance periods would vest a termination of employment following the consummation of a change of control. Set forth below are the values of each type of unvested equity-based award held by the NEOs that would become vested upon a termination of employment immediately following the consummation of a change of control of the Company. Amounts are calculated assuming a price of \$75.00 per Share.

<u>Name</u>	<u>RSUs (\$)</u>	<u>Performance Shares (\$)</u>	<u>Non-threshold Performance Shares (\$)</u>
John P. Hester	1,533,252.00	3,481,471.00	—
Gregory J. Peterson	358,602.00	746,190.00	—
Paul M. Daily	—	1,043,909.00	447,389.00
Karen S. Haller	454,763.00	1,021,356.00	—
Eric DeBonis	239,578.00	458,427.00	—

- (3) Under the change in control agreements, upon a qualifying termination within 24 months of a change of control, each of Messrs. Hester, Peterson and DeBonis and Ms. Haller will be entitled to his or her retirement benefit under the Company’s benefit plans, which are fully vested on the date of such termination, in accordance with the terms of the plans and the applicable elections. If an NEO have reached age of 50 on the date of termination, the NEO will receive addition benefits under the SERP such that the NEO will be permitted to add to the formula for purposes of eligibility for benefits, vesting and calculation of benefits, 6 points which, at the election of the NEO, may be applied either to an age assumption or continuous length of service assumption or a combination thereof. As of December 27, 2021, Messrs. Hester, DeBonis and Ms. Haller are eligible to receive such additional SERP benefits following a qualifying termination. The value of such additional benefits under the SERP is calculated on a present value basis, using the valuation method and all material assumptions described in “Note 11- Pension and Other

- (4) Represents payment of professional outplacement services for up to \$30,000 for each NEO following a qualifying termination.

Certificate of Incorporation Dominant Stockholder Provision

Article 7(A) of the COI requires holders of at least 85% of the outstanding Shares to authorize a Business Combination (as defined below) with any person or entity, which together with its affiliates and associates, beneficially owns, in the aggregate, 10% or more of the outstanding Shares (a “Dominant Stockholder”); provided, this 85% requirement is not applicable if: (i) 65% of the members of the Board approve in advance (a) the acquisition of Shares that caused the Dominant Stockholder to become a Dominant Stockholder or (b) the Business Combination; or (ii) 85% of the members of the Board (a) subsequently approve the Business Combination or (b) determine that the cash or fair market value of the consideration to be received per share in the Business Combination is not less than the highest price per share paid by the Dominant Stockholder in acquiring any of its Shares.

The COI defines Business Combination as: (i) any merger of the Company or any entity controlled or under common control with the Company with any Dominant Stockholder or any entity controlled or under common control with a Dominant Stockholder; (ii) any sale or other disposition of all or substantially all of the property and assets of (a) the Company to a Dominant Stockholder or any entity controlled by or under common control with a Dominant Stockholder or (b) the Dominant Stockholder to the Company or any entity controlled by or under common control of the Company; (iii) any recapitalization of the Company that would have the effect of increasing the voting power of a Dominant Stockholder; and (iv) any agreement or other arrangement providing for any of the transactions described in the foregoing clauses.

The Schedule TO states that the Offer is conditioned upon, among other things, the Board having waived the applicability of Article 7(A) of the COI to the purchase of the Shares by the Offeror in the Offer so that the provisions of Article 7(A) would not, at or following consummation of the Offer, prohibit, restrict or apply to any Business Combination involving the Company and the Offeror or any affiliate or associate of the Offeror. Please see Annex A for more information regarding conditions to the Offer.

State Anti-Takeover Laws

A number of states have adopted laws and regulations that purport to apply to attempts to acquire corporations that are incorporated in such states, or whose business operations have substantial economic effects in such states, or which have substantial assets, security holders, employees, principal executive offices or principal places of business in such states. The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted such laws including, without limitation, the states of Arizona, California and Nevada.

The Schedule TO states that the Offer is conditioned upon, among other things, the Offeror having received any required governmental or regulatory approvals, consents, clearances or waivers which, in each case, have not been appealed and are no longer appealable, and do not impose any Burdensome Conditions (as defined in the Schedule TO) on the Offer or the Offeror or any of its affiliates, including any necessary approvals from the appropriate regulatory authorities located in each of Arizona, California and Nevada. The Offeror has stated in the Schedule TO that, if any government official or third party seeks to apply any state takeover law to the Offer or any merger or other business combination between the Offeror or any of the Offeror’s subsidiaries or affiliates and the Company, the Offeror may take any action as then appears desirable, which action may include challenging the applicability or validity of such statute in appropriate court proceedings. If it is asserted that one or more state takeover statutes is applicable to the Offer or any such merger or other business combination and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or any such merger or other business combination, the Offeror might be required to file certain information with, or to receive

approvals from, the relevant state authorities or holders of Shares, and the Offeror may be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or completing the Offer or any such merger or other business combination. In such case, the Offeror has stated that the Offeror may not be obligated to accept for payment or pay for any tendered Shares. Please see Annex A for more information regarding conditions to the Offer.

Appraisal or Dissenters' Rights

Holders of Common Stock do not have appraisal rights as a result of the Offer. However, if a subsequent merger involving the Company is consummated, holders of Common Stock who have not tendered their Common Stock in the Offer will have certain rights pursuant to the provisions of Section 262 of the DGCL to dissent from such merger and demand appraisal of their Common Stock. Under Section 262, dissenting stockholders who comply with the applicable statutory procedures will be entitled to receive a judicial determination of the fair value of their Common Stock (exclusive of any element of value arising from the accomplishment or expectation of the proposed merger) and to receive payment of such fair value in cash, together with a fair rate of interest, if any. Because appraisal rights are not available in connection with the Offer, no demand for appraisal under Section 262 of the DGCL may be made at this time. Any such judicial determination of the fair value of the Common Stock could be based upon factors other than, or in addition to, the price per share to be paid in the proposed merger or the market value of the Common Stock. The value so determined could be more or less than the price per share to be paid in the Offer or any subsequent merger.

FAILURE TO FOLLOW THE STEPS REQUIRED BY SECTION 262 OF THE DGCL FOR PERFECTING APPRAISAL RIGHTS MAY RESULT IN THE LOSS OF SUCH RIGHTS. BECAUSE OF THE COMPLEXITY OF DELAWARE LAW RELATING TO APPRAISAL RIGHTS, WE ENCOURAGE YOU TO SEEK THE ADVICE OF YOUR OWN LEGAL COUNSEL. THE FOREGOING DISCUSSION IS NOT A COMPLETE STATEMENT OF THE DGCL.

Rights Agreement

On October 10, 2021, the Board authorized a dividend of one Right for each outstanding share of Common Stock. The dividend was payable on October 21, 2021 (the "Record Date") to the holders of record of Common Stock as of 5:00 P.M., New York City time, on the Record Date. The description and terms of the Rights are set forth in a Rights Agreement, dated as of October 10, 2021 (as the same may be amended from time to time, the "Rights Agreement"), between the Company and Equiniti Trust Company, as rights agent. Each Right entitles the registered holder to purchase from the Company one ten-thousandth (a "Unit") of a share of Series A Junior Participating Preferred Stock, no par value per share (the "Preferred Stock"), of the Company at a purchase price ("Purchase Price") of \$321.70 per Unit, subject to adjustment.

Distribution Date

Initially, the Rights will be attached to all shares of Common Stock, and no separate certificates evidencing the Rights will be issued. Subject to certain exceptions, until the Distribution Date (as defined below), the Company will issue one Right with each new share of Common Stock issued after the Record Date so that all shares of Common Stock will have Rights attached, the Rights will be transferred with and only with the Common Stock, and any transfer of Common Stock will constitute a transfer of the associated Rights. After the Distribution Date, the Rights will separate from the Common Stock and, as soon as practicable after the Distribution Date, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Rights Certificates alone will evidence the Rights.

The “Distribution Date” means the earlier of:

- ten business days after the public announcement that a person or group of affiliated or associated persons has become an Acquiring Person (as defined below) or such earlier date, as determined by the Board, on which an Acquiring Person has become such; and
- such date (prior to such time as any person or group of affiliated or associated persons becomes an Acquiring Person), if any, as may be determined by the Board following the commencement of, or the first public announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in any person or group of affiliated or associated persons becoming an Acquiring Person.

Exercisability

The Rights will not be exercisable until the Distribution Date. After the Distribution Date, each Right will be exercisable to purchase from the Company one Unit of a share of Preferred Stock for the Purchase Price. Prior to exercising their Rights, holders of Rights in that capacity have no rights as a stockholder of the Company, including the right to vote or receive dividends.

Consequences of Any Person or Entity Becoming an Acquiring Person

- *Flip-In Trigger.* If any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right (other than Rights beneficially owned by an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof, which Rights will thereupon become null and void) will thereafter have the right to receive upon exercise of a Right that number of shares of Common Stock having an aggregate market value equal to two times the Purchase Price.
- *Flip-Over Trigger.* If, after any person or group of affiliated or associated persons has become an Acquiring Person, the Company is acquired in a merger, consolidation or combination or 50% or more of its consolidated assets, cash flow or earning power are transferred, proper provisions will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof, which Rights will have become null and void) will thereafter have the right to receive upon the exercise of a Right that number of shares of common stock of the person (or its parent) with whom the Company has engaged in the foregoing transaction having an aggregate market value equal to two times the Purchase Price.
- *Exchange Feature.* At any time after any person or group of affiliated or associated persons becomes an Acquiring Person and prior to the earlier of one of the events described in the previous paragraph or the acquisition by an Acquiring Person of 50% or more of the outstanding Common Stock, the Board may exchange the Rights (other than Rights owned by an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof, which Rights will have become null and void), in whole or in part, for Common Stock at an exchange ratio of one share of Common Stock per Right.

Expiration

The Rights will expire on the earliest of (i) the close of business on October 9, 2022, (ii) the time at which the Rights are redeemed pursuant to the Rights Agreement, (iii) the closing of any merger or other acquisition transaction involving the Company that has been approved by the Board, at which time the Rights are terminated, and (iv) the time at which the Rights are exchanged pursuant to the Rights Agreement.

Redemption

At any time prior to the close of business on the Distribution Date, the Board may redeem the Rights in whole, but not in part, for \$0.0001 per Right (the “Redemption Price”). The Redemption Price is payable, at the option of the Company, in cash, Common Stock or such other form of consideration as the Board shall determine.

Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. The Redemption Price will be subject to adjustment in accordance with the Rights Agreement.

Amendment

For so long as the Rights are then redeemable, the Company may, except with respect to the Redemption Price, amend the Rights Agreement in any manner. At any time when the Rights are no longer redeemable, the Company may amend the Rights Agreement in any manner that does not adversely affect the interests of holders of the Rights (other than an Acquiring Person, affiliates and associates of an Acquiring Person and certain transferees thereof) and does not cause the Rights again to become redeemable.

Anti-Dilution Provisions

The Board may adjust the Purchase Price, the number of shares of Preferred Stock issuable and the number of outstanding Rights to prevent dilution that may occur from a share dividend, a share split, a reclassification of the Preferred Stock or the Common Stock or certain other specified transactions. No adjustments to the Purchase Price of less than 1% are required to be made.

Preferred Stock

Each Unit of a share of Preferred Stock will entitle the holder thereof to the same dividends, liquidation and voting rights as if the holder held one share of Common Stock and will be treated the same as a share of Common Stock in the event of a merger, consolidation or other share exchange. The value of one Unit of a share of Preferred Stock should approximate the value of one share of Common Stock.

Anti-Takeover Effects

The Rights may have certain anti-takeover effects. In general terms and subject to certain exceptions, the Rights Agreement works by imposing a significant penalty upon any person or group of affiliated or associated persons that acquires 10% or more of the outstanding Common Stock (20% or more in the case of a passive investor), except in certain situations specified in the Rights Agreement (such person, an "Acquiring Person"). The Rights, however, should not interfere with any merger or other business combination approved by the Board.

The foregoing summary description of the Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, a copy of which is filed as Exhibit (e)(43) to this Statement and incorporated herein by reference.

The Schedule TO states that the Offer is conditioned upon, among other things, the Company having validly terminated the Rights Agreement or the Rights have been redeemed and are otherwise inapplicable to the Offer and the Offeror and its affiliates. Please see Annex A for more information regarding conditions to the Offer.

United States Antitrust Clearance

The Offer is subject to the HSR Act and the rules that have been promulgated thereunder by the U.S. Federal Trade Commission (the "FTC") and the U.S. Department of Justice (the "DOJ"). The Company understands that, on or about October 15, 2021, the Offeror submitted to the FTC and DOJ a Notification and Report Form with respect to the Offer. As required by the HSR Act, the Company submitted a responsive Notification and Report Form with the FTC and the DOJ. The Company understands that the waiting period under the HSR Act expired with respect to the Offer on or about November 1, 2021.

Notwithstanding the expiration of the waiting period under the HSR Act, at any time before or after the consummation of the Offer, the DOJ or the FTC could take such action under the antitrust laws as it deems

necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking actions under the antitrust laws to enjoin consummation of the Offer. Private parties who may be adversely affected by the proposed transaction and individual states may also bring legal actions under the antitrust laws. There can be no assurance that a challenge to the Offer on antitrust grounds will not be made, or if such a challenge is made, what the result will be.

Effect of the Offer on the Company's Outstanding Indebtedness

The Company and Southwest Gas Corporation are subject to the following outstanding agreements that contain “change in control provisions” that are triggered when a “change in control” occurs with respect to the Company (in each case, as such agreements are amended, restated, or otherwise modified from time to time): (i) the Term Loan Agreement, dated March 23, 2021, between Southwest Gas Corporation, as the borrower, and The Bank of New York Mellon, as the administrative agent, (ii)(a) the Amended and Restated Revolving Credit Agreement, dated April 10, 2020, between the Company, as the borrower, and The Bank of New York Mellon, as administrative agent, and (b) the Amended and Restated Revolving Credit Agreement, dated April 10, 2020, between Southwest Gas Corporation, as the borrower, and The Bank of New York Mellon, as administrative agent, (iii) the letters of credit issued by Southwest Gas Corporation in connection with the Industrial Development Revenue Bonds relating to Clark County, Nevada and City of Big Bear Lake, California, (iv) the 364-Day Term Loan Credit Agreement, dated November 1, 2021, between the Company, as the borrower, and JPMorgan Chase Bank, N.A., as the administrative agent (clauses (i)-(iv), collectively, the “Debt Documents”), and (v) Southwest Gas Corporation’s 6.10% Senior Notes due 2041 (the “2041 Notes”).

Under both the Debt Documents and the 2041 Notes, the “change in control” provisions are triggered when, among other triggers, (i) any person or group of associated persons acting in concert acquires an aggregate of more than 50% of the outstanding shares of voting stock of the Company, or (ii) if a majority of the Board are not the “Incumbent Board,” which is defined as members of the Board as of the effective date of the applicable Debt Document or the date on which the 2041 Notes were issued, as applicable, or who subsequently became directors and whose election or nomination for election was approved by the majority of the Incumbent Board. In the event that the Icahn Group acquires ownership of more than 50% of the outstanding Shares, including as a result of the consummation of the Offer, and/or the majority of the Board is composed of the Icahn Slate after the 2022 Annual Meeting, and the nomination and election of such Board was not approved by the applicable Incumbent Board, then: (i) under the Debt Documents, an immediate event of default will occur, which will give the applicable agent and lenders or letter of credit issuers under such Debt Documents the right to exercise remedies, including to accelerate amounts owing under such Debt Documents, and (ii) under the 2041 Notes, Southwest Gas Corporation will be required to make an offer to repurchase all of the outstanding 2041 Notes at a price equal to 100% of the principal amount of the 2041 Notes outstanding plus a premium equal to 1% of such principal amount, together with accrued and unpaid interest.

Southwest Gas Corporation is also a party to the following notes issuances, which, along with the Debt Documents and the 2041 Notes, contain a cross-acceleration provision triggered when amounts owing by the Company and/or Southwest Gas Corporation, as applicable, under the Debt Documents, the 2041 Notes or any other evidence of indebtedness (in excess of a specified outstanding principal amount ranging from \$10 million to \$50 million) are accelerated following an event of default thereunder (including an event of default as a result of a change in control): (i) Southwest Gas Corporation’s 3.70% Senior Notes due 2028, (ii) Southwest Gas Corporation’s 4.15% Senior Notes due 2049, (iii) Southwest Gas Corporation’s 2.20% Senior Notes due 2030, (iv) Southwest Gas Corporation’s 3.18% Senior Notes due 2051, (v) Southwest Gas Corporation’s 3.875% Senior Notes due 2022, (vi) Southwest Gas Corporation’s 4.875% Senior Notes due 2043, (vii) Southwest Gas Corporation’s 3.8% Senior Notes due 2046, and (viii) Southwest Gas Corporation’s 8% Debenture due 2026 (clauses (i)-(viii), together with the 2041 Notes, collectively, the “Notes”). Upon such acceleration under any such Debt Documents, Notes, or other evidence of indebtedness, (x) the holders of more than 25% in principal amount of the applicable series of other Notes at the time outstanding would have the right to accelerate all such Notes of such series then outstanding, and (y) the applicable agents and requisite banks would have the right to accelerate any indebtedness under any other applicable Debt Documents then outstanding.

As of September 30, 2021: (i) the Company had an aggregate principal amount of \$22 million revolving loans outstanding and an aggregate availability of \$78 million under the Debt Documents, and (ii) Southwest Gas Corporation had an aggregate principal amount of \$250 million term loan facilities outstanding, an aggregate principal amount of \$0 million revolving loans outstanding, an aggregate amount of \$203.4 million of letters of credit supporting its variable rate Industrial Development Revenue Bonds, an aggregate availability of approximately \$400 million under the Debt Documents, and an aggregate principal amount of \$2,350 million Notes outstanding.

The Company cannot assure stockholders that any waiver or amendment of such change in control provisions would be obtainable or that any replacement credit facility, replacement letters of credit, or other financing would be available, in each case on commercially reasonable terms, if at all. In short, if the Offer is consummated, the Company's liquidity and ability to operate its business could be materially and adversely impacted.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements are based on current expectations, estimates and projections about, among others, the industry, markets in which the Company operates, and the transaction described in this press release. While the Company's management believes the assumptions underlying its forward-looking statements and information are reasonable, such information is necessarily subject to uncertainties and may involve certain risks, many of which are difficult to predict and are beyond the control of the Company's management. A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the timing and amount of rate relief, changes in rate design, customer growth rates, the effects of regulation/deregulation, tax reform and related regulatory decisions, the impacts of construction activity at Centuri, future earnings trends, seasonal patterns, and the impacts of stock market volatility. In addition, the Company can provide no assurance that its discussions about future operating margin, operating income, pension costs, COLI results, and capital expenditures of the natural gas segment will occur. Likewise, the Company can provide no assurance that discussions regarding utility infrastructure services segment revenues, operating income as a percentage of revenues, interest expense, and noncontrolling interest amounts will transpire, nor assurance regarding acquisitions or their impacts, including management's plans related thereto, such as that currently planned in regard to Riggs Distler & Company, Inc. and the pending acquisition of Questar. Additional risks include the occurrence of any event, change or other circumstances that could give rise to the termination of the Questar Purchase Agreement, the outcome of any legal proceedings that may be instituted against the Company and others following announcement of the Questar Purchase Agreement, risks that the proposed transaction disrupts current plans and operations, the risks related to the ability of the Company to integrate Questar, the amount of the costs, fees, expenses and charges related to the transaction and the actual terms of certain financings that will be obtained for the transaction, potential negative impacts to the Company's credit ratings as a result of the transaction, the disruption to the Company's stock price and the costs, fees, expenses and charges related to, and the distraction of management's attention in connection with, any proxy contest or other stockholder related or similar matters, as well as other risks that are set forth under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and in future filings with the SEC. All forward-looking statements speak only as of the date of this press release. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this press release.

Item 9. Exhibits

The following exhibits are filed with this Statement:

<u>Exhibit No.</u>	<u>Description</u>
(a)(1)	Statement issued by the Company on October 14, 2021 (incorporated by reference to the pre-commencement Schedule 14D-9C filed on October 15, 2021).
(a)(2)	Message to Employees of the Company, dated October 14, 2021 (incorporated by reference to the pre-commencement Schedule 14D-9C filed on October 15, 2021).
(a)(3)	Statement issued by the Company on October 20, 2021 (incorporated by reference to the pre-commencement Schedule 14D-9C filed on October 20, 2021).
(a)(4)	Press release issued by the Company on October 27, 2021 (incorporated by reference to the pre-commencement Schedule 14D-9C filed on October 27, 2021).
(a)(5)	Opinion of Lazard Frères & Co. LLC, dated as of November 8, 2021 (included as Annex B to this Statement).*
(a)(6)	Opinion of Moelis & Company LLC, dated as of November 8, 2021 (included as Annex C to this Statement).*
(a)(7)	Letter to the Company's Stockholders, dated as of November 9, 2021.*
(e)(1)	Excerpts from the Company's Definitive Proxy Statement on Schedule 14A, filed on March 22, 2021.*
(e)(2)	Southwest Gas Corporation \$400 million Credit Facility (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 10, 2020).
(e)(3)	Note Purchase Agreement, dated November 18, 2010, by and between Southwest Gas Corporation and Metropolitan Life Insurance Company, John Hancock Life Insurance Company (U.S.A.), certain of their respective affiliates, and Union Fidelity Life Insurance Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed November 18, 2010).
(e)(4)	Amendment No. 1 to Note Purchase Agreement, dated March 28, 2014, by and among Southwest Gas Corporation and the holders of the Notes (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 31, 2014).
(e)(5)	Amendment No. 2 to Note Purchase Agreement, dated September 30, 2016, by and among Southwest Gas Corporation and the holders of the Notes (incorporated by reference to Exhibit 4.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).
(e)(6)	Form of 6.1% Senior Note due 2041 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed November 18, 2010).
(e)(7)	Southwest Gas Holdings, Inc. \$100 million Credit Facility (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 10, 2020).
(e)(8)	Term Loan Agreement, dated as of March 23, 2021, by and among Southwest Gas Corporation, The Bank of New York Mellon, as Administrative Agent, and the lenders party, book runners and syndication agents thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed March 23, 2021).
(e)(9)	The letters of credit issued pursuant to the Project Agreement between Southwest Gas Corporation and City of Big Bear Lake, California, dated as of December 1, 1993 (incorporated by reference to Exhibit 10.05 to the Company's Form 10-K for the year ended December 31, 1993).

<u>Exhibit No.</u>	<u>Description</u>
(e)(10)	The letters of credit issued pursuant to the Financing agreement dated as of March 1, 2003 by and between Clark County, Nevada, and Southwest Gas Corporation relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2003A, Series 2003B, Series 2003C, Series 2003D and Series 2003E (incorporated by reference to Exhibit 10 to the Company's Form 10-Q for the quarter ended September 30, 2003).
(e)(11)	The letters of credit issued pursuant to the First Amendment to Financing Agreement by and between Clark County, Nevada, and Southwest Gas Corporation dated as of July 1, 2005, amending the Financing Agreement dated as of March 1, 2003, with respect to Clark County, Nevada Industrial Development Revenue Bonds Series 2003A, Series 2003B, Series 2003C, Series 2003D, and Series 2003E (incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2005).
(e)(12)	The letters of credit issued pursuant to the Financing Agreement between Clark County, Nevada, and Southwest Gas Corporation, dated as of September 1, 2008, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2008A (incorporated by reference to Exhibit 10.03 to the Company's Form 10-Q for the quarter ended September 30, 2008).
(e)(13)	The letters of credit issued pursuant to the Financing Agreement between Clark County, Nevada and Southwest Gas Corporation, dated December 1, 2009, relating to Clark County, Nevada Industrial Development Revenue Bonds Series 2009A (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 2009).
(e)(14)	Southwest Gas Corporation's 3.70% Senior Note due 2028 (included in Exhibit 4.23 to the Company's Form 10-K filed February 25, 2021 (incorporated by reference to Exhibit 4.24 to the Company's Form 10-K for the year ended December 31, 2018).
(e)(15)	Southwest Gas Corporation's 4.150% Senior Note due 2049 (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated May 28, 2019).
(e)(16)	Southwest Gas Corporation's 2.200% Senior Note due 2030 (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated June 1, 2020).
(e)(17)	Southwest Gas Corporation's 3.18% Senior Note due 2051 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed August 18, 2021).
(e)(18)	Indenture, dated March 23, 2012, by and between Southwest Gas Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee. 3.875% Notes due 2022 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated March 20, 2012).
(e)(19)	Indenture, dated as of October 4, 2013, by and between Southwest Gas Corporation and the Bank of New York Mellon Trust Company, N.A., as Trustee. 4.875% Notes due 2043 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated October 1, 2013).
(e)(20)	Indenture, dated September 29, 2016, by and between Southwest Gas Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee. 3.80% Senior Notes due 2046 (incorporated by reference to Exhibit 4.01 to the Company's Form 8-K dated September 26, 2016).
(e)(21)	Indenture between Southwest Gas Corporation and Harris Trust and Savings Bank dated July 15, 1996, with respect to Debt Securities (incorporated by reference to Exhibit 4.04 to the Company's Form 8-K dated July 26, 1996).
(e)(22)	First Supplemental Indenture of Southwest Gas Corporation to Harris Trust and Savings Bank dated August 1, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to 7 1/2% and 8% Debentures, due 2006 and 2026, respectively (incorporated by reference to Exhibit 4.11 to the Company's Form 8-K dated July 31, 1996).

<u>Exhibit No.</u>	<u>Description</u>
(e)(23)	364-Day Term Loan Credit Agreement dated November 1, 2021 with JPMorgan Chase Bank, N.A, as Administrative Agent, the lenders party thereto, Bank of America, N.A. as Syndication Agent, and JPMorgan Chase Bank, N.A. and BofA Securities, Inc. as Joint Lead Arranger and Joint Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed November 5, 2021).
(e)(24)	Southwest Gas Holdings, Inc. 2006 Restricted Stock/Unit Plan, amended and restated as of December 28, 2016 (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 2018).
(e)(25)	Form of Performance Share Award Agreement with Named Executive Officers (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 2016).
(e)(26)	Form of Restricted Stock Unit Award Agreement with Named Executive Officers (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2016).
(e)(27)	Centuri Employment Agreement with Paul Daily, Chief Executive Officer (incorporated by reference to Exhibit 10.01 to the Company's Form 10-Q for the quarter ended June, 30 2017).
(e)(28)	Centuri/NPL Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.02 to the Company's Form 10-Q for the quarter ended June, 30 2017).
(e)(29)	Centuri Long-term Capital Investment Program (incorporated by reference to Exhibit 10.03 to the Company's Form 10-Q for the quarter ended June, 30 2017).
(e)(30)	Centuri Short-term Incentive Program (incorporated by reference to Exhibit 10.01 to the Company's Form 10-Q for the quarter ended March 31, 2018).
(e)(31)	Southwest Gas Holdings, Inc. Omnibus Incentive Plan (incorporated by reference to Appendix B to the Company's Proxy Statement dated March 27, 2017).
(e)(32)	Form of Change in Control Agreement with Officers (incorporated by reference to Exhibit 10.24 to the Company's Form 10-K for the year ended December 31, 2017).
(e)(33)	Form of Centuri Construction Group, Inc. Short-term Incentive Program (incorporated by reference to Exhibit 10.01 to the Company's Form 10-Q for the quarter ended March, 31 2018).
(e)(34)	Form of Centuri Construction Group, Inc. Executive Long-Term Incentive Plan (incorporated by reference to Exhibit 10.02 to the Company's Form 10-Q for the quarter ended March, 31 2018).
(e)(35)	Southwest Gas Corporation Board of Directors Retirement Plan, amended and restated effective December 28, 2016 (incorporated by reference to Exhibit 10.28 to the Company's Form 10-K for the year ended December 31, 2018).
(e)(36)	Southwest Gas Corporation Directors Deferral Plan, amended and restated November 14, 2018 (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended December 31, 2018).
(e)(37)	First Amendment to Centuri and subsidiaries Credit Facility Agreement, the other credit parties referred to therein, and Wells Fargo Bank (incorporated by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2018).
(e)(38)	Amendment to the Centuri Group, Inc. Executive Long-Term Incentive Plan (incorporated by reference to Exhibit 10.01 to the Company's Form 10-Q for the quarter ended March 31, 2019).
(e)(39)	Amendment to the Centuri Group, Inc. Long-Term Capital Investment Plan (incorporated by reference to Exhibit 10.02 to the Company's Form 10-Q for the quarter ended March 31, 2019).
(e)(40)	Form of Paul Daily Award Agreement under the Centuri Group, Inc. Executive Long-Term Incentive Plan (incorporated by reference to Exhibit 10.03 to the Company's Form 10-Q for the quarter ended March 31, 2019).

<u>Exhibit No.</u>	<u>Description</u>
(e)(41)	Amendment to the Centuri Group, Inc. Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.01 to the Company's Form 10-Q for the quarter ended March 31, 2020).
(e)(42)	Southwest Gas Corporation Employees' Investment Plan (incorporated by reference to Exhibit 4.1 to the Company's Form S-8 dated December 16, 2016).
(e)(43)	Rights Agreement, dated October 10, 2021, between Southwest Gas Holdings, Inc. and Equiniti Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on October 12, 2021).
(e)(44)	Certificate of Designations of the Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on October 12, 2021).

* Included in copy of Solicitation/Recommendation Statement on Schedule 14D-9 mailed to stockholders.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

SOUTHWEST GAS HOLDINGS, INC.

/s/ Karen S. Haller

Date: November 9, 2021

Karen S. Haller
Executive Vice President/ Chief Legal & Administrative Officer

Conditions to the Offer

The Schedule TO provides that, notwithstanding any other provision of the Offer, and in addition to (and not in limitation of) the Offeror's rights to extend and amend the Offer, the Offeror shall not be required to accept for payment or pay for any Shares tendered pursuant to the Offer, and may terminate or amend the Offer and may postpone the acceptance for payment of and payment for, Shares tendered, if any one or more of the following conditions shall have been satisfied or waived prior to the expiration of the Offer:

- (i) the Company has validly terminated the Rights Agreement or the Rights have been redeemed and are otherwise inapplicable to the Offer and the Offeror and its affiliates;
- (ii) the Board has waived the applicability of Article 7(A) of the COI to the purchase of the Shares by the Offeror in the Offer so that the provisions of Article 7(A) would not, at or following consummation of the Offer, prohibit, restrict or apply to any business combination involving the Company and the Offeror or any of its affiliates or associates;
- (iii) the Company has not (a) issued, or authorized or proposed the issuance of, any securities of any class (including, for the avoidance of doubt, any equity or equity-linked securities), or any securities convertible into, or rights, warrants or options to acquire, any such securities or other convertible securities or (b) issued or authorized or proposed the issuance of any other securities, in respect of, in lieu of, or in substitution for, all or any of the presently outstanding Shares (except, in each case, (x) under ordinary course compensation arrangements, (y) pursuant to the exercise of or conversion of currently outstanding stock options or convertible securities or (z) pursuant to a rights offering that treats all stockholders equally and that permits each stockholder of the Company to participate in such transaction on a pro-rata basis in order to prevent dilution); and
- (iv) the Offeror has received any required governmental or regulatory approvals, consents, clearances or waivers which, in each case, have not been appealed and are no longer appealable, and do not impose any Burdensome Conditions (as defined in the Schedule TO) on the Offer or the Offeror or any of its affiliates, including the expiration or termination of any applicable waiting period (and extensions thereof) under the HSR Act, and any necessary approvals from the appropriate regulatory authorities located in each of Arizona, California and Nevada.

In addition to the foregoing conditions, the Schedule TO provides that none of the following conditions shall have occurred at any time prior to the expiration of the Offer:

- (a) a preliminary or permanent injunction or other order of any federal or state court, government or governmental authority or agency shall have been issued and shall remain in effect which: (i) makes illegal, delays or otherwise directly or indirectly restrains or prohibits the making of the Offer or the acceptance for payment, purchase of or payment for any Shares by the Offeror; (ii) imposes or confirms limitations on the ability of the Offeror effectively to exercise full rights of ownership of any Shares, including, without limitation, the right to vote any Shares acquired by the Offeror pursuant to the Offer or otherwise on all matters properly presented to the Company's stockholders; (iii) imposes or confirms limitations on the ability of the Offeror to fully exercise the voting rights conferred pursuant to its appointment as proxy in respect of all tendered Shares which it accepts for payment; (iv) requires divestiture by the Offeror of any Shares; or (v) seeks to impose a Burdensome Condition;
- (b) there shall have occurred: (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States; (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States; (iii) any limitation by any governmental authority on, or other event which might affect, the extension of credit by lending institutions or result in any imposition of currency controls in the United States; (iv) a commencement of a war or armed hostilities or other national or international calamity

directly or indirectly involving the United States; (v) a material change in United States or other currency exchange rates or a suspension or a limitation on the markets thereof; or (vi) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

- (c) there shall have been threatened, instituted or pending any action or proceeding before any court or governmental agency or other regulatory or administrative agency or commission or by any other person, challenging the acquisition of any Shares pursuant to the Offer or otherwise directly or indirectly relating to the Offer;
- (d) the Company, the Board or any of the Company's subsidiary entities or any governing body thereof shall have authorized, proposed or announced its intention to propose any material change to its articles of incorporation or bylaws, any merger, consolidation or business combination or reorganization transaction, acquisition of assets, disposition of assets or material change in its capitalization or indebtedness, or any comparable event not in the ordinary course of business; or
- (e) a tender offer or exchange offer for some or all of the Shares shall have been made or publicly announced or proposed to be made, supplemented or amended by any person other than the Offeror.

The Schedule TO provides that, for purposes of the foregoing, "Burdenome Condition" means (a) any agreement, consent, action, condition, restriction, or other mitigation involving the Company or any of its subsidiaries that would be, or would reasonably be expected to be, individually or in the aggregate, material in relation to the businesses, assets or financial condition of the Company and its subsidiaries, taken as a whole; or (b) any proffer, consent or agreement by the Offeror or any of its affiliates, including Carl C. Icahn, to (i) prohibit or limit their or his ownership of any portion of their or his respective businesses or assets (without giving effect to the consummation of the Offer), (ii) divest, hold, separate or otherwise dispose of any portion of their or his respective businesses or assets (without giving effect to the consummation of the Offer), or (iii) impose any other limitation on their or his ability to effectively control or operate their or his respective businesses or otherwise affect their or his ability to control their respective operations (without giving effect to the consummation of the Offer).

The Schedule TO provides that the foregoing conditions are for the sole benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances giving rise to any such condition, and may be waived by the Offeror, in whole or in part, at any time and from time to time, prior to the Expiration Date, in the sole discretion of the Offeror and subject to the applicable rules and regulations of the SEC (including Rule 14d-4 under the Exchange Act). The failure by the Offeror at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. The Schedule TO provides that, should the Offer be terminated pursuant to the foregoing provisions, all tendered Shares not theretofore accepted for payment pursuant thereto shall forthwith be returned to the tendering stockholders.

The Schedule TO provides that, if the Regulatory Approval Condition has not been satisfied prior to the time of the 2022 Annual Meeting and at least 35% of the outstanding Shares are validly tendered in the Offer and not properly withdrawn at such time (excluding the 4.9% of Shares beneficially owned by affiliates of the Offeror), then the Offeror intends to continue extending the Expiration Date for at least six months following the 2022 Annual Meeting. Under these circumstances, the Offeror also intends to ask stockholders to vote on a proposal at the 2022 Annual Meeting to approve calling a special meeting of stockholders and requiring the Board to put forth at such special meeting the election of the Icahn Slate following the satisfaction of the Regulatory Approval Condition. Moreover, if, at the time of the initial Expiration Date and/or at the time of any subsequent Expiration Date of the Offer, at least 35% of the outstanding Shares are validly tendered in the Offer and not properly withdrawn at such time (excluding the 4.9% of Shares beneficially owned by affiliates of the Offeror), then the Offeror **must** extend the Expiration Date for at least another sixty days.

Opinion of Lazard Frères & Co. LLC

LAZARD

Lazard Freres & Co. LLC
30 Rockefeller Plaza
New York, NY 10112

November 8, 2021

The Board of Directors
Southwest Gas Holdings, Inc.
8630 S. Durango Drive
Las Vegas, NV 89193

Dear Members of the Board:

On October 27, 2021, IEP Utility Holdings LLC (“Offeror”), a wholly-owned subsidiary of Icahn Enterprises Holdings, L.P. (“Holdings”), commenced an offer to purchase any and all of the outstanding shares of common stock, par value \$1.00 per share (the “Common Stock”), of Southwest Gas Holdings, Inc. (the “Company”), including the associated rights issued pursuant to the Rights Agreement, dated October 10, 2021, between the Company and Equiniti Trust Company, as Rights Agent (the “Rights” and, together with the Common Stock, the “Shares”), for \$75.00 per Share in cash, without interest, less any applicable withholding taxes (the “Consideration”), upon the terms and subject to the conditions set forth in the Offer to Purchase dated October 27, 2021 (the “Offer to Purchase”), and in the related Letter of Transmittal (which, together with the Offer to Purchase, collectively constitute the “Offer”). The terms and conditions of the Offer are more fully set forth in the Schedule TO filed by Offeror, Holdings, Icahn Enterprises L.P., Icahn Enterprises G.P. Inc., Beckton Corp. and Carl C. Icahn (Holdings, Offeror, Mr. Icahn and such other entities, collectively, the “Icahn Parties”) with the Securities and Exchange Commission on October 27, 2021, and amended by Amendment No. 1 thereto dated October 27, 2021, and Amendment No. 2 thereto dated November 2, 2021 (as so amended, the “Schedule TO”).

You have requested our opinion, as of the date hereof, as to whether the Consideration proposed to be paid to the holders of the Shares (other than the Icahn Parties and their respective affiliates) pursuant to the Offer is adequate, from a financial point of view, to such holders.

In connection with this opinion, we have:

- (i) Reviewed the Offer to Purchase and the Schedule TO;
- (ii) Analyzed certain historical business and financial information relating to the Company;
- (iii) Reviewed various financial forecasts and other data provided to us by the Company relating to its business (including financial forecasts which reflect the Company’s recent acquisition of Riggs Distler & Co., Inc. and the Company’s proposed acquisition of Dominion Energy Questar Pipeline, LLC);
- (iv) Held discussions with members of senior management of the Company with respect to the business and prospects of the Company and the strategic objectives of the Company;
- (v) Reviewed public information with respect to certain other companies in lines of business we believe to be generally relevant in evaluating the business of the Company;

- (vi) Reviewed the financial terms of certain business combinations involving companies in lines of business we believe to be generally relevant in evaluating the business of the Company;
- (vii) Reviewed the historical stock prices and trading volumes of the Common Stock; and
- (viii) Conducted such other financial studies, analyses and investigations as we deemed appropriate.

We have assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. We have not conducted any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company, or concerning the solvency or fair value of the Company, and we have not been furnished with any such valuation or appraisal. With respect to the financial forecasts utilized in our analyses, we have assumed, with the consent of the Company, that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments as to the future financial performance of the Company. We assume no responsibility for and express no view as to any such forecasts or the assumptions on which they are based, including with respect to the potential effects of the COVID-19 pandemic on such forecasts or assumptions. For purposes of our analysis, we have assumed that the Company's proposed acquisition of Dominion Energy Questar Pipeline, LLC will be consummated on terms and within the timeframe contemplated by the Company's financial forecasts.

Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. We further note that volatility and disruption in the credit and financial markets relating to, among others, the COVID-19 pandemic, may or may not have an effect on the Company and we are not expressing an opinion as to the effects of such volatility or such disruption on the Company. Our opinion does not in any manner address the prices at which the Shares will actually trade at any time. Furthermore, our opinion does not address the relative merits of the Offer as compared to any alternative business transaction, or other alternatives. In addition, in arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other transaction involving the Company or its assets, nor did we negotiate with any party, including the Ichan Parties and their respective affiliates, with respect to a possible acquisition, business combination or other transaction involving the Company or its assets. We do not express any opinion as to any tax or other consequences that might result from the Offer, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Company has obtained such advice as it deemed necessary from qualified professionals. Our opinion does not address, and we express no view with respect to, the fairness, from a financial point of view, of the Consideration or any other term or aspect of the Offer. Our opinion does not address, and we express no view with respect to, the adequacy or fairness of the Consideration or any other term or aspect of the Offer, to, or any consideration received in connection therewith by, the Ichan Parties and their respective affiliates, the holders of any class of securities other than the Shares, creditors, or other constituencies of the Company; nor does our opinion address the adequacy or fairness of the amount or nature of any compensation proposed to be paid or payable to any of the officers, directors or employees of the Company, or class of such persons, in connection with the Offer, whether relative to the Consideration proposed to be paid to the holders of Shares pursuant to the Offer or otherwise.

Lazard Frères & Co. LLC ("Lazard") is acting as financial advisor to the Company in connection with and for the purpose of its evaluation of the Offer and will receive a fee for such services, whether or not the Offer is consummated. We in the past have provided, currently are providing and in the future may provide certain investment banking services to the Company and its affiliates for which we have received and may receive compensation, including, during the past two years, acting as financial advisor to the Company in connection with its proposed acquisition of Dominion Energy Questar Pipeline, LLC and providing advice to the Company in connection with certain of its other businesses. We have in the past been engaged by Tenneco Inc., an entity in which Holdings had an economic interest, with respect to Tenneco's 2020 cooperation agreement with Protean Services LLC and related matters. In addition, in the ordinary course, Lazard and its affiliates and employees may trade securities of the Company, Holdings and certain of their respective affiliates for their own accounts

and for the accounts of their customers, may at any time hold a long or short position in such securities, and may also trade and hold securities on behalf of the Company, the Icahn Parties and certain of their respective affiliates. The issuance of this opinion was approved by the Opinion Committee of Lazard.

Our engagement and the opinion expressed herein are for the benefit of the Board of Directors of the Company (in its capacity as such) and our opinion is rendered to the Board of Directors of the Company in connection with its evaluation of the Offer. Our opinion does not constitute a recommendation to any holder of Shares as to whether such holder should tender any Shares pursuant to the Offer, or with respect to how such holder should vote or act on any matter relating to the Offer.

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, the Consideration proposed to be paid to the holders of the Shares (other than the Icahn Parties and their respective affiliates) pursuant to the Offer is inadequate, from a financial point of view, to such holders.

Very truly yours,

LAZARD FRERES & CO. LLC

By: /s/ George Bilicic

George Bilicic

Managing Director

Opinion of Moelis & Company LLC

MOELIS & COMPANY

399 PARK AVENUE
5TH FLOOR
NEW YORK, NEW
YORK 10022T 1 212 883 3800
F 1 212 880 4260

November 8, 2021

Board of Directors
Southwest Gas Holdings, Inc.
8630 S. Durango Drive
Las Vegas, NV 89193

Ladies & Gentlemen:

You have requested our opinion as to the adequacy, from a financial point of view, to the holders of the outstanding shares of common stock, par value \$1.00 per share (the "Company Shares"), of Southwest Gas Holdings, Inc. (the "Company") (other than the Excluded Holders (as defined below) and any of their respective affiliates), of the \$75.00 per Company Share in cash, without interest, less any applicable withholding taxes (the "Consideration"), proposed to be paid to such holders in the Offer (as defined below). The terms of the offer to purchase (the "Offer to Purchase") and related letter of transmittal (which, together with the Offer to Purchase, constitutes the "Offer") contained in the Tender Offer Statement on Schedule TO filed by Icahn Enterprises Holdings L.P. ("Holdings"), IEP Utility Holdings LLC, a wholly owned subsidiary of Holdings (the "Offeror"), Icahn Enterprises L.P., Icahn Enterprises G.P. Inc., Beckton Corp. and Carl C. Icahn (Holdings, the Offeror, Mr. Icahn and such other entities, collectively, the "Excluded Holders"), with the Securities and Exchange Commission on October 27, 2021, and amended by Amendment No. 1 thereto dated October 27, 2021, and Amendment No. 2 thereto dated November 2, 2021 (as so amended, the "Schedule TO"), provide for an offer for any and all of the Company Shares pursuant to which, subject to the satisfaction or waiver of certain conditions set forth in the Offer, the Offeror will pay the Consideration for each Company Share accepted.

In arriving at our opinion, we have, among other things: (i) reviewed the Offer to Purchase and the Schedule TO; (ii) reviewed certain publicly available business and financial information relating to the Company; (iii) reviewed certain internal information relating to the business, earnings, cash flow, assets, liabilities and prospects of the Company furnished to us by the Company, including financial forecasts provided to or discussed with us by the management of the Company (including financial forecasts which reflect the Company's proposed acquisition of Dominion Energy Questar Pipeline, LLC and related entities); (iv) conducted discussions with members of the senior management and the Board of Directors and representatives of the Company concerning the information described in clauses (ii) and (iii) of this paragraph, as well as the businesses and prospects of the Company generally; (v) reviewed publicly available financial and stock market data of certain other companies in lines of business that we deemed relevant; (vi) reviewed the financial terms of certain other transactions that we deemed relevant; and (vii) conducted such other financial studies and analyses and took into account such other information as we deemed appropriate.

In connection with our review, we have, with your consent, relied on the information supplied to, discussed with or reviewed by us for purposes of this opinion being complete and accurate in all material respects. We have not assumed any responsibility for independent verification of (and have not independently verified) any of such information. With respect to the financial forecasts and other information relating to the Company, we have assumed, at your direction, that they have been reasonably prepared on a

basis reflecting the best currently available estimates and judgments of the management of the Company as to the future performance of the Company. We express no views as to the reasonableness of any such financial forecasts or the assumptions on which they are based. For purposes of our analysis and opinion, we have assumed, with your consent, that the Company's proposed acquisition of Dominion Energy Questar Pipeline, LLC and related entities will be consummated on terms and within the timeframe contemplated by the Company's financial forecasts. In addition, with your consent, we have not made any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet, or otherwise) of the Company, nor have we been furnished with any such evaluation or appraisal.

Our opinion does not address the relative merits of the Offer as compared to any strategic alternatives that may be available to the Company and does not address any legal, regulatory, tax or accounting matters. At your direction, we have not been asked to, nor do we, offer any opinion as to any terms of the Offer or any aspect or implication of the Offer, except for the adequacy of the Consideration from a financial point of view to the holders of Company Shares (other than the Excluded Holders and their respective affiliates). We express no opinion as to the prices at which the Common Shares may trade at any time. We have not been authorized to solicit and have not solicited indications of interest in a possible transaction with the Company from any party.

Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof, and we assume no responsibility to update this opinion for developments after the date hereof.

We have acted as your financial advisor in connection with the Offer and will receive a fee upon delivery of this opinion. Our affiliates, employees, officers and partners may at any time own securities (long or short) of the Company or any of the parties involved in the offer. We have provided investment banking and other services to the Company unrelated to the Offer and in the future may provide such services to the Company and have received and may receive compensation for such services. In the past two years prior to the date hereof, we acted as a financial advisor to the Company with respect to certain strategic matters. We have provided investment banking and other services to a Company in which affiliates of the Offeror owned approximately 39% and we received compensation for such services. We may in the future provide investment banking and other services to the Offeror or its affiliates and may receive compensation for such services.

This opinion is for the use and benefit of the Board of Directors of the Company (solely in its capacity as such) in its evaluation of the Offer. This opinion does not constitute a recommendation as to how any holder of securities should vote or act with respect to the Offer or any other matter, including whether such stockholder should tender Company Shares in the Offer. This opinion does not address the fairness of the Offer or any aspect or implication thereof to, or any other consideration of or relating to, the holders of any class of securities, creditors or other constituencies of the Company. In addition, we do not express any opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties, or any class of such persons, relative to the Consideration or otherwise. This opinion was approved by a Moelis & Company LLC fairness opinion committee.

Based upon and subject to the foregoing, it is our opinion that, as the date hereof, the Consideration proposed to be paid to the holders of Company Shares pursuant to the Offer is inadequate from a financial point of view to such holders (other than the Excluded Holders and their respective affiliates).

Very truly yours,

/s/ Moelis & Company LLC
MOELIS & COMPANY LLC



November 9, 2021

Dear Fellow Stockholders:

On October 27, 2021, Carl Icahn submitted an unsolicited, inadequate, structurally coercive, highly conditional and illusory tender offer to acquire the outstanding shares of Southwest Gas Holdings, Inc. ("Southwest Gas" or "the Company") for \$75.00 per share in cash (the "Offer").

Our Board of Directors (the "Board") thoroughly reviewed Mr. Icahn's Offer, in consultation with its external financial and legal advisors, and **unanimously determined that the Offer is inadequate and undervalues the Company, has no certainty of completion, and is not in the best interests of Southwest Gas stockholders.**

Your Board Urges You *Not to Tender Your Shares* Into the Inadequate Offer

- **Under the oversight of our Board and management team, Southwest Gas has built a company that is poised for value creation across each of its businesses and the company as a whole.**
- **Southwest Gas is delivering attractive, risk-adjusted total returns** comprising stable earnings and a meaningful dividend, both of which have solid growth prospects via exposure to clear infrastructure trends and are expected to lead to strong long-term total stockholder returns.
- **With strong and healthy cash flows, we have continued our efforts to enhance our portfolio,** resulting in significant strategic optionality and flexibility. Over time, this has enhanced our ability to source and allocate growth capital to selectively pursue value creating accretive opportunities.

Regulated and Unregulated Businesses Positioned to Deliver Value Well in Excess of Inadequate Offer

Despite pandemic-related challenges over the last year, we have enhanced our strategic positioning, expanded into new and attractive markets and strengthened and diversified our revenue streams. As the energy transition creates new opportunities, we remain well positioned for growth as we execute our strategy and remain focused on providing excellent service to our customers, opportunities to our employees, and growing returns to our stockholders. **As we continue to deliver strong operational and financial performance, we will continue to evaluate scenarios that offer the most long-term value for the Company and stockholders.**

Exciting Strategic and Financial Opportunities in Regulated Natural Gas Operations

Drawn by robust economies, job growth, attractive business climates, and excellent quality of life, residents and businesses have been moving into Arizona, Nevada, and California and are expected to continue to do so. Southwest Gas is positioned to benefit from this societal trend and others such as gas infrastructure replacement and safety and reliability investments, with ratebase growth of 7.5% per year expected over 2021-2025. We will continue to grow ratebase, as we have historically, in a responsible manner from the perspective of all stakeholders, which means maximizing safety and reliability while managing customer bill impacts.

Southwest Gas' pending Questar Pipelines acquisition also brings a complementary and compelling suite of high-return assets, with unique strength and stability, that are both commercially and geographically adjacent. This acquisition will significantly increase and diversify our regulated business mix – providing a robust stream of steady contracted earnings and cash flows – and is expected to:

- Significantly increase our optionality for the future of the Company by broadening our flexibility to source and allocate growth capital;
- Enhance our ability to continue paying a dividend at a target level of 55% to 65% of consolidated earnings;
- Be accretive to earnings in 2022—the first full year after the expected close; and
- Help us fund critical, forward-looking investments for continued effective growth.

High-Growth Unregulated Infrastructure Services Business to Benefit From Infrastructure Spending

Our unregulated utility infrastructure services business, Centuri, has nearly doubled its revenue over the last four years and has strong continuing growth potential. Centuri is diversified across the U.S. and Canada with a blue-chip, attractive customer base composed of electric, gas and combination utilities and is poised for high growth and significant upside associated with infrastructure investment in the U.S. and Canada. The recent acquisition of Riggs Distler (2021) follows the acquisition of Linetec (2018) and is expected to help accelerate Centuri's growth. The Riggs Distler transaction is just the latest in a series of actions that has contributed to positioning Centuri to serve the entire utility and infrastructure value chain nationally. Riggs Distler is expected to drive Centuri's expansion into the Northeast and Mid-Atlantic and is expected to be accretive to earnings in the first full year following its completion.

Your Board Unanimously Recommends That Stockholders Reject Mr. Icahn's Offer and Not Tender Your Shares, for the Following Reasons

- **The Offer is Inadequate and Undervalues Southwest Gas.**
 - The Offer does not reflect Southwest Gas' strong track record of value creation and disregards the Company's compelling prospects for continued growth and the ongoing creation of sustainable, long-term stockholder value. The Board and management have been and will continue to be focused on optimizing the value of Southwest Gas' component businesses (which we expect will soon include Questar) as well as Southwest Gas as a whole and are focused on implementing plans that they believe will further drive stockholder value and relative stock price performance.
 - The Company's businesses continue to perform well, generating strong and healthy cash flows and enhancing our ability to source and allocate growth capital to selectively pursue value creating accretive opportunities – evidenced by the recent acquisitions of Linetec Services, Riggs Distler and the pending acquisition of Questar Pipelines.
 - Our recent transactions have provided us with the scale and strategic optionality to unlock additional value.
 - Due in large part to the growth in the Southwest region and supportive regulatory relationships, we have a robust capital plan and have been investing in our business, which we believe will continue to translate to greater long-term earnings due to greater ratebase growth at our regulated gas LDC business.
- **The track record of Mr. Icahn, as well as the quantity and nature of the conditions to his highly illusory Offer, create significant uncertainty and risk.**
 - Mr. Icahn has an extremely poor track record of completing transactions in similar situations. In fact, Mr. Icahn and his affiliates hardly ever consummate a tender offer once launched.
 - The Offer contains a long list of conditions, many of which are in Mr. Icahn's control, including that he may assert, in his sole discretion, whenever he chooses, for any reason he chooses, that a condition has not been satisfied – and nobody can challenge his decision:
 - *Regulatory Approval Condition*
 - *No Injunction Condition*
 - *No External Events Condition*
 - *No Challenge Condition*
 - *No Events Outside of the Ordinary Course Condition*
 - *No Competing Offer Condition*
 - *Rights Plan Condition*
 - *Dominant Stockholder Condition*
 - *Equity Condition*

- **Mr. Icahn's Offer is highly illusory and it is very unlikely that stockholders will ever receive any Offer consideration.**
 - The Offer is highly conditional and illusory, and therefore stockholders should not be deceived into thinking that they are likely to receive the Offer consideration on the initial Expiration Date of December 27, 2021—if ever.
 - In particular, Mr. Icahn has made his Offer subject to the *Regulatory Approval Condition* – and cannot acquire control of Southwest Gas without obtaining the necessary State regulatory approvals.
 - Yet, Mr. Icahn does not provide any details about his plan to obtain the necessary approvals and does not commit in the Offer to take any actions to satisfy the *Regulatory Approval Condition*. In fact, Mr. Icahn does not even provide the most basic details of what approvals he must obtain in each of the relevant jurisdictions to complete the Offer. Without even this most basic of information, stockholders can only guess as to what approvals Mr. Icahn must obtain, what his plans are to obtain such approvals, and the likelihood of satisfying the condition or the potential timing of satisfaction.
 - Mr. Icahn must obtain regulatory approval to acquire more than 25% of Southwest Gas' outstanding shares – an amount well below the 35% that Mr. Icahn has indicated he needs if he is to extend his Offer.
 - Even if Mr. Icahn eventually satisfies the *Regulatory Approval Condition*, the process could take up to 18 months.
- **The Offer demonstrates that Mr. Icahn has no strategic plan for Southwest Gas if he acquires control.**
 - In connection with the Offer, Mr. Icahn states that he will continue to review "various possible business strategies" and, if he were to acquire control of the Company, "conduct a detailed review" of the Company.
 - In short, Mr. Icahn admits he has not developed any strategic plan for operating Southwest Gas.
- **The Offer is blatantly coercive and provides no protection for stockholders who do not tender. Mr. Icahn has a history of coercive actions towards minority stockholders.**
 - Stockholders face the threat that if they do not tender into the Offer, and the Offer is subsequently consummated, they may find themselves as minority stockholders in a company with a new majority or controlling stockholder and an entirely new Board selected by Mr. Icahn, with no strategic direction yet articulated and facing default on significant debt.
 - Mr. Icahn makes no mention of any intention to effect a second step merger or otherwise offer terms or protections to remaining stockholders.
 - Mr. Icahn has stated that, following the completion of the Offer, the Company may be delisted from the New York Stock Exchange and the remaining outstanding shares deregistered (in which case Southwest Gas would no longer be required to file reports with the SEC).
 - Using Mr. Icahn's own words from his Offer, he states:

"Depending upon the number of Shares purchased and the number of remaining holders of Shares, the purchase of Shares pursuant to the Offer may adversely affect the liquidity and market value of the remaining Shares held by the public."


These events would almost certainly lead to a substantial decline in value of the remaining outstanding shares.

Your Board Remains Committed to Taking The Necessary Steps to Enhance Stockholder Value and Position the Company for Long-Term Success

While Mr. Icahn has offered an inadequate, self-serving and opportunistic proposal with dubious motivations, **the Southwest Gas Board and management team are executing a clear and detailed strategy to create value.** Your Board and management team remain committed to taking actions consistent with their focus on long-term stockholder value creation.

Southwest Gas stockholders are encouraged to send a clear message to Mr. Icahn that you will not allow him to pursue his self-serving agenda and will not permit him to take control of Southwest Gas for a price below the Company's value. Tendering into Mr. Icahn's Offer would only encourage Mr. Icahn in his opportunistic attempt to acquire Southwest Gas at the inadequate price of \$75 per share – a price that is also contingent upon a long list of ambiguous and illusory requirements.

The enclosed Schedule 14D-9 contains a complete discussion of these and other significant factors contributing to your Board's recommendation. For the reasons described above and in the enclosed Schedule 14D-9, **your Board unanimously recommends that you REJECT THE OFFER and NOT TENDER your shares pursuant to the Offer.**



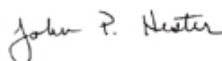
We urge stockholders to read the Schedule 14D-9 carefully and in its entirety so you will be fully informed as to your Board's recommendation.

Thank you for your continued support as we work to protect your investment and deliver enhanced stockholder value creation.

Sincerely,



Michael J. Melarkey
Chairman of the Board



John P. Hester
President and Chief Executive Officer



If you have any questions regarding the Schedule 14D-9, please contact the Company's Information Agent, Innisfree M&A Incorporated, at:

(877) 825-8621 (toll free from the U.S. or Canada) or
+1 (412) 232-3651 (from other locations).

How to Find Further Information

This communication does not constitute a solicitation of any vote or approval in connection with the 2022 annual meeting of stockholders of Southwest Gas Holdings, Inc. (the "Company") (the "Annual Meeting"). In connection with the Annual Meeting, the Company will file a proxy statement with the U.S. Securities and Exchange Commission ("SEC"), which the Company will furnish, with any other relevant information or documents, to its stockholders in connection with the Annual Meeting. BEFORE MAKING ANY VOTING DECISION, WE URGE STOCKHOLDERS TO READ THE PROXY STATEMENT (INCLUDING ALL AMENDMENTS AND SUPPLEMENTS THERETO) AND OTHER DOCUMENTS WHEN SUCH INFORMATION IS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY AND THE ANNUAL MEETING. The proposals for the Annual Meeting will be made solely through the proxy statement. In addition, a copy of the proxy statement (when it becomes available) may be obtained free of charge from www.swgasholdings.com/proxymaterials. Security holders also will be able to obtain, free of charge, copies of the proxy statement and any other documents filed by Company with the SEC in connection with the Annual Meeting at the SEC's website at <http://www.sec.gov>, and at the companies' website at www.swgasholdings.com.

Important Information for Investors and Stockholders

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. In response to the tender offer for the shares of the Company commenced by IEP Utility Holdings LLC and Icahn Enterprises Holdings L.P., the Company has filed a solicitation/recommendation statement on Schedule 14D-9 with the SEC. INVESTORS AND STOCKHOLDERS OF SOUTHWEST GAS HOLDINGS ARE URGED TO READ THE SOLICITATION/RECOMMENDATION STATEMENT AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and stockholders may obtain a free copy of these documents free of charge at the SEC's website at www.sec.gov, and at the Company's website at www.swgasholdings.com. In addition, copies of these materials may be requested from the Company's information agent, Innisfree M&A Incorporated, toll-free at (877) 825-8621.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on current expectations, estimates and projections about, among others, the industry, markets in which Southwest Gas Holdings, Inc. (the "Company," "Southwest Gas Holdings," "SWG," or "we") operates, and the matters described in this press release. While the Company's management believes the assumptions underlying its forward-looking statements and information are reasonable, such information is necessarily subject to uncertainties and may involve certain risks, many of which are difficult to predict and are beyond the control of the Company's management. A number of important factors affecting the business and financial results of the

Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the timing and amount of rate relief, changes in rate design, customer growth rates, the effects of regulation/deregulation, tax reform and related regulatory decisions, the impacts of construction activity at Centuri, future earnings trends, seasonal patterns, and the impacts of stock market volatility. In addition, the Company can provide no assurance that its discussions about future operating margin, operating income, pension costs, COLI results, and capital expenditures of the natural gas segment will occur. Likewise, the Company can provide no assurance that discussions regarding utility infrastructure services segment revenues, operating income as a percentage of revenues, interest expense, and noncontrolling interest amounts will transpire, nor assurance regarding acquisitions or their impacts, including management's plans related thereto, such as that currently planned in regard to Riggs Distler & Company, Inc. and the pending acquisition of Dominion Energy Questar Pipeline, LLC and related entities (the "Questar Pipeline Group"). Additional risks include the occurrence of any event, change or other circumstances that could give rise to the termination of the Sale and Purchase Agreement by and between Dominion Energy Questar Corporation and the Company (the "Questar Purchase Agreement"), the outcome of any legal proceedings that may be instituted against the Company and others following announcement of the Questar Purchase Agreement, risks that the proposed transaction disrupts current plans and operations, the risks related to the ability of the Company to integrate the Questar Pipeline Group, the amount of the costs, fees, expenses and charges related to the transaction and the actual terms of certain financings that will be obtained for the transaction, potential negative impacts to the Company's credit ratings as a result of the transaction, the disruption to the Company's stock price and the costs, fees, expenses and charges related to, and the distraction of management's attention in connection with, any proxy contest or other stockholder related or similar matters, as well as other risks that are set forth under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, the Company's Quarterly Reports on Form 10-Q for the quarter ended June 30, 2021 and September 30, 2021 and in future filings with the SEC. All forward-looking statements speak only as of the date of this press release. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are qualified by the cautionary statements in this section. The Company undertakes no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this press release.

Participants in the Solicitation

The directors and officers of the Company may be deemed to be participants in the solicitation of proxies in connection with the Annual Meeting. Information regarding the Company's directors and officers and their respective interests in the Company by security holdings or otherwise is available in its most recent Annual Report on Form 10-K filed with the SEC and its most recent definitive Proxy Statement on Schedule 14A filed with the SEC. Additional information regarding the interests of such potential participants is or will be included in the proxy statement for the Annual Meeting and other relevant materials to be filed with the SEC, when they become available.

Excerpts from Southwest Gas Holdings, Inc.'s Definitive Proxy Statement on Schedule 14A relating to the 2021 Annual Meeting of Stockholders, as filed with the Securities and Exchange Commission on March 22, 2021

Securities Ownership by Directors, Director Nominees, Executive Officers, and Certain Beneficial Owners

Directors, Director Nominees and Executive Officers. The following table discloses all Common Stock beneficially owned by the Company's directors, the nominees for director and the executive officers of the Company, as of March 9, 2021.

<u>Directors, Nominees & Executive Officers</u>	<u>No. of Shares of Common Stock Beneficially Owned(1)</u>	<u>Percent of Outstanding Common Stock</u>
Robert L. Boughner	56,324	*
José A. Cárdenas	26,477	*
Stephen C. Comer	35,598 (2)	*
John. P. Hester	91,320 (3)(4)	*
Jane Lewis-Raymond	7,263	*
Anne L. Mariucci	35,285	*
Michael J. Melarkey	39,561	*
A. Randall Thoman	29,909 (5)	*
Thomas A. Thomas	35,324	*
Leslie T. Thornton	5,763	*
Gregory J. Peterson	16,356 (4)	*
Paul M. Daily	5,291	*
Karen S. Haller	34,192 (4)(6)	*
Eric DeBonis	18,598	*
Other Executive Officers	13,069	*
All Directors and Executive Officers	450,330	0.79%

* Represents less than 1% of the issued and outstanding shares of the Company's Common Stock as of March 9, 2021.

(1) Common Stock holdings listed in this column include restricted stock units that are vested as of March 9, 2021, or those that are scheduled to vest within 60 days after that date.

- (2) The holdings include 5,127 shares over which Mr. Comer has shared voting and investment power with his spouse through a family trust.
- (3) The holdings include 7,765 shares over which Mr. Hester's spouse has voting and investment control.
- (4) Number of shares does not include 28,018 shares held by the Southwest Gas Corporation Foundation, which is a charitable trust. Messrs. Hester and Peterson and Ms. Haller are trustees of the Foundation but disclaim beneficial ownership of the shares held by the Foundation.
- (5) The holdings include 3,440 shares over which Mr. Thoman has shared voting and investment power with his spouse through a family trust.
- (6) The holdings include 996 shares over which Ms. Haller's spouse has voting and investment control.

Beneficial Owners. The following table discloses all Common Stock beneficially owned by anyone that the Company believes beneficially owns more than 5% of the Company's outstanding shares of Common Stock based solely on the Company's review of filings with the SEC pursuant to Section 13(d) or 13(g) of the Exchange Act.

<u>Beneficial Owner</u>	<u>No. of Shares Beneficially Owned</u>	<u>Percent of Outstanding Common Stock as of March 9, 2021</u>
BlackRock, Inc.(1) 55 East 52nd Street New York, New York 10055	7,066,374	12.34%
The Vanguard Group(2) 100 Vanguard Blvd. Malvern, Pennsylvania 19355	5,616,451	9.80%
Lazard Asset Management LLC(3) 30 Rockefeller Plaza New York, New York 10112	5,388,319	9.41%
T. Rowe Price Associates, Inc.(4) 100 E. Pratt Street Baltimore, Maryland 21202	3,037,775	5.30%

- (1) According to a Schedule 13G/A filed on January 27, 2021, BlackRock, Inc. has sole voting power over 6,891,946 shares, no shared voting power, sole dispositive power over all of the shares beneficially owned, and no shared dispositive power.
- (2) According to Schedule 13G/A filed on February 10, 2021, The Vanguard Group has no sole voting power, but has shared voting power over 62,372 shares, sole dispositive power over 5,505,136 shares, and shared dispositive power over 111,315 shares.
- (3) According to Schedule 13G filed on February 9, 2021, Lazard Asset Management LLC has sole voting power over 5,146,615 shares, no shared voting power, sole dispositive power over all of the shares beneficially owned, and no shared dispositive power.
- (4) According to Schedule 13G/A filed on February 16, 2021, T. Rowe Price Associates, Inc. has sole voting power over 738,569 shares, no shared voting power, sole dispositive power over all of the shares beneficially owned, and no shared dispositive power.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our 2020 executive compensation program, the compensation decisions made by the Compensation Committee (the "Committee") under our executive compensation program and the factors considered in making such decisions. This section focuses on the compensation of the Company's named executive officers ("NEOs") for fiscal 2020, who were:

- John P. Hester, President and Chief Executive Officer (the "CEO")

- Gregory J. Peterson, Senior Vice President/Chief Financial Officer
- Paul M. Daily, President and Chief Executive Officer, Centuri Group, Inc.
- Karen S. Haller, Executive Vice President/Chief Legal and Administrative Officer
- Eric DeBonis, Senior Vice President/Operations, Southwest Gas Corporation

Southwest Gas Holdings, Inc. is a holding company, owning all of the shares of common stock of Southwest Gas Corporation (“Southwest”) and all of the shares of common stock of Centuri Group, Inc. (“Centuri”). Southwest is engaged in the business of purchasing, distributing, and transporting natural gas for customers in portions of Arizona, Nevada, and California. Centuri is a comprehensive utility infrastructure services company dedicated to delivering a diverse array of solutions to North America’s gas and electric providers. Centuri is engaged in the installation, replacement, repair, and maintenance of energy distribution systems.

Each of the officers listed above were determined to be NEOs due to their position as CEO, Chief Financial Officer or one of the other three most highly compensated officers of the Company during 2020. Therefore, this Compensation Discussion and Analysis addresses the compensation programs of the Company, including elements of Southwest and Centuri compensation, where and as applicable to each of the NEOs. In this Compensation Discussion and Analysis, we sometimes refer to Messrs. Hester, Peterson and DeBonis and Ms. Haller as the “Southwest Officers.”

Executive Summary

2020 Business Results

In calendar year 2020, we continued our strong operational and financial performance as well as the advancement of many ongoing strategic initiatives, which we believe are laying the groundwork for our continued success. While the COVID-19 pandemic had a profound effect on the areas we serve in 2020, our utility operations and, to a large extent, our utility infrastructure services segment were deemed “essential services,” allowing us to continue working during the COVID-19 pandemic to ensure that our customers can safely rely on their natural gas services and to support the safety and reliability of our nation’s utility infrastructure. The extent of the COVID-19 pandemic’s effects on our operational and financial performance going forward will depend on future developments, all of which are uncertain and difficult to predict. We believe that our compensation programs, by focusing on the core fundamentals of our businesses and incentivizing long-term financial performance, have been and will continue to be successful at motivating the operational and strategic achievements that foster operational effectiveness and the creation of stockholder value, and no changes to the compensation programs were made in 2020 due to the COVID-19 pandemic. Recent accomplishments include the following:

- Basic earnings per share in 2020 of \$4.15.
- Annualized dividends declared per share were \$2.08 in 2018, \$2.18 in 2019, and \$2.28 in 2020. In February 2021, the Board increased the quarterly dividend from 57 cents per share to 59.5 cents per share (\$2.38 on an annual basis and a 4.4% increase), effective with the June 2021 payment.
- Centuri experienced record revenues of \$1.9 billion in 2020, an increase of \$197 million, or 11%, compared to 2019.
- Southwest added 37,000 net new customers (1.8% growth rate) in 2020.

Incentive Compensation Structure

The Committee believes our incentive compensation program (i) is a competitive program relative to our competitors for executive talent, (ii) aligns with best practices recommended by our compensation consultant, (iii) responds to stockholder expectations for pay-for-performance alignment, and (iv) provides the appropriate linkage between executive compensation and the Company’s long-term business strategy. The structure provides for cash-based annual incentive awards. Also, for Southwest Officers, long-term equity compensation comprised of performance-based equity compensation measured over a three-year performance period (“Performance Shares”) and time-lapse restricted stock units (“time-lapse RSUs”) are provided. Centuri officers are provided long-term incentives based on Centuri’s financial performance. The Centuri CEO is also eligible to receive performance-based and time-based equity compensation.

Under this structure, a greater portion of our NEOs' total compensation is at-risk and variable based on performance relative to metrics that are more directly aligned with customer and stockholder interests.

Annual Incentive Compensation Paid for 2020 Performance

The Company achieved \$223 million in adjusted consolidated net income, and Southwest achieved nearly \$150 million in adjusted utility segment net income in fiscal 2020, exceeding threshold performance. Centuri achieved \$112.7 million in pretax income and exceeded target performance under this metric. These performances, coupled with achievements under applicable operational, safety and individual goals, resulted in Messrs. Hester and Peterson and Ms. Haller receiving annual incentive awards equal to 119% of their respective target awards, Mr. DeBonis receiving an award equal to 109% of his target award and Mr. Daily receiving an award equal to 143% of his target award (each as a specified percentage of base salary).

In the calculation of actual results under the adjusted net income measures for the Company and Southwest, the Committee excluded the impacts of changes in the cash surrender value of Company-owned life insurance policies. See "Details of Compensation Program—Annual Incentive Compensation" below.

Past Company performance has established a strong financial platform for sustainable growth into the future, and this year's continued accomplishments are expected to contribute to our ability to provide stockholder returns over the long term. Going forward, we expect our incentive compensation structure, as well as Centuri's long-term incentive plan (as discussed in more detail below), to continue to strengthen alignment between executive compensation and stockholder returns.

Commitment to Best Practices

We maintain executive compensation policies that are consistent with sound corporate governance and best practices. We annually review our executive compensation program and make changes where appropriate for our business, customers, and stockholders. Key policies include:

- Stock ownership (or equivalent) guidelines for NEOs and directors, with retention thresholds set at a competitive and meaningful multiple of annual base salary or Board retainer fees.
- Compensation Committee composed only of Independent Directors.
- Independent compensation consultant retained by the Committee, which has no other business with the Company.
- Change in control arrangements which do not provide for excise tax gross-ups or severance amounts greater than three times base salary.
- Double trigger equity acceleration following a change in control.
- No dividends paid on unvested stock-based awards until the underlying awards have vested.
- No tax reimbursements or gross-up for benefits or perquisites.
- Clawback policy that is broader than the 2015 draft SEC regulations and which permits the Company to recover from our NEOs' cash or equity incentive compensation in certain circumstances.
- Annual review of peer group used to assess executive compensation.
- Annual say-on-pay vote for stockholders.
- Anti-pledging and anti-hedging policies that apply to all of our NEOs, other officers and directors.

Compensation Program Objectives, Key Considerations and Principles

Philosophy and Objectives

The overall objectives of our executive compensation program are to:

- Recruit, retain, reward and motivate executive talent;
- Align the interests of the NEOs with those of the Company, its customers and its stockholders;
- Provide internally equitable and externally competitive compensation opportunities; and
- Recognize and reward performance that meets or exceeds the Company's targets.

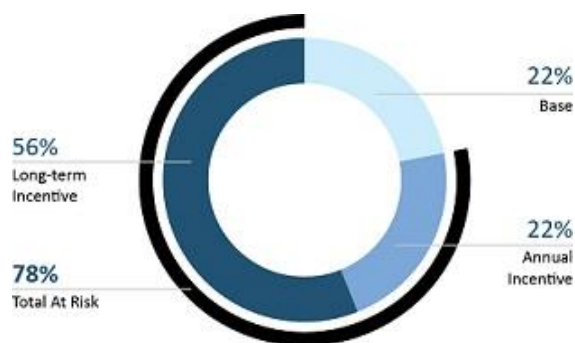
Specifically, the Committee developed our executive compensation program to address the key business considerations and related compensation principles discussed below:

- Executive pay should be highly aligned with Company performance. The Committee is firmly committed to providing the Company's executives with incentive compensation opportunities that are directly tied to the measures of performance that it believes lead to stockholder value creation. We recognize that the compensation program should reward strong performance. Accordingly, a significant portion of each NEO's total direct compensation is earned only by achieving annual and long-term performance goals.
- Use of equity-based incentives, combined with stock ownership requirements, is key to aligning management interests with the Company's stockholders. The Committee seeks to align Southwest Officer interests with customers and stockholders by (i) delivering long-term incentive compensation in the form of equity, (ii) requiring meaningful officer stock ownership, and (iii) providing significant components of incentive compensation based on total shareholder return and financial performance measures, which foster growth and effective operational management in both our regulated and unregulated business segments. Centuri's annual and long-term incentives are also primarily based on Centuri financial performance metrics that are meaningful for stockholders, and Mr. Daily is required to invest in a deferral plan option with returns based on Centuri's financial performance. Mr. Daily also may receive performance-based and time-based equity compensation, and is required to hold a multiple of his base salary in Company stock.
- Performance for our customers fosters enhanced stockholder value. In our utility segment, we strive to work collaboratively with regulators to achieve positive results for both customers and stockholders, and we recognize that customer satisfaction and the Company's safety record are both essential elements in the regulatory process. Safety is also critical to the success of our utility infrastructure services segment, and safety goals carry significant weight under Centuri's annual incentive plan. By emphasizing our mission and core values of safety, excellence, quality, partnership, stewardship and value, the Committee believes that it motivates achievements that are the platform for increased stockholder returns.
- Compensation programs should discourage undue risk-taking. The performance measures employed in the Company's incentive compensation programs, in addition to reflecting the Company's core mission and business strategies, are also interdependent such that overemphasis by management in one area (such as cost containment) has the potential to negatively impact performance in other areas (such as customer satisfaction ratings and incident response times). We believe that the tension between the measures mitigates risk. We further mitigate risk by capping incentive award payouts and by setting target opportunities at levels that strike a reasonable balance among base salary and both annual and long-term incentives.
- The executive compensation program should be prospective. The Committee does not take into consideration the results of previously earned performance awards and the deferral of cash compensation in establishing the appropriate level of future compensation. The Committee does, however, take into consideration the Company's past performance in determining the long-term performance awards and in setting new performance targets.

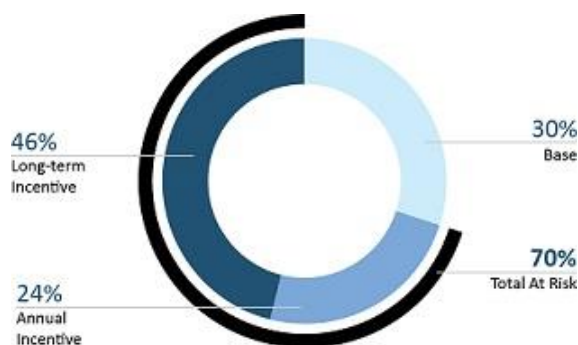
Pay for Performance

With respect to each of our NEOs, all annual cash incentives and long-term incentives were "at risk" performance-based compensation, as those awards are either variable based on the level of performance against incentive targets or are subject to continued employment and stock price performance during a three-year vesting period. The portion of total direct compensation designed to be at risk pay depends upon the NEO's position and the ability of that position to influence outcomes, as well as compensation market factors and risk mitigation considerations. Mr. Hester, the Company's CEO, has the largest portion of pay at risk. In 2020, the percentage of his targeted total direct compensation opportunity at risk was approximately 78%. For the other NEOs, the average percentage of such compensation at risk was approximately 70%.

CEO Target Compensation



Other NEOs Target Compensation



Compensation Program Administration

Role of the Committee

The Committee administers our executive compensation programs. The Committee annually reviews and approves the corporate goals and objectives relevant to the CEO's compensation, the CEO's performance in relation to such goals and objectives and, together with the other Independent Directors of the Board, the CEO's actual compensation. The Committee also reviews, together with the CEO, and approves the salaries and incentive compensation for the other executive officers. The Committee's Charter is available on the Company's website at www.swgasholdings.com.

Role of Management

Management, including the NEOs, provides guidance to, and receives direction from, the Committee regarding executive compensation. Management annually provides information to the Committee regarding what it believes to be appropriate levels of the various elements of direct compensation (including target awards for incentive compensation), as well as the thresholds, targets and maximums of the performance measures. Information is gathered from Company operating data, external independent surveys and publicly available compensation comparisons. Decisions regarding CEO compensation are made solely by the Committee meeting in an executive session.

Role of Independent Compensation Consultant

While consultants may be retained by management to assess executive compensation, the Committee has the authority, independent of management, to employ and retain consultants to assist it in establishing the executive compensation objectives and in determining whether the objectives have been satisfied. In 2020, the Committee engaged Pay Governance LLC as an independent consultant to the Committee. Pay Governance's engagement with the Committee included a review and analysis of several aspects of executive compensation. Management engaged Frederic W. Cook & Co., Inc. ("FW Cook") to review the executive compensation program for officers of the Company, Southwest, and Centuri. Management also engaged Korn Ferry to advise on executive compensation and other topics. Pay Governance did not receive any fees from the Company for services other than the fees paid for work requested by the Committee with respect to executive and director compensation.

For 2020, the Committee analyzed whether the work of Pay Governance, FW Cook, Korn Ferry, or any other executive compensation adviser raised any conflicts of interest, taking into consideration all relevant factors, including those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act. The Committee determined, based on its analysis of all relevant factors, that no conflicts of interest were present.

How We Determine Amounts Paid for Each Element of Compensation

We operate in a competitive environment for talented executives, and the Committee analyzes a variety of information as it seeks to identify competitive levels of compensation within the relevant markets in which we operate.

Peer Group

The companies in the compensation peer group for the Southwest Officers were selected because they represent those companies considered by the Committee to be the most comparable to the Company in terms of business operations, operational complexity, revenue, market capitalization and overall financial performance. In the recent past, some of the companies in the prior compensation peer group were removed due to M&A activity, resulting in a relatively small peer group. Therefore, the Committee decided to add comparable companies to ensure that meaningful comparisons could be made. During 2019, ten companies were added to the peer group by the Committee in consultation with Pay Governance, the Committee's independent compensation consultant, and the same peer group was used for the 2020 executive compensation analysis performed by FW Cook. Thus for 2020, the peer group was composed of 20 companies in the utility industry, placing the Company in the 66th percentile for annual revenue.

- Alliant Energy Corporation
- Ameren Corporation
- Atmos Energy Corporation
- Avista Corporation
- Black Hills Corporation
- CMS Energy Corporation
- Evergy, Inc
- Hawaiian Electric Company, Inc.
- IDACORP, Inc.
- MDU Resources Group, Inc.

For Centuri, the peer group approved by the Committee and used by FW Cook contained 10 companies as shown below. Centuri placed in the 62nd percentile for EBITDA in the peer group.

- Aegion Corporation
- Comfort Systems USA
- Dycom Industries, Inc.
- Granite Construction Inc.
- Matrix Service Company

Compensation Review

FW Cook performed comprehensive competitive compensation benchmarking, which included assessments of all elements of compensation for the Southwest Officers and Mr. Daily. The competitive compensation benchmarking data reviewed by the Committee included base salary, annual incentive compensation and long-term incentive compensation found in the proxy statements filed by companies in the peer groups for Southwest and Centuri. The structure of the incentive compensation program of the Company was also reviewed in comparison to peer company programs.

Benchmarking of Compensation

In reference to the data and analyses discussed above, the Committee reviewed competitive target compensation levels for each NEO relative to the 50th percentile of the relevant market. For each NEO position, base salary, target total cash compensation (base salary plus annual incentive award) and target total direct compensation (base salary plus annual incentive award plus the target value of long-term incentive compensation) were benchmarked and analyzed at the median level. The Committee found that overall target total direct compensation for each of the Southwest Officers and Mr. Daily were generally aligned with the relevant market benchmarks. However, short-term incentives and long-term incentives for some NEOs were below the market median.

Other elements of overall compensation for the NEOs (perquisites, welfare benefits, retirement benefits and post-termination benefits) were implemented at various times over the past several years to remain competitive with the relevant market. In determining the Company's overall compensation, we annually compare elements of direct compensation and the level of other benefits with those of the relevant market to ensure the Company remains competitive.

Consideration of 2020 Say-on-Pay Vote

The Company holds an annual say-on-pay advisory vote regarding executive compensation. At the 2020 Annual Meeting of Stockholders, approximately 98% of the votes cast were in favor of the compensation of the NEOs as described in the proxy statement for the 2020 Annual Meeting. The Board and Committee reviewed these final vote results and determined that, given the significant level of support, no changes to our executive compensation philosophy, policies and decisions were necessary based solely on the vote results. Nevertheless, as discussed in this Compensation Discussion and Analysis, the Committee's activities in fiscal year 2020 demonstrate our ongoing commitment to ensure our executive compensation remains aligned with the interests of our stockholders and current market practices. Additionally, we determined that our stockholders should vote on a say-on-pay proposal each year as recommended by stockholders at the most recent "say-on-frequency" vote. The Board recommends that you vote FOR Proposal 2 at the Annual Meeting. For more information, see "ADVISORY VOTE TO APPROVE THE COMPANY'S EXECUTIVE COMPENSATION" in this Proxy Statement.

Details of Compensation Program

The nature of the Company's operations and competitive considerations have led the Committee to design and employ compensation programs that we believe are comparable to compensation programs widely used in the natural gas operations and utility infrastructure services industries, as applicable. To accomplish our objectives, our programs are designed to respond to changing market conditions and to offer a broad spectrum of compensation opportunities. Performance is the critical component of our programs, and both individual and overall Company performance can impact an NEO's level of compensation on an annual basis.

Why We Pay Each Element

The elements of executive compensation for the NEOs and the purpose for providing each element are described below:

<u>Element</u>	<u>Purpose</u>	<u>Summary of Features</u>
Base Salary	<ul style="list-style-type: none"> • Recognize leadership responsibilities and value of executive's role to the Company. • Serve as a competitive compensation foundation. 	<ul style="list-style-type: none"> • Targeted at 50th percentile of relevant peer group companies. • Adjustments are made based upon the value of the position to the business, individual performance and pay relative to the appropriate market.
Annual Incentive Plans	<ul style="list-style-type: none"> • Encourage and reward NEO contributions in achieving short-term performance goals. • Align management interests with customers and stockholders. 	<ul style="list-style-type: none"> • Awards paid out annually in cash. • Award values are subject to downward adjustment to avoid windfalls and for other reasons of fairness and equity. • No awards paid if financial performance is below certain minimum levels.
Long-Term Incentives	<ul style="list-style-type: none"> • Provide executives with long-term performance goals to work toward. • Align management interests with customers and stockholders. • Retain management with awards subject to service vesting. 	<ul style="list-style-type: none"> • Centuri's CEO receives long-term incentives through both cash and equity, which includes Performance Shares with and without thresholds to generate awards.

		<ul style="list-style-type: none"> • Southwest Officers receive long-term incentives through both time-lapse restricted stock units and Performance Shares. • Centuri and Southwest performance awards are earned based on three-year financial performance.
Executive Health, Welfare and Retirement Benefits	<ul style="list-style-type: none"> • Provide executives reasonable and competitive benefits. • Encourage savings for retirement. • Retain executives with pension benefits subject to service vesting. 	<ul style="list-style-type: none"> • Health and welfare benefits consistent with standard benefits provided to all employees. • 401(k) plan and nonqualified deferred compensation plans allow for deferral of compensation and Company contributions. • Qualified and supplemental nonqualified pension benefits.
Southwest Change in Control Agreements	<ul style="list-style-type: none"> • Ensure attention and dedication to performance without distraction in the circumstance of a potential change in control. • Enables executives to maintain objectivity with respect to merger or acquisition offers considered by the Board. 	<ul style="list-style-type: none"> • Double trigger change in control severance agreements without any excise tax gross-up. • Accelerated vesting of equity awards upon certain terminations following change in control. • Potential increase to supplemental pension benefit.
Centuri CEO Employment Agreement	<ul style="list-style-type: none"> • Ensure attention and dedication to performance without distraction in the circumstance of a potential change in control. • Provide an incentive to enter into executive employment relationship. • Protect the Company's interests. 	<ul style="list-style-type: none"> • Two-year term, with automatic renewals. • Provides change in control severance and severance outside of change in control scenario. • Non-competition and non-solicitation restrictive covenants.

Base Salaries

Salaries for the Company's NEOs are established based on the scope of their responsibilities, taking into account competitive market compensation paid by the peer group and additional salary survey data for similar positions. The competitive market processes discussed above were used by the Committee to help ensure that salaries are reasonable, competitive and properly address position responsibilities. The range of salaries available through this review provides an objective standard to determine the appropriate level of salary for a given executive position. Salaries are reviewed annually and are subject to mid-year adjustment to realign salaries with market levels after taking into consideration individual responsibilities, performance, inflation and experience.

Annual Incentive Compensation

We establish cash incentive opportunities on an annual basis, expressed as a percentage of each individual's base salary. The target level of annual incentive opportunities granted to NEOs is based primarily on the competitive compensation benchmarking. Mr. DeBonis' incentive opportunity increased from 50% in 2019 to 60% in 2020 due to the Committee's analysis of the growth of his role in the Company, competitive market data, and the desire to increase the at-risk incentive portion of his compensation. The target incentive opportunities for the NEOs were set at the following percentages of base salary for 2020:

	Incentive Opportunities (% of salary)
John P. Hester	100%
Gregory J. Peterson	65%
Paul M. Daily	100%
Karen S. Haller	75%
Eric DeBonis	60%

Southwest Annual Incentives. Annual incentive opportunities are payable entirely in cash.

The 2020 performance measures for Southwest Officers were tied to measures of financial performance, customer satisfaction, productivity and safety. For 2020, the Committee derived the targets for our four performance measures as follows:

- **Adjusted Net Income.** The primary financial measure is adjusted net income, which is measured on a consolidated basis for Messrs. Hester and Peterson and Ms. Haller because of their influence over both of the Company's business segments, and measured solely for the utility segment for Mr. DeBonis. Both adjusted net income measures were designed to exclude the impact of Company-owned life insurance to more closely represent Company-driven outcomes. The target for the adjusted net income component was \$217 million on a consolidated basis and \$155.5 million for the utility segment, which were derived from Company and Southwest business plans and budgets.
- **Customer Satisfaction.** The customer satisfaction measure is based on independent customer surveys conducted in each of our utility operating divisions. The target for this component was 94% customer satisfaction, slightly higher than 2019's target.
- **Productivity.** The productivity measure was designed to reward success in reaching a predetermined level of operations and maintenance expense per customer. The target was \$211 per customer (including non-service pension costs), which required an improvement in cost containment over 2019's target.
- **Safety.** The Committee chose the two components of the safety performance measure because they are oriented toward minimizing incidents associated with the Company's gas distribution systems and thereby linked to risk reduction in areas such as regulation, operations, reputation and franchise value. The Company's 2020 target for damage per 1,000 tickets is 1.15, representing an improvement from 2019's target. The target for incident response time within 30 minutes was 74%, representing a 3 percentage point improvement from the Company's 2019 target.
- For plan year 2020, the weighting of the measures was as follows: Adjusted Net Income: 40%; Customer Satisfaction: 20%; Productivity: 20%; and Safety: 20% (10% for damages per 1,000 tickets and 10% for incident response time). Actual awards for each measure are determined as of year-end by comparing the Company's performance to the threshold, target and maximum levels set by the Committee at the beginning of the year for each performance measure. When threshold performance for any measure is achieved, an award with respect to that measure is earned. Award payouts can range from 70% (at threshold) to 100% (at target) to 140% (at maximum) of the assigned incentive opportunity for each measure, based on where actual results fall in the range from threshold to target to maximum. No awards are paid with respect to any measure if 80% of target adjusted net income is not achieved. We determine actual payouts through linear interpolation.

The thresholds, targets and maximums and actual results under the four core performance measures for 2020 are set forth below:

<u>Measure</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>	<u>Actual</u>	<u>Weighting</u>	<u>Payout (% of target)</u>
Adjusted Net Income:						
Consolidated (000s)(1)	\$ 195,300	\$ 217,000	\$ 238,700	\$ 223,124	40%	44.52%
Utility (000s)(1)	\$ 144,615	\$ 155,500	\$ 166,385	\$ 149,918	40%	33.85%
Customer Satisfaction	91%	94%	97%	95.5%	20%	24%
Productivity (O&M/Customer)	\$ 215	\$ 211	\$ 208	\$ 203.92	20%	28%
Safety:						
Damage per 1,000 Tickets	1.40	1.15	1.00	1.14	10%	10.27%
Response Times w/in 30 Min.	70%	74%	77%	75.8%	10%	12.40%
Total:						
Consolidated						119%
Utility						109%

- (1) In the calculation of actual results under the adjusted net income measures, the Committee excluded the earnings impacts of Company-owned life insurance policy value changes.

The Committee has the discretion to reduce an NEO's overall award that would otherwise be earned to avoid windfalls and for other reasons of fairness and equity. The Committee reviews the CEO's individual performance to determine whether there will be any downward adjustment. For 2020, individual performance goals for the CEO centered on promoting fundamental business strategies, maximizing customer and stockholder value, pursuing regulatory initiatives, promoting workforce diversity and other ESG-related initiatives, and overseeing the utility infrastructure services segment.

The CEO reviews the other executive officers' individual performances to determine whether there will be any downward adjustment in the performance awards. As a result of such review, if the CEO recommends a downward adjustment in the performance awards, the CEO will bring the matter before the Committee for review and approval. Mr. Peterson's goals were centered on investor relations activities, financial planning and execution, external reporting, regulatory compliance and strategic planning matters. Ms. Haller's goals pertain to legal and regulatory matters, corporate ethics and compliance, enterprise risk management, corporate governance matters, gas resources, human resources and administrative functions. Mr. DeBonis' goals were directed to maintaining system safety and reliability, controlling operating costs and enhancing customer service. The individual performance goals for the CEO and other eligible Southwest Officers were satisfied, and there were no reductions in their awards with respect to 2020.

Adjusted net income, both on a consolidated and utility segment basis, exceeded 80% of our target, and achievements under the performance measures aggregated for a payout of 119% of the target incentive award opportunity for Messrs. Hester and Peterson and Ms. Haller, and 109% of target for Mr. DeBonis. These aggregated percentage payouts are multiplied by the total incentive opportunity (expressed above as a percentage of base salary) to determine the overall dollar value of the annual award. The following table details the actual payouts associated with the 2020 annual incentive awards for the eligible Southwest Officers:

	<u>Incentive Opportunities (% of salary)</u>	<u>Total Achievement of Performance Measures (% of target)</u>	<u>Incentive Earned (% of salary)</u>	<u>Incentive Earned</u>
John P. Hester	100%	119%	119%	\$ 1,249,500
Gregory J. Peterson	65%	119%	77.4%	\$ 336,473
Karen S. Haller	75%	119%	89.3%	\$ 424,830
Eric DeBonis	60%	109%	65.4%	\$ 240,018

Centuri Annual Incentives. For Centuri, the Committee selected financial performance and safety goals for the 2020 annual incentive opportunities.

- *Financial Measure.* The primary financial measure is pretax income, with a target of \$96.7 million, which was derived from Centuri’s business plans and budgets.
- *Safety.* The safety goal is based on the days away from work, restricted or transferred (“DART”) incident rate, which is the industry standard measurement for safety. The target of 0.50 is an improvement from 2019’s target. The safety goal also includes a Total Recordable Incident Rate (“TRIR”) of 1.00 to ensure both incident frequency and severity measures are considered.

For plan year 2020, the weighting of the measures was as follows: Pretax Income: 80% and Safety: 20% (10% for DART and 10% for TRIR).

Actual awards for each measure are determined as of year-end by comparing Centuri’s performance to the threshold, target and maximum levels set by the Committee at the beginning of the year for each performance measure. When threshold performance for any measure is achieved, an award with respect to that measure is earned. Award payouts can range from 65% (at threshold) to 100% (at target) to 170% (at maximum) of the assigned incentive opportunity for each measure, based on where actual results fall in the range from threshold to target to maximum. We determine actual payouts through linear interpolation.

The thresholds, targets and maximums and actual results under the two performance measures for 2020 are set forth below:

Measure	Threshold	Target	Maximum	Actual	Weighting	Payout (% of target)
Pretax Income	\$67.7 million	\$96.7 million	\$120.9 million	\$112.7 million	80%	146%
Safety (DART)	1.0	0.50	0.40	0.40	10%	170%
Safety (TRIR)	2.0	1.0	0.75	1.19	10%	93%
Total						143%

No awards are paid in any year unless 50% of target pretax income is achieved. In 2020, pretax income exceeded 50% of target, and achievements under the other performance measure aggregated for a payout of 143% of the target incentive award opportunity for Mr. Daily. The aggregated percentage payout is multiplied by the total incentive opportunity (expressed above as a percentage of base salary) to determine the overall dollar value of the annual award.

The Committee reviews Mr. Daily’s individual performance to determine whether there will be any downward adjustment in his performance award. For 2020, individual performance goals for Mr. Daily centered on promoting fundamental business strategies, including safety performance; organizational development, including identifying and implementing opportunities to enhance ESG efforts and workforce diversity; and operations, financial, and strategic planning improvements. The individual performance goals for Mr. Daily were satisfied, and there were no reductions to his incentive awards with respect to 2020.

The following table details the potential and actual payouts associated with the 2020 annual incentive award to Mr. Daily:

	Incentive Opportunities (% of salary)	Total Achievement of Performance Measures (% of target)	Incentive Earned (% of salary)	Incentive Earned
Paul M. Daily	100%	143.28%	143.28%	\$ 1,054,541

Long-Term Incentive Compensation

Our long-term incentive compensation is designed to provide incentives for maintaining long-term performance and strengthening customer and stockholder value over a three-year performance period. NEOs are incentivized with equity compensation and Mr. Daily’s long-term incentive opportunity also includes a cash component. The Committee based the value of incentive awards granted to NEOs primarily on competitive compensation benchmarking. For 2020, the target long-term incentive opportunities for the NEOs were set at the percentages of base salary shown in the following table. The incentive opportunity percentages were increased from 2019 to 2020 for Messrs. Hester, Peterson and Daily and Ms. Haller, following the Committee’s analysis of competitive market data, the growth in their management responsibilities, and the desire to increase the portion of their compensation that is at-risk incentive pay.

	Incentive Opportunities (% of salary)					Total
	RSUs	Non-threshold Performance Shares	Performance Shares	Non-threshold Performance Cash	Performance Cash	
John P. Hester	70%	—	190%	—	—	260%
Gregory J. Peterson	40%	—	100%	—	—	140%
Paul M. Daily	—	39%	91%	21%	49%	200%
Karen S. Haller	45%	—	110%	—	—	155%
Eric DeBonis	30%	—	60%	—	—	90%

Southwest Long-Term Incentives. Long-term incentives for the Southwest Officers are composed of time-lapse RSUs and Performance Shares. The CEO's target long-term opportunity for the three-year performance period beginning in 2020 is 260% of base salary, 190% in the form of Performance Shares and 70% granted as time-lapse RSUs.

- **RSUs.** The Committee believes that grants of time-lapse RSUs promote and encourage long-term retention and service to the Company, align the interests of our NEOs with those of our customers and stockholders through increased share ownership, and provide a balanced approach to long-term compensation. At its February 2020 meeting, the Committee approved the 2020 grants under this Board-approved program. The number of RSUs granted was determined based on the closing price for our Common Stock for the last trading day of 2019 (\$75.97 per share). The time-lapse RSUs granted in 2020 vest 40% one year after the award date and 30% following each of the next two years, assuming continued service.

The table below illustrates the target long-term incentive opportunity granted as time-lapse RSUs, and the number granted. The percentages shown for Messrs. Hester and Peterson and Ms. Haller increased from 2019 to 2020, reflecting the Committee's decision to update their long-term compensation incentives based on competitive compensation benchmarking.

	RSU Component (% of salary)	RSU Component	RSUs Granted
John P. Hester	70%	\$ 682,500	8,984
Gregory J. Peterson	40%	\$ 162,864	2,144
Karen S. Haller	45%	\$ 206,100	2,713
Eric DeBonis	30%	\$ 108,000	1,422

- **Performance Shares.** The Committee believes that the payment of long-term incentive compensation in the form of Performance Shares, measured over a three-year performance period, rewards our NEOs for improved financial performance of the Company, thereby giving them an incentive to enhance long-term customer and stockholder value. The target number of Performance Shares granted was determined based on the closing price for our Common Stock for the last trading day of 2019 (\$75.97 per share). Performance Shares granted in 2020 are earned upon achievement of financial performance goals for the three-year period from 2020 through 2022.

The table below illustrates the target long-term incentive opportunity granted as Performance Shares, and the number of Performance Shares granted:

	<u>PS Component (% of salary)</u>	<u>Target PS Component</u>	<u>Target PSs Granted</u>
John P. Hester	190%	\$ 1,852,500	24,385
Gregory J. Peterson	100%	\$ 407,160	5,359
Karen S. Haller	110%	\$ 503,800	6,632
Eric DeBonis	60%	\$ 216,000	2,843

For Performance Shares granted in 2020 to Messrs. Hester and Peterson and Ms. Haller, 60% are earnable based on a consolidated earnings per share (“EPS”) performance measure, and 40% are earnable based on a utility segment return on equity (“ROE”) performance measure. ROE is calculated by dividing the utility adjusted net income by the average equity balance for 2020. For Mr. DeBonis, 60% of the Performance Shares are based on utility segment net income, and 40% are based on ROE. Each of these measures is adjusted to remove the impact of Company-owned life insurance.

At its meeting in February 2020, the Committee established the threshold, target and maximum performance levels upon which Performance Share awards would be based for the 2020 through 2022 performance period and awarded grants of Performance Shares to the Southwest Officers, which were later approved by the Board. The target levels were based on Company and Southwest business plans and budgets and took into account such factors as budgeted capital expenditures, expected growth within the markets that the Company serves, competitive factors from other service providers, and other business considerations embedded in the Company’s annual business planning process. The following table shows the three-year performance criteria for such period:

<u>Performance Level</u>	<u>EPS</u>	<u>Utility Adjusted Net Income (000s)</u>	<u>Return on Equity</u>	<u>Base Percentage of Target Award Earned(1)</u>
Below Threshold	<\$10.84	<\$ 482,019	<6.50%	No award
Threshold	\$ 10.84	\$ 482,019	6.50%	50%
Target	\$ 12.04	\$ 518,300	7.50%	100%
Maximum	\$ 13.24	\$ 554,581	8.50%	150%

(1) Subject to upward or downward adjustment based on total shareholder return performance relative to a peer group.

Linear interpolation will be used to compute the percentage of the target award earned. The awards are payable in the form of Common Stock with the Southwest Officers also receiving cumulative dividend equivalents over the three-year performance period on such awards to the extent the underlying shares are earned.

If threshold performance is met, a base number of Performance Shares in a range of 50% to 150% of the target number will be earned, subject to modification based on total shareholder return relative to a peer group. Total shareholder return of the Company over the three-year period, plus dividends, will be compared to total shareholder returns of peer companies. The peer companies list for total shareholder return comparison is based on the now-discontinued Bloomberg Transmission Distribution List, with the list being modified as included companies change over time due to mergers and acquisitions. Relative performance that places the Company at or above the 75th percentile of the peer group would result in maximum upward adjustment of the number of shares of Common Stock earned by 30%, performance in the range between the 25th and 75th percentiles would result in no adjustment, and performance at or below the 25th percentile of the peer group would result in maximum downward adjustment by 15% (provided that if a base number of shares is earned, the lowest percentage of the target number that will vest is 50%).

The Committee included the total shareholder return feature to link performance under the respective performance measures with the market's reaction to that performance. The Committee determined that the modifier should not be symmetrical because Performance Shares are 100% at risk as currently designed.

- *2018-2020 Performance Share Vesting.* In 2018 the Compensation Committee approved the award of Performance Shares to the Southwest Officers. For Performance Shares granted in 2018 to Mr. Hester and Ms. Haller, 60% were earnable based on a consolidated EPS performance measure, and 40% were earnable based on a utility segment ROE performance measure. For Messrs. Peterson and DeBonis, 60% of the Performance Shares were earnable based on utility segment net income, and 40% were earnable based on ROE. To calculate ROE, Utility segment net income was divided by the average equity balance for 2018 through 2020. Each of these measures was adjusted to remove the impact of Company-owned life insurance. Performance was measured over a three-year performance period commencing on January 1, 2018 and continuing through December 31, 2020. For the three-year period 2018-2020, the total shareholder return for the Company was below the 25th percentile of the peer group of companies selected for such 2018 awards, and therefore a 15% reduction (85% modifier) was applied to the results to determine ultimate payout. On February 24, 2021, the Committee determined that for the 2018-2020 performance period, the payout (net of the total shareholder return modifier) is 100% of the target award level, except for those officers subject to the consolidated EPS measure. For Mr. Hester and Ms. Haller, who are subject to the consolidated EPS measure, the payout (net of the total shareholder return modifier) is 97% of the target award level. The 2018-2020 Performance Shares are included in the "Stock Vested During 2020" table.

Centuri Long-Term Incentives. Historically, the Company did not grant Company equity awards to Centuri executives, but beginning in 2019, the Committee strengthened the link to Company performance by granting Company equity to the Centuri Chief Executive Officer for part of his long-term incentives. The table below illustrates the target long-term incentive opportunity granted to Mr. Daily for the performance period from 2020 through 2022 for both equity and cash components:

	Target PS Incentive (% of salary)	Target PS (#)	Target PS Value (\$)	Target Non-threshold PS Incentive (% of salary)	Target Non-threshold PS (#)	Target Non-threshold PS Value (\$)	Target PC Incentive (% of salary)	Target PC Value (\$)	Target Non-threshold PC Incentive (% of salary)	Target Non-threshold PC Value (\$)
Equity	91%	8,565	\$650,650	39%	3,671	\$ 278,850	—	—	—	—
Cash	—	—	—	—	—	—	49%	\$350,350	21%	\$ 150,150

The target number of Performance Shares and Non-threshold Performance Shares granted was determined based on the closing price for our Common Stock for the last trading day of 2019 (\$75.97 per share). The Centuri CEO's long-term incentive amount includes the opportunity for a cash award equal to 70% of salary and an equity award equal to 130% of salary. The equity award is further split between 70% as Performance Shares and 30% as time-based shares. Because the time-based shares may be modified based on financial performance but are not subject to a threshold to receive an award, they are referred to herein as "Non-threshold Performance Shares." Both Performance Shares and Non-threshold Performance Shares granted in 2020 are earned upon achievement of financial performance goals for the three-year period from 2020 through 2022. The cash award is also further split between 70% as Performance Cash and 30% as time-based cash. Because the time-based cash award may be modified based on financial performance but is not subject to a threshold to receive an award, the time-based cash award is referred to herein as "Non-threshold Performance Cash." Both Performance Cash and Non-threshold Performance Cash granted in 2020 are earned upon achievement of financial performance goals for the three-year period from 2020 through 2022.

The payment of incentive compensation under Centuri’s long-term incentive plan is measured by Centuri’s cumulative enterprise value (“EV”) growth rate over a three-year performance period. EV is defined as earnings before interest, taxes, depreciation and amortization (“EBITDA”) for Centuri multiplied by an EBITDA multiple determined by the Committee at the beginning of the performance period, minus Centuri net debt. Net debt is calculated as debt less cash and excludes leases recorded as debt under accounting rules. Debt includes the Company’s capital contribution for the Linetec Services, LLC acquisition.

Non-threshold Performance Shares and Non-threshold Performance Cash are not subject to a threshold to generate payment, but they are impacted by the change in EV at the end of the three-year performance period. If EV increases over the performance period, the Non-threshold Performance Share and Non-threshold Performance Cash awards are increased by the percent of increase. Similarly, the Non-threshold Performance Share and Non-threshold Performance cash awards are decreased by the same percent of decrease if EV decreases over the performance period. Non-threshold Performance Share awards are capped at 133.1% of the target award amount (the target award is \$278,850 for 2020) and Non-threshold Performance Cash awards are capped at 133.1% of the target award amount (the target award is \$150,150 for 2020).

At its meeting in February 2020, the Committee established the threshold, target and maximum performance levels of EV growth for Centuri from the baseline of Centuri’s EV as of 2019 year-end. The target EV growth rate level was based on Centuri’s business plan and budget and took into account such factors as budgeted capital expenditures, expected growth within the markets that Centuri serves, competitive factors from other service providers and other business considerations embedded in Centuri’s annual business planning process. The following table summarizes the performance goals for the performance period from 2020 through 2022:

Performance Shares and Performance Cash Performance Level	Three-Year Cumulative EV Growth	Percentage of Target Award Earned
Below Threshold	<20%	No award
Threshold	20%	25%
Target	42%	100%
Maximum	63%	200%

Linear interpolation will be used to compute the percentage of the target award earned. Awards under the plan are to be paid following the end of the performance period.

Perquisites

The Company provides a limited number of perquisites to its executive officers. The NEOs receive car allowances, and reimbursement for annual physical examinations and social club memberships. The Southwest Officers also receive reimbursement once every three years to assist in financial and estate planning. The CEO of Centuri receives life insurance and reimbursement annually for financial planning, estate planning and tax preparation.

Retirement Benefits

Southwest Retirement Benefits. Four retirement benefit plans are available to the Southwest Officers. Two of the plans, the Retirement Plan for Employees of Southwest (“Retirement Plan”) and the Employee Investment Plan (“EIP”), both tax-qualified plans, are available to all Southwest employees. Two additional plans are offered to officers, the Supplemental Executive Retirement Plan (“SERP”) and the Executive Deferral Plan (“EDP”). These additional plans were established to attract and retain qualified executives and to address the dollar limitations imposed on the two tax-qualified plans.

- *Retirement Plan.* Benefits under the Retirement Plan are based on (i) the executive’s years of service with the Company, up to a maximum of 30 years, and (ii) the average of the executive’s highest five consecutive years’ salaries, within the final 10 years of service, not to exceed a maximum compensation level established by the Internal Revenue Service.
- *SERP.* The SERP is designed to supplement the benefits under the Retirement Plan to a level of 50 - 60% of salary. To qualify for benefits under the SERP, which is based on a 12-month average of the highest consecutive 36-months of salary, an executive is required to have reached (i) age 55, with 20 years of service with the Company, or (ii) age 65, with 10 years of service.

- *EIP*. Southwest Officers may participate in the EIP and defer salary up to the maximum annual dollar amount permitted for 401(k) plans under the Internal Revenue Code. Investments of these deferrals are controlled by the individual executives from a selection of investment options offered through the EIP. There are no employer matching contributions for executive deferrals into the EIP.
- *EDP*. The EDP supplements the deferral opportunities by permitting executives to defer up to 100% of their annual salary and non-equity incentive compensation. As part of the EDP, the Company provides matching contributions up to 3.5% of annual salary, which vest immediately. Amounts deferred and Company matching contributions bear interest at 150% of the Moody's Seasoned Corporate Bond Rate (the "Bond Rate"). At retirement or termination, with five years of service with the Company, the Southwest Officers will receive EDP balances paid out at the election of the participant over a period of 10, 15 or 20 years and will be credited during the applicable payment period with interest at 150% of the average of the Bond Rate on each January 1st for the five years prior to the start of retirement.

Centuri Retirement Benefits. Centuri maintains two plans which provide retirement benefits for the Centuri executives, including Mr. Daily: a 401(k) plan and a nonqualified deferred compensation plan, the Executive Deferred Compensation Plan (the "EDCP").

- *Centuri 401(k) Plan*. Mr. Daily receives matching contributions from Centuri to his account in the Centuri 401(k) Plan, consistent with all other employees participating in the plan. Centuri matches 100% of Mr. Daily's pre-tax contributions up to the first 3% of his base salary and 50% on the next 4%. All matching contributions are subject to certain limits as determined by law.
- *EDCP*. Under the nonqualified deferred compensation plan maintained by Centuri, certain employees, including Mr. Daily, are permitted to voluntarily defer receipt of up to 80% of base salary and up to 80% of other cash compensation. Employer matching contributions in the deferred compensation plan are equal to the first 5% of the compensation deferred by the employee under the plan. Matching contributions vest immediately. Participants may allocate deferred cash amounts among (i) a group of notional accounts that mirror the gains and/or losses of various investment alternatives that do not provide for above-market or preferential earnings and (ii) an account with returns based on Centuri's financial performance ("Performance Fund"). Mr. Daily must invest at least 25% of his annual incentive compensation in the Performance Fund until he meets the established investment requirement of four times his base salary. The four times base salary amount is split equally between the Performance Fund and Company stock ownership. Performance Fund investments grow or depreciate based on Centuri's EV growth rate. The maximum annual loss of the Performance Fund is negative five percent and the maximum annual gain is fifteen percent.

Executive Agreements

Southwest Change in Control Agreements. The Company offers change in control agreements to the Southwest Officers to align their interests with stockholders and to retain and motivate high caliber executive talent. Providing change in control benefits is designed to reduce the reluctance of management to pursue potential change in control transactions that may be in the best interests of stockholders and helps ensure stability and continued performance during the potentially protracted process of merging with or acquiring entities subject to utility regulation. These change in control agreements do not include gross-up payments to reimburse the executive for certain excise taxes imposed under Internal Revenue Code Section 4999. Instead, the change in control agreements employ a "best net" approach whereby change in control benefits would be reduced if a reduced benefit would result in a greater after-tax benefit to the officer after the application of the excise taxes under Internal Revenue Code Section 4999.

The terms of the change in control agreements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, are discussed in more detail under "Post-Termination Benefits" below.

Centuri CEO Employment Agreement. Centuri is currently a party to an employment agreement with Mr. Daily ("Employment Agreement"). Under the terms of the Employment Agreement, Mr. Daily is entitled to payments and benefits upon certain employment termination events both in the absence of and following certain change in control events of Centuri or the Company. The termination provisions of the Employment Agreement provide Mr. Daily with a fixed amount of compensation upon termination as an incentive to forgo other opportunities in order to join or maintain employment with Centuri. At the time of entering into this agreement, we considered our aggregate potential obligations in the context of the desirability of hiring Mr. Daily, as well as the benefits of securing non-competition and other restrictive covenants included in the Employment Agreement. The Employment Agreement does not contain excise tax gross-up provisions and employs a "best net" approach to potential change in control severance payments.

More detailed discussion of the Employment Agreement, as well as an estimate of the compensation that would have been payable had various provisions been triggered as of fiscal year-end, are described in “Post-Termination Benefits” below.

Analysis of Risk in Company Executive Compensation Policies

On an annual basis, Company management reviews, analyzes and considers whether the Company’s compensation policies and practices encourage unnecessary or excessive risk taking that is reasonably likely to have a material adverse effect on the Company. One of the primary purposes of this review is to ensure that our incentive compensation programs do not inappropriately encourage unnecessary or excessive risk taking at any level in the organization that would be reasonably likely to have a material adverse effect on the Company. The Committee oversees the risk review process. In 2020, management concluded that the Company’s compensation policies and practices do not encourage executives or other employees to take inappropriate risks that are reasonably likely to have a material adverse effect on the Company.

Deductibility of Compensation

Section 162(m) of the Internal Revenue Code currently imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to certain current and former executive officers in any one year. The Tax Cuts and Jobs Acts of 2017 eliminated the “performance-based compensation” exception under Section 162(m) effective January 1, 2018, subject to a special rule that “grandfathers” certain awards or arrangements that were in effect on or before November 2, 2017. There can be no assurance that compensation structured prior to 2018 with the intent of qualifying as performance-based compensation will be deductible under Section 162(m). Additionally, compensation awarded in 2018 and future years to covered employees in excess of \$1 million will generally not be deductible. The Committee retains the discretion to establish the compensation as the Committee may determine is in the best interest of the Company and its stockholders, and without regard to any limitation provided in Section 162(m). This discretion is an important feature of the Committee’s compensation practices because it provides the Committee with sufficient flexibility to respond to specific circumstances facing the Company.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table (2020, 2019 and 2018)

The following table includes information concerning compensation during 2020, 2019 and 2018 for the named executive officers, whom we refer to as the “NEOs.”

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)(3)	Non-Equity Incentive Plan Compensation (\$)(1)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5)	All Other Compensation (\$)(6)(7)(8)	Total (\$)
John P. Hester	2020	1,005,943	—	2,558,720	1,249,500	1,636,794	60,820	6,511,777
President and Chief Executive Officer	2019	933,493	—	1,944,941	1,150,500	1,783,655	58,135	5,870,724
	2018	858,288	—	1,418,123	1,125,000	651,174	43,900	4,096,485
Gregory J. Peterson	2020	418,646	—	575,314	336,473	829,999	35,625	2,196,057
Senior Vice President/ Chief Financial Officer	2019	387,790	—	402,127	312,292	771,233	31,544	1,904,986
	2018	335,353	—	63,944	279,120	274,074	23,783	976,274

Paul M. Daily	2020	736,828	—	938,187	1,747,272	40,471	92,388	3,555,146
President and Chief Executive Officer for Centuri Group, Inc.	2019	704,905	—	364,658	872,109	3,032	87,131	2,031,835
	2018	564,556	—	—	830,315	32,557	318,223	1,745,651
Karen S. Haller	2020	465,426	—	716,568	424,830	964,385	24,655	2,595,864
Executive Vice President/Chief Legal and Administrative Officer	2019	436,970	—	635,347	405,330	936,175	39,427	2,453,249
	2018	402,742	—	324,020	341,250	56,380	35,183	1,159,575
Eric DeBonis	2020	362,888	—	327,011	240,018	684,479	36,615	1,651,011
Senior Vice President/Operations Southwest Gas Corporation	2019	346,096	—	325,778	230,400	682,383	40,100	1,624,757
	2018	327,770	—	249,074	207,700	26,831	36,951	848,326

- (1) Amounts shown in this column include any amounts deferred by the NEOs into 401(k) and nonqualified deferral plans.
- (2) Amounts shown in this column represent the aggregate grant date fair value of awards of Performance Shares, time-lapse RSUs, and Non-threshold Performance Shares granted in 2018, 2019 and 2020. In each case, the amounts were determined in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718 based on the Common Stock share price on the date of grant. The value ultimately realized by the NEO upon actual vesting of the awards may or may not be equal to this determined value. The assumptions used to calculate these amounts are included in “Note 9 – Share-Based Compensation” of Exhibit 13.01 to our 2020 Annual Report on Form 10-K. However, as required, the amounts shown exclude the impact of estimated forfeitures. Performance Share values were calculated based on the probable outcome of the performance condition as of the grant date, which was determined to equal target performance. For the Southwest Officers, Performance Shares generally vest upon completion of a three-year performance period, with the amount that vests based on the achievement of certain company financial targets and stockholder returns. The final amount of earned Performance Shares can range from 0% to a maximum of 195% (assuming the highest level of performance) of the amount of unearned Performance Shares granted, and upon settlement, shares of Common Stock are issued for each earned Performance Share. The value of Performance Shares granted in 2020, assuming achievement of the highest level of performance for the three-year performance period ending December 31, 2022, and using the closing price of Common Stock as of the date of grant in accordance with ASC Topic 718, would be as follows: for Mr. Hester, \$3,646,134; for Mr. Peterson, \$801,383; for Ms. Haller, \$991,626; and for Mr. DeBonis, \$425,114. The time-lapse RSUs vest in three annual installments of 40%, 30%, 30% respectively following the grant, assuming the NEO continues to meet the requirements for vesting. Award agreements for Performance Shares and time-lapse RSUs give holders the right to receive dividend equivalent payments as and when dividends are paid on Common Stock, which dividends are reallocated into additional equity awards of the same type and with the same vesting schedule as the original award.
- (3) For Mr. Daily, Performance Share and Non-threshold Performance Share values were calculated based on the probable outcome of the performance condition as of the grant date, which was determined to equal target performance. Performance Shares generally vest upon completion of a three-year performance period, with the amount that vests based on the achievement of certain Centuri financial targets. The final amount of earned Performance Shares can range from 0% to a maximum of 200% (assuming the highest level of performance) of the amount of unearned Performance Shares granted, and upon settlement, shares of Common Stock are issued for each earned Performance Share. For Mr. Daily, the value of Performance Shares and Non-threshold Performance Shares granted in 2020, assuming achievement of the highest level of performance for the three-year performance period ending December 31, 2022, and using the closing price of Common Stock as of the date of grant in accordance with ASC Topic 718, would be \$1,688,080. The Non-threshold Performance Shares vest three years after grant, assuming Mr. Daily continues to meet the requirements for vesting. The award of Non-threshold Performance Shares is not subject to a threshold to generate payment, but they are impacted by the change in Centuri EV at the end of the performance period. Non-Threshold Performance Shares are capped at 133.1% of the target award amount (the target award is \$278,850 for 2020). Mr. Daily’s award agreement for Performance Shares and Non-threshold Performance Shares gives him the right to receive dividend equivalent payments as and when dividends are paid on Common Stock, which dividends are reallocated into additional equity awards of the same type and with the same vesting schedule as the original award.
- (4) Amounts shown in this column represent the cash awards paid in 2019, 2020 and 2021 for services performed in 2018, 2019 and 2020, respectively. For Mr. Daily, the amounts shown in this column also include the cash portion of his long-term incentive awards for the performance periods beginning in 2018, 2017 and 2016 and paid in 2021, 2020 and 2019, respectively. Mr. Daily’s 2020 annual incentive cash award amount was \$1,054,541, while his long-term incentive cash award amount for the three year performance period beginning in 2018 was \$692,731.
- (5) The aggregate change in the actuarial present value of the Southwest Officers’ accumulated benefit under the Retirement Plan and the SERP for 2020 and the above-market interest (in excess of 120% of the applicable federal long-term rate with compounding) earned by NEOs on executive deferral plan balances for 2020 are as follows:

	<u>Increase in Pension Values (\$)</u>	<u>Above-Market Interest (\$)</u>
Mr. Hester	1,497,964	138,830
Mr. Peterson	795,373	34,626
Mr. Daily	—	40,471
Ms. Haller	917,597	46,788
Mr. DeBonis	648,364	36,115

No amounts are payable from the pension plans before a participant attains age 55 and experiences a separation in service from the Company.

- (6) Employer matching contributions under the EDP for Southwest Officers and Centuri's 401(k) and nonqualified deferral plan for Mr. Daily in 2020 were as follows:

	<u>Matching Contributions (\$)</u>
Mr. Hester	34,125
Mr. Peterson	14,625
Mr. Daily	51,262
Ms. Haller	2,466
Mr. DeBonis	12,600

Centuri matches 100% of Mr. Daily's pre-tax contributions up to the first 3% of his base salary under its 401(k) plan. Thereafter, Centuri matches 50% of Mr. Daily's pre-tax contributions up to the next 4% of his base salary. All matching contributions are subject to certain limits as determined by law, and Mr. Daily received \$13,678 of matching contributions in the 401(k). Employer matching contributions in Centuri's nonqualified deferral plan are equal to the first 5% of the compensation deferred under the plan, and Mr. Daily received \$37,584 of matching contributions in the nonqualified deferral plan. Matching contributions to Southwest Officers under the EDP equal 50% of the amount deferred by each officer up to 3.5% of the officer's respective annual salary.

- (7) The aggregate incremental costs of the perquisites and personal benefits to the NEOs are based on the taxable value of the personal use of company cars, while the car allowance, club dues, life insurance, financial planning and physicals are based on the cost to the Company. The life insurance benefit provided to the Southwest Officers is available generally to all salaried employees, so cost information is omitted from the table below. For Mr. Daily, the life insurance cost relates to purchase of coverage for him by Centuri. The perquisites and personal benefits, by type and amount, for 2020 are as follows:

	<u>Car Allowance (\$)</u>	<u>Club Dues (\$)</u>	<u>Physicals (\$)</u>	<u>Financial Planning (\$)</u>	<u>Life Insurance (\$)</u>
Mr. Hester	21,600	2,595	2,500	—	—
Mr. Peterson	18,000	—	2,500	—	—
Mr. Daily	29,150	4,270	1,965	—	5,741
Ms. Haller	17,094	2,595	2,500	—	—
Mr. DeBonis	18,000	3,515	2,500	—	—

- (8) A charitable matching gift donation of \$500 made by the Company on behalf of Mr. Peterson is included in the amount shown for

Mr. Peterson in the “All Other Compensation” column.

EXECUTIVE COMPENSATION TABLES

Grants of Plan-Based Awards (2020)

The following table sets forth information regarding each grant of an award made under our Incentive Plans to our NEOs during the fiscal year ended December 31, 2020. All awards were granted on February 24, 2020.

Name	Award Type	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)(3)			All Other Stock Awards (#)	Grant Date Fair Value of Stock Awards\$(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
John P. Hester	Annual Cash(1)	735,000	1,050,000	1,470,000	—	—	—	—	—
	Performance Shares	—	—	—	12,192	24,385	47,550	—	1,869,842
	RSUs	—	—	—	—	—	—	8,984 (5)	688,878
Gregory J. Peterson	Annual Cash(1)	197,925	282,750	395,850	—	—	—	—	—
	Performance Shares	—	—	—	2,680	5,359	10,451	—	410,928
	RSUs	—	—	—	—	—	—	2,144 (5)	164,386
Paul M. Daily	Annual Cash(1)	478,400	736,000	1,251,200	—	—	—	—	—
	Performance Shares	—	—	—	2,141	8,565	17,129	—	656,731
	Non-threshold Performance Shares(6)	—	—	—	—	3,671	4,885	—	281,456
	Long-Term Cash(7)	87,588	500,500	900,550	—	—	—	—	—
Karen S. Haller	Annual Cash(1)	249,900	357,000	499,800	—	—	—	—	—
	Performance Shares	—	—	—	3,316	6,632	12,932	—	508,542
	RSUs	—	—	—	—	—	—	2,713 (5)	208,026
Eric DeBonis	Annual Cash(1)	154,140	220,200	308,280	—	—	—	—	—
	Performance Shares	—	—	—	1,422	2,843	5,544	—	218,001
	RSUs	—	—	—	—	—	—	1,422 (5)	109,009

- (1) The amounts reflect the estimated payments which could have been made under the annual cash component of our incentive compensation program, based upon the participant’s annual salary as of the date presented. The program provides that executive officers may receive annual cash incentive awards based on performance and profitability measures. The Committee establishes annual target awards for each such officer. The actual amounts received by the NEOs for 2020 performance under the program are set forth under the “Non-Equity Incentive Plan Compensation” column in the “Summary Compensation Table.” Annual cash incentives are described in further detail under “Compensation Discussion and Analysis – Incentive Compensation – Annual Incentive Compensation.”
- (2) For the Southwest Officers, the amounts shown represent the number of shares of Common Stock that could be earned with respect to Performance Shares granted in 2020 under the long-term performance component of our incentive compensation program. The number of Performance Shares that will become earned and vested, and the resulting number of shares of Common Stock to be issued, will be determined after completion of the three-year performance period ending December 31, 2022, and the number of shares can range from 50% at threshold to a maximum of 150% of the target number, subject to 30% upward, or 15% downward, adjustment based on a total shareholder return modifier. When threshold performance is achieved, the number of shares earned will not be adjusted below 50% of the target number.
- (3) For Mr. Daily, the amounts shown represent the number of shares of Common Stock that could be earned with respect to Performance Shares granted in 2020 under the long-term performance component of the Centuri incentive compensation program. The number of Performance Shares that will become earned and vested, and the resulting number of shares of Common Stock to be issued, will be determined after completion of the three-year performance period ending December 31, 2022, and the number of shares can range from 25% at threshold to a maximum of 200% of the target number. If Centuri EV growth does not achieve threshold, then no amount is paid.
- (4) The amounts shown reflect the aggregate grant date fair value (based on the closing price of Common Stock on the date of grant) of time-lapse RSUs, Performance Shares, or Non-threshold Performance Shares granted on February 24, 2020, to the NEOs, calculated in accordance with FASB ASC Topic 718. With respect to the Performance Shares and Non-threshold Performance Shares granted, the amount represents the grant date fair value of the target award.

- (5) The amounts shown represent the number of time-lapse RSUs that were granted in 2020 under the long-term component of our incentive compensation program. The RSUs awarded vest over three years, 40% at the end of the first year and 30% at the end of each of the second and third years, assuming the NEO continues to meet the requirements for vesting, and the initial vesting occurred in the first quarter of 2021. For further details regarding the 2020 long-term components of our incentive compensation program, see “Compensation Discussion and Analysis – Incentive Compensation – Long-Term Incentive Compensation.”
- (6) The amounts shown represent the number of Non-threshold Performance Shares that were granted in 2020 under the long-term component of Centuri’s incentive compensation program. The Non-threshold Performance Shares awarded vest at the end of the three year performance period, assuming Mr. Daily meets the requirements for vesting. Non-threshold Performance Shares are not subject to a threshold to generate an award, but they can be increased or decreased based on the percentage change of Centuri’s EV. If EV increases over the performance period, the award is increased by the percent of increase. Similarly, the Non-threshold Performance Share award is decreased by the same percent of decrease if EV decreases over the performance period. Non-threshold Performance Shares are capped at 133.1% of the target award amount (the target award is \$278,850 for 2020). True Performance Shares make up 70% of Mr. Daily’s long term equity incentive, while 30% is made up of Non-threshold Performance Shares.
- (7) The amounts reflect the estimated payments which could be made under the long-term cash component of Mr. Daily’s incentive compensation, based upon his annual salary as of December 31, 2019, as required under the Centuri Long-Term Incentive Plan for 2020. The program provides that Mr. Daily may receive a cash incentive award based on performance and profitability measures, with 70% of the award as Performance Cash and 30% of the award as Non-threshold Performance Cash. The amount of the award that will become earned and payable will be determined after completion of the three-year performance period ending December 31, 2022. The value for the Performance Cash award can range from 25% of the target value at threshold to a maximum of 200% of the target value (the target award is \$350,350 for 2020). Non-threshold Performance Cash awards are not subject to a threshold to generate an award, but they can be increased or decreased based on the percentage change of Centuri’s EV. Non-threshold Performance Cash awards are capped at 133.1% of the target award amount (the target award is \$150,150 for 2020). This program is described in further detail under “Compensation Discussion and Analysis – Incentive Compensation – Long-Term Incentive Compensation.”

EXECUTIVE COMPENSATION TABLES

Outstanding Equity Awards at Fiscal Year-End 2020

The following table sets forth information regarding unvested time-lapse RSUs, Performance Share, and Non-threshold Performance Share awards for each of the NEOs, in each case, outstanding as of December 31, 2020, and assuming target performance.

Name	Stock Awards(1)			
	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested \$(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested #(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested \$(3)
John P. Hester	15,794	959,486	42,686	2,593,181
Gregory J. Peterson	3,297	200,280	9,154	556,119
Paul M. Daily	—	—	17,331	1,052,861
Karen S. Haller	4,663	283,254	12,681	770,384
Eric DeBonis	2,699	163,949	5,727	347,927

- (1) There were no securities underlying either unexercised stock options, which were exercisable or unexercisable, or unexercised unearned options granted under any equity incentive plan at the end of fiscal 2020.
- (2) Represents time-lapse RSUs, which vest in annual installments over the course of the three years following the grant, assuming the NEO continues to meet the requirements for vesting, as reflected in the following tables. Grants in 2020 reflected below include amounts discussed in footnote (5) to the “Grants of Plan-Based Awards (2020)” table.

Outstanding time-lapse RSUs vesting over three years, 40% at the end of the first year and 30% at the end of each of the second and third years, granted in 2018, 2019 and 2020, including dividends reinvested, vest as follows:

	<u>Grant Year</u>	<u>Vests January 2021 (#)</u>	<u>Vests January 2022 (#)</u>	<u>Vests January 2023 (#)</u>
Mr. Hester	2020	3,716	2,787	2,787
	2019	2,247	2,247	—
	2018	2,012	—	—
Mr. Peterson	2020	887	665	665
	2019	464	464	—
	2018	151	—	—
Mr. Daily	2020	—	—	—
	2019	—	—	—
	2018	—	—	—
Ms. Haller	2020	1,122	842	842
	2019	699	699	—
	2018	460	—	—
Mr. DeBonis	2020	588	441	441
	2019	418	418	—
	2018	393	—	—

Vesting provisions of time-lapse RSUs following certain termination events are discussed below under “Post-Termination Benefits.”

- (3) The market value of Common Stock was \$60.75 per share, the closing price on the last trading day of 2020.
- (4) Represents Performance Shares and Non-threshold Performance Shares awarded for the performance period beginning January 1, 2019 and January 1, 2020. See footnotes (2), (3), and (6) to the “Grants of Plan-Based Awards (2020)” table and “Post-Termination Benefits” for a discussion of the vesting terms of our Performance Shares and Non-threshold Performance Shares. Assuming achievement of target performance, the number of Performance Shares and Non-threshold Performance Shares indicated (plus accumulated dividends reinvested) will vest following the three-year performance period ending December 31, 2021, and/or December 31, 2022.

Pension Benefits

We offer two defined benefit retirement plans to the Southwest Officers. They include the Retirement Plan, which is available to all employees of Southwest, and the SERP.

Benefits under the Retirement Plan are based on each Southwest Officer’s (i) years of service with Southwest, up to a maximum of 30 years, and (ii) highest average annual salary over a period of five consecutive years within the final 10 years of service, not to exceed a maximum compensation level established by the Internal Revenue Service. Vesting in the Retirement Plan occurs after five years of service with Southwest.

The SERP is designed to supplement the benefits under the Retirement Plan to a level of 50-60% of salary, as shown in the “Salary” column of the Summary Compensation Table. Salary is based on the 12-month average of the highest consecutive 36 months of salary at the time of retirement. Vesting in the SERP occurs at age 55, with 20 years of service, or at age 65 with 10 years of service with Southwest.

Upon retirement, the plans will provide a lifetime annuity to the Southwest Officers, with a 50% survivor benefit to their spouses and an option to choose a 75% survivor benefit to their spouses. No lump sum payments are permitted under the plans except when the amount is less than \$5,000.

Messrs. Hester and Peterson are vested in both plans and both would receive full benefits if they were to retire as of the date of this Proxy Statement. Ms. Haller is vested in both plans, and her benefits would be reduced by 7.75% if she retired as of the date of this Proxy Statement. Mr. DeBonis is vested only in the Retirement Plan and, if he left the Company as of the date of this Proxy Statement, his accrued benefit under the Retirement Plan would be reduced by 58.56% assuming benefits commenced at age 55. Mr. DeBonis would also receive a limited benefit under the SERP of \$12,962 annually.

Pension Benefits as of December 31, 2020

The following table sets forth the number of years of credited service and present value of accumulated benefits as of December 31, 2020, and payments received during the last fiscal year, under both the Retirement Plan and the SERP for each NEO.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Service (#)</u>	<u>Present Value of Accumulated Benefit (\$)(1)</u>	<u>Payments During Last Fiscal Year (\$)</u>
John P. Hester	Retirement Plan	30	2,558,764	—
	SERP	30	7,991,378	—
Gregory J. Peterson	Retirement Plan	25	1,786,202	—
	SERP	25	2,138,278	—
Paul M. Daily	N/A	N/A	N/A	N/A
Karen S. Haller	Retirement Plan	23	1,946,289	—
	SERP	23	2,624,800	—
Eric DeBonis	Retirement Plan	27	2,270,345	—
	SERP	27	1,380,831	—

- (1) The valuation method and all material assumptions applied in quantifying the present value of the accrued benefits are described in “Note 11—Pension and Other Postretirement Benefits” of Exhibit 13.01 to our 2020 Annual Report on Form 10-K.

Nonqualified Deferred Compensation (2020)

We maintain nonqualified deferred compensation plans under which our NEOs are permitted to defer base salary and other cash compensation. These plans are described in detail under “Compensation Discussion & Analysis—Retirement Benefits.” The following table describes the nonqualified deferred compensation activity for each of our NEOs during fiscal year 2020.

<u>Name</u>	<u>Executive Contributions in Last Fiscal Year \$(1)</u>	<u>Registrant Contributions in Last Fiscal Year \$(2)</u>	<u>Aggregate Earnings in Last Fiscal Year \$(2)</u>	<u>Aggregate Withdrawals / Distributions (\$)</u>	<u>Aggregate Balance at Last Fiscal Year-End \$(3)</u>
John P. Hester	100,000	34,125	272,660	—	5,229,762
Gregory J. Peterson	104,245	14,625	64,550	—	1,205,293
Paul M. Daily	289,191	37,584	39,878	—	2,027,128
Karen S. Haller	137,616	2,466	86,669	—	1,574,417
Eric DeBonis	92,160	12,600	66,160	—	1,187,773

- (1) Amounts shown in this column are included in the “Salary” and “Non-Equity Incentive Compensation” columns of the “Summary Compensation Table.”
- (2) Deferred compensation earnings, which were above-market, and Company contributions are also reported in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” and the “All Other Compensation” columns, respectively, of the “Summary Compensation Table.” Those amounts for the NEOs are as follows:

	Above-Market Interest	Company Contributions	Total
Mr. Hester	\$ 138,830	\$ 34,125	\$172,955
Mr. Peterson	34,626	14,625	49,251
Mr. Daily	40,471	37,584	78,055
Ms. Haller	46,788	2,466	49,254
Mr. DeBonis	36,115	12,600	48,715

- (3) The amounts reported in this column that were previously reported as compensation to the NEOs in the Summary Compensation Table for previous years are as follows:

	2018	2019	2020
Mr. Hester	\$660,064	\$756,983	\$272,955
Mr. Peterson	175,030	233,795	153,496
Mr. Daily	641,764	248,240	367,246
Ms. Haller	227,012	289,699	186,869
Mr. DeBonis	108,923	127,555	140,875

Post-Termination Benefits

Each Southwest Officer has a change in control agreement, which provides benefits upon certain termination events following a change in control. Centuri is party to an employment agreement with Mr. Daily pursuant to which he is entitled to benefits upon the occurrence of specified termination events, both following and in the absence of a change in control. Incentive programs for the NEOs also provide for vesting of awards upon the occurrence of specified termination events in the absence of a change in control. Regardless of the manner in which an NEO's employment is terminated, the officer is entitled to receive the amount of any accrued but unpaid base salary, amounts contributed (or otherwise vested) under 401(k) or nonqualified deferral plans, and amounts accrued and vested through Southwest's Retirement Plan and SERP.

Following Change in Control

The Southwest Officers' change in control agreements are triggered by certain termination events following a change in control of either the Company or Southwest, and the change in control provision of Mr. Daily's employment agreement is triggered by certain termination events following a change in control of Centuri or the Company. Covered termination events include (i) the termination of employment by the employer without cause and (ii) termination by the employee as a result of a significant reduction in duties, responsibilities or compensation or a change in location. If a termination event occurs within two years after a change in control (collectively referred to as a "Double Trigger Event"), the affected NEOs would receive the following benefits (as applicable):

- Salary for three years for our CEO, two and one-half years for all other Southwest Officers and two years for Mr. Daily;
- Annual incentive compensation for three years for our CEO, two and one-half years for all other Southwest Officers, and two years of all cash incentive compensation for Mr. Daily;
- Welfare benefits including the cost of medical, dental, disability, and life insurance coverage under the current employer plans (for three years for our CEO, two and one-half years for all other Southwest Officers and two years for Mr. Daily);
- Vesting of unvested time-lapse RSUs for the Southwest Officers and vesting of Performance Shares and Non-threshold Performance Shares for Mr. Daily;
- Additional credit that may affect eligibility, vesting and the calculation of benefits under the SERP; and
- Outplacement services of up to \$30,000.

- A change in control with respect to the Company includes: approval by the stockholders of the Company of the dissolution or liquidation of the Company; a merger or similar transaction resulting in more than a 50% change of ownership of the Company; a sale of substantially all of the Company's business and/or assets to a person or entity that is not a subsidiary of the Company; acquisition by one person or a group of persons of at least 30% of the combined voting power of the Company; and during any two year period replacement of at least 50% of the directors unless the election of each new director was approved by a vote of at least three-fourths of the directors then still in office who were directors at the beginning of such period. Any of the foregoing events with respect to Southwest constitutes a change in control of Southwest, and any of the foregoing events with respect to Centuri constitutes a change in control of Centuri.

Pursuant to their change in control agreements, Southwest Officers agreed not to publicly disparage the Company. In addition, severance payable under the agreements is subject to the Southwest Officers' execution of a release of claims against the Company, which includes a covenant prohibiting disclosure of the Company's confidential information. Mr. Daily's employment agreement contains non-compete and non-solicitation provisions, which apply during his employment and for a period of two years after his employment ends, and also contains confidentiality and non-disparagement provisions. Mr. Daily's severance payments are also subject to a release of claims against Centuri.

In addition to benefits provided under the change in control agreements, Performance Share, Non-threshold Performance Share, and time-lapse RSU awards provide for vesting of awards following a change in control (as described in footnote (1) to the following table).

Under the assumption that a Double Trigger Event occurred on December 31, 2020, based on the terms of the change in control agreements for the Southwest Officers and the Employment Agreement for Mr. Daily, it is estimated that the NEOs would have received the compensation presented in the following table.

<u>Name</u>	<u>Salary</u>	<u>Incentive Compensation</u>	<u>Welfare Benefits</u>	<u>Stock Acceleration(1)</u>	<u>Outplacement Services</u>	<u>Additional SERP Benefits(2)</u>	<u>Total</u>
John P. Hester	\$3,150,000	\$ 3,150,000	\$53,806	\$ 2,177,711	\$ 30,000	\$ 417,940	\$8,979,457
Gregory J. Peterson	1,087,500	706,875	43,638	458,809	30,000	—	2,326,822
Paul M. Daily	1,472,000	2,473,000	61,610	445,731	30,000	N/A	4,482,341
Karen S. Haller	1,190,000	892,500	54,156	657,993	30,000	1,002,004	3,826,653
Eric DeBonis	917,500	550,500	53,812	336,370	30,000	1,453,909	3,342,091

- (1) All time-lapse RSUs of the Southwest Officers would vest upon a Double Trigger Event. A pro rata portion of the target number of Performance Shares based on the number of months of service relative to the 2019-2021 and 2020-2022 three-year performance periods would vest upon a Double Trigger Event. For Mr. Daily, a pro-rata portion of the target number of 2019-2021 and 2020-2022 Performance Shares and Non-threshold Performance Shares would vest upon a Double Trigger Event. As of December 31, 2020, the pro rata amount equaled one-third of the target number for the 2020-2022 performance period and two-thirds of the target number for the 2019-2021 performance period. The value of Performance Shares, Non-threshold Performance Shares and time-lapse RSUs set forth above is based on the closing price of Common Stock on the last trading day of 2020 (\$60.75).
- (2) Additional SERP benefits are shown on a present value basis, using the valuation method and all material assumptions described in "Note 11—Pension and Other Postretirement Benefits" of Exhibit 13.01 to our 2020 Annual Report on Form 10-K.

Absent a Change in Control

Southwest Officers. Incentive programs for the Southwest Officers provide for vesting of awards upon the occurrence of specified termination events in the absence of a change in control.

- *Annual Incentive Plan.* Southwest's annual cash incentive plan states that if employment terminates as a result of death or disability, or when the officer is eligible for retirement under our Retirement Plan, the officer will receive a prorated incentive plan payout for the portion of the performance period that the officer was employed. As of December 31, 2020, Messrs. Hester and Peterson and Ms. Haller were age 55 or older and eligible for retirement, but Mr. DeBonis was not. Accordingly, if any Southwest Officer had terminated employment on December 31, 2020, as a result of death, disability or, other than in the case of Mr. DeBonis, retirement, the officer would have been entitled to receive a full incentive plan award because December 31, 2020 was the final day of the applicable performance period. The values for these payouts are set forth in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

- *RSUs.* As of December 31, 2020, each Southwest Officer held unvested time-lapse RSUs. The respective award agreements generally require the officer to be employed by us on the applicable vesting dates to receive the awarded shares, but if employment terminates earlier as a result of death or disability, or when the officer is eligible for retirement under our Retirement Plan, the officer will receive all of the unvested shares. Accordingly, if any Southwest Officer had terminated employment on December 31, 2020, as a result of death, disability or, other than in the case of Mr. DeBonis, retirement, the value of the time-lapse RSUs, based on a stock price of \$60.75 per share (the closing price of Common Stock on the last trading day of 2020), that the officer would have been entitled to is: for Mr. Hester, \$959,486; for Mr. Peterson, \$200,280; for Ms. Haller, \$283,254; and for Mr. DeBonis, \$163,949.
- *Performance Shares.* As described above under “Grants of Plan-Based Awards During 2020,” we granted Performance Share awards to the Southwest Officers in February 2020 under which shares of Common Stock (plus accumulated cash dividends) will be issued to them based on Company performance from 2020 through 2022. The award agreements generally require the officer to be employed by us on the last day of the performance period to receive an award payout, but if employment terminates earlier as a result of death, disability, or retirement after reaching age 55, the officer will be entitled to a prorated award payout. In the case of disability or death, a pro rata portion of the target number of Performance Shares would be paid promptly. Following retirement, an officer would receive a payout at the end of the applicable performance period based on the Company’s actual performance against the performance goals. If any Southwest Officer had terminated employment on December 31, 2020, as a result of death, disability or, other than in the case of Mr. DeBonis, retirement, his or her target award for the performance period from 2020 through 2022 would have been reduced to one-third of the original target award reflecting employment for one year of the three-year performance period. Additionally, the Southwest Officers were granted Performance Shares in February 2019 under which shares of Common Stock (plus accumulated cash dividends) will be issued to them based on Company performance from 2019 through 2021. Assuming termination of employment as described above, the target award for the performance period from 2019 through 2021 would have been reduced to two-thirds of the original target award reflecting employment for two years of the three-year performance period. The value of the prorated award payouts for both tranches of Performance Shares, based on a stock price of \$60.75 per share (which was the closing price of Common Stock on the last trading day of 2020), for each Southwest Officer is: for Mr. Hester, \$1,218,226; for Mr. Peterson, \$258,530; for Ms. Haller, \$374,739; and for Mr. DeBonis, \$172,420. For purposes of the retirement scenario, whereby pro rata payouts would occur based on actual performance at the end of the three-year performance period, the above amounts assume achievement of target performance and do not include any estimated amounts for accumulated dividends.

Centuri. In the event of termination of Mr. Daily’s employment by reason of retirement, death, disability, termination for cause or without good reason, or termination without cause or for good reason, he would be provided with the benefits described below.

Cash Incentive Payments Made Upon Retirement, Death or Disability. Centuri’s annual incentive and long-term incentive plans generally require the officer to be employed by Centuri on the date that the awards are paid to receive the cash awards, but if employment terminates earlier as a result of death or disability, or when the officer is retirement age, the officer may receive a prorated award at the Centuri CEO’s discretion. As of December 31, 2020, Mr. Daily was eligible for retirement under both Centuri incentive plans. If Mr. Daily had terminated employment on December 31, 2020, as a result of death, disability or retirement, he would have been eligible to receive a full annual incentive plan award because December 31, 2020, was the final day of the applicable performance period. The value for this payout is set forth in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table. If Mr. Daily had terminated employment on December 31, 2020, as a result of death, disability or retirement, his target award under Centuri’s long-term incentive plan for the performance period from 2020 through 2022 would have been reduced to one-third of the original target award reflecting employment for one year of the three-year performance period and his target award under Centuri’s long-term incentive plan for the performance period from 2019 through 2021 would have

been reduced to two-thirds of the original target award reflecting employment for two years of the three-year performance period. He would have been eligible to receive a payout at the end of the applicable performance periods based on Centuri's actual performance. Assuming achievement of target performance for the performance period from 2020 through 2022 and the performance period from 2019 through 2021, the value of the cash long-term incentive that Mr. Daily would be entitled to receive would be \$481,832. In addition, in the event of termination for disability, Mr. Daily's employment agreement provides for a severance benefit equal to one year of base salary. Under the assumption that termination occurred on December 31, 2020 due to disability, Mr. Daily would have been entitled to a benefit of \$736,000 pursuant to his employment agreement.

- *Payments Made Upon Termination for Cause or Without Good Reason.* In the event of termination for cause by Centuri or voluntary resignation by Mr. Daily without good reason, his employment agreement and incentive plans provide for no severance benefits. The employment agreement defines "good reason" as (i) any requirement that Mr. Daily relocate, (ii) material failure by the employer to comply with the compensation provisions of the employment agreement or (iii) a significant reduction in duties, responsibilities or compensation.
- *Payments Made Upon Termination Without Cause or For Good Reason.* In the event of a voluntary termination for good reason or termination by Centuri without cause, Mr. Daily's employment agreement provides for a severance benefit equal to two years of base salary, the value of any unpaid annual incentive from the year prior to the termination and two years of welfare benefits, including the cost of medical, dental and vision insurance coverage under the current Centuri plans. Under the assumption that termination occurred on December 31, 2020, Mr. Daily would have been entitled to a benefit of \$1,521,727, including \$1,472,000 in base salary and \$49,727 in welfare benefits.
- *Performance Shares and Non-Threshold Performance Shares.* In the event of Mr. Daily's death, disability, job elimination or termination following a change in control, restrictions on Performance Shares and Non-threshold Performance Shares are removed and a pro-rata portion of the unvested shares become vested. The number of shares that vest is determined by multiplying the ratio of actual months of service in the three-year performance period by the number of shares earned at target performance. The value of the shares, based on a stock price of \$60.75 per share (the closing price of Common Stock on the last trading day of 2020), that Mr. Daily would have been entitled to based on a December 31, 2020, termination date is \$445,731. In the event of Mr. Daily's retirement, the number of Performance Shares and Non-threshold Performance Shares that vest is determined by multiplying the ratio of actual months of service in the three-year performance period by the shares earned based on actual performance at the end of the performance period. Assuming Mr. Daily retired on December 31, 2020, based on a stock price of \$60.75 per share (the closing price of Common Stock on the last trading day of 2020), the value of the shares Mr. Daily would have received is \$445,731. For purposes of the retirement scenario, whereby pro rata payouts would occur based on actual performance at the end of the three-year performance period, the above amounts assume achievement of target performance and do not include any estimated amounts for accumulated dividends.

DIRECTOR COMPENSATION

2020 Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(4)	All Other Compensation (\$)(5)	Total (\$)
Robert L. Boughner	82,500	131,215	37,345	114	251,174
José A. Cárdenas	97,500	131,215	—	114	228,829
Thomas E. Chestnut(6)	41,250	131,215	68,652	53	241,170

Stephen C. Comer	98,000	131,215	46,217	114	275,546
Jane Lewis-Raymond	82,500	131,215	—	114	213,829
Anne L. Mariucci	82,500	131,215	39,186	114	253,015
Michael J. Melarkey	166,250	131,215	52,717	114	350,296
A. Randall Thoman	102,500	131,215	29,123	114	262,952
Thomas A. Thomas	82,500	131,215	29,590	114	243,419
Leslie T. Thornton	82,500	131,215	5,720	114	219,549

- (1) On February 24, 2020, each director serving at that time received 1,711 restricted stock units. The Company does not issue option awards.
- (2) The restricted stock units are valued at the closing price of Common Stock on the date of grant. The grant date fair value of the restricted stock units granted in 2020 was based on the closing price of Common Stock of \$76.68 on February 24, 2020. The amounts were determined in accordance with FASB ASC Topic 718. The assumptions used to calculate these amounts are included in “Note 9 – Share-Based Compensation” of Exhibit 13.01 to our 2020 Annual Report on Form 10-K.
- (3) Stock awards outstanding at December 31, 2020, for each of the listed directors are as follows. There are no outstanding option awards.

	Stock Awards(#)
Mr. Boughner	28,410
Mr. Cárdenas	17,704
Mr. Chestnut(6)	—
Mr. Comer	26,355
Ms. Lewis-Raymond	3,572
Ms. Mariucci	28,124
Mr. Melarkey	26,314
Mr. Thoman	24,094
Mr. Thomas	28,410
Ms. Thornton	3,572

- (4) The amounts in this column also reflect above-market interest on nonqualified deferred compensation balances for 2020.
- (5) The All Other Compensation column represents the cost of life insurance for directors (\$53 for Mr. Chestnut and \$114 for each of the other directors).
- (6) Mr. Chestnut retired from the Board of Directors on May 7, 2020.

Director Compensation Narrative

In 2020, the Compensation Committee conducted a review of the types and amounts of director compensation. The Committee decided that the current approach to director compensation, as a balance of cash and equity compensation, remains appropriate and that no change to director fees or other compensation elements would be made. The Committee uses a retainer-based model for director cash compensation (without regular individual meeting fees) and determines the value of annual equity grants for directors based on a set dollar amount.

The annual cash retainer for non-employee directors is \$82,500. Additional annual cash retainers for the Chairs of the Audit, Compensation, and Nominating and Corporate Governance Committees are \$20,000, \$15,500 and \$15,000, respectively. The additional annual cash retainer paid to our Chair of the Board is \$83,750. Individual cash meeting fees of \$1,650 are only payable when the number of meetings of the Board or a committee exceeds regularly scheduled meetings by three or more.

Cash compensation received by the non-employee directors may be deferred until retirement or termination of their status as directors pursuant to the Directors Deferral Plan. Amounts deferred bear interest at 150% of the Moody's Seasoned Corporate Bond Rate ("Bond Rate"). At retirement or termination, such deferrals will be paid out over 5, 10, 15 or 20 years, and will be credited during the applicable payment period with interest at 150% of the average of the Bond Rate on January 1 for the five years prior to retirement or termination.

A fixed dollar value (\$130,000 for 2021) will be granted annually in the form of equity compensation under the Company's Omnibus Incentive Plan during the February Board meeting. The fixed dollar value is converted into awards representing a number of shares of Common Stock based on the closing share price for the last trading session of the most recently completed fiscal year. Under this program, each member of the Board was granted the equivalent of 2,140 shares of Common Stock on February 24, 2021.

Non-employee director equity compensation vests immediately upon grant, and the directors are provided the option to defer receipt of equity compensation until they leave the Board. Deferred stock units are credited with notional dividends at the same time, in the same form, and in equivalent amounts as dividends that are payable from time to time on Common Stock. Such notional dividends are valued as of the date on which they are credited to the director and are reallocated into additional deferred stock units. When a director leaves the Board, any deferred stock units of such director will be converted into shares of Common Stock.

By Board policy, each non-employee director is required to retain at least five times the value of his or her annual cash retainer in Common Stock (or equivalents). Each non-employee director is required to fulfill this requirement within five years of being elected to the Board.

The maximum number of shares of Common Stock which may be awarded to any non-employee director during any fiscal year is 5,000 shares, which taken together with any cash fees paid by the Company to such non-employee director shall not exceed \$500,000 in total value (calculating the value of any award based on the fair market value of the shares on the grant date of such award). These limitations were approved by stockholders on May 4, 2017.

Directors are prohibited by Company policy from pledging or engaging in financial hedging of their investment risk in our shares.

Directors are entitled to participate in the same gift matching program that is available to all of our employees. Under this program, the Company matches contributions to qualified charitable organizations up to a maximum of \$2,500 in any calendar year.

Directors who are full-time employees of the Company or its subsidiaries receive no additional compensation for serving on the Board.