

AVISTA CORP  
Form 4  
September 09, 2015

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**MORRIS SCOTT L**

(Last) (First) (Middle)  
1411 E MISSION AVE  
(Street)

SPOKANE, WA 99202

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
**AVISTA CORP [AVA]**

3. Date of Earliest Transaction (Month/Day/Year)  
09/04/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
Chairman, President and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
Common Stock	09/04/2015		S		7,500	D	\$ 29.9192
Common Stock held in 401(k) Plan							165,024 <u>(1)</u>
						I	held by Trustee

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

displays a currently valid OMB control number.

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MORRIS SCOTT L 1411 E MISSION AVE SPOKANE, WA 99202			Chairman, President and CEO	

## Signatures

/s/ Scott L. Morris  
09/09/2015

\*\*Signature of Reporting Person                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Price is aggregated with a range of \$29.80 to \$30.15 per share. Avista will provide to the Commission, the issuer and any stockholder, UPON REQUEST, full information regarding the number of shares sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 0497f; padding-left:2px; padding-top:2px; padding-bottom:2px; padding-right:2px;"> (\$ million)

Summary Tier 1 Statistics:

25th Percentile  
\$20,537  
\$13,857

50th Percentile

\$21,191

\$16,175

75th Percentile

\$30,383

\$19,398

Summary Tiers 1 and 2 Statistics:

25th Percentile

\$14,488

\$11,133

50th Percentile

\$20,442

\$13,700

75th Percentile

\$23,569

\$18,369

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(1) Enterprise value is the summation of market capitalization as of September 30, 2017 plus net debt as of June 30, 2017.

(2) Market capitalization was determined as of September 30, 2017.

Pioneer	\$25,627	\$25,096
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Percentile Rank - Tier 1	67%	86%
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Percentile Rank - Tiers 1 and 2	79%	91%
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The Compensation Committee believed the Tier 1 peer group companies were most closely related to the Company in size and operations. The Tiers 1 and 2 group includes the Tier 1 peer group companies plus the next five companies closest in size and operations to the Company. Overall, the peer companies remained the same as the group used for 2017 decisions, except that Encana Corporation was added to, and Whiting Petroleum Corporation and Murphy Oil Corporation were removed from, the Tier 2 category.

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### Elements of the Company's Compensation Program

The following sections describe in greater detail each of the components of the Company's executive compensation program and how the amounts of each element were determined for 2018.

**Base Salary.** In establishing the NEOs' 2018 base salaries, which are set forth in the table below, the Compensation Committee reviewed with Meridian its base salary benchmarking data and analyzed how effectively the data matched each executive's duties and responsibilities. Recognizing the completion of Mr. Dove's first year as CEO, his base salary was increased to \$1,150,000, which approximated the median of CEO base salary among the Company's peer group. With respect to the base salaries of other NEOs, the committee referred to the median of the benchmarking data, but also took into consideration factors of internal equity and the fact that the responsibilities of the Company's NEOs were broader than those of their respective peers. For example, Mr. Dealy's responsibilities include oversight of the Company's supply chain, marketing and corporate reserves functions, and Mr. Berg's responsibilities include oversight of the Company's land, regulatory, government relations, corporate communications and vertically integrated services functions. In the case of Mr. Hall, as he was to be primarily responsible for oversight of the Company's principal operating asset following the completion of the Company's divestiture program, his base compensation was determined in part by reference to the primary operating officer of the peer group.

NEO	2017 Base Salary	2018 Base Salary	% Change
Timothy L. Dove	\$900,000	\$1,150,000	28%
Richard P. Dealy	\$582,000	\$600,000	3%
Mark S. Berg	\$460,000	\$475,000	3%
Chris J. Cheatwood	\$460,000	\$475,000	3%
J. D. Hall	\$453,600	\$580,000	28%

### Annual Cash Bonus Incentive Program

The annual cash bonus incentive award component of the Company's executive compensation program is intended to compensate the NEOs based on the achievement of annual financial, operating and strategic goals and individual performance.

**Target Bonus Amounts.** At the beginning of the year, the Compensation Committee establishes for each NEO a target bonus level as a percentage of the executive's base salary, as set forth in the table below. For Mr. Dove and the NEOs other than Mr. Hall, the levels that had been established in 2017 were determined to be near the median level of companies in the Company's peer group, and accordingly, were not increased for 2018. Mr. Hall's target bonus percentage was increased moderately to approximate the peer group for his position.

NEO	2017 Target Bonus %	2018 Target Bonus %	% Change
Timothy L. Dove	130	130	-%
Richard P. Dealy	100	100	-%
Mark S. Berg	80	80	-%
Chris J. Cheatwood	80	80	-%
J. D. Hall	80	85	6%

**Performance Score.** Shortly following the end of the year, when the Company's results are known, the committee evaluates the Company's and the NEOs' performance and determines the actual payout to each NEO based on the following formula:

$$\text{Actual payout} = \text{Base salary} \times \text{Target bonus (\%)} \times \text{Performance score (\%)} \pm \text{Individual performance adjustment (if any)}$$

To assist the Compensation Committee in its determination of the performance score, the Compensation Committee works with senior management to establish a limited number of operational, financial and strategic performance goals, each with a pre-assigned weighting, for purposes of guiding the committee's evaluation of performance. These goals were anticipated to be among the most critical business goals that management should focus its efforts on during the following year, and which also support the Company's long-term strategy. The goals also seek to provide a balanced approach, such that the goals to achieve production growth or

additions to proved reserves are complemented by goals designed to control costs and limit the Company's debt levels. 2018 Performance Goals and Results. The pre-established targets for the 2018 operational, financial and strategic goals, together with the results, are set out in the table below. The target performance metrics are intended to align with the guidance the Company provides its investors at the beginning of the year. Following the Compensation Committee's assessment of the Company's performance, the committee determined an actual payout percentage for each goal. The payout percentage for each goal can range from zero to a maximum of 250 percent, and is established by the committee using its subjective judgment as to the Company's performance in each area. The committee believes it is important to retain its ability to exercise a certain level of discretion so that the Board and management will have flexibility to plan for and react to changing industry circumstances, such as commodity prices, cost structures and acquisition and divestment opportunities, without creating conflicting incentives for management.

Performance Goal	Target Performance	Performance Result	Relative Weight	Payout (% of Weighted Target)	Payout
Permian Basin production per share growth	≥21.5%	26%	15%	135%	20%
Return on capital employed (1)	≥7%	9%	15%	120%	18%
Ratio of net debt to EBITDAX (2)	≤0.1x	0.3x	15%	100%	15%
Permian Basin base lease operating and corporate general and administrative costs/BOE	≤10.25	\$10.08	15%	110%	17%
Permian Basin proved reserves per share growth (3)	≥19%	27%	10%	115%	11%
Health, safety and environmental (4)			10%	139%	14%
Certain strategic goals (5)			20%	140%	28%
Total performance factors			100%		123%
Discretionary factor (not to exceed +/- 33%)					—
Final performance score					123%

"Return on capital employed" is net income adjusted for tax-effected interest expense, net noncash mark-to-market derivative gains and losses and other unusual items divided by the summation of average equity, adjusted for tax-effected interest expense, net noncash mark-to-market derivative gains and losses and other unusual items, plus average net debt.

The 2018 goal assumed (i) completing the sale of the Company's Eagle Ford Shale and other South Texas properties, which has not yet been completed and is still ongoing, and (ii) the repurchase of \$100 million of common stock, as initially authorized by the Board in February 2018. In December 2018, the Board canceled the previously authorized common stock repurchase program and authorized a new \$2 billion common stock repurchase program, resulting in the purchase of \$127 million of incremental shares. Had the Eagle Ford Shale sale been completed as forecasted and the incremental shares not been repurchased, the Company's ratio of net debt to EBITDAX would have been 0.1x. "EBITDAX" represents earnings before depletion, depreciation and amortization expense; impairment of oil and gas properties, impairment of inventory and other property and equipment; exploration and abandonments; accretion of discount on asset retirement obligations; interest expense; income taxes; gain or loss on the disposition of assets; noncash derivative related activity; amortization of stock-based compensation; and other noncash items.

"Permian Basin proved reserves per share growth" is the percentage increase in December 31, 2018 Permian Basin proved reserves, on a barrel of oil equivalent ("BOE") basis, divided by shares outstanding as of December 31, 2018 compared to the equivalent computation as of December 31, 2017. Permian Basin proved reserves at December 31, 2018 exclude positive price revisions of 14 million barrels of oil equivalent ("MMBOE"), resulting from increases in oil and gas prices in 2018 compared to 2017.

HSE goals generally were weighted one-half toward health and safety-related goals and one-half toward environmental-related goals, with the payout percentage being primarily based on input from the Health, Safety and Environment Committee as to its evaluation of Company performance in the areas of safety observations, safety investigations, training of personnel and environmental metrics.

(5) For 2018, the strategic goals category included executing the asset divestitures program and the resulting transition of the organization to a Company operating in a single basin; positioning the Company to continue to return capital to stockholders; continuing to increase productivity from the wells the Company drills and completes and operational efficiency while managing costs; testing the prospectivity of certain targeted new zones; completing key vertical integration initiatives; cost effectively implementing the Company's enterprise resource planning system and

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preparing for the continued sustainability of the system; and continuing to maintain the Company's culture and expand the Company's workforce diversity initiatives.

The Company delivered a strong operational performance in 2018. The following summarizes some of the notable performance highlights from the year relating to the performance goals, which led to the Compensation Committee's decisions as to the payout percentages set forth above:

Permian Basin production per share growth - well exceeded the goal; the Company delivered 2018 Permian Basin oil production of 181 MBOPD, an increase of 23% compared to 2017, and total 2018 Permian Basin production of 283 MBOEPD, an increase of 26% compared to 2017.

Return on capital employed - well exceeded the goal; the Company benefitted from its low-cost basis Permian Basin acreage, unencumbered by high-cost acquisitions, and firm transportation agreements that allowed it to move its oil and gas to price-advantaged markets.

Ratio of net debt to EBITDAX - continued to reduce the Company's cost structure by streamlining the Company's asset portfolio through the divestiture of non-core assets in South Texas, the Raton Basin in southeastern Colorado and the West Panhandle field in the Texas Panhandle and continued to maintain a strong balance sheet, with 2018 year-end cash on hand of \$1.4 billion (including liquid investments) and net debt of \$0.9 billion. The 2018 goal assumed (i) completing the sale of the Company's Eagle Ford Shale and other South Texas properties, which has not yet been completed and is still ongoing, and (ii) the repurchase of \$100 million of common stock, as initially authorized by the Board in February 2018. In December 2018, the Board canceled the previously authorized common stock repurchase program and authorized a new \$2 billion common stock repurchase program, resulting in the purchase of \$127 million of incremental shares. Had the Eagle Ford Shale sale been completed as forecasted and the incremental shares not been repurchased, the Company's ratio of net debt to EBITDAX would have been 0.1x.

Permian Basin base lease operating and corporate general and administrative costs/BOE - exceeded the goal; driven by cost reduction initiatives and growth of low-cost Permian Basin horizontal production.

Permian Basin proved reserve per share growth - well exceeded the goal; the Company added proved reserves in the Permian Basin area totaling 304 MMBOE during 2018.

Health, safety and environmental - exceeded the goals; as noted by the Health, Safety and Environment Committee, the Company implemented a number of safety initiatives, including a process to reduce workplace incidents and hazards through enhancing the quality and effectiveness of the incident management process, and continued to support innovative technology solutions to address environmental risks and improve performance, including leak detection surveys.

Strategic goals - accomplished essentially all goals; the Company completed all of its planned divestitures, other than the sale of all of its Eagle Ford assets, and in addition, completed the sale of its pressure pumping assets to a third party, which concurrently became a strategic long-term service provider of pressure pumping and related services to the Company; demonstrated a commitment to return capital to stockholders by increasing its dividend and announcing a \$2 billion stock repurchase program; continued to improve well productivity in the Permian Basin area while instituting a process to benchmark its drilling and completion performance against its peers and implement key learnings; completed the testing of horizontal wells in Spraberry intervals; completed key initiatives to secure key resources, including transitioning the majority of the Company's sand supply requirements to West Texas sand sources; completed the implementation of its enterprise resource planning system on schedule and on budget; and continued to maintain Pioneer's strong corporate culture, once again being ranked among the top ten large companies to work for in the Dallas-Fort Worth area.

Under the program, the Compensation Committee retains discretion to adjust the amount of the final payout, positively or negatively, by up to 33 percent, to recognize critical performance factors and industry conditions, for all NEOs as a group or separately for each NEO based on individual performance factors, but the total payout for any NEO may not exceed 250 percent of his or her target bonus. For 2018, the committee did not adjust the final payout level for the NEOs as a group.

Individual performance adjustments. The Compensation Committee then reviewed with Mr. Dove the individual performance of the other NEOs, taking into consideration their contributions to the achievement of the Company-wide goals, as well as their individual goals that the committee approved at the beginning of the year as part of its leadership development and succession planning functions, to make a determination as to whether any individual

NEO merited a bonus payment above or below the bonus payout level determined for

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the Company as a whole. Based on this review, the committee determined that each of the NEOs performed at a high level contributing to the Company's success, meriting a bonus payout of at least that level. In addition, the committee determined that the following NEOs merited payouts at a greater level:

Mr. Dealy was recognized for his leadership role in the Company's divestiture program as well as its firm transportation arrangements, which led to significant incremental cash flow in 2018. Mr. Dealy's bonus payout level was set at 140 percent of target.

Mr. Berg was recognized for his leadership role in negotiating the pressure pumping asset divestiture and the related strategic long-term service agreement with the purchaser, as well as the Company's West Texas sand supply arrangements, which the Company believes will significantly decrease its cost structure and improve capital efficiencies. Mr. Berg's bonus payout level was set at 150 percent of target.

Mr. Hall was recognized for his leadership role in the Company's strong operational and health, safety and environmental performance. Mr. Hall's bonus payout level was set at 140 percent of target.

The Compensation Committee makes its own assessment as to whether the CEO's individual performance merits a bonus payment above or below the bonus payout level, and reviews its recommendations with the full Board. For 2018, the committee reviewed Mr. Dove's performance and concluded that his leadership and performance merited the same payout level for the NEOs as a whole, or 123% of target.

Annual Long-Term Incentive Awards. In late 2017, the Compensation Committee began the process of determining the total target dollar amount of the 2018 annual long-term incentive awards to be granted to each NEO by meeting with Meridian to review benchmarking data related to long-term incentive awards, including median award levels at companies within the Company's peer group, in accordance with the Company's compensation philosophy. The committee also reviewed each NEO's total compensation level and each NEO's performance to determine if unique performance issues, positive or negative, existed that should affect the value of the 2018 annual long-term incentive award. Although the committee reviews the size and current value of prior long-term incentive awards, it did not consider these values in determining the 2018 long-term incentive award for the NEOs. The committee believes that prior years' awards were a component of those specific years' total compensation and were not excessive, and future awards should be competitive with an NEO's current peer group position in order to retain and motivate the NEO.

As discussed above, the total target dollar amount of Mr. Dove's long-term incentive awards for 2018 was increased from \$7,000,000 to \$7,379,000 to approximate the median of the Company's peer group, as Mr. Dove had completed his succession to the role of CEO that began in January 2017.

With respect to the other NEOs, at the Compensation Committee's regularly scheduled February 2018 meeting, the committee determined to make modest increases in the total target dollar amount of their long-term incentive awards in furtherance of the committee's desire to emphasize the alignment of management's long-term interests with those of stockholders.

The Compensation Committee next reviewed the Company's approach for delivering long-term incentives to NEOs. As a part of its review, the committee considered the balance of risk in the long-term incentive program, peer company practices, and input from senior management and Meridian. In accordance with the pay-for-performance philosophy of the Company's compensation program, the committee approved continuing the mix of long-term incentives for NEOs for 2018 at 50 percent performance units and 50 percent restricted shares. The committee believes this mix of long-term incentive awards provides an effective balance of risk, where restricted stock awards are time-based, full value awards, which avoid an "all or nothing" mentality, and performance units provide benefits based on the performance of the Company's stock price over a three-year period in relation to the Company's peer group total stockholder return.

The table below shows the approved total target dollar amount of the long-term incentive awards granted to each NEO for 2018, compared to 2017, and the allocation of the 2018 target amount between the two award types. To arrive at the resulting number of restricted shares and target performance units awarded, the target amount of the award was divided by the 30 trading day average closing price of the Company's common stock prior to February 1, 2018.

NEO	2017 Target Value	2018 Target Value	% Change	Allocation Among Awards (1)	
				Restricted Stock/RSU Awards	Performance Units
Timothy L. Dove	\$7,000,000	\$7,379,000	5%	\$3,689,500	\$3,689,500
Richard P. Dealy	\$2,550,000	\$2,626,500	3%	\$1,312,200	\$1,313,200
Mark S. Berg	\$2,050,000	\$2,110,000	3%	\$1,055,000	\$1,055,000
Chris J. Cheatwood	\$2,050,000	\$2,110,000	3%	\$1,055,000	\$1,055,000
J. D. Hall	\$2,500,000	\$2,700,000	8%	\$1,350,000	\$1,350,000

(1) These dollar amounts vary from the values disclosed in the Summary Compensation Table and the 2018 Grants of Plan-Based Awards table below because those amounts are calculated based on the grant date fair value of the awards for accounting purposes in accordance with SEC rules. See the footnotes to those tables for further information regarding the methodology for determining the values of the awards for purposes of those tables.

Restricted Stock and RSU Awards. For the 2018 restricted stock and RSU award program, the awards cliff vest three years after the date of grant, subject to the NEO remaining employed with the Company continuously through the vesting date. For tax reasons, NEOs who have attained or who will attain the stated retirement age under the awards (which is age 60 for the 2018 awards) during the vesting period of the awards are awarded RSUs instead of restricted stock. In 2018, Messrs. Dove, Berg and Cheatwood received RSUs. Additional information regarding the terms of these awards is described below under "Executive Compensation Tables-Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table."

Performance Unit Awards. For the 2018 performance unit award program, the Compensation Committee determined, as it has since it began awarding performance units in 2007, that performance should be measured objectively rather than subjectively and should be based on relative total stockholder return, or "TSR" (as defined in the award agreements), over a three-year performance period. The committee believes relative TSR is an appropriate long-term performance metric because it generally reflects all elements of a company's performance and provides the best alignment of the interests of management and the Company's stockholders. The committee does from time to time consider incorporating other performance metrics, such as return on assets or levels of income, but believes that such other metrics are subsumed by TSR, particularly on a relative basis, and could lead to unintended results caused by the cyclical nature of the oil and gas business. Therefore, the committee believes that TSR is the best metric by which to measure relative performance of the Company and management compared to the Company's peers.

The companies in the peer group used in measuring relative TSR with respect to the performance unit grants in 2018 were unchanged from 2017, being Anadarko Petroleum Corporation, Apache Corporation, Cabot Oil & Gas Corporation, Concho Resources Inc., ConocoPhillips, Continental Resources, Inc., Devon Energy Corporation, EOG Resources, Inc., Hess Corporation, Marathon Oil Corporation and Noble Energy, Inc. As depicted in the following table, the payout will range from zero percent to 250 percent of a target number of performance units awarded based on the Company's relative TSR ranking in the peer group at the end of the three-year performance period that began on January 1, 2018 and ends December 31, 2020:

TSR Rank Against Peers	Percentage of Performance Units Earned (1)
1	250%
2	200%
3	175%
4	150%
5	125%
6	110%
7	75%
8	50%
9	25%
10	0%

11	0%
12	0%

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(1) See the 2018 Grants of Plan-Based Awards table below, and the description of the performance units following that table, for additional information regarding the terms of the performance units.

The performance unit awards granted each year provide an additional balance of risk to the long-term incentive award program because a new three-year performance period starts at the beginning of each year. As depicted in the table below, with respect to the performance units granted in 2016, for the period January 1, 2016 to December 31, 2018, the Company's TSR resulted in a ranking of sixth place, providing a payout of 110 percent of target.

Ranking	Company	TSR (%)
1	Continental Resources Inc.	49
2	ConocoPhillips	34
3	Cabot Oil & Gas Corporation	33
4	EOG Resources, Inc.	29
5	Concho Resources Inc.	19
6	Pioneer	5
7	Marathon Oil Corporation	4
8	Hess Corporation	(2)
9	Anadarko Petroleum Corporation	(7)
10	Apache Corporation	(26)
11	Devon Energy Corporation	(29)
12	Noble Energy, Inc.	(31)

Accordingly, the performance shares earned by the NEOs for the 2016 to 2018 performance period were as follows:

NEO	Target Payout of Shares (#)	Payout % of Target	Actual Payout of Shares (#)
Timothy L. Dove	14,847	110%	16,332
Richard P. Dealy	10,433	110%	11,477
Mark S. Berg	8,423	110%	9,266
Chris J. Cheatwood	8,423	110%	9,266
J. D. Hall	7,357	110%	8,093

The following table shows, as of December 31, 2018, the relative TSR rankings of the Company and each of the named peer companies for the currently outstanding performance unit awards, which have periods that began January 1, 2017, or two years into the three year performance period, and January 1, 2018, or one year into the three year performance period, although the actual performance level cannot be known until the end of the applicable performance period.

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Rank	Period Beginning January 1, 2017	TSR (%)	Company	Period Beginning January 1, 2018	TSR (%)	Company
1	ConocoPhillips	41%	ConocoPhillips	27%	ConocoPhillips	27%
2	Cabot Oil & Gas Corporation	12%	Hess Corporation	17%	Hess Corporation	17%
3	EOG Resources, Inc.	3%	Anadarko Petroleum Corporation	6%	Anadarko Petroleum Corporation	6%
4	Marathon Oil Corporation	(2)%	Marathon Oil Corporation	5%	Marathon Oil Corporation	5%
5	Hess Corporation	(4)%	EOG Resources, Inc.	(2)%	EOG Resources, Inc.	(2)%
6	Concho Resources Inc.	(8)%	Continental Resources, Inc.	(3)%	Continental Resources, Inc.	(3)%
7	Continental Resources, Inc.	(11)%	Pioneer	(8)%	Pioneer	(8)%
8	Anadarko Petroleum Corporation	(20)%	Cabot Oil & Gas Corporation	(12)%	Cabot Oil & Gas Corporation	(12)%
9	Pioneer	(20)%	Concho Resources Inc.	(12)%	Concho Resources Inc.	(12)%
10	Noble Energy, Inc.	(37)%	Noble Energy, Inc.	(13)%	Noble Energy, Inc.	(13)%
11	Devon Energy Corporation	(38)%	Apache Corporation	(19)%	Apache Corporation	(19)%
12	Apache Corporation	(45)%	Devon Energy Corporation	(28)%	Devon Energy Corporation	(28)%

To demonstrate the pay-for-performance nature of the performance unit program, the following table shows the resulting realized values of the performance unit program for performance unit awards granted to the individuals serving as CEO since the program began in 2007:

Performance Period	Min Payout of Shares (#)	Target Payout of Shares (#)	Max Payout of Shares (#)	Actual Earned Date	TSR Rank	Payout % of Target	Actual Payout of Shares (#)
Awards to Mr. Sheffield:							
1/1/2007-12/31/2009	0	34,998	87,495	12/31/2009	7	75	26,249
1/1/2008-12/31/2010	0	38,478	96,195	12/31/2010	2	200	76,956
1/1/2009-12/31/2011	0	60,459	151,148	12/31/2011	1	250	151,148
1/1/2010-12/31/2012	0	28,222	70,555	12/31/2012	1	250	70,555
1/1/2011-12/31/2013	0	16,065	40,163	12/31/2013	1	250	40,163
1/1/2012-12/31/2014	0	17,553	43,883	12/31/2014	2	200	35,106
1/1/2013-12/31/2015	0	30,540	76,350	12/31/2015	4	150	45,810
1/1/2014-12/31/2016	0	23,273	58,183	12/31/2016	3	175	40,728
Awards to Mr. Dove:							
1/1/2015-12/31/2017	0	11,530	28,825	12/31/2017	4	150	17,295
1/1/2016-12/31/2018	0	14,847	37,118	12/31/2018	6	110	16,332
1/1/2017-12/31/2019	0	19,110	47,775	12/31/2019	Not yet determined		
1/1/2018-12/31/2020	0	20,683	51,708	12/31/2020	Not yet determined		

In administering the annual long-term incentive award program, awards are currently made to NEOs under the following guidelines:

• All long-term incentive awards are approved during the regularly scheduled first quarter Compensation Committee meeting.

• The Company does not time the release of material non-public information to affect the value of the executive equity compensation awards.

• All annual awards cliff vest after three years, subject generally to the continued employment of the executive officer.

**Total Direct Compensation**

In determining the extent to which the Company's executive compensation program meets the Compensation Committee's compensation philosophy and objectives, the committee reviews the competitiveness of total compensation (the aggregate of base salary, annual cash bonus incentive payment and the grant value of long-term incentive plan awards), in addition to each of the individual compensation components.

**Explanation of Responses:**



## Other Compensation

**Overview.** The Compensation Committee believes that providing some perquisites, as well as health, welfare and retirement benefits, as components of total compensation is important in attracting and retaining qualified personnel; however, because the Company has chosen to emphasize variable, performance-based pay, the Company takes a conservative approach to these fixed benefits. The Company's perquisite, retirement and other benefit programs are established based upon an assessment of competitive market factors and a determination of what is needed to attract, retain and motivate high caliber executives.

**Limited Perquisites.** The perquisites provided to the NEOs are the payment of the costs of financial counseling services, annual medical physical exams and personal use of the Company's cell phones and computers. The Company also pays for the costs for the NEOs' spouses to participate in certain business dinners or events, which the Company expects to be minimal.

Each year, the Company purchases a certain number of hours of flight time through a fractional aircraft ownership arrangement. These hours are made available for business use to the executive officers and other employees of the Company. The Company's policy is to not permit employees, including executive officers, to use these hours for personal use. The Company expects there will be occasions when a personal guest (including a family member such as a spouse) will accompany an employee on a business-related flight. In such instances, the Company will follow the Internal Revenue Service rules and, where required, impute income to the employee based on the Standard Industry Fare Level rates provided by the Internal Revenue Service.

**Health and Welfare Benefits.** The Company's NEOs participate in the Company's health and welfare benefit plans, including medical, dental, disability and life insurance arrangements, on the same basis as the Company's other employees.

**Retirement Plans.** All eligible employees of the Company, including the NEOs, may participate in the Company's 401(k) Plan. The Company contributes two dollars for every one dollar of base compensation (up to five percent of base compensation and subject to the Internal Revenue Service imposed maximum contribution limits) contributed by the participant. The participant's contributions are fully vested at all times, and the Company's matching contributions vest over the first four years of service, after which time the matching contributions vest immediately. Participants may make additional pre-tax and after-tax contributions to the plan. All contributions are subject to plan and Internal Revenue Service limits.

The Company provides a non-qualified deferred compensation plan with a fixed Company matching contribution rate to certain of its more highly compensated employees, which includes the NEOs. The plan allows each participant to contribute up to 25 percent of base salary and 100 percent of the participant's annual cash bonus. Each year, the Company provides a matching contribution equal to the NEO's contribution, but limited to a maximum of ten percent of annual base salary. The Company's matching contribution vests immediately. The non-qualified deferred compensation plan permits each participant to make investment allocation choices for both their contribution and the Company match to designated mutual funds offered as investment options under the non-qualified deferred compensation plan. The Company retains the right to maintain these investment choices as hypothetical investments or to actually invest in the participant's investment choices. To date, the Company has chosen to actually invest the funds in the investment options selected so that the investment returns are funded and do not create unfunded liabilities to the Company. The Company believes the plan is administered in operational compliance with all applicable rules and law. For more information on the non-qualified deferred compensation plan provisions, see "Executive Compensation Tables - 2018 Non-Qualified Deferred Compensation."

Severance and Change in Control Arrangements. The Compensation Committee believes compensation issues related to severance and change in control events for the NEOs should be addressed through contractual arrangements. As a result, while the Company has not entered into employment agreements with its executive officers, the Company enters into severance and change in control agreements with each of its executive officers, including each NEO, to recruit and retain executives, provide continuity of management in the event of an actual or threatened change in control and provide the executive with the security to make decisions that are in the best long-term interest of the stockholders. The change in control agreements do not provide a "gross-up" payment for excise taxes that might be imposed on payments under the change in control agreements by Section 4999 of the Internal Revenue Code (the "Code"), and it is the Company's policy that it will not provide such gross up benefits in future change in control or severance agreements. The terms of these agreements are described later in "Executive Compensation Tables - Potential Payments upon Termination or Change in Control."

#### CEO Succession Process and 2019 Compensation Actions

As discussed above in "Corporate Governance - Board Leadership Structure," in February 2019, Mr. Dove retired as President and CEO and the Board appointed Mr. Sheffield to serve as the Company's President and CEO to succeed him. At the same time, the Board appointed Mr. Thompson, an independent member of the Board, to serve as Chairman of the Board in place of Mr. Sheffield.

In connection with this transition, the Compensation Committee conferred with Meridian as to the appropriate compensation structure for Mr. Sheffield, and after reviewing its recommendations with the full Board, the committee approved the following with respect to Mr. Sheffield's compensation for 2019:

- a base salary of \$1,250,000 per year;
- a 2019 bonus target of 130% of base salary; and
- long-term incentive awards having a target dollar value of \$8.4 million.

In connection with Mr. Dove's retirement, in recognition of his long service to the Company, the Board determined that his right to receive benefits under his Severance Agreement would be determined as if he had been terminated by the Company without cause. Those benefits are described more fully with the table for Mr. Dove in "Potential Payments upon Termination or Change in Control" below.

### Stock Ownership Guidelines

To support the commitment to significant stock ownership by NEOs, the Company's common stock ownership guidelines are as follows:

Officer	Required Stock Ownership - Multiple of Annual Base Salary
CEO	6x
Executive Vice Presidents	3x

An NEO generally has three years after becoming an executive officer to meet the applicable stock ownership guideline. In evaluating compliance by executive officers and directors with the stock ownership guidelines, the Compensation Committee has established procedures to minimize the effect of stock price fluctuations on the deemed value of the individual's holdings. The NEOs are required to retain all shares of common stock acquired in connection with the exercise of stock options or the vesting of other stock awards, other than sales to satisfy the exercise price of a stock option or tax obligations, until the applicable ownership guideline is reached. All NEOs have exceeded their minimum ownership guidelines. Given these robust requirements for stock ownership and the executives' historical levels of actual stock ownership, the committee does not believe that it is necessary to adopt a separate policy requiring executives to retain stock following the vesting or exercise of their long-term incentive plan awards.

### Prohibited Equity Transactions

The Company has a policy that prohibits directors, officers or employees from engaging in short sales or in transactions involving derivatives based on the Company's common stock, such as option contracts, straddles, collars, hedges and writing puts or calls. In addition, the Company has a policy that prohibits directors and executive officers from pledging Company securities as collateral for a loan or holding Company securities in a margin account without advance approval from the Board. In addition, the Company's policy requires that directors and executive officers must obtain authorization from the Board before entering into a trading plan that, under the SEC's Rule 10b5-1, would permit the sale of the Company's stock including at times when the director or executive officer is in the possession of material nonpublic information.

### Policy on Recovery of Compensation and Clawbacks

The Board has adopted a clawback policy under which the Board, or a committee of the Board, has the right to cause the reimbursement by an executive officer of the Company of certain incentive compensation if the compensation was predicated upon the achievement of certain financial results that were subsequently the subject of a required restatement of the Company's financial statements and the executive officer engaged in fraudulent or intentional illegal conduct that caused the need for the restatement.

### Indemnification Agreements

The Company has entered into indemnification agreements with each of its directors and executive officers. Each agreement requires the Company to indemnify the director or executive officer to the fullest extent permitted by the Delaware General Corporation Law. This means, among other things, that the Company must indemnify the indemnitee against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement that are incurred in a legal proceeding by reason of the fact that the person is or was a director, officer, employee or agent of the Company if the indemnitee meets the standard of conduct provided under Delaware law. Also as permitted under Delaware law, the indemnification agreements require the Company to advance expenses in defending such an action provided that the director or executive officer undertakes to repay the amounts if the person ultimately is determined not to be entitled to indemnification from the Company.

### Deductibility of Executive Compensation

Section 162(m) of the Code places restrictions on the deductibility of executive compensation paid by public companies. Prior to 2018, the Company could not deduct compensation paid to certain NEOs in excess of \$1,000,000 unless the compensation met the definition of "performance-based compensation" pursuant to Section 162(m) of the Code. In prior years, the Company undertook to qualify certain components of its incentive compensation program as "performance-based compensation," which was excepted from the deduction limitations of Section 162(m) of the Code as it existed prior to and during 2017, and which will still be applicable for compensation arrangements that will be deemed "grandfathered" under Section 162(m) of the Code pursuant to the Tax Cuts and Jobs Act. Specifically, the Company's performance unit awards have been intended to qualify for deductibility under Section 162(m) of the Code in previous years. In December 2017,



Section 162(m) of the Code was modified by the Tax Cuts and Jobs Act to delete the exception for performance-based compensation over the \$1,000,000 limit. Thus, decisions relating to the 2018 year were not impacted by deduction considerations under Section 162(m) of the Code. Nevertheless, the Compensation Committee will continue to consider the pay-for-performance alignment of the Company's executive compensation program in making its determinations.

#### EXECUTIVE COMPENSATION TABLES

##### Summary Compensation Table

For 2018, the compensation paid to the Company's NEOs consisted of a base salary, annual cash bonus incentive award payments, awards of restricted stock or RSUs (as applicable) and performance units, employer contributions to the Company's 401(k) and non-qualified deferred compensation plans, and certain perquisites, which elements of compensation are described in greater detail above in the "Compensation Discussion and Analysis" and in the tables that follow.

The following table summarizes the total compensation earned by or paid to the NEOs for 2018, 2017 and 2016.

Name and Principal Position	Year Salary (1)		Bonus	Stock Awards (2)	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)(4)	All Other Compensation (3)(4)	Total
	(b)	(c)						
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)
Timothy L. Dove	2018	\$1,111,550	\$—	\$8,808,345	\$—	\$1,838,850	\$178,046	\$11,936,791
Former President and Chief Executive Officer	2017	\$865,398	\$—	\$8,478,035	\$—	\$1,462,500	\$128,311	\$10,934,244
Richard P. Dealy	2016	\$672,808	\$—	\$4,813,872	\$—	\$1,350,000	\$108,890	\$6,945,570
Executive Vice President and Chief Financial Officer	2018	\$597,246	\$—	\$3,135,398	\$—	\$840,000	\$92,394	\$4,665,038
	2017	\$579,390	\$—	\$3,088,581	\$—	\$727,500	\$96,538	\$4,492,009
	2016	\$555,131	\$—	\$3,382,748	\$—	\$1,130,000	\$89,312	\$5,157,191
Mark S. Berg	2018	\$472,702	\$—	\$2,518,745	\$—	\$570,000	\$88,672	\$3,650,119
Executive Vice President, Corporate/Vertically Integrated Operations	2017	\$456,934	\$—	\$2,483,021	\$—	\$460,000	\$95,175	\$3,495,130
	2016	\$437,846	\$—	\$2,730,938	\$—	\$704,000	\$76,723	\$3,949,507
Chris J. Cheatwood	2018	\$472,702	\$—	\$2,518,745	\$—	\$467,400	\$94,292	\$3,553,139
Executive Vice President and Chief Technology Officer	2017	\$456,934	\$—	\$2,483,021	\$—	\$460,000	\$89,666	\$3,489,621
	2016	\$440,615	\$—	\$2,730,938	\$—	\$633,600	\$87,564	\$3,892,717
J.D. Hall	2018	\$560,562	\$—	\$3,223,126	\$—	\$690,200	\$99,952	\$4,573,840
Executive Vice President, Permian Operations	2017	\$448,438	\$—	\$3,027,988	\$—	\$453,600	\$87,266	\$4,017,292
	2016	\$419,538	\$—	\$2,385,436	\$—	\$672,000	\$84,792	\$3,561,766

(1) In 2018, the adjusted base salaries, as disclosed above in the section entitled "Compensation Discussion and Analysis," did not take effect until February 18, 2018.

(2) Amounts reported for Stock Awards in column (e) represent the grant date fair value of restricted stock, RSUs and performance unit awards, computed in accordance with FASB ASC Topic 718. Pursuant to SEC rules, all amounts shown in this column exclude the effect of estimated forfeitures related to service-based vesting conditions. The grant date fair values attributable to restricted stock and RSU awards are based on the market-quoted closing price of the Company's common stock on the last trading day prior to the grant date of the awards. The Company's performance units are valued for these purposes using the Monte Carlo simulation method assuming a target number of shares would be payable because this is deemed to be the "probable" payout percentage at the time of

grant consistent with the estimate of aggregate compensation cost to be recognized over the service period. Actual payouts with respect to performance units can range from zero percent to 250 percent of a target number of performance units awarded based on the relative ranking of the Company's TSR in comparison to the peer group over the applicable three-year performance period. If the Company's relative TSR performance is below the threshold performance, no shares will be paid. If the Company's performance places it first among its peers, a maximum of 250 percent of the target number of shares will be paid. In that instance, the grant date fair value of the maximum number of shares for each of the NEOs pursuant to performance units granted in 2018 would be as follows: Mr. Dove, \$12,729,217; Mr. Dealy, \$4,530,851; Mr. Berg, \$3,639,697; Mr. Cheatwood, \$3,639,697; and Mr. Hall, \$4,657,631. Additional detail regarding the Company's share-based awards is included in Note 8 of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year

ended December 31, 2018 and under the 2018 Grants of Plan-Based Awards table below. The Company has not granted stock options since 2012. For additional information regarding restricted stock, RSU and performance unit awards, as applicable, owned by the NEOs as of December 31, 2018, see the "2018 Outstanding Equity Awards at Fiscal Year End" table below.

Amounts in column (g) represent the actual payouts of annual cash bonus incentive awards related to performance (3) in respect of such years, which were paid in March of the following year. See "Compensation Discussion and Analysis - Elements of the Company's Compensation Program - Annual Cash Bonus Incentive Program" above.

Amounts reported as All Other Compensation in column (i) include the Company contributions to the NEOs' (4) 401(k) Plan and non-qualified deferred compensation plan accounts, life insurance premiums and other perquisites, as shown in the following table:

	Year ended December 31, 2018				
	Timothy L. Dove	Richard P. Dealy	Mark S. Berg	Chris J. Cheatwood	J.D. Hall
401(k) contributions	\$27,500	\$27,416	\$27,500	\$27,500	\$27,056
Non-qualified deferred compensation plan contributions	111,155	59,725	44,000	47,270	56,056
Life insurance premiums	8,799	2,622	8,297	5,826	3,840
Financial counseling	9,010	2,575	8,378	11,497	11,505
Spousal travel (a)	21,582	56	497	2,199	1,495
Totals	\$178,046	\$92,394	\$88,672	\$94,292	\$99,952

(a) Spousal travel & entertainment costs are included to the extent of the incremental costs incurred by the Company for travel and entertainment of spouses when accompanying the NEOs on Company-related business trips.

2018 Grants of Plan-Based Awards

The following table sets forth, for each NEO, information about grants of plan-based awards during 2018.

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares or Units (3)	Grant Date Fair Value of Stock and Option Awards (4)(5)
		Threshold	Target	Maximum	Threshold	Target	Maximum	of Stock or Units	(\$)
(a)	(b)	(\$)(c)	(\$)(d)	(\$)(e)	(#)(f)	(#)(g)	(#)(h)	(#)(i)	(\$)(l)
Timothy L. Dove	02/27/2018	\$—	\$1,495,000	\$3,737,500					
	02/27/2018				5,171	20,683	51,708		\$5,091,638
	02/27/2018							20,684	\$3,716,708
Richard P. Dealy	02/27/2018	\$—	\$600,000	\$1,500,000					
	02/27/2018				1,841	7,362	18,405		\$1,812,340
	02/27/2018							7,363	\$1,323,057
Mark S. Berg	02/27/2018	\$—	\$380,000	\$950,000					

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	02/27/2018			1,4795,914	14,785		\$1,455,879
	02/27/2018					5,915	\$1,062,866
	02/27/2018	\$—	\$380,000	\$950,000			
Chris J. Cheatwood	02/27/2018			1,4795,914	14,785		\$1,455,879
	02/27/2018					5,915	\$1,062,866
	02/27/2018	\$—	\$493,000	\$1,232,500			
J.D. Hall	02/27/2018			1,8927,568	18,920		\$1,863,052
	02/27/2018					7,569	\$1,360,074

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The amounts in columns (c), (d) and (e) represent the threshold, target and maximum payment levels with respect (1) to the Company's 2018 annual cash bonus incentive program under the Company's Long Term Incentive Plan, as discussed above in the section entitled "Compensation Discussion and Analysis" and below under "Narrative

Disclosure for the 2018 Grants of Plan-Based Awards Table." The amounts shown in the "Target" column reflect a payout of 100 percent of the target bonus, and the amounts shown in the "Maximum" column reflect the highest possible payout of 250 percent of target bonus. Actual bonus payouts under this program for 2018, which were paid in March 2019, are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

The amounts in columns (f), (g) and (h) represent the number of shares deliverable upon threshold, target and maximum performance with respect to the grants of performance units in 2018 under the Long Term Incentive Plan. The number of shares shown in the "Threshold" column reflects the lowest possible payout (other than zero), (2) representing 25 percent of the target number of performance units granted. If performance is below the threshold, no shares are issued. The number of shares shown in the "Target" column reflects a payout of 100 percent of the target number of performance units granted. The number of shares shown in the "Maximum" column reflects the highest possible payout of 250 percent of the target number of performance units granted.

The amounts reported are the number of restricted shares of the Company's common stock or RSUs granted to each (3) NEO in 2018 under the Long Term Incentive Plan in connection with the annual grant of awards as described above.

(4) The Company did not grant any stock options in 2018.

Amounts for restricted stock, RSU and performance unit awards represent each award's grant date fair value computed in accordance with FASB ASC Topic 718. The value of performance units was determined on the grant date using the Monte Carlo simulation method assuming a target number of shares would be issued at settlement, (5) as that is the "probable" outcome as of the grant date, and is consistent with the estimate of aggregate compensation costs that the Company would expense in its financial statements over the awards' three-year performance period, in accordance with FASB ASC Topic 718. See footnote 2 to the Summary Compensation Table for additional information about the assumptions used in calculating these amounts.

Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table

The 2018 annual cash bonus incentive program awards and the 2018 awards of performance units, restricted stock and RSUs were granted to the NEOs under the Long Term Incentive Plan. The material terms of these awards are described below. Defined terms impacting the accelerated settlement or vesting of awards can be found below in "Potential Payments upon Termination or Change in Control."

2018 Annual Cash Bonus Incentive Program Awards. The terms of the Company's annual cash bonus incentive program are described in "Compensation Discussion and Analysis — Elements of the Company's Compensation Program — Annual Cash Bonus Incentive Program" above. As described in that section and in "Compensation Discussion and Analysis - Elements of the Company's Compensation Program - Deductibility of Executive Compensation" above, at the beginning of 2018, the Compensation Committee established for each NEO a target bonus level expressed as a percent of the executive's base salary, with the opportunity to receive a maximum bonus level of 250 percent of target after assessing the Company's performance. The dollar values of the target and maximum bonus award opportunities for each NEO are reported in the "2018 Grants of Plan-Based Awards Table" above. In determining the actual amounts paid to the NEOs for 2018, the committee evaluated the Company's and the NEOs' performance for 2018 and determined the actual payout to each NEO in relation to the Company's goals. The amounts actually paid to each NEO with respect to the 2018 annual cash bonus incentive program are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Performance Unit Awards. The performance unit awards represent the right to receive between zero percent and 250 percent of the target number of performance units granted, contingent on the continued employment of the NEO and the Company's achievement of the specified performance objective at the end of the performance period. The 2018 awards have a three-year performance period (January 2018 to December 2020), and the number of performance units earned will be based on the Company's TSR ranking for this three-year period compared to the TSR of the following peer companies: Anadarko Petroleum Corporation, Apache Corporation, Cabot Oil & Gas Corporation, Concho Resources Inc., ConocoPhillips, Continental Resources, Inc., Devon Energy Corporation, EOG Resources, Inc., Hess Corporation, Marathon Oil Corporation and Noble Energy, Inc., in accordance with the following table:



TSR Rank Against Peers	Percentage of Performance Units Earned
1	250%
2	200%
3	175%
4	150%
5	125%
6	110%
7	75%
8	50%
9	25%
10	0%
11	0%
12	0%

TSR means the annualized rate of return stockholders receive through stock price changes and the assumed reinvestment of dividends paid over the performance period. For purposes of determining the TSR for the Company and each of the peer companies, the change in the price of the Company's common stock and of the common stock of each peer company is based upon the average of the closing stock prices over the 60-day periods preceding the start and the end of the performance period.

Performance units earned will generally be paid in shares of the Company's common stock (unless the Compensation Committee determines to pay in cash) no later than March 15 of the year following the year in which the performance period ends. The NEOs will also earn dividend equivalents on the performance units actually earned up to a maximum of the target number of performance units awarded, which will be paid at the time the performance units are settled.

If an NEO's employment with the Company is terminated during the performance period, the following rules will determine the number of performance units, if any, the NEO will earn: (1) if an NEO is terminated by the Company for cause or by the NEO without good reason, all of the performance units subject to the award will be forfeited to the Company; (2) if the NEO's employment is terminated due to death or disability, the NEO will generally receive settlement of a number of performance units equal to the target number of performance units awarded multiplied by a fraction, the numerator of which is the number of months during the performance period that the NEO was employed and the denominator of which is 36 (the "pro ration fraction"), except that, in the case of disability for the 2018 awards, if an NEO would reach normal retirement age (on or after the attainment of age 60) during the performance period, he would receive the actual number of performance units earned during the performance period multiplied by the pro ration fraction; (3) if the NEO's employment is terminated due to the NEO's normal retirement, the NEO will receive settlement of a number of performance units equal to the number of performance units that would have been earned if the NEO had continued employment through the end of the performance period; and (4) if the NEO's employment is terminated by the Company without cause or by the NEO for good reason, then (A) Mr. Dove will receive a number of performance units equal to the number of performance units that would have been earned if he had continued employment through the end of the performance period, and (B) the other NEOs will receive settlement of a number of performance units equal to the number of performance units that would have been earned if the NEOs had continued employment through the end of the performance period multiplied by the pro ration fraction.

In the event of a change in control, for awards granted to the NEOs in 2018, performance units will not automatically accelerate, but will generally only vest prior to the scheduled vesting date if a qualifying termination event occurs, with the payout being determined as of the date of the change in control.

Additional information regarding the performance unit awards can be found above under "Compensation Discussion and Analysis — Elements of the Company's Compensation Program — Annual Long-Term Incentive Awards."

Restricted Stock and RSU Awards. In general, the restricted stock awards cliff vest three years after the date of grant, subject to the NEO remaining employed with the Company continuously through the vesting date. While an NEO holds restricted shares, he is entitled to vote with holders of the Company's common stock and receive dividends on the shares at the same rate and time as other stockholders. RSU awards are similar to restricted stock awards in that they cliff vest three years after the date of grant and are settled in common stock of the Company, subject to the NEO remaining employed with the Company continuously through the vesting date, and the NEO has the right to receive payments equivalent to the dividends paid on the common stock at the same rate and time as other stockholders; however, the NEO has no voting rights in respect of RSUs.

If an NEO's employment with the Company is terminated prior to the vesting date, the following rules will apply: (1) if an NEO is terminated by the Company for cause or by the NEO without good reason, all of the restricted shares or RSUs subject to the award will be forfeited to the Company, (2) if an NEO is terminated due to death, disability, normal retirement (on or after attainment of age 60), by the Company without cause or by the NEO for good reason, a number of restricted shares or RSUs will vest equal to the total number of shares subject to the award multiplied by the pro ration fraction (unless, in the case of retirement, the NEO had attained the age of 60 with at least five years of service, in which case there would be no pro ration), and (3) notwithstanding clause (2) of this paragraph, if Mr. Dove is terminated by the Company without cause or he terminates his employment for good reason, all of the restricted shares or RSUs subject to his awards will vest in full. In the event of a change in control, for the awards granted to the NEOs in 2018, the vesting of the restricted shares and RSUs will not automatically accelerate, but will generally only vest prior to the scheduled vesting date if a qualifying termination event occurs.

Additional information regarding the restricted stock and RSU awards can be found above in "Compensation Discussion and Analysis - Elements of the Company's Compensation Program - Annual Long-Term Incentive Awards."

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2018 Outstanding Equity Awards at Fiscal Year End

The following table sets forth, for each NEO, information regarding stock options, restricted stock, RSUs and performance units that were held as of December 31, 2018, including awards that were granted prior to 2018:

Name	Option Awards				Stock Awards		Equity Incentive Plan	Equity Incentive Plan
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (1)	Market Value of Shares or Units of Stock that have not Vested (1)	Awards: Number of Shares, Units or Rights that have not Vested (1)	Awards: Market or Payout Value of Shares, Units or Rights That have not Vested (1)
(a)	(#) (b)	(#) (c)	(\$) (e)	(f)	(#) (g)	(\$) (h)	(#) (i)	(\$) (j)
Timothy L. Dove	15,558	(2)—	\$98.69	02/15/2021	14,848	(4)\$1,952,809	9,555	(7)\$1,256,674
	16,470	(3)—	\$113.76	02/22/2022	19,111	(5)\$2,513,479	22,752	(8)\$2,992,343
Richard P. Dealy	12,078	(3)—	\$113.76	02/22/2022	10,434	(4)\$1,372,280	3,481	(7)\$457,821
					6,962	(5)\$915,642	8,099	(8)\$1,065,180
					7,363	(6)\$968,382		
Mark S. Berg	5,607	(2)—	\$98.69	02/15/2021	8,423	(4)\$1,107,793	2,799	(7)\$368,124
	6,863	(3)—	\$113.76	02/22/2022	5,597	(5)\$736,117	6,506	(8)\$855,669
					5,915	(6)\$777,941		
Chris J. Cheatwood	6,728	(2)—	\$98.69	02/15/2021	8,423	(4)\$1,107,793	2,799	(7)\$368,124
	8,235	(3)—	\$113.76	02/22/2022	5,597	(5)\$736,117	6,506	(8)\$855,669
					5,915	(6)\$777,941		
J.D. Hall	—	—	\$0.00		7,358	(4)\$967,724	3,413	(7)\$448,878
					6,826	(5)\$897,756	8,325	(8)\$1,094,904
					7,569	(6)\$995,475		
					1,411	(9)\$185,575		

Amounts in column (g) represent shares of the Company's common stock underlying restricted stock or RSUs that, in each case, are unvested as of December 31, 2018, and amounts in column (i) represent performance units that will vest, if at all, in amounts that depend on the relative performance of the Company's common stock over a three-year performance period, all as described below. Dollar amounts in columns (h) and (j) are based on the (1) closing price of \$131.52 of the Company's common stock on December 31, 2018. In addition to the vesting schedules described below, the termination of the NEO's employment or the occurrence of a change in control prior to the vesting date will affect the vesting of the award, all as described above in the section entitled "Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table" or the section below entitled "Potential Payments upon Termination or Change in Control."

(2) This award of stock options vested in full on February 15, 2014, which was the third anniversary of the grant date.

Explanation of Responses:

- (3) This award of stock options vested in full on February 22, 2015, which was the third anniversary of the grant date.
- (4) This award of restricted stock, or RSUs in the case of Messrs. Berg and Dove, vested in full on February 15, 2019, in the third year following the grant date, but was outstanding on December 31, 2018.
- (5) This award of restricted stock, or RSUs in the case of Messrs. Berg and Dove, vests in full on February 27, 2020, in the third year following the grant date.
- (6) This award of restricted stock, or RSUs in the case of Messrs. Berg, Cheatwood and Dove, vests in full on February 27, 2021, in the third year following the grant date.  
This award of performance units was made in 2017 and has a three-year performance period (January 2017 to December 2019). In accordance with the rules of the SEC, which require disclosure of awards at the level immediately above actual levels achieved at the end of the prior fiscal year, the number of shares reported represents the number of performance units that would vest on December 31, 2019 if the Company's relative TSR resulted in a ranking of eighth out of the twelve peer companies, which would be 50 percent of the "Target" number of performance units awarded, in accordance with the table in the section above entitled "Narrative Disclosure for the
- (7)

2018 Grants of Plan-Based Awards Table." As of December 31, 2018, the Company's relative TSR for this performance period would have resulted in a ranking of ninth place, or a payout of 25 percent of the target.

This award of performance units was made in 2018 and has a three-year performance period (January 2018 to December 2020). The conditions for vesting of this award are described above in "Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table." In accordance with the rules of the SEC, which require disclosure of awards at the level immediately above actual levels achieved at the end of the prior fiscal year, the number of shares reported represents the number of performance units that would vest on December 31, 2020 if the

(8) Company's relative TSR resulted in a ranking of sixth out of the twelve peer companies, which would be 110 percent of the "Target" number of performance units awarded, in accordance with the table in the section above entitled "Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table." As of December 31, 2018, the Company's relative TSR for this performance period would have resulted in a ranking of seventh place, or a payout of 75 percent of target.

These shares represent the final one-third installment of a special retention award of restricted stock granted on (9) February 18, 2014, which vested in equal one-third installments on the third, fourth and fifth anniversaries of the date of grant. Accordingly, these shares vested on February 18, 2019, but were outstanding on December 31, 2018.

2018 Option Exercises and Stock Vested  
The following table sets forth, for each NEO, information about exercises of stock options, the lapse of restrictions on stock awards and the vesting of performance units during 2018:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (1)	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$)
(a)	(b)	(c)	(d)	(e)
Timothy L. Dove	—	\$—	11,531 (2)	\$2,070,852 (2)
Richard P. Dealy	—	\$—	16,332 (3)	\$2,147,985 (3)
Mark S. Berg	—	\$—	7,846 (2)	\$1,409,063 (2)
Chris J. Cheatwood	—	\$—	11,477 (3)	\$1,509,455 (3)
J.D. Hall	—	\$—	5,435 (2)	\$976,072 (2)
			9,266 (3)	\$1,218,664 (3)
			5,983 (2)	\$1,058,324 (2)
			9,266 (3)	\$1,218,664 (3)
			2,935 (2)	\$527,097 (2)
			8,093 (3)	\$1,064,391 (3)
			1,411 (4)	\$252,273 (4)

(1) None of the NEOs exercised stock options during 2018.

The value realized with respect to vesting of restricted stock is based on the closing price per share of \$179.59 of (2) the Company's common stock on February 15, 2018, the closing price of the Company's common stock on the date of vesting of the awards.

(3) These shares vested as of December 31, 2018, in respect of the performance unit awards granted in 2016, with the number of shares of common stock earned with respect to such awards determined on the basis of the Company's achievement of performance objectives for the performance period beginning January 1, 2016 and ending on December 31, 2018. For this performance period, the Company's TSR resulted in a ranking of seventh place, providing a payout of 110 percent of the "Target" number of performance units awarded, in accordance with the table in the section above entitled "Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table." The

value realized with respect to these earned performance units is based on the closing price of \$131.52 of the Company's common stock on December 31, 2018.

- (4) These shares vested as of February 18, 2018, in respect of a special retention award granted to Mr. Hall in 2014. This award had a longer vesting period than the Company's annual awards, with no vesting having occurred until February 2017, the third anniversary of the date of grant. One-third of the shares awarded vested in each of February 2017 and 2018 and the remaining shares vested on February 18, 2019. The value realized as reported in column (e) is based on the closing price of \$178.79 of the Company's common stock on February 16, 2018, the closing price of the Company's common stock on the last market day before vesting of the award.

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Pension Benefits

The Company does not sponsor or maintain any plans that provide for specified retirement payments or benefits, such as tax-qualified defined benefit plans or supplemental executive retirement plans, for its NEOs.

2018 Non-Qualified Deferred Compensation

The Company's NEOs participate in the 401(k) Plan, a Company-sponsored, tax-qualified defined contribution retirement plan, and a non-qualified deferred compensation plan. The following table provides information about participation of each NEO in the Company's non-qualified deferred compensation plan:

Name	Executive	Registrant	Aggregate	Aggregate
	Contributions	Contributions	Earnings	Balance at
	in Last FY (1)	in Last FY (2)	Last FY	Last FYE
	(3)	(4)	(5)	(6)
	(\$)	(\$)	(\$)	(\$)
(a)	(b)	(c)	(d)	(e)
Timothy L. Dove	\$111,155	\$111,155	(\$214,661)	\$3,991,808
Richard P. Dealy	\$89,587	\$59,725	(\$148,963)	\$3,385,012
Mark S. Berg	\$44,000	\$44,000	\$19,444	\$1,133,438
Chris J. Cheatwood	\$118,176	\$47,270	(\$206,921)	\$2,952,251
J.D. Hall	\$121,699	\$56,056	(\$90,745)	\$1,416,523

(1) The amounts reported in this column were deferred at the election of the NEO and are also included in the amounts reported in the Salary or Bonus column of the "Summary Compensation Table" for 2018.

(2) The amounts in this column are also included in the All Other Compensation column of the "Summary Compensation Table" for 2018.

(3) The amounts in this column represent aggregate earnings on the investments made in the non-qualified deferred compensation plan that accrued during 2018 on amounts of salary and/or bonus deferred at the election of the NEO and the contributions made by the Company for each NEO pursuant to the Company's non-qualified deferred compensation plan. No earnings are above-market or preferential.

(4) The aggregate balance for each NEO reflects the cumulative value, as of December 31, 2018, of the contributions to the Company's non-qualified deferred compensation plan made by that NEO and the Company for the NEO's account, and any earnings on these amounts, since the NEO began participating in the plan. The Company has previously reported the Company contributions, executive contributions and above-market returns (to the extent the NEO's compensation was required to be reported for the NEO pursuant to SEC rules) in its Summary Compensation Table since the 2006 fiscal year. The cumulative amount previously reported in the Summary Compensation Table for each of the NEOs, other than Mr. Hall, since 2006 was as follows: Mr. Dove, \$1,663,947; Mr. Dealy, \$1,507,131; Mr. Berg, \$814,966; Mr. Cheatwood, \$1,620,713; and Mr. Hall, \$179,297.

The non-qualified deferred compensation plan allows each participant to contribute up to 25 percent of base salary and 100 percent of annual cash bonus incentive payments. In addition, the Company may provide a matching contribution of 100 percent of the participant's contribution up to the first ten percent of an executive officer's base salary. The Company's matching contribution vests immediately.

The non-qualified deferred compensation plan permits each executive officer to make investment allocation choices for both the executive officer's contributions and the Company matching contributions made on the executive's behalf among the designated mutual funds offered as investment options under the non-qualified deferred compensation plan. The Company retains the right to maintain these investment choices as hypothetical investments or to actually invest the plan account pursuant to the executive officer's investment choices. To date, the Company has chosen to actually invest the funds in the investment options selected by the executive officers so that the investment returns are funded, but such funds remain assets subject to the claims of the Company's general creditors. If a participant fails to make an investment election, then amounts allocated to his or her account shall be deemed to be invested in the investments designated by the plan administrator from time to time; the default investment for the 2018 year was the Vanguard Target Retirement Fund that most closely matches the year in which the participant would retire. An executive is permitted to change his or her investment choices at any time. No earnings on amounts deferred under the

non-qualified deferred compensation plan are above-market or preferential. The following table lists the mutual fund investment options for the non-qualified deferred compensation plan in 2018, all of which were also

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investments options available to participants in the 401(k) Plan for 2018, with the annual rate of return for each fund:

Investment Funds	Rate of Return	Investment Funds	Rate of Return
AmerFundsEuroPacificGr R6	-14.91%	JPMorgan Sm Cap Equity R6	-8.77%
CarillonEagle SmCapGrw I	-10.17%	Mid-Cap Val Idx Admiral	-12.42%
Extended Mkt Index Inst	-9.35%	Opp Intl Sm Mid Co I	-9.09%
Federal Money Mkt Fund	1.78%	Oppenheimer Dev Mrkts I	-11.79%
Infla-Protected Sec Inst	-1.40%	PIMCO Income Fund Inst	0.58%
Inst Index Fund Inst	-4.42%	Pioneer Stock Fund	-23.80%
Inst Target Ret 2015 Fund	-2.91%	PRIMECAP Fund Admiral	-1.94%
Inst Target Ret 2020 Fund	-4.21%	Real Estate Index Admiral	-5.95%
Inst Target Ret 2025 Fund	-5.02%	Retire Savings Trust III	2.24%
Inst Target Ret 2030 Fund	-5.82%	Small-Cap Val Idx Admiral	-12.23%
Inst Target Ret 2035 Fund	-6.56%	T Rowe Price Mid Cap Gro	-2.04%
Inst Target Ret 2040 Fund	-7.31%	T Rowe Price New Era	-16.21%
Inst Target Ret 2045 Fund	-7.87%	TCW Ttl Return Bond I	0.80%
Inst Target Ret 2050 Fund	-7.87%	Templeton Global Bond R6	1.57%
Inst Target Ret 2055 Fund	-7.84%	Tot Intl Stock Ix Inst	-14.39%
Inst Target Ret 2060 Fund	-7.88%	Total Bond Mkt Index Inst	-0.01%
Inst Target Ret 2065 Fund	-7.84%	Total Stock Mkt Idx Inst	-5.16%
Inst Target Ret Inc Fund	-1.98%	Wellington Fund Admiral	-3.35%
JPM Disciplined Equity R6	-5.50%	Windsor II Fund Adm	-8.53%

A participant's vested benefits may, at the option of the participant, be distributed in a single lump sum cash payment, in five annual installments or in ten annual installments. Participants elect to receive this account balance under the Company's non-qualified deferred compensation plan either upon separation from service or the first day of the plan year following the participant's separation from service. Payments upon separation from service will be delayed six months in accordance with Section 409A of the Code in the event a participant is a "specified employee" for purposes of Section 409A.

A participant may be entitled to make a withdrawal prior to his or her termination of employment if the plan administrator determines that the participant has experienced an unforeseeable financial emergency, to the extent necessary to satisfy the participant's needs. An unforeseeable emergency is defined in the plan as a severe financial hardship to the participant that results from: (a) an illness or accident of the participant, the participant's spouse, the participant's beneficiary or the participant's dependent, (b) a loss of the participant's property due to casualty, or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

In the event of a change in control, the entire amount credited to a participant under the non-qualified deferred compensation plan will be paid to the participant in a single lump sum cash payment. The plan relies upon the definition of a "change in control" as it exists in the Long Term Incentive Plan at the time of occurrence of the change in control.

If a participant dies prior to the complete payment of his account, the entire amount remaining under the non-qualified deferred compensation plan will be paid in a single lump sum cash payment to the participant's beneficiary in the first calendar quarter following the participant's death.

#### Potential Payments upon Termination or Change in Control

The Company is party to severance agreements and change in control agreements with each of the NEOs. Salaries and annual cash bonus incentive payments are set by the Compensation Committee independent of these agreements and the Compensation Committee can increase or decrease base salaries and annual cash bonus opportunities at its discretion. See "Compensation Discussion and Analysis - Elements of the Company's Compensation Program" for more information. Because Mr. Dove was serving as the Company's CEO on December 31, 2018, and was an NEO for the whole of 2018, his potential termination and change in control payments and benefits are fully described below as of December 31, 2018. The severance payments and benefits that Mr. Dove did or will receive in connection



with his 2019 retirement are described following the table that summarizes Mr. Dove's 2018 potential payments. Equity Awards. For information about accelerated vesting of various equity awards, see the Narrative Disclosure for the 2018 Grants of Plan-Based Awards Table and the footnotes that follow the tables below quantifying payments under various termination scenarios and upon a change in control.

Severance Agreements. The severance agreements provide that, if the NEO terminates employment for good reason or if an executive's employment with the Company terminates other than for cause, death, disability or normal retirement, the Company must pay the officer a separation payment in addition to earned salary and vested benefits. The separation payment is an amount equal to the sum of (1) one times the officer's base salary (three times base salary for Mr. Dove), (2) 18 times the monthly cost for the officer to continue coverage for himself and his eligible dependents under the Company's group medical plans (36 times the monthly cost in the case of Mr. Dove), and (3) one-twelfth of the officer's base salary if the date of termination is less than 30 days following the notice of termination and the officer's employment is terminated by the Company. In the case of Mr. Dove, the severance agreement also provided for the immediate vesting of certain equity awards under the Long Term Incentive Plan (for more information, see the footnotes to the tables quantifying potential payments in this section). Payment of an NEO's annual cash bonus incentive for the year of termination on any type of termination, other than a change in control termination (discussed below), is at the discretion of the Compensation Committee. The severance agreements terminate upon a change in control of the Company.

Upon a termination of employment due to death, disability or a normal retirement, the severance agreements also provide for the payment of (1) any earned but unpaid salary and all accrued or vested obligations due to the NEO pursuant to the Company's employee benefit plans at the time of the termination, including any compensation that had previously been deferred by the officer and (2) a separation payment in the amount of the executive officer's base salary, except that the Severance Agreement for Mr. Dove did not entitle him to a separation payment in the event of a voluntary retirement.

The severance agreements contain certain confidentiality, non-solicitation and non-interference provisions. The confidentiality provisions generally extend until three years following an executive's termination of employment, while the non-solicitation of employees and non-interference with business relationships provisions extend for two years following the executive's termination date.

Change in Control Agreements. The change in control agreements provide that, if (1) the NEO terminates employment for good reason or (2) the NEO's employment with the Company terminates other than for cause, death, disability or normal retirement, in either case in connection with or within two years following a change in control, then the Company must (A) pay the officer a separation payment, (B) provide the officer with continued group medical coverage at a cost equivalent to a similarly situated active employee for a specified period of time, (C) pay earned salary and vested benefits, and (D) pay the officer one-twelfth of his or her annual base salary if the date of termination is less than 30 days following the notice of termination and the officer's employment is terminated by the Company. The separation payment is an amount equal to the sum of (1) 2.99 times the sum of the officer's base salary and target bonus determined in accordance with the terms of each agreement (except for Mr. Hall whose multiple is two times) and (2) a pro-rated portion of the defined target bonus based on the days elapsed in the calendar year of termination. The period of time for which the NEOs must be provided with continued group medical coverage is (1) for Mr. Dove, until the date he is eligible for full medical benefits under the provisions of Medicare, (2) for Messrs. Berg, Cheatwood and Dealy, three years and (3) for Mr. Hall, two years.

In connection with the change to the NEOs' equity awards in 2018 to provide for a double trigger in the event of a change in control, their change in control agreements were amended in February 2018 to, among other things, provide that outstanding equity awards will not automatically fully vest upon a change in control if otherwise provided in the equity award agreements.

The agreements do not provide a "gross-up" payment for excise taxes that might be imposed on payments under the change in control agreements by Section 4999 of the Code. The agreements contain a best-of-net provision, so that, in the event excise taxes would be imposed on payments under the change in control agreements, the NEO will either (1) pay the excise tax without assistance from the



Company or (2) have the payments reduced to an amount at which an excise tax no longer applies, based on which result is more favorable to the officer on an after-tax basis.

If the Company terminates the employment of an NEO without cause following a potential change in control and if a change in control actually occurs within 12 months following the termination, the officer will be entitled upon the change in control to receive the difference between (1) any payments that the executive already received from the Company upon the officer's actual termination date, and (2) those payments or benefits that would have been paid to the officer if the officer had been terminated without cause immediately following the change in control, plus a payment equal to the value of the officer's outstanding equity-based awards that were forfeited when his or her employment was terminated. If, after a change in control, an NEO terminates employment because the officer is required to relocate more than 50 miles, but is not otherwise entitled to terminate employment for good reason, then the Company must (1) pay the officer a reduced separation payment equal to one times his or her annualized base salary, (2) pay the officer earned salary and vested benefits, and (3) provide the officer with continued coverage for one year under the Company's group medical benefit plans. The change in control agreements continue for two years following a change in control that occurs during the term of the agreement.

The change in control agreements also provide for a payment equal to one times the NEO's annual base salary in the event of his or her death, disability or normal retirement within two years following a change in control.

All payments, other than continued medical benefits, received under both the severance agreements and the change in control agreements are distributed as a lump sum. Cash separation payments under the severance agreements will only be made following the NEO's execution of a general release in favor of the Company. While the lump sum payments will be made within a ten day period following a termination of employment where possible, in the event that the individual is considered a "specified employee" pursuant to the regulations promulgated under Section 409A of the Code, certain payments or benefits may be delayed for a period of six months as required by the federal tax regulations in order to prevent an excise tax of 20 percent from being imposed on such payments.

The following tables quantify, as of December 31, 2018, the payments and benefits potentially payable to the NEOs upon termination in the following circumstances, and based on the assumptions indicated:

The different circumstances presented are a termination of employment: (1) voluntarily by the NEO or by the Company for cause, (2) by the Company without cause or by the officer for good reason prior to a change in control, (3) upon normal retirement, death or disability prior to a change in control and (4) by the Company without cause or by the officer for good reason upon a change in control, which have the following effects on the NEOs' restricted stock, RSUs, retention and performance unit awards:

In the case of termination voluntarily by the NEO that is not a normal retirement or by the Company for cause, all unvested awards are forfeited.

Restricted stock, RSU and retention awards - In the case of a termination not for cause, a termination for good reason or normal retirement, death or disability prior to a change in control, vesting of the restricted stock, RSU and retention awards is accelerated pro rata to the end of the month of termination (except for Mr. Dove in the cases of termination not for cause or a termination for good reason, in which cases the awards vest in full). Upon a termination by the Company without cause or by the officer for good reason in connection with a change in control, unvested restricted stock, RSU and retention awards vest in full. None of the NEOs owns any unvested stock options or owned any unvested stock options as of December 31, 2018.

Performance unit awards - In the case of a termination not for cause, a termination for good reason, or normal retirement prior to a change in control, vesting of the performance unit awards is accelerated pro rata to the end of the month of termination (except for Mr. Dove in the cases of termination not for cause or a termination for good reason, in which cases the awards vest in full). In each case, the resulting shares are not delivered until the end of the three-year performance period and are based on actual relative performance. In the case of death or disability, unvested performance unit awards vest pro rata to the end of the month with shares paid at target. Upon a termination by the

Company without cause or by the officer for good reason in connection with a change in control, unvested performance unit awards vest in full with the award of shares subject to performance measured on the date of the change in control. Except in the case of a termination due to death or disability, the number of shares underlying performance units in the tables below is calculated assuming the rankings specified in footnotes (7) and (8) of the 2018 Outstanding Equity Awards at Fiscal Year End table.

The date of termination is assumed to be December 31, 2018, and therefore the tables below do not reflect that a portion of the awards that were outstanding on December 31, 2018, have since vested, or the annual grant of the awards in 2019 under the Long Term Incentive Plan.

The value of the common stock is assumed to be \$131.52, the closing price of the Company's common stock on December 31, 2018.

Definitions of certain terms used in this section are set out below the tables.

Timothy L. Dove

In accordance with the rules of the SEC, the following table sets forth for Mr. Dove the payments and benefits that would have been potentially realizable by him upon termination under the various scenarios presented in the table as of December 31, 2018. Information regarding the terms of his retirement in February 2019 are set forth below.

Benefits and Payments Upon Termination	Voluntary Termination or Termination for Cause	Termination		
		Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock	—	\$7,186,647	\$4,135,990	\$7,186,647
Performance Units (1)	—	4,259,365	1,839,984	4,259,365
Benefits & Perquisites:				
Separation Payment (2)	—	3,450,000	—	6,767,367
Prorated Bonus Payment (3)	—	1,495,000	1,495,000	1,113,333
Medical Benefit Continuation (4)	—	47,301	—	36,852
Pay in lieu of 30-day Notice (5)	—	95,833	—	95,833
Total	—	\$16,534,146	\$7,470,974	\$19,459,397

(1) In the case of normal retirement, performance unit awards were scheduled to vest pro rata to the end of the month with the award of shares based on actual performance measured at the end of the three-year performance period. Mr. Dove's 2018 performance unit awards were designed to provide for vesting that was not subject to a pro rata decrease if certain restrictive covenants were in place and the termination was more than one year following the grant date of the award, but as of December 31, 2018 such a termination would have occurred prior to the end of the one-year period. In the case of death or disability, unvested performance unit awards were scheduled to vest pro rata to the end of the month with shares assumed to be paid at target, in which case this value would be \$2,589,698.

(2) In the case of death or disability only, Mr. Dove would have been entitled to a separation payment equal to his base salary, or \$1,150,000.

(3) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(4) These amounts equal the cost of continued medical coverage for a period of 36 months in the event of a termination not for cause or a termination for good reason pursuant to his severance agreement. In the event of a termination in connection with a change in control, the change in control agreement provided continued coverage until Mr. Dove is eligible to receive Medicare benefits; thus, the period of continued coverage shown above is three years as of December 31, 2018.

(5)

This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

As discussed in the Compensation Discussion and Analysis section, Mr. Dove retired from the Company on February 21, 2019. In connection with Mr. Dove's retirement, in recognition of his long service to the Company, the Board determined that his right to receive benefits under his Severance Agreement would be determined as if he had been terminated by the Company without cause. Specifically, in addition to any accrued but unpaid amounts:

he will receive a one-time separation payment equal to \$3.7 million, representing three times his annual base salary plus an amount estimated to equate to three years of medical benefit continuation and the amount payable in lieu of 30-days notice, as well as interest on these payments due to the six month delay in payment that is required pursuant to his Severance Agreement;

he will receive a payment equal to approximately \$213,000, representing the pro rata portion of his target 2019 annual bonus; and

his unvested RSU and performance unit awards will be fully vested, and his stock options, which were already vested, will continue to remain outstanding for their remaining terms. In accordance with the terms of their award agreements, he will receive the shares underlying his 2017 RSU award, less shares withheld for taxes, in July 2019, and the shares underlying his 2018 RSU award, less shares withheld for taxes, on the scheduled vest date in February 2021. He will receive the earned shares underlying his 2017 and 2018 performance unit awards, if any, less shares withheld for taxes, at the end of their respective scheduled performance periods, with the number of shares being dependent on the Company's relative TSR ranking among the peer group at the end of the applicable performance periods.

As discussed in the Compensation Discussion and Analysis section, the Compensation Committee approved the payout of Mr. Dove's 2018 annual cash bonus incentive award at the general payout level of 123% of target, or \$1.8 million, which he received at the same time that the other NEOs received their 2018 bonus payments. Mr. Dove's non-qualified deferred compensation plan account balance will be paid to him in accordance with the terms and conditions of the plan, which is described above under the heading "2018 Non-Qualified Deferred Compensation." Mr. Dove will remain subject to all confidentiality, non-solicitation and non-interference restrictions within his Severance Agreement.

Richard P. Dealy

Benefits and Payments Upon Termination	Voluntary Termination or Termination for Cause	Termination		
		Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock	—	\$2,124,596	\$2,124,596	\$3,256,304
Performance Units (1)	—	662,076	662,076	1,526,645
Benefits & Perquisites:				
Separation Payment	—	600,000	600,000	3,535,177
Prorated Bonus Payment (2)	—	600,000	600,000	582,333
Medical Benefit Continuation (3)	—	33,211	—	53,418
Pay in lieu of 30-day Notice (4)	—	50,000	—	50,000
Total	—	\$4,069,883	\$3,986,672	\$9,003,877

(1) In the case of normal retirement, performance unit awards vest pro rata to the end of the month with the award of shares based on actual performance measured at the end of the three-year performance period. In the case of death or disability, unvested performance unit awards vest pro rata to the end of the month with shares paid at target, in which case the value would be \$935,908.

(2) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(3)

Explanation of Responses:

These amounts equal the cost of continued medical coverage for a period of 18 months in the event of a termination not for cause or a termination for good reason pursuant to the severance agreement. In the event of a termination in connection with a change in control, the change in control agreement provides continued coverage for a period of 36 months.

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(4) This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

Mark S. Berg

Benefits and Payments Upon Termination	Voluntary Termination or Termination for Cause	Termination Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock	—	\$1,712,193	\$1,712,193	\$2,621,851
Performance Units (1)	—	532,061	532,061	1,226,661
Benefits & Perquisites:				
Separation Payment	—	475,000	475,000	2,516,583
Prorated Bonus Payment (2)	—	380,000	380,000	366,667
Medical Benefit Continuation (3)	—	23,534	—	38,558
Pay in lieu of 30-day Notice (4)	—	39,583	—	39,583
Total	—	\$3,162,371	\$3,099,254	\$6,809,903

(1) In the case of normal retirement, performance unit awards vest pro rata to the end of the month with the award of shares based on actual performance measured at the end of the three-year performance period. In the case of death or disability, unvested performance unit awards vest pro rata to the end of the month with shares paid at target, in which case the value would be \$752,314.

(2) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(3) These amounts equal the cost of continued medical coverage for a period of 18 months in the event of a termination not for cause or a termination for good reason pursuant to the severance agreement. In the event of a termination in connection with a change in control, the change in control agreement provides continued coverage for a period of 36 months.

(4) This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

Chris J. Cheatwood

Benefits and Payments Upon Termination	Voluntary Termination or Termination for Cause	Termination Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock	—	\$1,712,193	\$1,712,193	\$2,621,851
Performance Units (1)	—	532,061	532,061	1,226,661
Benefits & Perquisites:				
Separation Payment	—	475,000	475,000	2,516,583
Prorated Bonus Payment (2)	—	380,000	380,000	366,667
Medical Benefit Continuation (3)	—	35,185	—	56,145
Pay in lieu of 30-day Notice (4)	—	39,583	—	39,583
Total	—	\$3,174,022	\$3,099,254	\$6,827,490

- In the case of normal retirement, performance unit awards vest pro rata to the end of the month with the award of shares based on actual performance measured at the end of the three-year performance period. In the case of death or disability, unvested performance unit awards vest pro rata to the end of the month with shares paid at target, in which case the value would be \$752,314.
- (1)
- (2) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(3) These amounts equal the cost of continued medical coverage for a period of 18 months in the event of a termination not for cause or a termination for good reason pursuant to the severance agreement. In the event of a termination in connection with a change in control, the change in control agreement provides continued coverage for a period of 36 months.

(4) This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

J.D. Hall

Benefits and Payments Upon Termination	Voluntary Termination or Termination for Cause	Termination Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock	—	\$1,739,111	\$1,739,111	\$2,860,955
Performance Units (1)	—	665,893	665,893	1,547,476
Retention Award	—	170,110	170,110	185,575
Benefits & Perquisites:				
Separation Payment	—	580,000	580,000	1,954,587
Prorated Bonus Payment (2)	—	493,000	493,000	397,293
Medical Benefit Continuation (3)	—	33,211	—	35,612
Pay in lieu of 30-day Notice (4)	—	48,333	—	48,333
Total	—	\$3,729,658	\$3,648,114	\$7,029,831

(1) In the case of normal retirement, performance unit awards vest pro rata to the end of the month with the award of shares based on actual performance measured at the end of the three-year performance period. In the case of death or disability, unvested performance unit awards vest pro rata to the end of the month with shares paid at target, in which case the value would be \$932,868.

(2) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(3) These amounts equal the cost of continued medical coverage for a period of 18 months in the event of a termination not for cause or a termination for good reason pursuant to the severance agreement. In the event of a termination in connection with a change in control, the change in control agreement provides continued coverage for a period of 24 months.

(4) This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

Definitions. For purposes of the severance and change in control agreements (as amended in February 2018), the terms set forth below generally have the meanings described below:

•"Change in control" - includes the occurrence of any of the following events or circumstances: (1) a person or group acquires securities of the Company that, together with any other securities held by such person, constitutes 40 percent or more of the voting power of the then outstanding voting securities of the Company, except for acquisitions directly from the Company and acquisitions by an employee benefit plan sponsored or maintained by the Company; (2) a majority of the members of the Board changes, other than new members elected or nominated by at least a majority of the then-current Board, absent an election contest or similar proxy dispute; (3) the Company engages in a business combination transaction, or sells all or substantially all of its assets, unless the Company's stockholders prior to the transaction own more than half of the voting interest of the resulting entity (in substantially the same ratios) after the transaction, and neither of the events in items (1) and (2) above has occurred for the resulting entity; or (4) the Company's stockholders approve a complete liquidation or dissolution of the Company. The change in control agreements also restrict the definition of a "change in control" to a change in control event for purposes of Section

409A of the Code in the event that an executive officer would receive payments under the agreement due to a termination of employment following a "potential change in control" but prior to the occurrence of a "change in control."

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"Potential change in control" - (1) a person or group announces an intention to effect a change in control, or commences an action that, if successful, could reasonably be expected to result in a change in control; (2) the Company enters into an agreement that would constitute a change in control; or (3) any other event occurs that the Board declares to be a potential change in control.

"Cause" - (1) failure to substantially perform his or her duties, unless due to physical or mental incapacity, or to comply with a material written policy of the Company; (2) engaging in an act of gross misconduct resulting in material damage to the Company's business or reputation; (3) failure to cooperate in connection with an investigation or proceeding into the business practices or operations of the Company; or (4) conviction of a felony or a crime or misdemeanor involving moral turpitude or financial misconduct.

"Disability" - physical or mental impairment or incapacity of such severity that, in the opinion of the Company's chosen physician, the employee is unable to continue to perform his or her duties, or the employee becomes entitled to long-term disability benefits under any of the Company's employee benefit plans.

"Good reason" - in the change in control agreements, generally means: (1) the assignment of duties inconsistent in any material adverse respect with the officer's position as compared to his or her duties immediately prior to the change in control, to include a material adverse change in responsibilities, functions, reporting relationships or budget authority; (2) a reduction in base salary; or (3) the failure to provide the opportunity to earn annual bonuses and long-term incentive compensation, and to participate in retirement, deferred compensation, medical and similar benefits, all in a manner consistent with the Company's then existing practices. The definition of "good reason" in Mr. Dove's severance agreement is substantially similar to the definition in the change in control agreements, except that the definition of "good reason" also includes the failure of the Company to nominate him for re-election to the Board, or any failure of the stockholders to re-elect him to the Board, unless due to his death, disability, termination for cause or voluntary resignation. In the severance agreements for officers other than Mr. Dove, "good reason" generally means a demotion of the officer to an officer position junior to his then existing position, or to a non-officer position, or a reduction in base salary that is not a Company-wide reduction and that is greater than 80 percent, or any reduction in base salary that is greater than 65 percent.

"Normal retirement" - reaching the age of 60 years.

Ratio of the CEO's Compensation to the Median Compensation of the Company's Other Employees

As a result of the recently adopted rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, beginning with last year's proxy statement, the Company is required to disclose the ratio of the CEO's annual total compensation, as reported in the Summary Compensation Table above, to the median of the annual total compensation of all employees other than the CEO. To comply with this requirement, the Company examined the cumulative 2018 Medicare-taxable wages reported on Form W-2 of all individuals who were employed by the Company on December 31, 2018, the last day of the payroll year, as reflected in the Company's payroll records. The Company included all employees, whether employed on a full-time, part-time, or seasonal basis, and did not annualize the compensation for any full-time employees that were not employed for the entire period. The Company then calculated, for the employee identified to be at the median level, the annual total compensation of that employee using the same methodology required for the NEOs as set forth in the 2018 Summary Compensation Table above, which amounted to \$123,103. Mr. Dove's annual total compensation for 2018 as reported in the Summary Compensation Table was \$11,936,791. As a result, the Company estimates that the ratio of the annual total compensation of the Company's CEO to the median of the annual total compensation of all employees other than the CEO for 2018 was 97-to-1.

#### COMPENSATION PROGRAMS AND RISK CONSIDERATIONS

The Company does not believe that its policies and practices of compensating its employees give rise to risks that are reasonably likely to have a material adverse effect on the Company. In making this determination, the Company considered the following:

The Board has adopted a clawback policy, and has established substantial stock ownership guidelines for the Company's directors and executive officers, as well as other officers of the Company and its subsidiaries.

As discussed in the Compensation Discussion and Analysis section, the Company's compensation program for its executive officers is weighted toward pay-for-performance; however, the Company believes the following aspects mitigate against its executive officers taking excessive risk:

The Board oversees the long-term strategic direction of the Company, and in doing so periodically reviews the Company's strategic plans, management's operational performance, future plans and the business justifications therefor.

The annual long-term incentive plan award component of the program, which is intended to be the largest component of each executive officer's overall compensation package, is divided into different types of awards, but all are weighted toward long-term achievement, with vesting periods of three years that are based on the value of the Company's stock and not on any particular metric, which could encourage risk-taking.

Each executive officer's annual cash bonus incentive payment is based on a number of goals set for the Company as a whole, some of which counteract the potential for risk taking, such as goals for levels of indebtedness, and is ultimately subject to the Compensation Committee's discretion so that the committee can consider both the risks facing the Company and market conditions at the time of the decision.

With regard to the Company's overall compensation program, the Company's compensation philosophy is focused on the Company's performance as a whole, and any variations in compensation based on achievements within any one employee group consist of relatively small adjustments to salary and bonus. The Company does not compensate any division or group of its employees significantly differently than any other. In addition, the majority of the Company's employees receive grants of equity awards each year that vest over a period of three years in order to align their interests with the long-term performance of the Company.

#### COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE

#### INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Buchanan, Cates, Gobe and Thompson and Ms. Methvin and Sutphen served on the Compensation Committee during fiscal year 2018. None of the directors who served on the Compensation Committee during fiscal year 2018 has ever served as one of the Company's officers or employees. During fiscal year 2018, none of the Company's executive officers served as a director or member of the compensation committee (or other committee performing similar functions) of any other entity that had an executive officer serving on Pioneer's Board or the Compensation Committee.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Beneficial Owners of More than 5% of the Company's Outstanding Shares

The following table sets forth certain information regarding the beneficial ownership of common stock by each person who is known by the Company to own beneficially more than five percent of the outstanding shares of the Company's common stock (as of the date of such stockholder's Schedule 13G filing with the SEC).

Name of Person or Identity of Group	Number of Percentage	
	Shares	Of Class (1)
	(#)	
The Vanguard Group, Inc. (2) 100 Vanguard Blvd. Malvern, PA 19355	13,198,686	7.8%
BlackRock, Inc. (3) 55 East 52nd Street New York, NY 10055	11,006,161	6.5%
JPMorgan Chase & Co. (4) 270 Park Ave New York, NY 10017	9,489,735	5.6%

(1) Based on 168,486,268 shares of common stock outstanding as of March 21, 2019.

According to an Amendment to Schedule 13G filed with the SEC on February 11, 2019, The Vanguard Group, Inc. (2) has sole voting power with regard to 203,432 shares, shared voting power with regard to 38,875 shares, sole dispositive power with regard to 12,958,902 shares, and shared dispositive power with regard to 239,784 shares.

According to an Amendment to Schedule 13G filed with the SEC on February 6, 2019, BlackRock Inc. has sole (3) voting power with regard to 9,534,652 shares, shared voting power with regard to zero shares, sole dispositive power with regard to 11,006,161 shares, and shared dispositive power with regard to zero shares.

According to an Amendment to Schedule 13G filed with the SEC on January 25, 2019, JPMorgan Chase & Co. has (4) sole voting power with regard to 8,193,295 shares, shared voting power with regard to 14,610 shares, sole dispositive power with regard to 9,412,841 shares, and shared dispositive power with regard to 76,492 shares.

## Directors and Named Executive Officers

The following table sets forth certain information regarding the beneficial ownership of common stock as of March 21, 2019, except as otherwise stated, by each NEO and current director of the Company, and all directors, NEOs and other executive officers as a group. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares beneficially owned by them. The information below as to Mr. Dove's stock ownership is as of February 21, 2019, the date of his retirement.

Name of Beneficial Owner	Number of Shares (1) (#)
Scott D. Sheffield (2)(3)(4)(5)(6)	626,290
Timothy L. Dove (2)(3)(7)	268,854
Richard P. Dealy (2)(3)(4)(7)(8)	253,432
Mark S. Berg (2)(3)(9)	75,551
Chris J. Cheatwood (2)(3)(4)(5)(10)	49,770
J.D. Hall (3)(4)	41,635
Edison C. Buchanan (4)	25,760
Andrew F. Cates (4)(5)(7)	15,996
Phillip A. Gobe (4)	7,732
Larry R. Grillot (4)	8,061
Stacy P. Methvin (4)(5)	8,909
Royce W. Mitchell (4)	9,636
Frank A. Risch (4)	9,753
Mona K. Sutphen (4)	6,008
J. Kenneth Thompson (4)(10)	11,731
Phoebe A. Wood (4)	6,481
Michael D. Wortley (4)	5,135
All directors and executive officers as a group (24 persons) (2)(3)(4)	1,534,734

(1) The Company's directors and executive officers do not, individually or in total as a group, own more than 1.0% of the Company's common stock.

Includes the following number of shares subject to exercisable stock options: Mr. Sheffield, 36,232; Mr. Dove, (2)32,028; Mr. Dealy, 12,078; Mr. Berg, 12,470; Mr. Cheatwood, 14,963; and all directors and executive officers as a group, 113,810.

Excludes the following number of RSUs that are unvested and will not vest within 60 days: Mr. Sheffield, 30,445; Mr. Dove, 39,795; Mr. Berg, 19,186; Mr. Cheatwood, 13,589; and all directors and executive officers as a group, (3) 152,085. Also, excludes the performance units held by the executive officers that will vest if and to the extent predetermined performance targets are achieved assuming that performance targets are achieved.

Includes the following number of (i) unvested restricted shares or (ii) unvested RSUs that will vest within 60 days: (4) Mr. Sheffield, 537; Mr. Dealy, 23,878; Mr. Cheatwood, 5,597; Mr. Hall, 24,215; Mr. Buchanan, 291; Mr. Cates, 291; Mr. Gobe, 311; Dr. Grillot, 291; Ms. Methvin, 311; Mr. Mitchell, 291; Mr. Risch, 311; Ms. Sutphen, 291; Mr. Thompson, 588; Ms. Wood, 318; Mr. Wortley, 291; and all directors and executive officers as a group, 60,679.

Includes the following number of shares held in the names of each respective officer's or director's spouse, children (5) or in trusts for the benefit of family members: Mr. Sheffield, 2,760; Mr. Cheatwood, 3,750; Mr. Cates, 1,744; and Ms. Methvin, 100.

Includes 28,000 shares owned by trusts whose beneficiaries are members of Mr. Sheffield's family and for which (6) he or his spouse serves as trustee, but Mr. Sheffield has no beneficial interest in the trusts.

Includes the following number of shares held in each respective officer's or director's 401(k) Plan account: Mr. (7) Dove, 352; Mr. Dealy, 311; and Mr. Cates, 882.

(8)

Explanation of Responses:

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Includes 141,332 shares owned by a family limited partnership, the general partner of which is controlled by Mr. Dealy and the limited partners of which are Mr. Dealy and his spouse and trusts established for the benefit of his family members.

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(9) Includes 19,668 shares owned by a trust whose beneficiaries are members of Mr. Berg's family and for which Mr. Berg's spouse serves as trustee, but Mr. Berg has no beneficial interest in the trust.

(10) Includes the following number of shares held in each respective officer's or director's investment retirement account: Mr. Cheatwood, 2,000; and Mr. Thompson, 850.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The executive officers and directors of the Company are required to file reports with the SEC, disclosing the amount and nature of their beneficial ownership in the Company's common stock, as well as changes in that ownership. To the Company's knowledge, based solely on its review of these reports and written representations from these individuals that no other reports were required, all required reports were timely filed during 2018, except for (1) a Form 5 that was filed late on behalf of Kenneth H. Sheffield, Jr., Executive Vice President, Operations/Engineering/Facilities, to report one gift of common stock to a trust for the benefit of his family members and (2) a Form 5 that was filed late on behalf of William F. Hannes, Senior Vice President, Special Projects, to report one gift of common stock to a family limited partnership.

#### TRANSACTIONS WITH RELATED PERSONS

Employment of Family Members. Thomas D. Sheffield, the brother of Scott D. Sheffield, is Vice President, Health, Safety and Environment of the Company. For 2018, Thomas D. Sheffield was paid \$300,019 in base salary and \$165,011 in bonus, received equity compensation awards under the Company's Long-Term Incentive Plan having a grant date fair value for financial statement purposes of \$440,343 and also participated in benefit plans generally available to the Company's employees. Ryan Pervier, the son-in-law of William F. Hannes, a Senior Vice President of the Company, is employed at a subsidiary of the Company as a Corporate Engineering Standards Coordinator. For 2018, Ryan Pervier was paid \$191,298 in base salary and \$61,980 in bonus and other benefits and received equity compensation awards under the Company's Long-Term Incentive Plan having a grant date fair value for financial statement purposes of \$60,556. David Morton, the brother of Margaret Montemayor, the Company's Vice President and Chief Accounting Officer, is employed at a subsidiary of the Company as an Analytics Manager. For 2018, David Morton was paid \$147,032 in base salary and \$31,333 in bonus and other benefits and received equity compensation awards under the Company's Long-Term Incentive Plan having a grant date fair value for financial statement purposes of \$35,399. Nathan Dealy, the son of Richard P. Dealy, is employed at a subsidiary of the Company as a Field Completions Engineer. For 2018, Nathan Dealy was paid \$92,314 in base salary and \$15,231 in bonus and other benefits and received equity compensation awards under the Company's Long-Term Incentive Plan having a grant date fair value for financial statement purposes of \$17,931. Each of the Company's executive officers named above disclaims any interest in his or her family member's compensation.

Transactions with Parsley Energy, Inc. Parsley Energy, Inc. ("PE") is a publicly-traded independent oil and gas company. Bryan Sheffield, the son of Scott D. Sheffield, is PE's Executive Chairman and is one of PE's largest stockholders. PE operates in the Permian Basin, where the Company also operates, and from time to time the Company and PE engage in customary transactions in the ordinary course of their oil and gas businesses. These transactions include paying amounts due to the operator of wells by the non-operating working interest owner for its pro rata share of operations (including overhead and supervision fees), and the operator's paying to the non-operating working interest owners their share of revenues from wells, pursuant to operating agreements; exchanging geologic and well data and acreage; purchasing and selling water used for operations; granting and waiving certain regulatory and land rights of operators owning interests in the same geographic and geologic areas; and sharing costs of regulatory matters where the interests of the companies are aligned. The Company believes that such transactions, individually and in the aggregate, are not material to the Company and are common to, and on terms consistent with, those done in the ordinary course of the Company's dealings with other oil and gas companies in the Permian Basin. Bryan Sheffield may be deemed to have an interest in these transactions because of his senior management position and ownership interest in PE. During 2018, the Company paid PE approximately \$1.9 million in connection with such transactions, and PE paid the Company approximately \$6.5 million.

#### Procedures for Review, Approval and Ratification of Related Person Transactions

The Company's Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee will periodically review all related person transactions that the rules of the SEC



require be disclosed in the Company's Proxy Statement, and make a recommendation to the Board regarding the initial authorization or ratification of any such transaction. In the event that the Board considers ratification of a related person transaction and determines not to so ratify, the Corporate Governance Guidelines provide that management will make all reasonable efforts to cancel or annul the transaction. In February 2019, the Nominating and Corporate Governance Committee conducted its annual review of all such related person transactions.

The Corporate Governance Guidelines provide that in determining whether or not to recommend the initial approval or ratification of a related person transaction, the Nominating and Corporate Governance Committee should consider all of the relevant facts and circumstances available, including (if applicable) but not limited to: (i) whether there is an appropriate business justification for the transaction; (ii) the benefits that accrue to the Company as a result of the transaction; (iii) the terms available to unrelated third parties entering into similar transactions; (iv) the impact of the transaction on a director's independence (in the event the related person is a director, an immediate family member of a director or an entity in which a director is a partner, stockholder or executive officer); (v) the availability of other sources for comparable products or services; (vi) whether it is a single transaction or a series of ongoing, related transactions; and (vii) whether entering into the transaction would be consistent with the Company's Code of Business Conduct and Ethics.

There were no transactions since the beginning of 2018 that were required to be reported in "Transactions with Related Persons" where the procedures described above did not require review, approval or ratification or where these procedures were not followed.

#### PROPOSAL TWO

#### RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

##### General

The Audit Committee has the sole authority and responsibility with respect to the selection, appointment, engagement, compensation, oversight, evaluation, retention and, where appropriate, dismissal of the Company's independent auditors, and the independent auditors are accountable and report directly to the Audit Committee. The Audit Committee has selected Ernst & Young LLP as the independent registered public accounting firm of the Company for 2019. Ernst & Young LLP has audited the Company's consolidated financial statements since 1998. The 2018 audit of the Company's annual consolidated financial statements and effectiveness of internal control over financial reporting was completed on February 20, 2019.

The committee engages in an annual evaluation of the Company's independent auditors as part of its annual selection process, assessing the firm's quality of service, including its historical and recent performance, any known significant legal or regulatory proceedings related to the firm, the independence and tenure of the audit firm, the firm's sufficiency of resources, the quality of the communication and interaction with the firm, and the firm's independence, objectivity and professional skepticism. The committee also considers the advisability and potential impact of selecting a different independent public accounting firm and periodically considers whether a regular rotation of the independent auditors is necessary to assure continuing independence.

In accordance with SEC rules and Ernst & Young LLP policies, the firm's lead engagement partner rotates every five years, most recently for the audit for the year ended December 31, 2015. The Audit Committee and its Chair are directly involved in the selection of Ernst & Young LLP's lead engagement partner.

The Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as the Company's independent auditors for 2019 is in the best interests of the Company and its stockholders, and the Board is submitting the selection of Ernst & Young LLP for ratification at the Annual Meeting. The submission of this matter for approval by stockholders is not legally required, but the Board and the Audit Committee believe the submission provides an opportunity for stockholders through their vote to communicate with the Board and the Audit Committee about an important aspect of corporate governance. If the stockholders do not ratify the selection of Ernst & Young LLP, the Audit Committee will reconsider the selection of that firm as the Company's independent registered public accounting firm. Even if the selection is ratified, the Audit Committee may in its discretion select a different independent

registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The Company expects that representatives of Ernst & Young LLP will be present at the Annual Meeting to respond to appropriate questions from stockholders and to make a statement if they desire to do so.

#### Audit and Non-Audit Fees

**Audit Fees.** The aggregate fees of Ernst & Young LLP for professional services rendered for the (i) audit of the Company's annual consolidated financial statements included in its Annual Report on Form 10-K; (ii) audit of the Company's internal control over financial reporting; (iii) reviews of the Company's quarterly financial statements included in its Quarterly Reports on Form 10-Q; and (iv) services in connection with the Company's other filings with the SEC, including review and preparation of registration statements, comfort letters, consents and research necessary to comply with generally accepted auditing standards for the years ended December 31, 2018 and 2017, were \$3,482,451 and \$3,075,584, respectively.

**Audit-Related Fees.** Ernst & Young LLP did not render services that would result in audit-related fees for the Company during the years ended December 31, 2018 and 2017.

**Tax Fees.** The aggregate fees of Ernst & Young LLP for tax services provided to the Company totaled \$17,568 and \$19,680 during the years ended December 31, 2018 and 2017. Tax services provided in 2018 and 2017 primarily comprised tax return preparation and review services for the Company's international subsidiaries.

**All Other Fees.** The aggregate fees of Ernst & Young LLP for other services provided to the Company during the years ended December 31, 2018 and 2017 totaled \$64,387 and \$1,995, respectively. The other services included assistance, as requested by the Company, in connection with the Company's Sustainability Report as well as providing assessments of the Company's environment, health and safety functions for selecting a software vendor for data management, and access to the Ernst & Young LLP on-line research tool.

#### Pre-Approval of Audit and Permissible Non-Audit Services

The Charter of the Company's Audit Committee requires that the Audit Committee review the plan, scope and estimated fees of Ernst & Young LLP's audit, audit-related, tax and other services and pre-approve such services. During the year, circumstances may arise when it may become necessary to engage Ernst & Young LLP for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before the Company engages the firm to perform those services. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

All of the services described above under the caption "Audit and Non-Audit Fees" were pre-approved in accordance with the Audit Committee Charter and the Audit Committee's policies.

#### Recommendation

The Board unanimously recommends that stockholders vote FOR the ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for 2019.

#### Required Vote

Ratification of the selection of the Company's independent registered public accounting firm requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. See "General Information about the Annual Meeting - Voting and Quorum - Effect of Broker Non-Votes and Abstentions; Vote Required."

#### PROPOSAL THREE

##### ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Section 14A of the Exchange Act requires public companies to conduct a separate stockholder advisory vote to approve the compensation of the Company's NEOs, commonly known as a "say-on-pay"

proposal. Accordingly, the Board is submitting for an advisory vote a proposal that asks the Company's stockholders to approve the compensation of the NEOs.

The Board recommends that the Company's stockholders vote in favor of the following advisory resolution: "Resolved, that the stockholders of Pioneer Natural Resources Company approve, on an advisory basis, the compensation paid to the Company's Named Executive Officers, as disclosed in the Proxy Statement for this Annual Meeting pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and related narrative executive compensation disclosures included in the Proxy Statement for this Annual Meeting."

The vote on this resolution is not intended to address any specific element of compensation; rather the vote relates to the compensation of the NEOs, as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. The vote is advisory, which means that the vote is not binding on the Company, the Board or the Compensation Committee. Although the vote is non-binding, the Board and the Compensation Committee value the opinions of the Company's stockholders, and will take into account the outcome of the vote when considering future executive compensation decisions and arrangements. In accordance with the vote of the Company's stockholders in 2017 regarding the frequency of future "say-on-pay" votes, the Board intends to hold this vote annually, and the next advisory vote to approve named executive officer compensation will occur in 2020.

#### Recommendation

The Board unanimously recommends that stockholders vote FOR the proposal to approve, on an advisory basis, the named executive officer compensation as described in this Proxy Statement.

#### Required Vote

The advisory vote to approve named executive officer requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. See "General Information about the Annual Meeting - Voting and Quorum - Effect of Broker Non-Votes and Abstentions; Vote Required."

#### STOCKHOLDER PROPOSALS; IDENTIFICATION OF DIRECTOR CANDIDATES

##### Stockholder Proposals for the 2020 Annual Meeting

Any stockholder of the Company who desires to submit a proposal for action at the 2020 annual meeting of stockholders and wishes to have the proposal ("Rule 14a-8 Proposal") included in the Company's proxy materials must follow the procedures set forth in Rule 14-8 under the Exchange Act and must submit the Rule 14a-8 Proposal to the Company at its principal executive offices no later than December 6, 2019, unless the Company notifies the stockholders otherwise. Only those Rule 14a-8 Proposals that are timely received by the Company and proper for stockholder action (and otherwise proper) will be included in the Company's proxy materials. In addition, a Rule 14a-8 proposal must comply with Article Nine of the Company's Certificate of Incorporation and the Company's Bylaws.

Stockholders desiring to propose action at the 2020 annual meeting of stockholders other than pursuant to Rule 14a-8 of the Exchange Act must comply with Article Nine of the Company's Certificate of Incorporation and the Company's Bylaws. In order to submit business to be considered at an annual meeting, a stockholder must submit written notice of the proposed business to the Company no later than 60 days before the annual meeting or, if later, ten days after the first public notice of the annual meeting is sent to stockholders. The stockholder and the stockholder's written notice must comply with all the requirements set forth in the Certificate of Incorporation and the Bylaws, including setting forth all of the information required by the Certificate of Incorporation and the Bylaws. The person presiding at the annual meeting will determine whether business is properly brought before the meeting and will not permit the consideration of any business not properly brought before the meeting.

Under Rule 14a-4(c) of the Exchange Act, the Board may exercise discretionary voting authority under proxies solicited by it with respect to any matter properly presented by a stockholder at the 2020 annual meeting of stockholders that the stockholder does not seek to have included in the Company's proxy statement if (except as described in the following sentence) the proxy statement discloses the nature of the matter and how the Board intends to exercise its discretion to vote on the matter, unless the Company

is notified of the proposal on or before February 19, 2020, and the stockholder satisfies the other requirements of Rule 14a-4(c)(2). If the Company first receives notice of the matter after February 19, 2020, and the matter nonetheless is permitted to be presented at the 2020 annual meeting of stockholders, the Board may exercise discretionary voting authority with respect to the matter without including any discussion of the matter in the proxy statement for the meeting. The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with the requirements described above and other applicable requirements.

"Discretionary voting authority" is the ability to vote proxies that stockholders have executed and submitted to the Company, on matters not specifically reflected in the Company's proxy materials, and on which stockholders have not had an opportunity to vote by proxy.

Written requests for inclusion of any stockholder proposal should be addressed to the Corporate Secretary, Pioneer Natural Resources Company, 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039. The Company suggests that stockholder proposals be sent by certified mail, return receipt requested.

#### Director Nominations

Nominations by the Board. The Board has delegated to the Nominating and Corporate Governance Committee the responsibility to identify, evaluate and recommend to the Board nominees for election at the annual meeting of stockholders, as well as for filling vacancies or additions on the Board that may occur between annual meetings. In considering candidates for the Board, the Nominating and Corporate Governance Committee will consider the entirety of each candidate's credentials, including his or her experience, if applicable, as a current director of the Company. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating and Corporate Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of the Board may vary in light of its composition and the Nominating and Corporate Governance Committee's perceptions about future issues and needs. However, while the Nominating and Corporate Governance Committee does not maintain a formal list of qualifications, in making its evaluation and recommendation of candidates, the Nominating and Corporate Governance Committee endeavors to recommend only director candidates who possess the highest personal values and integrity; who have experience and have exhibited achievements in one or more of the key professional, business, financial, legal and other challenges that face a large U.S. independent oil and gas company; who exhibit sound judgment, intelligence, personal character, and the ability to make independent analytical inquiries; who demonstrate a willingness to devote adequate time to Board duties; and who are likely to be able to serve on the Board for a sustained period.

The Nominating and Corporate Governance Committee endeavors to achieve for the Board an overall balance of backgrounds and diversity of experience at policy-making levels with a complementary mix of skills and professional experience in areas relevant to the Company's business, while also ensuring that the size of the Board is appropriate to function effectively and efficiently. The Nominating and Corporate Governance Committee believes it has achieved that balance through the representation on the Board of members having experience in the oil and gas industry, including in the areas of operations, engineering, geology, safety, midstream and downstream segments, macroeconomics, geopolitics, law, corporate governance, accounting and investment analysis, among other areas. In identifying potential director candidates, the Nominating and Corporate Governance Committee relies on any source available for the identification and recommendation of candidates, including its directors, officers and stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates based on whether the candidate is recommended by a stockholder or not. However, in evaluating a candidate's relevant business experience, the Nominating and Corporate Governance Committee may consider previous experience as a member of a board of directors. The Nominating and Corporate Governance Committee will also consider such factors as diversity, including differences in viewpoints, background, education, gender and/or ethnicity, age, and other individual qualifications and attributes. In addition, the Nominating and Corporate Governance Committee from time to time may engage a third-party search firm to identify or evaluate, or assist in identifying or evaluating potential candidates, for which the third party search firm will be paid a fee. The Company is committed to considering candidates for the Board regardless of gender, race, ethnicity and national origin. Any search firm retained to assist the Nominating and Corporate Governance Committee



in seeking candidates for the Board will affirmatively be instructed to seek to present women and minority candidates. Nominations by Stockholders. Any stockholder desiring to nominate an individual for election to the Board must comply with Article Nine of the Certificate of Incorporation and the Bylaws, as described above with respect to stockholder proposals. To be considered at an annual meeting, a nomination must be submitted in writing to the Corporate Secretary, Pioneer Natural Resources Company, 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039, no later than 60 days before the annual meeting or, if later, ten days after the first public notice of the annual meeting is sent to stockholders. In addition, the nominating stockholder's notice must set forth all of the information required by, and comply with, the Certificate of Incorporation and the Bylaws, including the following:

- the nominee's name, address and other personal information;
- the number of shares of each class and series of stock of the Company beneficially owned by such nominee;
- the nominating stockholder's name, business and residential addresses and telephone numbers, ownership of the Company's stock and other personal information; and
- all other information required to be disclosed pursuant to Regulation 14A of the Exchange Act.

The person presiding at the annual meeting will determine whether a nomination is properly brought before the meeting and will not permit the consideration of a nomination not properly brought before the meeting.

In addition, the Bylaws provide that under certain circumstances, a stockholder or group of stockholders meeting the eligibility requirements specified in the Bylaws may include director candidates that they have nominated in the Company's proxy materials. These proxy access provisions of the Bylaws provide, among other things, that a stockholder or group of up to 20 stockholders seeking to include director candidates in the Company's annual meeting proxy statement must have owned three percent or more of the Company's outstanding common stock continuously for at least the previous three years. The number of stockholder-nominated candidates appearing in any annual meeting proxy statement cannot exceed the greater of two or 20 percent of the number of directors then serving on the Board (rounded down to the nearest whole number). This maximum number is subject to reduction in certain circumstances, such as a nomination of a candidate by an eligible stockholder or group of stockholders whose nomination is subsequently withdrawn, and there being one or more candidates proposed for nomination by an eligible stockholder or group of stockholders who the Board itself decides to nominate for election. If the number of stockholder-nominated candidates exceeds 20 percent, each nominating stockholder or group of stockholders may select one nominee for inclusion in the Company's proxy materials until the maximum number is reached. The order of selection would be determined by the amount (largest to smallest) of shares of the Company's common stock held by each nominating stockholder or group of stockholders.

To have a stockholder-nominated candidate included in the Company's proxy materials pursuant to the Company's proxy access bylaw, the nominating stockholder or group of stockholders must submit to the Corporate Secretary of the Company at the Company's principal executive office the information and documentation specified in the Bylaws not less than 120 days nor more than 150 days prior to the anniversary of the date that the Company mailed its proxy statement for the prior year's annual meeting, unless the annual meeting is not scheduled to be held within a period that commences 30 days before the first anniversary date of the prior year's annual meeting and ends 30 days after the first anniversary date of the prior year's annual meeting of stockholders (an annual meeting date outside such period being referred to herein as an "other meeting date"), in which case the information and documentation must be submitted by the later of the close of business on the date that is 180 days prior to such other meeting date or the tenth day following the date such other meeting date is first publicly announced or disclosed. Thus, any eligible stockholder or group of stockholders who desires to nominate a director candidate for election at the 2020 annual meeting of stockholders and wishes to have the candidate included in the Company's proxy materials, must submit all of the required information and documentation to the Company no earlier than November 6, 2019 and no later than December 6, 2019.

## GENERAL INFORMATION ABOUT THE ANNUAL MEETING

### Stockholders of Record and Beneficial Owners

Most of the Company's stockholders hold their shares through a broker, bank or nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

**Stockholders of Record.** If your shares are registered directly in your name with the Company's transfer agent, you are considered the stockholder of record of those shares, and the Notice of Availability is being sent directly to you by the Company's agent. If you are a stockholder of record, you have the right to vote by Proxy or to vote in person at the Annual Meeting. If you received a paper copy of the proxy materials by mail instead of the Notice of Availability, the proxy materials include a proxy card for the Annual Meeting.

**Beneficial Owners through Brokers or Nominees.** If you hold your shares in a brokerage account or through a bank or nominee, you are considered the "beneficial owner" of shares held in "street name," and the Notice of Availability will be forwarded to you by your broker or nominee. The broker or nominee is considered the stockholder of record of those shares. As the beneficial owner, you have the right to direct your broker how to vote. Beneficial owners that receive the Notice of Availability by mail from their broker or nominee should follow the instructions included in the Notice of Availability to view the Proxy Statement and transmit voting instructions. If you received a paper copy of the proxy materials by mail instead of the Notice of Availability, the proxy materials include a proxy card or voting instruction form for the Annual Meeting.

### Voting and Quorum

**Voting Stock.** The Company's common stock is the only class of securities that entitles holders to vote generally at meetings of the Company's stockholders. Each share of common stock outstanding on the record date is entitled to one vote. An automated system that the Company's transfer agent administers will tabulate the votes.

**Record Date and Shares Outstanding.** The record date for stockholders entitled to notice of and to vote at the Annual Meeting was the close of business on March 21, 2019. As of the record date, 168,486,268 shares of common stock were outstanding and entitled to be voted at the Annual Meeting.

**Voting in Person or by Proxy.** If you attend the Annual Meeting and are a stockholder of the Company as of the record date, you may vote in person. If you are not present at the Annual Meeting, your shares may be voted only by a person to whom you have given a proper Proxy. A Proxy that is properly completed and submitted will be voted at the Annual Meeting in accordance with the instructions on the Proxy.

If you properly complete and submit a Proxy, but do not indicate any contrary voting instructions, your shares will be voted as follows:

• **FOR** the election of the twelve persons named in this Proxy Statement as the Board's nominees for election as directors.

• **FOR** the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2019.

• **FOR** the advisory vote to approve the Company's named executive officer compensation.

If any other business properly comes before the stockholders for a vote at the Annual Meeting, your shares will be voted in accordance with the discretion of the holders of the Proxy. The Board knows of no matters, other than those previously stated, to be presented for consideration at the Annual Meeting.

**Revoking a Proxy.** You may revoke the Proxy in writing at any time before it is exercised at the Annual Meeting by (i) delivering a written notice of the revocation to the Corporate Secretary of the Company at 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039 no later than 5:00 p.m., Central Time on May 15, 2019, (ii) timely submitting a new Proxy electronically through the internet or by phone, (iii) signing and delivering to the Corporate Secretary of the Company at 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039 a new Proxy with a later date no later than 5:00 p.m., Central Time on May 15, 2019, or (iv) attending the Annual Meeting and voting your shares in person. Your attendance at the

Annual Meeting will not revoke the Proxy unless you give written notice of revocation to the Corporate Secretary before the Proxy is exercised or unless you vote your shares in person at the Annual Meeting.

Quorum and Adjournments. The presence, in person or by Proxy, of the holders of a majority of the shares entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. If a quorum is not present, the chairman of the Annual Meeting or the holders of a majority in voting power of the stock of the Company entitled to vote at the Annual Meeting who are present in person or by Proxy at the Annual Meeting have the power to adjourn the Annual Meeting from time to time, whether or not there is a quorum. No notice of the reconvened meeting is required to be given if the date, time and place are announced at the Annual Meeting unless the reconvened meeting is more than 30 days after the date for which notice was originally given. At any reconvened Annual Meeting at which a quorum is present, any business may be transacted that may have been transacted at the Annual Meeting had a quorum been present.

Effect of Broker Non-Votes and Abstentions; Vote Required. If you are a beneficial owner whose shares are held of record by a broker or nominee, you will receive instructions from the broker or nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote your shares, it may vote your shares as it decides with respect to any matter for which it has discretionary authority under the rules of the NYSE.

There are also non-discretionary matters for which your broker or nominee does not have discretionary authority to vote unless it receives timely instructions from you. A broker non-vote results when a broker or nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or nominee should vote your shares and the broker or nominee indicates it does not have authority to vote such shares on its Proxy. Although broker non-votes will be counted as present at the Annual Meeting for purposes of determining a quorum, they will not be treated as entitled to vote or as votes cast, as applicable, with respect to non-discretionary matters.

If your shares are held in street name and you do not give voting instructions, pursuant to NYSE Rule 452, the record holder will only be entitled to vote your shares in its discretion with respect to the ratification of the selection of the Company's independent registered public accounting firm (Proposal 2).

Without voting instructions from you, the record holder will not be permitted to vote your shares with respect to the election of directors (Proposal 1) and the advisory vote regarding executive compensation (Proposal 3). Your shares would therefore be considered "broker non-votes" with respect to these proposals.

Abstentions occur when stockholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting.

The Company's Bylaws provide that an uncontested election of directors (Proposal 1) shall be decided by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote in the election of directors at the Annual Meeting. In order for a director nominee to be elected by the affirmative vote of a majority of the votes cast, the number of votes cast "For" the nominee must exceed the number of votes cast "Against" the nominee.

Abstentions and broker non-votes will not be counted as votes cast either "For" or "Against" any nominee for director and will have no effect on the outcome of the vote for directors.

Ratification of the selection of the Company's independent registered public accounting firm (Proposal 2) requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. Abstentions will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal. Because record holders have discretion to vote your shares on this proposal, there will be no broker non-votes.

The advisory vote to approve the Company's named executive officer compensation (Proposal 3) requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. Abstentions will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote on this proposal. While the advisory vote to approve named executive officer compensation is required by law, it will not be binding on the Company or the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional



fiduciary duty on, the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

#### Participants in the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan

Participants in the 401(k) Plan who have shares of common stock credited to their plan account as of the record date will have the right to direct the 401(k) Plan trustee how to vote those shares. The trustee will vote the shares in a participant's 401(k) Plan account in accordance with the participant's instructions or, if no instructions are received prior to 4:00 p.m., Central Time on May 13, 2019, the shares credited to that participant's account will be voted by the trustee in the same proportion as it votes shares for which it did receive timely instructions. Information as to how participants voted the shares credited to their 401(k) Plan account will not be disclosed to the Company.

If a participant holds common stock outside of the 401(k) Plan, the participant will need to vote those shares separately.

#### Solicitation of Proxies

Solicitation of Proxies may be made via the internet, by mail, and by personal interview or telephone by officers, directors and regular employees of the Company. These directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of the common stock that those companies or persons hold of record, and the Company will reimburse the forwarding expenses. In addition, the Company has retained D.F. King & Co., Inc. to assist in solicitation for a fee estimated not to exceed \$10,000. The Company will bear all costs of solicitation.

#### STOCKHOLDER LIST

In accordance with the Delaware General Corporation Law, the Company will maintain at its corporate offices in Irving, Texas, a list of the stockholders entitled to vote at the Annual Meeting. The list will be open to the examination of any stockholder, for purposes germane to the Annual Meeting, during ordinary business hours for ten days before the Annual Meeting. The Company's principal executive offices are located at 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039.

#### ANNUAL REPORT AND OTHER INFORMATION

The Company's 2018 Annual Report to Stockholders, which includes the Company's Annual Report on Form 10-K for the year ended December 31, 2018, is being made available to stockholders concurrently with this Proxy Statement and does not form part of the proxy solicitation material.

The Company filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2018 with the SEC. It is available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov). Upon written request by a stockholder, the Company will mail, without charge, a copy of the Form 10-K, including the financial statements and financial statement schedules, but excluding exhibits to the Form 10-K. Exhibits to the Form 10-K are available upon payment of a reasonable fee, which is limited to the Company's expenses in furnishing the requested exhibit. Such requests may be made by writing to the Corporate Secretary, Pioneer Natural Resources Company, 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039.

One copy of the Notice of Availability, this Proxy Statement and the 2018 Annual Report to Stockholders (the "Proxy Materials") will be sent to stockholders who share an address, unless they have notified the Company that they want to continue receiving multiple packages. This practice, known as "householding," is designed to reduce duplicate mailings and save significant printing and postage costs. If you received a householded mailing this year and you would like to have additional copies of this Proxy Statement and 2018 Annual Report to Stockholders mailed to you or you would like to opt out of this practice for future mailings, the Company will promptly deliver such additional copies to you if you submit your request in writing to Corporate Secretary, Pioneer Natural Resources Company, 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039, or call (972) 444-9001. You may also contact the Company in the same manner if you received multiple copies of the Annual Meeting materials and would prefer to receive a single copy in the future. The Proxy Materials are also available at [www.cstproxy.com/pioneer/2019](http://www.cstproxy.com/pioneer/2019).

**INTERNET AND PHONE VOTING**

For shares of common stock that are registered in your name, you may vote by internet or phone using procedures provided by the Company's transfer agent, Continental Stock Transfer & Trust Company. Votes submitted by internet or phone must be received by 6:00 p.m., Central Time, on Wednesday, May 15, 2019. The giving of such a proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

The internet and phone voting procedures are designed to authenticate stockholder identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting by internet should remember that the stockholder must bear costs associated with electronic access, such as usage charges from internet access providers and telephone companies.

For shares of common stock that are registered in street name (the stockholder owns shares in the name of a bank, broker or other holder of record on the books of the Company's transfer agent), you will receive instructions with your proxy materials that you must follow in order to have your shares voted. Please review your Proxy or voting instruction card to determine whether you can vote by phone or electronically.

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**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO VOTE BY INTERNET, BY PHONE OR IF YOU HAVE RECEIVED PAPER COPIES OF THE PROXY MATERIAL, BY COMPLETING, SIGNING AND RETURNING THE PROXY IN THE ENCLOSED POSTAGE-PAID, ADDRESSED ENVELOPE.**

By Order of the Board of Directors,

Thomas J. Murphy  
Corporate Secretary  
Irving, Texas  
April 4, 2019







