

# SECURITIES AND EXCHANGE COMMISSION

## FORM DEFC14A

Definitive proxy statement in connection with contested solicitations

Filing Date: **1996-04-08** | Period of Report: **1996-05-21**

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### FILER

#### QUESTAR CORP

CIK: **751652** | IRS No.: **870407509** | State of Incorporation: **UT** | Fiscal Year End: **1231**

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SIC: **4923** Natural gas transmission & distribution

#### Mailing Address

*P.O. BOX 11150*

*SALT LAKE CITY UT 84147*

#### Business Address

*180 E FIRST SOUTH ST*

*PO BOX 45433*

*SALT LAKE CITY UT 84145*

*8015345000*

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Materials Pursuant to Section 240.14a-11(c) or Section 240.14a-12

Questar Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A

[ ] \$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

April 8, 1996

Dear Questar Stockholder:

We are pleased to invite you to attend the 1996 Annual Meeting of Stockholders. This year's Annual Meeting will be held on Tuesday, May 21, 1996, at 10:00 a.m. Our downtown office building is undergoing extensive

remodeling. Consequently, we are holding this year's Annual Meeting in the auditorium at Mountain Fuel Supply Company's Operations Center, 1140 West Second South, in Salt Lake City, Utah. Free parking will be available at the Operations Center.

The Notice and Proxy Statement contain information about the business of the meeting. This year, we are asking you to elect four directors and to approve three proposals recommended by the Board of Directors dealing with the Company's stock option plans and a new plan that would permit directors to be paid with shares of the Company's stock. We encourage you to elect the directors and to vote for these proposals.

The United Food and Chemical Workers Union, Local 99R (the UFCW), has also recommended two proposals that are opposed by the Board of Directors. These proposals are discussed in the Proxy Statement and are listed on the proxy card. The Board of Directors opposes these proposals and encourages you to vote against them. You may receive separate proxy materials from the UFCW. We encourage you to not return the UFCW's proxy cards, but to cast your vote on the enclosed proxy card.

Please have your shares represented at the meeting by completing, dating, and signing the enclosed proxy card and returning it in the envelope.

Sincerely,

/s/ R. D. Cash

R. D. Cash  
Chairman, President and  
Chief Executive Officer

QUESTAR CORPORATION SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
180 East First South ANNUAL MEETING, MAY 21, 1996  
P. O. Box 45433  
Salt Lake City, Utah 84145-0433

PROXY The undersigned stockholder of QUESTAR CORPORATION does hereby constitute and appoint R. D. CASH and JAMES A. HARMON, or either of them, the true and lawful attorney-in-fact and proxy with all the powers that the undersigned would possess, if personally present, to vote the stock of the undersigned at the Annual Meeting of Stockholders of the Company to be held at the office of Mountain Fuel Supply Company, 1140 West Second South, Salt Lake City, Utah, on Tuesday, May 21, 1996, at 10:00 a.m., local time, and at any adjournments thereof, upon the matters described in the Notice of Annual Meeting and Proxy Statement, dated April 8, 1996, receipt of which is hereby acknowledged, and upon any other business that may come before the meeting or any adjournments or postponements.

Dated: \_\_\_\_\_, 1996

(Signature)

(Signature)

Please date and sign exactly as name appears hereon. When signing as Attorney, Executor, Administrator, Trustee, Guardian, etc., give full title. If stock is held jointly, each joint owner should sign. If stock is owned by a corporation,

(Please turn over) please sign full corporate name by  
duly authorized officer.

This proxy, when properly executed will be voted in the manner directed by the stockholder. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR ALL NOMINEES, FOR PROPOSAL NOS. 1, 2, AND 3, AND AGAINST PROPOSAL NOS. 4 AND 5.

The Board recommends a vote FOR the election of directors and for Proposals 1, 2, and 3.

To elect four directors of the Company. Nominees: Patrick J. Early,  
Dixie L. Leavitt, Mary Mead, and D. N. Rose

VOTE FOR all nominees listed above, except as marked to the contrary above (if any). To withhold your vote for any individual nominee, strike a line through his name in the list above.

VOTE WITHHELD from all nominees.

Proposal No. 1: To consider and approve amendments to the Company's Long-Term Stock Incentive Plan.

FOR  AGAINST  ABSTAIN

Proposal No. 2: To consider and approve amendments to the Company's Stock Option Plan for Directors.

FOR  AGAINST  ABSTAIN

Proposal No. 3: To consider and approve a new Directors' Stock Plan.

FOR  AGAINST  ABSTAIN

The Board recommends a vote AGAINST the two stockholder proposals.

Proposal No. 4: To adopt a resolution recommending confidential voting.

FOR  AGAINST  ABSTAIN

Proposal No. 5: To adopt a resolution recommending a revision to the Company's Executive Severance Compensation Plan.

FOR  AGAINST  ABSTAIN

In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting, or any adjournments or postponements of such meeting.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY, USING THE ENCLOSED ENVELOPE.

Please mark if your address has changed and correct your address on the reverse side.

(Logo)

QUESTAR CORPORATION  
180 East First South Street

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To be Held on May 21, 1996

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The Annual Meeting of Stockholders of Questar Corporation, a Utah corporation (the "Company"), will be held at 1140 West Second South, Salt Lake City, Utah, on Tuesday, May 21, 1996, at 10:00 a.m., local time, for the following purposes:

1. To elect four directors to hold office for three years;
2. To consider and approve amendments to the Company's Long-Term Stock Incentive Plan that would permit the plan to qualify as a performance-based plan under applicable tax regulations, enlarge the group of eligible participants, and extend the exercise term after retirement (Proposal No. 1);
3. To consider and approve amendments to the Company's Stock Option Plan for Directors that would extend the term and reserve additional shares (Proposal No. 2);
4. To consider and approve a new Directors' Stock Plan that would permit directors to be paid with shares of the Company's common stock (Proposal No. 3);
5. To consider and act on a stockholder proposal opposed by the Board of Directors recommending that the Company adopt confidential voting (Proposal No. 4);
6. To consider and act on a stockholder proposal opposed by the Board of Directors recommending a revision to the Company's Executive Severance Compensation Plan (Proposal No. 5); and
7. To transact such other business as may properly come before the meeting.

Stockholders of record as of March 22, 1996, are entitled to receive notice of and to vote at the Annual Meeting. If you have your shares registered in the name of a brokerage firm or trustee and plan to attend the meeting, please obtain a letter, account statement, or other evidence of your beneficial ownership of shares to facilitate your admittance to the meeting.

By Order of the  
Board of Directors

/s/ Connie C. Holbrook  
Connie C. Holbrook  
Vice President and Secretary

Salt Lake City, Utah  
April 8, 1996

YOUR VOTE IS IMPORTANT.

It is important that as many shares as possible be represented at the Annual Meeting. Please date, sign, and promptly return your white proxy card in the enclosed envelope (which requires no postage if mailed within the United States). Your proxy may be revoked by you at any time before it is voted.

The address noted above for the Company's Annual Meeting is Mountain Fuel Supply Company's Operations Center in Salt Lake City, Utah. Free parking is available at the building.

QUESTAR CORPORATION  
PROXY STATEMENT

May 21, 1996

This Proxy Statement is being furnished to stockholders of Questar Corporation, a Utah corporation, in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on Tuesday, May 21, 1996, at 10:00 a.m., local time, and any adjournment or adjournments or postponements of such meeting. At the Annual Meeting, holders of common stock will elect four directors of the Company, each for a three-year term, and act upon a proposal to amend the Company's Long-Term Stock Incentive Plan, a proposal to amend the Company's Stock Option Plan for Directors, a proposal to adopt a new Directors' Stock Plan, and, if properly brought before the meeting, two stockholder proposals set forth in this Proxy Statement.

Record Date; Vote Required

Only stockholders of record at the close of business on March 22, 1996, will be entitled to notice of and to vote at the Annual Meeting. At such date, 40,759,238 shares of common stock were outstanding. Each share of common stock will be entitled to one vote on each matter coming before the meeting. In order to elect the four directors, the affirmative vote of the holders of a plurality of the shares of common stock present and entitled to vote at the Annual Meeting, provided a quorum is present, is required. Any proposals, to be approved, require the receipt of more affirmative votes than negative votes cast for shares represented at the meeting, assuming a quorum is present. The Company's Bylaws provide that votes "withheld" from director nominees will not be counted for purposes of determining whether such individuals receive a plurality of votes. Shares registered in the names of brokers or other "street name" nominees for which proxies are voted for some but not all matters (broker nonvotes) will be considered as voted only as to those matters actually voted.

Proxies and Solicitation

Shares of common stock represented by properly executed proxies received at or prior to the Annual Meeting will be voted in accordance with specified instructions. If no instructions are indicated, proxies representing shares of common stock will be voted for the Board of Directors' nominees for director, for the proposals recommended by the Board of Directors, and against the stockholder proposals. Execution of a proxy will not prevent a stockholder from attending the Annual Meeting and voting in person. Any stockholder giving a proxy may revoke it at any time before it is voted by delivering to the Secretary of the Company written notice of revocation bearing a later date than the proxy, by delivering a later-dated proxy, or by voting in person at the Annual Meeting. Attendance at the Annual Meeting, in and of itself, will not constitute revocation of a proxy.

This solicitation is made on behalf of the Board of Directors, and all expenses of this solicitation will be paid by the Company. Any costs incurred to mail solicitation materials for the stockholder proposals will be paid by the stockholder. In addition to solicitation of proxies by use of mail, the directors, officers, and regular employees of the Company may solicit proxies. Such persons will receive no additional compensation for such services. The Company has requested that brokerage houses, and other custodians, nominees, and fiduciaries forward solicitation materials to the beneficial owners of shares of common stock held of record by such persons. The Company will reimburse such brokers and other fiduciaries for their reasonable out-of-pocket expenses incurred in connection with such request. The Company has

hired Kissel-Blake, Inc., 110 Wall Street, New York, NY 10005, to assist in the solicitation of proxies for which the Company will pay a fee of approximately \$7,500 plus expenses.

#### ELECTION OF DIRECTORS

The Company's Restated Articles of Incorporation provide for a board of 13 directors, divided into three classes, approximately equal in number, elected to serve three-year terms.

The Board of Directors of the Company has selected Patrick J. Early, Dixie L. Leavitt, Mary Mead, and D. N. Rose as the nominees for whom shares of common stock represented by the enclosed proxy will be voted, unless otherwise specified on the proxy. All of the nominees currently serve as directors of the Company.

The Board of Directors has no reason to believe that any nominee will be unwilling or unable to serve as a director. However, in the event that any nominee is unwilling or unable to serve as a director, the proxy holders named in the enclosed proxy may vote, in their discretion, for any other person. The directors elected at the Annual Meeting will serve three-year terms.

Information concerning the nominees for election as directors and the current directors of the Company whose terms will continue after the Annual Meeting is set forth below. Unless otherwise indicated, the nominees have been engaged in the same principal occupation for the past five years. Ages are correct as of the date of the Proxy Statement. Share information is correct as of March 1, 1996.

#### Nominees

[Picture]

Mr. Patrick J. Early, age 63, served as Vice Chairman of Amoco Corporation from July of 1992 until his retirement in April of 1995. He was also a director of Amoco Corporation from 1989 to his retirement. Prior to service as Vice Chairman, Mr. Early served as President of Amoco Production Company from September 1987 to July of 1992. He was appointed to serve as a director of the Company, effective August 1, 1995, to fill a vacancy. He is a member of the Board of Trustees of the Museum of Science and Industry in Chicago and a member of the Board of Advisors of Catholic Charities in Chicago. Mr. Early owns 1,000 shares of the Company's common stock.

[Picture]

Mr. Dixie L. Leavitt is the founder and Chairman of the Board of the Leavitt Insurance Group (a group of approximately 54 independent insurance agencies located in seven western states). Mr. Leavitt, age 66, is also President and Chairman of entities engaged in dairy, cattle, agriculture, and real estate operations in Utah and southern Nevada. He has been a director of the Company since 1987 and also serves as a director of Zions First National Bank. Mr. Leavitt is the beneficial holder of 18,863 shares of the Company's common stock, including 7,000 shares under vested stock options.

[Picture]

Mrs. Mary Mead is a rancher in Jackson, Wyoming. Mrs. Mead, age 60, has served as a director of the Company since 1990 and also serves as a director of Jackson State Bank. She is the beneficial holder of 12,800 shares of the Company's common stock, including 3,500 shares under vested stock options.

[Picture]

Mr. D. N. Rose serves the Company as Executive Vice President, a position to which he was appointed February 13, 1996. He is also President and Chief Executive Officer of Mountain Fuel Supply Company (a subsidiary of the Company engaged in retail natural gas distribution). He has served in this position and as a director of the Company since 1984. Mr. Rose, age 51, is also a trustee of Westminster College and a director of Key Bank of Utah. He is the beneficial holder of 65,886 shares of the Company's common stock, including 28,500 shares under vested stock options.

Continuing Directors (Present Term Expires in 1997)

[Picture]

Mr. U. Edwin Garrison is the retired Chairman of Thiokol Corporation, a position he held from July of 1991 to November of 1995. He also served as Chief Executive Officer of Thiokol from July of 1991 to July of 1993 and as President of Thiokol from July of 1989 to July of 1992. Mr. Garrison, age 68, has served as a director of the Company since 1991 and is also a director of Thiokol Corporation and First Security Corporation. He is the beneficial owner of 14,227 shares of the Company's common stock, including 3,650 shares under vested stock options.

[Picture]

Mr. W. Whitley Hawkins is the owner of a consulting firm, Hawkins Bricker International and HBI, Inc., which manufactures chemical coating products. He was President and Chief Operating Officer of Delta Air Lines from May of 1991 to March of 1993. He also served Delta Air Lines as Executive Vice President, Marketing and Stations, from August 1990 to May 1991. Mr. Hawkins, age 64, has served as a director of the Company since 1991 and also serves on the Advisory Council of SunTrust Bank, as a senior advisor to the American International Group, and on the Advisory Board of the International Airline Passengers Association. He is the beneficial owner of 7,370 shares of the Company's common stock, including 7,150 shares under vested stock options.

[Picture]

Mr. Robert E. Kadlec retired as President and Chief Executive Officer of BC Gas Inc., effective December 31, 1995. He currently has an investment and consulting firm, Kadlec Holdings. Mr. Kadlec, age 62, has been a director of the Company since 1987, is a director of BC Gas Inc., Trans Mountain Pipe Line Company Ltd., British Pacific Properties Ltd., International Forest Products Ltd., and is on the Advisory Board of Anderson Consulting. He is the beneficial owner of 14,750 shares of the Company's common stock, including 11,150 shares under vested stock options.

[Picture]

Mr. Harris H. Simmons has been the President and Chief Executive Officer of Zions First National Bank and Zions Bancorporation since December of 1990. He has served as President of Zions Bancorporation since April of 1986 and is also a director of Zions Bancorporation. He is the son of Roy W. Simmons, an emeritus director of the Company who was a director of the Company from 1968 to 1992. Mr. Simmons, age 41, has served as a director since November 1, 1992. He serves as Chairman of the Utah Symphony and the Economic Development Corporation of Utah and as a trustee of Salt Lake Community College. Mr. Simmons is the beneficial owner of 4,800 shares of the Company's common stock, including 4,200 shares under vested stock options.



[Picture] Mr. R. D. Cash has served as the Company's President and Chief Executive Officer since May of 1984 and as the Company's Chairman of the Board since May of 1985. Mr. Cash, age 53, has been a director of the Company since 1977 and also serves as a director of Zions First National Bank and Zions Bancorporation; a director of Associated Electric and Gas Insurance Services Limited; a member of the Board of Directors of the Federal Reserve Bank (Salt Lake Branch) of San Francisco; and a trustee of Southern Utah University. He is the beneficial holder of 223,211 shares of the Company's common stock, including 69,373 shares under vested stock options and 42,596 shares that are owned by two nonprofit foundations controlled by the Company.

[Picture] Mr. James A. Harmon is Chairman of Schroder Wertheim & Co. Incorporated (investment bankers). He served as Chairman and Chief Executive Officer from 1986 through December 31, 1995. Mr. Harmon, age 60, has been a director of the Company since 1976 and also serves as a director of Schroder Plc and The Rank Organization Plc; Chairman of the Advisory Board of the Barnard-Columbia University Center for Leadership in Urban Public Policy; a trustee of Barnard College; and a trustee emeritus of Brown University. He is the beneficial holder of 28,964 shares of the Company's common stock, including 4,950 shares under vested stock options.

[Picture] Mr. William N. Jones is Chairman of the Board, Lite Touch, Inc. (residential and commercial lighting systems). Mr. Jones, age 69, has been a director of the Company since 1981. He is a trustee of Intermountain Health Care, Inc. He is the beneficial holder of 12,218 shares of the Company's common stock, including 3,500 shares under vested stock options.

[Picture] Mr. Neal A. Maxwell is a member of the Council of the Twelve for the Church of Jesus Christ of Latter-day Saints. Mr. Maxwell, age 69, has been a director of the Company since 1968 and also serves as a director of Deseret News Publishing Company and as a trustee of Brigham Young University. He is the beneficial holder of 10,078 shares of the Company's common stock, including 5,100 shares under vested stock options. (Mr. Maxwell has announced his retirement as of May 21, 1996.)

[Picture] Mr. Gary G. Michael is Chairman and Chief Executive Officer of Albertson's, Inc. and has served in this position since February 1, 1991. He served as Vice Chairman and as Chief Financial and Corporate Development Officer of Albertson's from 1984 to January 31, 1992. Mr. Michael, age 55, has been a director of the Company since February of 1994. He is a director of Albertson's and a member of the Board of Directors of the Federal Reserve Bank of San Francisco. Mr. Michael is the beneficial holder of 3,400 shares of the Company's common stock, including 2,100 shares under vested stock options.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

## Board Committees

The Board of Directors is responsible for the Company's overall affairs. To assist with this responsibility, the Board has established several standing committees.

The Executive Committee is vested with the authority to act as the Board of Directors in managing the affairs of the Company. Although this Committee has very broad powers, it meets only infrequently when it would be impractical to call a meeting of the full Board. Neal A. Maxwell serves as the Chairman of this Committee; other members include R. D. Cash, U. Edwin Garrison, James A. Harmon, and W. Whitley Hawkins. The Executive Committee held a joint meeting during 1995 with the directors of Questar Pipeline Company, a subsidiary of the Company.

The Finance and Audit Committee of the Board of Directors is currently chaired by U. Edwin Garrison. Other members of this Committee include James A. Harmon, William N. Jones, Robert E. Kadlec, Dixie L. Leavitt, Neal A. Maxwell, Gary G. Michael, and Harris H. Simmons. During 1995, the Finance and Audit Committee held two meetings, at which time the members reviewed financial statements, conferred with the Company's internal auditors and representatives of the external auditors concerning their respective examinations of the Company, and reviewed reports prepared for the Board of Directors.

The Company's Board of Directors also has a Management Performance Committee with W. Whitley Hawkins serving as the current Chairman. Other members of this Committee include Patrick J. Early, U. Edwin Garrison, James A. Harmon, William N. Jones, Robert E. Kadlec, Mary Mead, and Gary G. Michael. During 1995, the Committee held two meetings. The Committee reviews the salary and compensation arrangements paid the Company's officers and makes recommendations to the Board of Directors concerning such arrangements; administers the Stock Option Plan and the Long-Term Stock Incentive Plan; and makes recommendations about employees chosen to participate in the Annual Management Incentive Plans adopted by the Company and its major operating subsidiaries and about the performance objectives and awards made under such plans. (This Committee functions as the "Compensation Committee.") A report from this Committee concerning executive compensation is set forth later.

The Company has a Nominating Committee consisting of R. D. Cash (Chairman), Robert E. Kadlec, Dixie L. Leavitt, Mary Mead, and Harris H. Simmons. This Committee was organized to select individuals for nomination as directors. The Nominating Committee held one meeting in 1995. Although the Nominating Committee will consider responsible recommendations by stockholders concerning nominees, it has not established any formal procedures for considering such nominees. The Company's Bylaws do specify procedures to follow if shareholders want to nominate candidates for election as directors at an annual meeting.

## Attendance at Board and Committee Meetings

The Company's Board of Directors held four regular meetings during 1995; Board Committees held a total of six meetings. The directors attended 100 percent of the aggregate of the meetings of the Board and of the meetings of the Committees on which they serve.

## Directors' Compensation

Messrs. Cash and Rose do not receive any remuneration for service as directors of the Company. They do, however, receive fees for service as directors of the Company's affiliates. All other directors are paid an annual fee of \$12,000, payable in 12 monthly installments. They also receive fees of

\$800 for each Board meeting attended. With the exception of Mr. Cash, the Chairman of each Board Committee receives a fee of \$750 for meetings of the Committee chaired by him. Other directors receive a fee of \$600 for each Committee meeting attended.

The Company and its major affiliated companies each have a Deferred Compensation Plan for Directors, under which directors can elect to defer all or any portion of the fees received for service as directors until their retirement from such service and can choose to have the deferred amounts earn interest as if invested in long-term certificates of deposit or be accounted for with "phantom shares" of the Company's common stock. (The term phantom stock refers to accounting entries that parallel the value of the Company's common stock. Directors choosing the phantom stock option are credited with the same number of shares and fractional shares that could have been purchased using the closing price of the Company's common stock on the date such fees would have been payable. The account balances are also credited with "shares" purchased with reinvested "dividends." Upon retirement, directors receive the cash equivalent of these phantom shares.) During 1995, several directors of the Company and its affiliates chose to defer receipt of the compensation earned by them for their service.

The directors, other than Messrs. Cash and Rose, are also eligible to participate in the Stock Option Plan for Directors (Directors' Option Plan), which was approved by the Company's stockholders in May of 1987 and amended with shareholder approval effective March 1, 1991. Under the terms of this nondiscretionary plan, nonemployee voting directors receive nonqualified stock options at the first regular meeting of the Board of Directors held each year to purchase shares of the Company's common stock using the closing price of such stock on the date of grant as the exercise price. The number of shares covered by the options granted to directors is specified in the plan. Optionees, under the terms of the Directors' Option Plan, can use cash or other shares of the Company's common stock (valued at the closing price of such stock on the exercise date) as consideration. A proposal to amend the Directors' Option Plan is discussed later in the Proxy Statement.

On February 13, 1996, 11 nonemployee voting directors of the Company received nonqualified stock options to purchase a total of 32,600 shares of the Company's common stock at an exercise price of \$33.625 per share. Each eligible director, with the exception of Messrs. Garrison, Hawkins, and Maxwell, received a nonqualified stock option to purchase 2,800 shares. Messrs. Garrison, Hawkins, and Maxwell each received options to purchase 3,400 shares reflecting their added responsibilities as Chairmen of Board Committees. (These options will not begin to vest until August 13, 1996; consequently, the shares covered by the options are not included in the shares reported for the directors.)

The Company has entered into individual indemnification agreements with all directors, including Messrs. Cash and Rose, indemnifying them as directors. The form of these agreements was approved by the Company's stockholders at the 1988 Annual Meeting.

#### Directors' Retirement Policy

In May of 1992, the Board of Directors adopted a retirement policy that permits an outside director to continue serving in such position until the annual meeting following his 72nd birthday if he is actively engaged in business, financial, and community affairs. With the exception of the Company's Chief Executive Officer, any inside director is expected to resign as a director on or before the date of his retirement as an employee. The former Chief Executive Officer may serve out the remainder of his term once he retires as an active employee.

## Certain Relationships and Related Transactions

Mr. Jones serves as a member of the Board of Trustees of Intermountain Health Care, Inc. (IHC), a nonprofit corporation that provides health care services in the Company's areas of operation. The Company offers two health maintenance organizations and a preferred provider organization through IHC as options available to employees under the Company's health plan. In 1995, the Company and its subsidiaries paid IHC a total sum of \$479,900 in administrative fees.

Mr. Kadlec is the former President and Chief Executive Officer of BC Gas Inc. The Company and BC Gas, through subsidiaries, are former owners of FuelMaker Corporation, a Canadian corporation that manufactures and markets small natural gas compressors for use with natural gas vehicles. The Company released its interest in FuelMaker during 1995. BC Gas also has several gas supply contracts with Universal Resources Corporation (a subsidiary of the Company) to purchase gas during portions of the 1995-96 and 1996-97 winter heating seasons and also has long-term contracts with Questar Pipeline Company (another subsidiary of the Company) for storage service. BC Gas paid Universal Resources and Questar Pipeline a total of \$9,190,000 during 1995 for gas purchases and storage services.

Mr. Simmons is the President and Chief Executive Officer of Zions First National Bank. The Company has a line of credit through Zions. Two of the Company's subsidiaries, Questar InfoComm, Inc. and Mountain Fuel Supply Company, have accounts with Zions. The Company's credit line with Zions is priced at the same level that the Company pays for its other lines of credit, and the services provided by Zions to Questar InfoComm and Mountain Fuel are based on commercial terms that are available to other clients.

## Compensation Committee Interlocks and Insider Participation

Mr. Harmon is Chairman of Schroder Wertheim & Co., an investment banking firm that has served the Company and its affiliates as an underwriter and agent in the past and is expected to serve the Company in such capacities in the future. He will not be a member of this Committee as of May 21, 1996. Other members of the Management Performance Committee include Messrs. Early, Garrison, Hawkins, Jones, Kadlec, and Michael and Mrs. Mead.

## EXECUTIVE COMPENSATION

The following Summary Compensation Table lists annual and long-term compensation earned by Mr. Cash and the other four most highly compensated officers during 1993, 1994, and 1995.

### Summary Compensation Table

<TABLE>

<CAPTION>

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation
		Base Salary (\$)	Bonus (\$) <sup>1</sup>	Restricted Stock Awards (\$) <sup>2</sup>	Options (#)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
R. D. Cash	1995	395,000	28,463	23,336	30,000	54,240
Chairman, President and Chief Executive Officer	1994	377,667	126,011	89,407	30,000	49,335
	1993	363,533	99,899	89,271	30,000	43,099
D. N. Rose	1995	235,167	27,852	27,808	19,000	29,064
President and Chief Executive Officer	1994	209,500	36,061	36,053	19,000	21,713
	1993	200,417	38,572	38,525	19,000	18,786

Mountain Fuel Supply  
Company

G. L. Nordloh	1995	235,000	25,099	16,039	22,000	25,521
President and Chief	1994	164,583	44,127	45,333	22,000	20,658
Executive Officer	1993	161,500	47,804	43,313	20,000	18,065
Celsius Energy Company, Universal Resources Corporation, and Wexpro Company						
A. J. Marushack	1995	225,500	6,089	6,086	19,000	28,771
President and Chief	1994	201,333	39,254	39,201	19,000	20,671
Executive Officer	1993	191,217	31,867	31,847	19,000	18,164
Questar Pipeline Company						
C. M. Heiner	1995	218,417	0	0	19,000	23,737
Senior Vice President	1994	208,983	55,264	39,256	19,000	21,891
	1993	199,833	40,613	40,604	19,000	18,983

</TABLE>

1 Amounts listed under this heading for 1995 include cash payments awarded under the 1995 Annual Management Incentive Plans (AMIPs), cash payments awarded under the 1995 general employee compensation plans adopted by Celsius Energy Company/Universal Resources Corporation and Wexpro Company (E&P Plans). The amounts reported for 1994 include special cash bonuses paid to Messrs. Cash and Heiner when a business unit was sold.

2 Amounts under this heading for 1995 include the value (as of the grant date) of any shares of restricted stock granted in 1996, in lieu of cash, as partial payment of bonuses earned under the 1995 AMIPs and the value of any shares of restricted stock granted in connection with the 1995 E&P Plans. All shares of restricted stock vest in two annual, equal installments on the first business day in February of the first and second years following the grant date. Dividends are paid on the restricted shares at the same rate dividends are paid on other outstanding shares of the Company's common stock. As of December 31, 1995, Mr. Cash had 4,683 shares of restricted stock having a market value of \$156,881; Mr. Rose had 1,928 shares having a market value of \$64,588; Mr. Nordloh had 2,343 shares worth \$78,491; Mr. Marushack had 1,937 shares worth \$64,890; and Mr. Heiner had 2,078 shares worth \$69,613.

3 The figure opposite Mr. Cash's name for 1995 includes \$8,795 in contributions to the Employee Investment Plan, \$20,900 in directors' fees, and \$24,545 in "matching contributions" to the Deferred Share Plan. The figure listed opposite Mr. Rose's name for 1995 includes \$8,795 in contributions to the Employee Investment Plan, \$6,800 in director's fees, \$8,853 in matching contributions to the Deferred Share Plan, and \$4,615 for unused vacation. The figure listed opposite Mr. Nordloh's name for 1995 includes \$8,795 in contributions to the Employee Investment Plan; \$6,800 in director's fees, and \$9,926 in matching contributions to the Deferred Share Plan. The figure listed opposite Mr. Marushack's name for 1995 includes \$8,795 in contributions to the Employee Investment Plan; \$7,300 in director's fees, \$8,253 in matching contributions to the Deferred Share Plan, and \$4,423 for unused vacation. The figure listed opposite Mr. Heiner's name includes \$8,795 in contributions to the Employee Investment Plan, \$6,800 in director's fees, and \$8,142 in matching contributions to the Deferred Share Plan.

The following table lists information concerning the stock options that were granted to Messrs. Cash, Rose, Nordloh, Marushack, and Heiner during 1995 under the Company's Long-Term Stock Incentive Plan. No stock appreciation rights (SARs) were granted during 1995.

Option/SAR Grants in Last Fiscal Year

<TABLE>  
<CAPTION>

Name	Options Granted (#) <sup>1</sup>	% of Total		Exercise or Base Price (\$/Share)	Expiration Date	Grant Date Value (\$) <sup>2</sup>
		Options Granted <C>	Options to Employees in Last Fiscal Year <C>			
R. D. Cash	30,000		7.8	27.375	2/14/2005	212,700
D. N. Rose	19,000		5.0	27.375	2/14/2005	134,710
G. L. Nordloh	22,000		5.7	27.375	2/14/2005	155,980
A. J. Marushack	19,000		5.0	27.375	2/14/2005	134,710
C. M. Heiner	19,000		5.0	27.375	2/14/2005	134,710

</TABLE>

1 These stock options vest in four annual, equal installments, with the first installment exercisable as of August 14, 1995. Participants can use cash or previously-owned shares as consideration for option shares. Options expire when a participant terminates his employment, unless termination is caused by an approved retirement, death, or disability. Options can be exercised for three months following a participant's approved retirement and 12 months following a participant's death or disability.

2 When calculating the present value of options as of the date granted (February 14, 1995), the Company used the Black-Scholes option pricing model. The Company assumed a volatility of 20.81 percent, a risk-free interest rate of 7.70 percent, a dividend yield of 4.16 percent, and a vesting discount of 5.7 percent. The real value of the options in this table depends upon the actual performance of the Company's stock during the applicable period. There can be no assurance that the values shown in this table will be achieved.

The following table lists information concerning the stock options that were exercised by Messrs. Cash, Rose, Nordloh, Marushack, and Heiner during 1995 and the total options and their value held by each at year-end 1995.

Aggregated Option/SAR Exercises in Last Fiscal Year  
and Fiscal Year-End Option/SAR Values

<TABLE>  
<CAPTION>

Name	Shares Acquired or Exercised (#)	Value Realized <sup>1</sup> (\$)	Number of Unexercised Options/SARs at Year- End (#) <sup>2</sup>		Value of Unexercised, In-the-Money Options/ SARs at Year-End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
R. D. Cash	0	0	69,373	45,000	518,175	202,500
D. N. Rose	17,450	195,342	28,500	28,500	114,000	128,250
G. L. Nordloh	10,250	94,250	21,000	33,500	68,250	146,188
A. J. Marushack	0	0	58,500	28,500	553,500	128,250
C. M. Heiner	0	0	32,250	28,500	209,969	128,250

</TABLE>

1 The "value" is calculated by subtracting the fair market value of the shares purchased on the date of exercise minus the option price. The value is equal to the amount of ordinary income recognized by each officer. The current value of the shares may be higher or lower than the aggregate value reported in the table.

2 At year end 1995, there were no outstanding stock appreciation rights (SARs); they have not been granted since February of 1989.

Retirement Plans

The Company maintains a noncontributory retirement plan that is funded actuarially and does not involve specific contributions for any one individual. The following table lists the estimated annual benefits payable on a straight line annuity basis under the Company's Retirement Plan as of December 31, 1995, and, if necessary, the Company's Supplemental Executive Retirement Plan (the SERP). The benefits shown are based on earnings and years of service for an employee reaching normal retirement age of 65 in 1995 and do not include Social Security benefits. Benefits under the Retirement Plan are not reduced or offset by Social Security benefits, although participants who retire prior to age 62 do receive a temporary supplement.

Pension Plan Table

<TABLE>

<CAPTION>

Highest Consecutive Three-Year Average Annual Compensation	Years of Service				
	15	20	25	30	35
<S>	<C>	<C>	<C>	<C>	<C>
\$250,000	68,917	91,890	114,862	121,112	127,362
300,000	83,167	110,890	138,612	146,112	153,612
350,000	97,417	129,890	162,362	171,112	179,862
400,000	111,667	148,890	186,112	196,112	206,112
450,000	125,917	167,890	209,862	221,112	232,362
500,000	140,167	186,890	233,612	246,112	258,612
550,000	154,417	205,890	257,362	271,112	284,862
600,000	168,667	224,890	281,112	296,112	311,112

</TABLE>

The Company's Retirement Plan has a "step rate/excess" benefit formula. The formula provides for a basic benefit that is calculated by multiplying the employee's final average earnings by a specified basic benefit factor and by subsequently multiplying such sum by the employee's years of service (to a maximum of 25). This basic benefit is increased for each year of service in excess of 25 and is reduced for retirement prior to age 62. Employees also receive a supplemental benefit, under the Retirement Plan, calculated by multiplying the difference between the employee's final average earnings and his "covered compensation" by a supplemental factor that varies by age. (The term "covered compensation" refers to the 35-year average Social Security wage base tied to year of an employee's birth.) Employees who retire prior to age 62 also receive a temporary supplement that is tied to years of service until they are eligible to receive Social Security benefits at age 62.

Federal tax laws impose limits on the amount of a participant's annual compensation that can be used when calculating benefits under qualified plans and on the amount of benefits that can be paid to a participant from such plans. The SERP, a nonqualified plan, was adopted in 1987 to compensate officers who are affected by these limits. It provides for retirement benefits equal to the difference between the benefits payable under the qualified Retirement Plan and the benefits that would be payable absent such limits. All of the officers listed in the table earn annual compensation in excess of the current cap of \$150,000 and all of them have vested benefits under the SERP.

The "final average earnings" (the average annual earnings of the three highest-paid consecutive years of service) for purposes of calculating retirement benefits for the executive officers named above is as follows: for Mr. Cash, \$558,968; for Mr. Rose, \$283,605; for Mr. Nordloh, \$278,740; for Mr. Marushack, \$269,886; and for Mr. Heiner, \$281,850. The officer's base salary, cash bonus payments, and value of restricted stock (paid in lieu of cash) reported in the Summary Compensation Table would be included in the calculation of the officer's final average earnings. The amounts

reported in the Summary Compensation Table are somewhat different than the final average earnings figures because the latter figures include actual cash payments when made, not when earned, and the value of restricted stock when distributed, not granted. Dividends on the restricted shares are also included in the officer's final average earnings, but are not reported in the table. One-time extraordinary bonuses and payments for unused vacation are reported in the table, but are not included in final average earnings.

These executive officers all participate in the Company's Executive Incentive Retirement Plan (the EIRP), described below, and may receive supplemental monthly payments after retirement in accordance with such plan. The years of service for the individuals listed in the Summary Compensation Table are 20 years for Mr. Cash, 27 years for Mr. Rose, 12 years for Mr. Nordloh, 38 years for Mr. Marushack, and 25 years for Mr. Heiner.

The Company and its affiliates adopted the EIRP for officers in 1979. Under this nonqualified plan, a participant will receive monthly payments upon retirement equal to 10 percent of the highest average monthly base salary paid to the officer during any period of 36 consecutive months of employment. The plan also provides for a family benefit in the event of an officer's death. Messrs. Cash, Rose, Heiner, and Marushack have satisfied the 15 years of service required and have a vested right to receive benefits. Mr. Nordloh has been nominated to participate in the plan, but has not satisfied the years of service requirement. Based on current compensation, the annual benefits payable to the named officers under this plan are as follows: Mr. Cash, \$37,873; Mr. Rose, \$21,503; Mr. Marushack, \$20,602; and Mr. Heiner, \$20,908.

Any benefits payable under the SERP are offset against payments for the EIRP. Consequently, an officer would not receive any benefits from the SERP unless his benefit under the EIRP was less than the difference between what he could be paid under the Company's Retirement Plan at the date of his retirement and what he would have earned under such plan absent federal tax limitations. Given this relationship between the two nonqualified plans and the annual compensation cap of \$150,000 applicable to the Retirement Plan as of January 1, 1994, the amounts listed in the table above do not include benefits payable under the EIRP.

#### Executive Severance Compensation Plan

The Company has an Executive Severance Compensation Plan that covers the Company's executive officers and all other officers of the Company and its affiliated companies. Under this plan, participants, following a change in control of the Company, are eligible to receive compensation equal to up to two years' salary and miscellaneous benefits upon a voluntary or involuntary termination of their employment, provided that they have continued working or have been agreeable to continue working for six months following a potential change in control of the Company. The plan also contains a provision that limits severance compensation and benefits payable under the plan to amounts that can be deducted under Section 280G of the Internal Revenue Code of 1986.

The dollar amounts payable to the Company's executive officers (based on current salaries paid by the Company and its affiliates) in the event of a change in control of the Company are as follows: \$832,000 to Mr. Cash; \$525,200 to Mr. Rose; \$517,000 to Mr. Nordloh; \$478,400 to Mr. Marushack; and \$458,000 to Mr. Heiner. The Company's executive officers would also receive certain supplemental retirement benefits, welfare plan benefits, and cash bonuses.

Under the plan, a "change in control" is defined to include any change in control required to be reported under Item 6(e) of Schedule A of Regulation 14A of the Securities Exchange Act of 1934, as amended. A change in control is also



deemed to occur once any acquiring person becomes the beneficial owner, directly or indirectly, of securities representing 15 percent or more of the Company's outstanding shares of common stock.

#### CUMULATIVE TOTAL SHAREHOLDER RETURN

The following graph compares the cumulative total return<sup>1</sup> of the Company's common stock with the cumulative total returns of a peer group index of diversified natural gas companies prepared and published by Value Line, Inc.<sup>2</sup>, and of the S&P Composite-500 Stock Index.

[The graph has three lines connecting the points in the following table.]

<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Questar	\$100.00	\$124.04	\$159.30	\$207.04	\$179.12	\$226.64
S&P 500	100.00	130.55	140.72	154.91	157.39	216.42
Peer Group	100.00	95.20	113.27	136.47	122.53	161.69

</TABLE>

1 Assumes \$100 invested at the close of trading on December 31, 1990 in the Company's common stock, the published index of peer companies, and the S&P 500 Index; also assumes the dividends are reinvested. For 1995, the Company had a return of 26.5 percent compared to a return of 37.5 percent for the S&P 500 Index and a return of 32.0 percent for the published peer group index. For the five-year period, the Company had a compounded annual return of 17.8 percent compared to similar returns of 16.7 percent for the S&P 500 Index and 10.1 percent for the published peer group index.

2 The Company chose this index of diversified natural gas companies for comparison purposes because it is a published and widely-used index.

#### COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Management Performance Committee (the "Committee") is a Committee of outside directors that is chaired by W. Whitley Hawkins. Other members include Patrick J. Early, U. Edwin Garrison, James A. Harmon, William N. Jones, Robert E. Kadlec, Mary Mead, and Gary G. Michael. This Committee is responsible for reviewing and approving all elements of the total compensation program for officers of the Company and its affiliates and serves as the administrator of the Company's Stock Option Plan and Long-Term Stock Incentive Plan. The Committee is also responsible for monitoring the Company's executive compensation programs to verify that they are aligned with the Company's business strategies and financial goals. The Committee believes that such programs also motivate the Company's officers to acquire and retain appropriate levels of stock ownership and are competitive with programs offered by the Company's peers. It is the Committee's opinion that the total compensation earned by the Company's officers in 1995 achieves these objectives and is fair and reasonable.

Each year, the Committee reviews the performance of the Company on a consolidated basis and the performance of the Company's major lines of business and compares such performance to specified groups of peer companies. The Company's 1995 financial performance was negatively affected by weather that was 13 percent warmer than normal and by average natural gas wellhead prices that were 25 percent lower in 1995 than they were in 1994. Consequently, the Company's officers did not earn their target bonuses for 1995.

The Committee also assesses the individual performance of officers, particularly the performance of R. D. Cash and a group that includes the officers listed in the Summary Compensation Table. The Committee periodically directs outside consultants to perform an in-depth audit and analysis of the total compensation paid to the Company's officers. The most recent audit was completed by William M. Mercer, Inc. (Mercer) in December of 1994. The Committee also reviews executive compensation surveys, including an annual survey on executive compensation sponsored by the American Gas Association (AGA) and several compensation surveys published by consulting firms.

The Company's total compensation program for officers includes base salaries, annual bonuses, and stock options. The total program is designed to attract, motivate, reward and retain the broad-based management talent required to achieve corporate objectives and increase shareholder value. Each of these components of the total program is discussed in greater detail below.

#### Base Salaries

Base salaries for the Company's officers, including those named in the Summary Compensation Table, are reviewed on an annual basis. Such salaries are generally pegged at or near the 50th percentile or market average of survey data. Merit increases are generally based on merit compensation programs in place for the employees of the various business units. The merit increases awarded to Mr. Cash and other officers are based on an assessment of each officer's individual performance and comparison with survey data and have been in line with, or below, the overall merit budget guidelines adopted for other employees.

On March 1, 1995, Mr. Cash received an overall merit increase of 4.74 percent on his base salary (from \$380,000 to \$398,000) after the Committee determined that Mr. Cash's base salary was below the 50th percentile of AGA survey data for comparable positions in integrated natural gas companies. The Board of Directors, on the Committee's recommendation, also approved an overall merit increase of 4.52 percent for Mr. Cash effective March 1, 1996 (from \$398,000 to \$416,000). Mr. Cash participates in the general employee incentive compensation plan adopted by the Company's E&P affiliates. Consequently, a portion of Mr. Cash's base salary (\$58,500) has been frozen and will be frozen through February of 1998.

#### Annual Bonuses

All of the Company's officers, but particularly the five highest paid officers, have a significant portion of their total compensation at risk. The Company and its affiliates adopted an annual incentive compensation plan in 1982 and have consistently used the framework of this plan since then. The Committee reviews and approves minimum (85 percent), target (100 percent), and maximum (125 percent) performance levels for each specified performance objective. Factors are assigned to these performance objectives and the resulting factors are multiplied to obtain an overall factor that, in turn, is multiplied against the target bonus. Annual bonuses are directly linked to the key financial and operating objectives for the major business units and for the Company on a consolidated basis.

The Committee, at a meeting held in February of 1995, approved 1995 performance objectives for the Company and each major business unit. The performance results for the Company, on a consolidated basis, were specified net income, return on equity, and corporate operating and maintenance expense goals. The performance results for each major business unit included at least one financial goal, i.e., net income or net income and return on equity, and at least one operating efficiency goal.

The Committee also approved target bonuses for each officer. Mr. Cash's

target bonus for 1995 was set at 45 percent of his base salary; the 1995 target bonus for each of the remaining highest compensated officers was set at 40 percent of his base salary. A portion of Mr. Cash's target bonus was allocated to the performance of each major business unit. Approximately 60 percent of the target bonuses for Messrs. Rose, Marushack, and Nordloh were allocated to the performance goals for their respective business units with the remainder allocated to consolidated performance. All of Mr. Heiner's target bonus was tied to consolidated results.

In 1995, the Company, on a consolidated basis, failed to meet the minimum performance objectives for return on equity (12.50 percent) or net income (\$86,500,000). Consequently, the Company's officers did not receive any bonuses attributable to consolidated results. Each of the Company's major business units achieved at least its minimum operating efficiency goals. Mountain Fuel and Wexpro also satisfied at least their respective minimum financial goals. All of the officers named in the table, with the exception of Mr. Heiner, earned a bonus for 1995, but the bonus payments were below their target bonuses.

Mr. Cash earned a bonus of \$46,700 for the performance of the Company and its affiliates under the Company's 1995 Annual Management Incentive Plan, or an overall 27.3 percent of his target bonus of \$171,000. Of this amount, \$23,364 was paid in cash; the remainder of the bonus was paid in 694 shares of the Company's restricted stock that will vest in equal annual installments in February of 1997 and February of 1998. (During the restricted period, Mr. Cash will receive dividends on these shares; the dividends will be treated as additional compensation for purposes of the Company's qualified and nonqualified benefit plans.) For 1995, he was eligible to receive up to 25 percent of his frozen salary if the Company's exploration and production affiliates achieved specified performance objectives and earned two cash bonuses of \$1,917 and \$3,182. (The 1995 bonus figure listed for Mr. Cash in the Summary Compensation Table includes the cash bonus payments identified above. The value of the restricted shares granted to him in 1996 for 1995 performance is listed under the restricted stock column.)

In February of 1996, the Committee approved annual performance objectives for the Company, on a consolidated basis, and each of its major business units. The Committee used the same categories for 1996 performance measurements as were used in 1995. The 1996 performance objectives were set after the Committee reviewed actual results for 1995 and budget numbers for 1996 and are generally higher than 1995 results and 1996 budget expectations.

The Committee set Mr. Cash's 1996 target bonus at 50 percent of his base salary in effect at the time, or \$199,000. A portion of his target bonus was again allocated to the performance of each major business unit. The 1996 target bonuses for Messrs. Rose and Nordloh were set at 45 percent of each officer's base salary, compared to 40 percent for the 1995 plan, reflecting the appointment of both men to serve as Executive Vice Presidents as of February 13, 1996.

#### Stock Options

Annual grants of stock options are awarded to the Company's officers and key employees as part of their "risk-based" compensation. The Committee considers the recommendations made by the Company's senior officers for participants other than Mr. Cash, but independently determines Mr. Cash's stock option. As a general rule, the Committee uses the prior year's grant as the basis for determining each subsequent year's grant, but does increase the size of grants when participants are promoted to new positions or when surveys indicate that stock options should be increased to remain competitive. These grants are awarded pursuant to the terms of an omnibus Long-Term Stock Incentive Plan, which allows the Committee broad flexibility to use a wide range of stock-based performance awards.

Stock options, from the Committee's perspective, focus attention on managing the Company from a long-term investor's perspective and encourage officers to have a significant, personal investment in the Company through stock ownership. Stock options awarded to officers and key employees become valuable only as the Company's performance is reflected in increased stock prices. Stock options constitute the Company's only long-term incentive compensation program. Officers are encouraged to retain their stock for long-term investment, rather than sell option shares after purchasing them.

Based on recommendations made in the Mercer report, the Company recently adopted stock ownership guidelines for officers in 1995. Mr. Cash's stock ownership guideline is to own shares that have a value equal to four - five times his base salary. Mr. Cash currently satisfies the ownership guideline. The stock ownership guideline for the other officers in the Summary Compensation Table is three - four times their respective base salaries.

As the Company's Chairman, President and Chief Executive Officer, Mr. Cash has consistently received the largest stock option grant. Information concerning the stock options granted to Mr. Cash and the other four named officers in 1995 is included in the table labeled "Option/SAR Grants in Last Fiscal Year." The table labeled "Aggregated Option/SAR Exercises" provides information concerning the value realized by the individual members of the group when exercising stock options in 1995 and the year-end value of their remaining stock options.

In February of 1996, Mr. Cash received a grant to purchase 35,000 shares of the Company's stock at a fair market price of \$33.625 per share. The 1996 stock options vest in four equal installments with the first installment vesting as of August 13, 1996 and have a ten-year term.

#### Miscellaneous

The Committee supports the Company's historic philosophy that officers are not fundamentally different than employees but are paid more due to the nature of their responsibilities, their experience, and the greater demands on their time. Consequently, the Committee supports the Company's traditional practice of limiting the perquisites granted to officers. Company officers do not have first class travel privileges, cars, country club memberships, supplemental welfare benefit plans, executive dining room service, or personal use of the Company's airplane.

In 1993, Congress enacted Section 162(m) of the Internal Revenue Code that generally limits the dollar amount of "compensation" paid to the individual executive officers named in the Summary Compensation Table. The primary exception to this limit, which is \$1,000,000 for each officer, is for performance-based compensation. The Committee does not anticipate that the compensation paid to executive officers in the form of base salaries and incentive compensation will exceed \$1,000,000 per year in the near future, but it is conceivable that an individual officer's compensation could exceed this dollar limit when stock options are included. (The ordinary income recognized by executive officers when exercising nonqualified stock options is compensation for purposes of this federal tax provision.) Based on the Committee's recommendation, the Company is requesting shareholder approval of an amendment to the Long-Term Stock Incentive Plan that would allow it to qualify under the final Section 162(m) regulations adopted by the Treasury Department and that would eliminate the possibility that the Company could not deduct all of the compensation paid to the officers listed in the Summary Compensation Table.

Management Performance Committee  
W. Whitley Hawkins, Chairman

Patrick J. Early  
 U. Edwin Garrison  
 James A. Harmon  
 William N. Jones  
 Robert E. Kadlec  
 Mary Mead  
 Gary G. Michael

SECURITY OWNERSHIP, DIRECTORS AND EXECUTIVE OFFICERS

The following table lists the shares of stock beneficially owned by each of the directors, by each of the other named executive officers, and by all directors and executive officers as a group as of March 1, 1996.

Beneficial Owner	Number of Shares	Percent of Outstanding Shares <sup>1</sup>
Directors:		
R. D. Cash <sup>2,3,4,5,6</sup>	223,211	.55%
P. J. Early	1,000	1
U. Edwin Garrison <sup>7</sup>	14,227	1
James A. Harmon <sup>7,8</sup>	28,964	1
W. Whitley Hawkins <sup>7</sup>	7,370	1
William N. Jones <sup>7,8</sup>	12,218	1
Robert E. Kadlec <sup>7,9</sup>	14,750	1
Dixie L. Leavitt <sup>6,7</sup>	18,863	1
Neal A. Maxwell <sup>6,7</sup>	10,078	1
Mary Mead <sup>7</sup>	12,800	1
Gary G. Michael <sup>7</sup>	3,400	1
D. N. Rose <sup>3,4,5</sup>	65,886	.16%
Harris H. Simmons <sup>7</sup>	4,800	1
Nondirector Executive Officers:		
C. M. Heiner <sup>3,4,5</sup>	80,519	.20%
A. J. Marushack <sup>3,4,5,6</sup>	116,907	.29%
G. L. Nordloh <sup>3,4,5,6</sup>	51,779	.13%
All directors, senior directors, and executive officers (21 individuals) <sup>10</sup>	920,308	2.2%

<sup>1</sup> Unless otherwise listed, the percentage of shares owned is less than .1%. The percentages of beneficial ownership have been calculated in accordance with Rule 13d-3(d) (1) under the Securities Exchange Act of 1934.

<sup>2</sup> Mr. Cash is the Chairman of the Board of Trustees of the Questar Corporation Educational Foundation and the Questar Corporation Arts Foundation, two nonprofit corporations that own an aggregate of 42,596 shares of the Company's common stock. As the Chairman, Mr. Cash has voting power for such shares, but disclaims any beneficial ownership of the shares.

<sup>3</sup> The Company's executive officers have shares held for their accounts in the Company's Employee Investment Plan. The number of shares opposite each of their names includes shares of stock through such plan as of December 31, 1995 as follows: Mr. Cash, 29,550 shares; Mr. Rose, 15,814 shares; Mr. Nordloh, 7,563 shares; Mr. Marushack, 29,746 shares; and Mr. Heiner, 20,431 shares.

<sup>4</sup> The Company's executive officers have options granted them under the terms of the Company's Stock Option Plan and Long-Term Stock Incentive Plan. The number of shares opposite each of their names includes the number of shares each has vested options to acquire within 60 days after March 1, 1996 as follows: Mr. Cash, 69,373 shares; Mr. Rose, 28,500 shares; Mr. Nordloh,

21,000 shares; Mr. Marushack, 58,500 shares; and Mr. Heiner, 32,250 shares.

5 The Company's executive officers acquired restricted shares of the Company's common stock in partial payment of bonuses earned under the Annual Management Incentive Plans. Mr. Nordloh also acquired restricted shares of the Company's common stock under employee compensation plans adopted by Celsius Energy Company/Universal Resources Corporation and Wexpro Company. The number of shares opposite each of their names includes the following shares of restricted stock beneficially owned as of March 1, 1996: Mr. Cash, 2,327 shares; Mr. Rose, 1,485 shares; Mr. Nordloh, 1,305 shares; Mr. Marushack, 897 shares; and Mr. Heiner, 717 shares. The officers receive dividends on such shares and have voting powers for such shares, but cannot dispose of them until they vest.

6 Of the total shares reported for Mr. Cash, 3,270 are owned jointly with his wife and 4,899 are controlled by him as custodian for his son. Messrs. Leavitt, Marushack, and Maxwell own their shares of record jointly with their respective wives. Some of Mr. Nordloh's record shares are owned by a family trust.

7 Messrs. Garrison, Harmon, Hawkins, Jones, Kadlec, Leavitt, Maxwell, Michael, and Simmons and Mrs. Mead have vested nonqualified stock options granted under the terms of the Directors' Plan to purchase shares of common stock as follows: Mr. Garrison, 3,650 shares; Mr. Harmon, 4,950 shares; Mr. Hawkins, 7,150 shares; Mr. Jones, 3,500 shares; Mr. Kadlec, 11,150 shares; Mr. Leavitt, 7,000 shares; Mr. Maxwell, 5,100 shares; Mr. Michael, 2,100 shares; Mr. Simmons, 4,200 shares; and Mrs. Mead, 3,500 shares.

8 Mr. Harmon's wife owns 2,000 shares of common stock. Mr. Harmon disclaims any beneficial interest in these shares. Mr. Jones' wife owns 90 shares of the Company's common stock; Mr. Jones disclaims any beneficial interest in the shares owned by his wife.

9 Mr. Kadlec's wife owns 200 shares of common stock. Mr. Kadlec has voting control and investment control over such shares. Such shares are included in the shares listed opposite his name.

10 The total number of shares reported for this group includes vested options to purchase 387,423 shares of stock. When vested options are excluded, the group owns approximately 1.3 percent of the outstanding shares of the Company's common stock.

#### SECURITY OWNERSHIP, PRINCIPAL HOLDERS

The following table sets forth information, as of December 31, 1995, with respect to each person known or believed by the Company to be the beneficial owner of five percent or more of its common stock:

Shares and Name and Address of Beneficial Owner	Nature of Beneficial Ownership	Percent of Class
First Security Bank of Utah N.A. 79 South Main Street Salt Lake City, Utah 84111 Benefit Plans and Bank1	4,072,485 Trustee for Company Employee	10.0

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10 of this total, First Security beneficially owns 3,971,820 shares in its

role as trustee of employee benefit plans sponsored by the Company. Participating employees control the voting of such shares.

#### BOARD OF DIRECTOR PROPOSALS

##### Proposal Number One: Amendments to Long-Term Stock Incentive Plan

The Company's Board of Directors is recommending that shareholders approve amendments to the Company's Long-Term Stock Incentive Plan (Stock Plan), which was originally approved by shareholders in May of 1992. The proposed amendments would impose a new limit on the size of a stock option that could be granted to any participant per year; would vest the Management Performance Committee, as the administrator of the Stock Plan, with more flexibility in determining the period of time in which stock options must be exercised following retirement; and would enlarge the group of eligible participants to include consultants and officers and key employees of affiliated (not just subsidiary) organizations. A copy of the amended Stock Plan is included as Exhibit A.

**General Description of Plan.** The Stock Plan was adopted to encourage officers and selected key employees to acquire and retain a proprietary interest in the Company and to give them an increased incentive to contribute to the Company's future growth and success. The Stock Plan is often referred to as an "omnibus" plan because it allows the Board, upon the recommendation of the Committee, to use nonqualified stock options, incentive stock options, restricted stock, performance-based stock, and any other awards valued in whole or in part by reference to the Company's common stock.

The Stock Plan has a 10-year term and will expire in May of 2001 unless extended by approval of shareholders. The number of shares available for options or other awards in any one year is limited to one percent of the outstanding shares of the Company's common stock as of the first day of each calendar year for which the Stock Plan is in effect. As of January 1, 1996, the Company had 40,697,814 shares of stock outstanding, making an additional 406,978 shares available for awards under the Stock Plan. All shares available in any year that are not granted through stock options or other awards are available for use in subsequent years. As of January 2, 1996, there were 428,684 shares that were available from prior years.

**Options and Restricted Stock.** A total of 1,962,392 shares have been used since the Stock Plan was approved in 1991. These shares include 1,896,625 shares covered by incentive stock options and nonqualified stock options granted to 73 participants and 65,767 shares of restricted stock granted as partial payment of earned bonuses. The Stock Plan requires that options all be granted at the fair market value as of the date of grant. Options granted under the Stock Plan include 369,000 shares at a purchase price of \$19.625, 381,125 shares at a per share price of \$28.875, 371,000 shares at a per share price of \$31.50, 379,000 shares at a per share price of \$27.375, and 396,500 shares at a per share price of \$33.625. Each of these options has a 10-year term and vests in four, annual and equal installments beginning six months from the date of the grant.

The following table lists information concerning the stock options that have been awarded under the Stock Plan since its adoption in 1991.

Name or Group	Number of Option Shares
R. D. Cash	155,000
D. N. Rose	99,000
G. L. Nordloh	108,000

A. J. Marushack	94,000
C. M. Heiner	93,000
All current executive officers (9)	797,000
All other employees (64)	1,099,625

Nonemployee directors are not eligible to participate in the Stock Plan. (The tables listed on page 9 contain additional information concerning the options granted to the Company's highest paid officers.)

On March 22, 1996, the closing price of the Company's common stock as reported on the New York Stock Exchange was \$32.125.

Administration. As previously noted, the Management Performance Committee is the named administrator the Stock Plan; no Committee member is an employee or former employee of the Company and none is eligible to receive any awards under the Stock Plan. The Committee has the authority to select participants to whom awards are granted and to determine the types of awards and the number of shares covered by awards. The Committee is also responsible for establishing the terms, conditions, and provisions of all awards, subject to the terms of the Stock Plan, and to make any determinations that involve the administration of the Stock Plan.

Change in Control. Any options or restricted stock granted pursuant to the term of the Stock Plan become vested once the Company obtains actual knowledge of a "change in control" of the Company. A change in control is defined to include any "person" becoming the beneficial owner of 15 percent or more of the Company's voting securities; shareholder approval of a plan of merger or consolidation of the Company where the Company is not the survivor, or of a sale or disposition of all or substantially all of the Company's assets, or of a plan of liquidation or dissolution of the Company; or a "Distribution Date" within the meaning of the Company's Shareholder Rights Plan dated as of February 13, 1996.

Tax Consequences. The following discussion summarizes certain federal tax consequences of stock options granted under the Stock Plan based on current provisions of the Internal Revenue Code. It is intended as a general summary only and may not apply to participants who have special tax circumstances. It does not address foreign, state, or local tax consequences, which may differ, and does not address federal gift and estate tax consequences.

The grant of an option will not create any tax consequences for the participant or the Company. Upon exercising a nonqualified stock option, the optionee must recognize ordinary income equal to the difference between the exercise price and the fair market value of the stock on the date of exercise. The Company is entitled to a deduction for the same amount. When disposing of shares received pursuant to exercising a nonqualified stock option, the participant will recognize short- or long-term gain depending upon the participant's holding period for such shares. To the extent not offset by capital loss, any capital gain will be taxed at ordinary income rates, subject to a current overall maximum rate of 28 percent. A participant's disposition of shares obtained through exercising a nonqualified stock option has no tax consequences for the Company.

Upon exercising an incentive stock option, a participant recognizes no federal taxable income and the Company receives no deduction at the time of exercise. The participant's tax consequences when disposing of shares obtained pursuant to exercising an incentive stock option depend on the length of time the shares have been held. If the participant has held the shares for two years after the incentive stock option was granted and one year after it was exercised, he recognizes long-term capital gain (or loss) equal to the difference between the sale price of the shares and the exercise price. If the participant fails to satisfy these holding periods, he must recognize



ordinary income, and the Company is entitled to a deduction equal to the amount of the ordinary income recognized by the participant.

Proposed Amendments. Section 162(m) of the Internal Revenue Code, which was adopted as part of the Omnibus Budget Reconciliation Act of 1993, provides that a publicly-held corporation cannot deduct compensation paid to certain "covered employees" to the extent that such compensation exceeds \$1 million per tax year. Covered employees include Mr. Cash and the other executive officers named in the Compensation Table. Income derived from stock options (ordinary income recognized when exercising nonqualified stock options and ordinary income recognized when making a disqualifying disposition of shares obtained through exercising an incentive stock option) is treated as compensation for tax purposes and would be subject to this deductibility limit unless the underlying plan satisfies specified requirements. The only requirement not satisfied by the Company's Stock Plan is a requirement to specify a maximum number of shares for which options may be granted to any participant during any fiscal year.

The Board of Directors, upon the Committee's recommendation, has approved an amendment that would limit the number of shares covered by awards granted to any single individual in any fiscal year to 100,000 shares. (This number would be subject to adjustment for any stock split, recapitalization, or other similar event.) The Stock Plan does not currently contain this limitation, although the Committee's largest grant to any individual in any year has been 35,694 shares (35,000 shares subject to options and 694 restricted shares). The Committee does not anticipate using 100,000 shares for options granted to current officers, but wants the flexibility to have up to 100,000 shares if it needs to provide a special incentive to hire someone from outside the Company.

The Stock Plan currently contains an express provision that a participant, upon retirement, has three months in which to exercise any options vested as of the date of his retirement. This provision has been characterized as "unusually restrictive" by executive benefit consultants who note that it is not uncommon for participants to be given several years after retirement in which to exercise stock options. The Committee has recommended that the three-month limitation be deleted from the Stock Plan and that it be expressly given the flexibility to determine the period of time, up to three years following retirement, in which any given participant may exercise stock options.

The Stock Plan also limits eligibility to officers and key employees of the Company and its subsidiaries, which was a provision in the original incentive stock option plan adopted by the Company in 1981. Tax rules limit incentive stock options to employees of affiliated companies, but they do not contain similar provisions for nonqualified stock options, restricted stock, or other performance-based stock awards.

The Company envisions that it may engage in joint venture activities with other entities and ask officers and other key employees to take employment positions with such joint venture organizations. These organizations would likely not be classified as subsidiaries for consolidated tax return purposes even though the Company's investment in such entities could have a significant impact on the Company's operating revenues, income, and stock price. Consequently, the Board of Directors, acting upon the Committee's recommendation, has adopted an amendment to the Stock Plan that would enlarge the classification of eligible participants to include employees of an organization in which the Company has a significant equity investment, as determined by the Board.

The Board of Directors recommends a vote "FOR" approval and ratification of the amendments to the Company's Stock Plan. Approval of the proposed amendments to the Stock Plan requires the receipt of more affirmative votes than negative votes cast for the shares represented at the Annual Meeting.

## Proposal Number Two: Amendments to Stock Option Plan for Directors

The Company has a Stock Option Plan for Directors (Directors' Option Plan), which was approved by shareholders in May of 1987 and which was amended, with shareholder approval, in May of 1991. An aggregate of 320,000 shares is reserved for issuance under the terms of the Directors' Option Plan, which will expire in May of 1996 unless it is extended. Of the 320,000 reserved shares, 141,362 shares have been issued pursuant to the exercise of nonqualified stock options and 126,350 shares are subject to outstanding options. Mr. R. D. Cash, the Company's Chairman, President and Chief Executive Officer, recommended to the Board that the Directors' Option Plan be amended to provide for an additional 150,000 shares and to extend the term to May of 2001. Additional amendments provide for an increase in the number of shares covered by each option, extend the period of time in which directors may exercise vested options after their retirement, and shorten the time period for vesting to occur. The Board of Directors accepted Mr. Cash's recommendations, subject to shareholder approval.

The material features of the Directors' Option Plan are described below. A copy of the amended Directors' Option Plan is included as Exhibit B.

**Purpose.** The Directors' Option Plan was originally adopted and is proposed to be extended in order to encourage nonemployee directors to promote the value of the Company's common stock and acquire a larger stock ownership interest in the Company. The Directors' Option Plan was also designed to reinforce the community of interest between the Company's stockholders and directors and to provide a form of compensation to attract and retain highly qualified individuals to serve as directors.

**Operation of Plan.** Nonemployee voting directors receive nonqualified stock options on the day of the Board's first regularly scheduled meeting each year. Pursuant to the current terms of the Directors' Option Plan, each eligible director receives a nonqualified stock option to purchase 2,800 shares; the directors who also serve as Chairmen of a Board Committee each receive an additional 600 shares for each such assignment. As amended, the Directors' Option Plan provides that each director would receive an annual nonqualified stock option to purchase 3,200 shares and that directors who also serve as Chairmen would receive an incremental 800 shares. The option price is equal to the closing price of the Company's stock on the date of grant. The Directors' Option Plan is a nondiscretionary plan and participation does not disqualify directors from serving as administrators of grant and award plans under Section 16(b) of the Securities Exchange Act of 1934.

**Eligibility and Administration.** Participants are limited to nonemployee voting directors of the Company. The Directors' Option Plan is administered by the Option Committee, a group consisting of at least three officers appointed by the Company's President. These individuals are not eligible to participate in the Directors' Option Plan.

**Other Terms and Conditions.** Under the terms of the Directors' Option Plan, the stock options must be nonqualified options. As originally adopted, the Directors' Option Plan provided that a participant's option expires upon the date of death, resignation, removal from the Board, or expiration of status as an elected director. The Directors' Option Plan, as amended, would provide that a participant (or his estate) would have one year following the date of death or retirement to exercise any options that were vested at the date of such death or retirement. In the event of a director's removal, the options would terminate as of the date of removal.

The options granted prior to February of 1993 have five-year terms and vest in two equal installments, with the first increment vesting six months after

grant date. Options granted since then have 10-year terms and vest in four annual, equal installments beginning six months after grant date. As amended, the Directors' Option Plan provides for 10-year terms, but shares vest in one installment six months after grant date. An option is exercised by delivering a written notice of exercise and payment of the full option price to the Option Committee. A participant may purchase option shares by delivering shares of the Company's common stock owed by him that have a fair market value equal to the purchase price of such shares.

**Change in Control.** Options become immediately exercisable once the Company obtains actual knowledge of a "change in control" of the Company. A change in control is defined to include any "person" becoming the beneficial owner of 15 percent or more of the Company's voting securities; shareholder approval of a plan of merger or consolidation of the Company where the Company is not the survivor, of a sale or disposition of all or substantially all of the Company's assets or of a plan of liquidation or dissolution of the Company; or a "Distribution Date" within the meaning of the Company's Shareholder Rights Plan dated as of February 13, 1996.

**Tax Consequences.** A director will not recognize income when receiving an option. Upon exercising a nonqualified stock option, the director recognizes ordinary income equal to the difference between the exercise price and the fair market value of the stock on the date of exercise. The Company is entitled to a deduction for the same amount.

**Amendments.** The Company's Board of Directors may alter, amend, suspend or discontinue the Directors' Plan, except that it cannot make some changes without the approval of the shareholders and cannot make any amendment to or termination of the Directors' Option Plan that would affect previously granted options without the consent of the participating directors. The Board of Directors may not amend the plan more often than every six months unless the amendment is necessary to comply with tax laws.

**Conclusion.** Information concerning the number of shares covered by each director's option is presented above under "Election of Directors." Information concerning the most recent grant of options under the Directors' Option Plan is presented above under "Directors Compensation." On March 22, 1996, the closing price of the Company's common stock was \$32.125 per share. As of such date the market value of the additional 150,000 shares reserved for issuance under the Directors' Option Plan is \$4,818,750.

The Company's Board of Directors, including Messrs. Cash and Rose, believe that continuing the Directors' Option Plan and reserving more shares will continue to provide an incentive for nonemployee directors to increase their stock ownership and will reinforce the community of interest between the Company's stockholders and directors.

Approval of proposed amendments to the Directors' Option Plan requires the receipt of more affirmative votes than negative votes cast for the shares represented at the Annual Meeting. The Board of Directors recommends that shareholders vote "FOR" this proposal.

#### Proposal Number Three: Directors' Stock Plan

In February of 1996, the Board of Directors adopted the Questar Corporation Directors' Stock Plan (Directors' Stock Plan) and determined that it should be submitted to the Company's shareholders for approval. The Directors' Stock Plan will become effective immediately upon approval by the shareholders. The plan, which involves a maximum of 50,000 shares of the Company's common stock, permits nonemployee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash. The Directors' Stock Plan was adopted to permit directors to increase their ownership of the Company's

common stock and to tie the directors' interests more closely with those of shareholders.

The complete text of the Directors' Stock Plan is set forth in Exhibit C. The following summary highlights several important features of it.

**General Terms.** The nonemployee directors of the Company currently receive an annual retainer fee of \$12,000 in monthly installments. They also receive a meeting fee of \$800 per meeting for each Board meeting they attend and \$600 for each Committee meeting they attend. Committee Chairmen receive an incremental \$150 for each Committee meeting at which they preside. All nonemployee directors of the Company also serve as a director of one or the Company's three primary subsidiaries; for this service, they receive an annual retainer of \$4,800, plus meeting fees of \$500. The fees paid to nonemployee directors by the Company's subsidiaries may also be paid in shares of the Company's common stock.

The Directors' Stock Plan will permit nonemployee directors of the Company to elect to receive all or a portion (in 25 percent increments) of their retainer fees, meeting fees, or total fees in the Company's common stock. Elections must be made six months in advance, and revocation of such changes will not become effective for six months after revocation notices are received. An election to receive fees in stock will result in shares being credited to the director as of the first day of each month. The number of shares will be calculated using the fair market value of the Company's common stock, which is defined as the closing price of the stock as reported on the New York Stock Exchange on the first day of each month (or the preceding business day if the first day of the month is not a business day.) Shares will be credited to directors on a book entry account basis. Upon request, directors may receive certificates representing whole shares credited to their accounts. The fair market value of the shares will be included in the director's taxable income for the year in question.

**Eligibility.** Only the Company's nonemployee voting directors are eligible to participate in the Directors' Stock Plan. At the current time, 11 directors are eligible to participate.

**Administration.** The Board of Directors will administer the Directors' Stock Plan. The Option Committee is authorized to interpret the Directors' Stock Plan. The plan is nondiscretionary in its principal provisions; administration of the Directors' Stock Plan will not cause any director to lose status as a "disinterested director" under the rules promulgated by the Securities and Exchange Commission to interpret and enforce Section 16(b) of the Securities Exchange Act of 1934.

**Available Shares.** The maximum number of shares of common stock issuable under the Directors' Stock Plan is 50,000 shares, which may consist of either original issue shares or shares purchased on the open market. The number of shares is subject to automatic adjustment in certain circumstances, such as a stock split, stock dividend, merger, consolidation, reorganization, or other similar changes.

**Amendment and Termination.** The Board of Directors may terminate or amend the Directors' Stock Plan without shareholder approval except to the extent that applicable law or regulation requires such approval or unless the Board of Directors, on advice of counsel, determines that shareholder approval is otherwise necessary or advisable. The Directors' Stock Plan cannot be amended more often than every six months unless the amendment is necessary to comply with tax laws.

**Relationship to Other Plans.** The Company's nonemployee directors currently

have the right to defer their fees and to have such fees accounted for as if invested in shares of the Company's common stock (phantom stock option) or credited with interest using monthly rates on long-term certificates of deposit.

Some of the Company's eligible directors are currently deferring their fees and have selected the phantom stock option to account for such fees. These directors

are deferring receipt of their fees and will not be taxed on the value of the shares until they receive a cash distribution upon retirement or resignation equal to the fair market value of the shares. Directors who elect to be paid with actual shares of stock under the Directors' Stock Plan will be taxed as if they had received the fees.

The Company's nonemployee directors also receive nonqualified stock options to purchase shares of the Company's common stock. The shares of stock received in lieu of fees may be used as consideration for option shares once they have been held for six months.

Conclusion. The Directors' Stock Plan is being submitted for shareholder approval in order to comply with the provisions of Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934. Compliance with such provisions exempts the acquisition of shares under the Directors' Stock Plan from the operation of Section 16(b) of such act.

The proposal to approve the Directors' Stock Plan requires the receipt of more affirmative votes than negative votes cast for shares represented at the Annual Meeting. The Board of Directors recommends a vote "FOR" approval of the Directors' Stock Plan.

#### UFCW PROPOSALS

The United Food and Commercial Workers Union, Local 99R, with headquarters in Phoenix, Arizona (UFCW), is engaged in a corporate campaign against Albertson's, a large retail merchandiser with headquarters in Boise, Idaho, and against Gary G. Michael, the Chairman and Chief Executive Officer of Albertson's, who serves as a director of the Company. This corporate campaign arises from labor disputes between the UFCW and Albertson's. The UFCW has chosen to extend the campaign to corporations that have links to Albertson's through its directors and officers. In its solicitation materials, the UFCW acknowledges that it is not involved in a labor dispute with the Company. The UFCW is not a bargaining agent for the Company's employees, all of whom are nonunion.

The UFCW, the record shareholder of 100 shares, has advised the Company of its intent to present two resolutions for separate votes at the Annual Meeting. The UFCW's first resolution is as follows:

RESOLVED, that shareholders recommend the Company adopt a policy of confidential shareholder voting, with the sole exception being any disclosure ordered by a court. This resolution shall not be construed as preventing the Company from using its own staff to count votes, so long as this staff does not engage in soliciting or report individual shareholder's votes to management or its proxy solicitors. This resolution shall not be construed as preventing management from receiving any information contained on the cards other than how they were voted, nor as preventing management from contacting shareholders who have not yet sent in cards.

The Company's Board of Directors recommends that shareholders vote "AGAINST" the resolution because it is unnecessary in routine solicitations

and restrictive in contested issues. The Company's Shareholder Services department functions as a transfer agent and maintains all shareholder records. It currently receives proxy cards after the envelopes are opened and tabulates the votes. This department notes the address and status changes identified by stockholders on the proxy cards. It periodically prepares a list of record shareholders who own shares in excess of a specified number and contacts these shareholders (or arranges for them to be contacted) and encourages them to return their proxy cards. This department also segregates those cards that have comments or questions that warrant attention from the Company's management and sends those cards to management. In routine solicitations, the Company is effectively handling proxy cards returned by record shareholders in the manner suggested by the UFCW. The Board of Directors, however, wants to retain the flexibility to use different procedures when soliciting support in contested or complex situations.

The Company uses a proxy solicitation firm when it is proposing complex issues, particularly if they fall outside the New York Stock Exchange's discretionary voting rules. The Company's financial officers also make direct contacts with large institutional investors to make sure they understand the Company's proposals and to encourage their support. In these situations, it is critical for both the Company and its retained solicitation firm to determine whether and how these large investors have voted. The Company's Board of Directors believes that the UFCW's proposal would hamper the Company's ability to communicate directly with investors, particularly in contested elections or issues.

The Board of Directors is also concerned that the concept of confidential voting as outlined in the UFCW's resolution is different than widely-held notions of it. The Company's Board does not want to formally adopt these procedures, only to incur additional pressure to make changes that will increase the cost and administrative complexity of communicating with shareholders.

More than 85 percent of the Company's outstanding shares of common stock are held by beneficial owners. Some beneficial owners are large institutional investors that are not subject to coercion and that may want their votes on particular issues to send a message to the Company's management. Other beneficial owners are individuals who choose to own shares through a broker or trustee, rather than in their own names. The votes cast by individuals are transmitted to the Company through brokers, trustees, or agents, and the Company currently does not have access to any information about the votes cast by individual beneficial owners. The UFCW's confidential voting proposal would not affect these individual owners. (The Company, through complying with non-objecting beneficial ownership procedures, may learn the identity of some individual owners. It cannot use these rules to obtain information about their votes.) The UFCW's confidential voting proposal, however, would effectively preclude the Company's management from knowing how large institutional investors are voting and trying to understand why.

The Company's largest single shareholder is the trust for the Company's Employee Investment Plan. The Company has 2,550 employees and retired employees who own 3,971,820 shares (as of December 31, 1995) through this plan. (These shares are included in the 85 percent figure used above.) First Security Bank of Utah, N.A., as the trustee of the plan, receives confidential voting instructions from plan participants and then submits one proxy to the Company.

The following is the text of the UFCW's second resolution:

RESOLVED, that shareholders recommend the Company end its policy of offering golden parachute (severance benefits) to employees who voluntarily quit after a change in control, unless

and until such a policy is approved by shareholder vote.

The Board of Directors recommends a vote "AGAINST" the UFCW's second resolution for the following reasons:

The Company's Executive Severance Compensation Plan (Severance Plan), which is described on page 11 of the Proxy Statement, was adopted in September of 1983. The Board of Directors believes that this plan, pursuant to which officers of the Company and its affiliates are entitled to receive up to two years' salary and other specified benefits in the event of a change in control, serves the best interest of shareholders and is an impartial and appropriate element of sound corporate governance. The Severance Plan is designed to ensure that management assesses a takeover bid objectively and advises the Board if the bid is in the best interest of the Company and its shareholders without undue concern for personal financial loss or other personal uncertainties, even if supporting a change in control may result in the loss of their jobs. The Severance Plan is designed to keep the officers' undivided attention on their duties, precisely at the time when such attention is needed. In the absence of such protection, officers would more likely be tempted to leave the Company for another position that offers greater security. The Severance Plan is intended to minimize, rather than create, a conflict of interest for officers in the event of a tender offer or other takeover bid.

The Severance Plan has no current cost to the Company or its shareholders; no payments have ever been made under the Severance Plan. Benefits under the Severance Plan are limited to amounts that can be deducted under applicable tax laws and can generally be characterized as "modest" in comparison to other change of control agreements. The Board of Directors also believes that the Severance Plan does not affect the legal responsibility of officers to the shareholders with respect to discharging their duties and responsibilities.

The Board believes that changing the Severance Plan and renegotiating the benefits that have been promised to officers may weaken the Board's ability to attract and retain the best-qualified officers, which could deprive the Company and shareholders of the strength and leadership necessary to strive for long-term maximization of shareholder value.

The Company's Board of Directors deplores the tactics and questions the motives of the UFCW. The Board of Directors believes that labor-management issues should be resolved at the bargaining table or in other traditional labor-management arenas, not through corporate campaigns that use the proxy process. The Board also believes that it is particularly unfair and inappropriate for the UFCW to seek to involve the Company and its stockholders in the UFCW's dispute with another corporation. The Board of Directors believes that the two proposals submitted by the UFCW are not in the best interest of the Company and its shareholders. The Board recommends that shareholders vote "AGAINST" both resolutions advocated by the UFCW.

#### INDEPENDENT AUDITORS

The firm of Ernst & Young LLP, independent auditors, has audited the accounts of the Company for a number of years, including 1995, and is expected to continue doing so. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire, and will be able to respond to questions.

#### STOCKHOLDER PROPOSALS

The Company must receive proposals from stockholders on or before December 4, 1996, in order to have such proposals evaluated for inclusion in

the proxy materials relating to the Company's 1997 Annual Meeting of Stockholders, which is scheduled to be held on May 20, 1997. Any proposal submitted for the proxy materials will be subject to the rules of the Securities and Exchange Commission concerning stockholder proposals.

#### ANNUAL REPORT AND FORM 10-K REPORT

An annual report for the year ending December 31, 1995, containing financial and other information about the Company, has been recently mailed to all stockholders of record.

The Company will send, without charge, a copy of its 1995 Annual Report on Form 10-K (excluding exhibits), as filed with the Securities and Exchange Commission, to any stockholder upon written request. Requests should be sent to Connie C. Holbrook, Vice President and Corporate Secretary, P. O. Box 45433, Salt Lake City, Utah 84145-0433.

#### SECTION 16(a) COMPLIANCE

Pursuant to Section 16(a) of the Securities Exchange Act of 1934 and regulations promulgated by the Securities and Exchange Commission, the Company's directors, certain officers, and persons that own more than 10 percent of the Company's stock, are required to file reports of ownership and changes in ownership with the Commission and the New York Stock Exchange and to furnish the Company with copies of all such reports they file.

Based solely on its review of copies of such reports received or written representations for certain reporting persons, the Company believes that all filing requirements were satisfied.

#### OTHER MATTERS

The directors and officers know of no additional matters that are likely to be brought before the meeting. If any other business requiring a vote of the stockholders should properly come before the meeting or any adjournment or postponement of such meeting, the persons named in the enclosed proxy intend to vote in accordance with their best judgment.

Pursuant to the Company's Bylaws, business must be properly brought before an annual meeting in order to be considered by stockholders. The Bylaws specify the procedure for stockholders to follow in order to bring business before an annual meeting. A stockholder who wants to nominate a person for election as a director must deliver a written notice, by certified mail, to the Company's Secretary. Such notice must be received not less than 50 days nor more than 90 days prior to the date of the meeting. The notice must set forth (1) the name, address, and stock ownership of the person making the nominations; (2) the name, age, business address, residential address, and principal occupation or employment of each nominee; (3) the number of shares of the Company's stock owned by each nominee; (4) a description of all arrangements and understandings between the stockholder and nominee pursuant to which the nomination is made; and (5) such other information concerning the nominee as would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of the nominee. The notice must also include the signed consent of the nominee to serve as a director if elected.

The Company's Bylaws also require that any stockholder who is entitled to vote at the annual meeting and who wants to submit a proposal at such meeting without having it considered through the proxy materials, must deliver a written notice of the proposal, by certified mail, to the Company's Secretary. Such notice must be received not less than 50 days nor more than 90 days prior to the date of such meeting. The notice must set forth (1) a



brief description of the proposal; (2) the stockholder's name, address, and stock ownership; and (3) any material interest of the stockholder in the proposal. A copy of the Company's Bylaws specifying the requirements will be furnished to any stockholder upon written request to the Secretary.

By Order of the  
Board of Directors

/s/ Connie C. Holbrook  
Connie C. Holbrook  
Vice President and Secretary

QUESTAR CORPORATION  
LONG-TERM STOCK INCENTIVE PLAN  
As amended and restated May 21, 1996

Section 1. Purpose

The Questar Corporation Long-Term Stock Incentive Plan (the "Plan") is designed to encourage officers and selected key employees of and consultants to Questar Corporation and its affiliated companies (the "Company") to acquire a proprietary interest in the Company, to generate an increased incentive to contribute to the Company's future growth and success, and to enhance the Company's ability to attract and retain talented officers and employees. Accordingly, the Company, during the term of this Plan, may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, performance shares, and other awards valued in whole or in part by reference to the Company's stock.

Section 2. Definitions

"Affiliate" shall mean any business entity in which the Company directly or indirectly has an equity interest deemed significant by the Company's Board of Directors.

"Approved Retirement" shall mean any retirement of service on or after age 60 or, with approval of the Board, early retirement under the Company's Retirement Plan.

"Award" shall mean a grant or award under Section 6 through 10, inclusive, of the Plan, as evidenced in a written document delivered to a Participant as provided in Section 12(b).

"Board" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Committee" shall mean the Management Performance Committee of the Board of Directors.

"Common Stock" or "Stock" shall mean the Common Stock, no par value, of the Company.

"Company" shall mean Questar Corporation on a consolidated basis.

"Designated Beneficiary" shall mean the beneficiary designated by the Participant, in a manner determined by the Committee, to receive amounts due the Participant in the event of the Participant's death. In the absence of an effective designation by the Participant, Designated

Beneficiary shall mean the Participant's estate.

"Disability" shall mean permanent and total disability within the meaning of Section 105(d)(4) of the Code.

"Employee" shall mean any officer or key employee of or consultant to the Employer.

"Employer" shall mean the Company and any Affiliate.

"Fair Market Value" shall mean the closing price of the Company's Common Stock reported on the New York Stock Exchange on the date in question, or, if the Stock shall not have been traded on such date, the closing price on the next preceding day on which a sale occurred.

"Fiscal Year" shall mean the fiscal year of the Company.

"Incentive Stock Option" shall mean a stock option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code.

"Nonqualified Stock Option" shall mean a stock option granted under Section 6 that is not intended to be an Incentive Stock Option.

"Option" shall mean an Incentive Stock Option or a Nonqualified Stock Option.

"Participant" shall mean an Employee who is selected by the Committee to receive an Award under the Plan.

"Payment Value" shall mean the dollar amount assigned to a Performance Share which shall be equal to the Fair Market Value of the Common Stock on the day of the Committee's determination under Section 8(c) with respect to the applicable Performance Period.

"Performance Period" or "Period" shall mean the period of years selected by the Committee during which the performance is measured for the purpose of determining the extent to which an Award of Performance Shares has been earned.

"Performance Goals" shall mean the objectives established by the Committee for a Performance Period, for the purpose of determining the extent to which Performance Shares which have been contingently awarded for such Period are earned.

"Performance Share" shall mean an Award granted pursuant to Section 8 of the Plan expressed as a share of Common Stock.

"Restricted Period" shall mean the period of years selected by the Committee during which a grant of Restricted Stock or Restricted Stock Units may be forfeited to the Company.

"Restricted Stock" shall mean shares of Common Stock contingently granted to a Participant under Section 9 of the Plan.

"Restricted Stock Unit" shall mean a fixed or variable dollar denominated unit contingently awarded under Section 9 of the Plan.

"Right" shall mean a Stock Appreciation Right granted under Section 7.

"Stock Unit Award" shall mean an Award of Common Stock or units granted under Section 10.

### Section 3. Administration

The Plan shall be administered by the Committee. The Committee shall have sole and complete authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan and to interpret the terms and provisions of the Plan. The Committee's decisions shall be binding upon all persons, including the Company, stockholders, an Employer, Employees, Participants and Beneficiaries.

### Section 4. Eligibility

Awards may only be granted to officers and key employees of or consultants to the Company or any Affiliate who have the capacity to contribute to the success of the Company. When selecting Participants and making Awards, the Committee may consider such factors as the Employee's functions and responsibilities and the Employee's past, present and future contributions to the Company's profitability and growth.

Neither the members of the Committee nor any member of the Board who is not an Employee of the Company shall be eligible to receive awards.

Nothing contained in the Plan or in any individual agreement pursuant to the terms of the Plan shall confer upon any Participant any right to continue in the employment of the Company or to limit in any respect the right of the Company to terminate the Participant's employment at any time and for any reason.

### Section 5. Maximum Amount Available for Awards and Maximum Award

The aggregate number of shares of Common Stock that may be issued under Awards pursuant to this Plan on an annual basis shall not exceed one percent (1%) of the issued and outstanding shares of Common Stock as of the first day of each calendar year for which the Plan is in effect. Any shares available in any year using this formula that are not granted under this Plan or other plans in which stock is awarded to Employees would be available for use in subsequent years. Shares of Common Stock

may be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. In the event that an Option or Right expires or is terminated, unexercised as to any shares of Common Stock covered thereby, or any Award in respect of shares is forfeited for any reason under the Plan, such shares, shall thereafter be again available for awards pursuant to the Plan, to the extent permitted by applicable regulations or interpretations adopted by the Securities and Exchange Commission.

In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below fair market value or other similar corporate event affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee, in its sole discretion, may take action. The Committee may adjust any or all of the number and kind of shares that thereafter may be awarded or optioned and sold or made the subject of Rights under the Plan, the number and kind of shares subject to outstanding Options and other Awards, and the grant, exercise or conversion price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a Participant or a person who has an outstanding Option or other Award.

There is a maximum of 100,000 shares that can be the subject of Awards granted to any single Participant in any given fiscal year.

## Section 6. Stock Options

(a) Grant. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees to whom Options shall be granted, the number of shares to be covered by each Option, the option price therefor and the conditions and limitations, applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, Nonqualified Stock Options, or both types of Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any implementing regulations.

(b) Option Price. The Committee shall establish the option price at the time each Option is granted, which price shall not be less than 100 percent of the Fair Market Value of the Common Stock on the date of grant.

(c) Exercise. Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee, in its sole discretion, may specify in the applicable Award or thereafter; provided, however, that in no event may any Option granted hereunder be exercisable earlier than six months after the date of such grant or

after the expiration of ten years from the date of such grant. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any conditions relating to the application of federal or state securities laws, as it may deem necessary or advisable.

No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price is received by the Company. Such payment may be made in cash, or its equivalent, or, if and to the extent permitted by the Committee, by exchanging shares of Common Stock owned by the optionee (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Common Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such option price.

#### Section 7. Stock Appreciation Rights

(a) The Committee may, with sole and complete authority, grant Rights in tandem with an Option. Rights shall not be exercisable earlier than six months after grant, shall not be exercisable after the expiration of ten years from the date of grant and shall have an exercise price of not less than 100 percent of the Fair Market Value of the Common Stock on the date of grant.

(b) A Right shall entitle the Participant to receive from the Company an amount equal to the excess of the Fair Market Value of a share of Common Stock on the exercise of the Right over the grant price thereof. The Committee shall determine whether such Right shall be settled in cash, shares of Common Stock or a combination of cash and shares of Common Stock.

#### Section 8. Performance Shares

(a) The Committee shall have sole and complete authority to determine the Employees who shall receive Performance Shares and the number of such shares for each Performance Period and to determine the duration of each Performance Period and the value of each Performance Share. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

(b) Once the Committee decides to use Performance Shares, it shall establish Performance Goals for each Period on the basis of criteria selected by it. During any Period, the Committee may adjust the Performance Goals for such Period as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

(c) As soon as practicable after the end of a Performance Period,

the Committee shall determine the number of Performance Shares that have been earned on the basis of performance in relation to the established Performance Goals. Payment Values of earned Performance Shares shall be distributed to the Participant or as soon as practicable after the expiration of the Performance Period and the Committee's determination. The Committee shall determine whether Payment Values are to be distributed in the form of cash and/or shares of Common Stock.

#### Section 9. Restricted Stock and Restricted Stock Units

(a) Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees to whom shares of Restricted Stock and Restricted Stock Units shall be granted, the number of shares of Restricted Stock and the number of Restricted Stock Units to be granted to each Participant, the duration of the Restricted Period during which and the conditions under which the Restricted Stock and Restricted Stock Units may be forfeited to the Company, and the other terms and conditions of such Awards.

(b) Shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered, except as herein provided, during the Restricted Period. At the expiration of the Restricted Period, the Company shall deliver such certificates to the Participant or the Participant's legal representative. Payment for Restricted Stock Units shall be made to the Company in cash and/or shares of Common Stock, as determined at the sole discretion of the Committee.

#### Section 10. Other Stock Based Awards

(a) In addition to granting Options, Rights, Performance Shares, Restricted Stock, Restricted Stock Units, the Committee shall have authority to grant Stock Unit Awards to Participants that can be in the form of Common Stock or units, the value of which is based, in whole or in part, on the value of Common Stock. Subject to the provisions of the Plan, Stock Unit Awards shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Committee may determine in its sole and complete discretion at the time of grant.

(b) Any shares of Common Stock that are part of a Stock Unit Award may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of grant of the Stock Unit Award.

Stock Unit Awards may provide for the payment of cash consideration by the person to whom such Award is granted or provide that the Award, and any Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration, provided that for any Common Stock to be purchased in connection with a Stock Unit Award the purchase price shall be at least

50 percent of the Fair Market Value of such Common Stock on the date such Award is granted.

Stock Unit Awards may relate in whole or in part to certain performance criteria established by the Committee at the time of grant. Stock Unit Awards may provide for deferred payment schedules and/or vesting over a specified period of employment. In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restriction or limitation to which a Stock Unit Award was made subject at the time of grant.

(c) In the sole and complete discretion of the Committee, an Award, whether made as a Stock Unit Award under this Section 10 or as an Award granted pursuant to Sections 6 through 9, may provide the Participant with dividends or dividend equivalents (payable on a current or deferred basis) and cash payments in lieu of or in addition to an Award.

#### Section 11. Termination of Employment

The following provisions define a Participant's status in the event of termination of employment:

(a) Options and Rights. If a Participant shall cease to be employed by the Company or an Affiliate either directly or in a consulting role, any Option and any Right granted to him under the Plan shall terminate in accordance with the following rules:

(1) A Participant who terminates employment as a result of an Approved Retirement shall have a period of time determined by the Committee, but not to exceed three years from the date of retirement, to exercise an Option or Right. A Participant who returns to part- or full-time service for the Company after termination of employment shall not be eligible to exercise an Option or Right after the expiration of the period of time specified by the Committee, but not to exceed three years from the date of retirement.

(2) A Participant who is Disabled shall have 12 months after the termination of employment in which to exercise an Option or Right.

(3) If a Participant dies while employed or after cessation of employment but within the period during which he could have exercised the Option or Right as provided above, then the Option or Right may be exercised within 12 months after the Participant's termination of employment by the Participant's Designated Beneficiary.

(4) The foregoing notwithstanding, a Participant shall not be permitted to exercise an Option or Right after the expiration date and shall not be permitted to exercise an Option or Right to which he was not entitled to exercise on the date of termination of his



employment.

(b) Restricted Stock. If a Participant terminates employment before the end of the Restricted Period for a reason other than death, Approved Retirement, Disability, or Change of Control, the Participant shall forfeit all shares of Restricted Stock. If a Participant terminates employment as a result of death, Approved Retirement, or Change of Control, the Committee, in its sole discretion, shall determine what portion, if any, of the Restricted Stock shall be freed from restrictions.

(c) Performance Shares and Other Awards. If a Participant ceases to be an Employee before the end of any Performance Period as a result of death, Approved Retirement, or Disability, the Committee may authorize the payment to such Participant or his Designated Beneficiary of a pro rata portion of the amount that would have been paid to him had he continued as an Employee to the end of the Performance Period. In the event a Participant terminates employment for any other reason, any amounts for outstanding Performance Periods shall be forfeited.

## Section 12. General Provisions

(a) Withholding. The Employer shall have the right to deduct from all amounts paid to a Participant in cash any taxes required by law to be withheld in respect of Awards under this Plan. In the case of payments of Awards in the form of Common Stock, the Committee shall require the Participant to pay to the Employer the amount of any taxes required to be withheld with respect to such Common Stock, or, in lieu thereof, the Employer shall have the right to retain (or the Participant may be offered the opportunity to elect to tender) the number of shares of Common Stock whose Fair Market Value equals the amount required to be withheld.

(b) Awards. Each Award shall be evidenced in writing delivered to the Participant and shall specify the terms and conditions and any rules applicable to such Award.

(c) Nontransferability. No Award shall be assignable or transferable, and no right or interest of any Participant shall be subject to any lien, obligation or liability of the Participant, except by will or the laws of descent and distribution.

(d) No Rights as Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed under the Plan until becoming the holder. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(e) Construction of the Plan. The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of Utah.

(f) Effective Date. Subject to the approval of the stockholders of the Company, the Plan shall be effective on March 1, 1991. No Options or Awards may be granted under the Plan, however, until the Plan is approved by the Company's shareholders or after May 20, 2001.

(g) Amendment of Plan. The Board of Directors may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no amendment shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement, including for these purposes any approval requirement that is a prerequisite for exemptive relief under Section 16(b) of the Securities Exchange Act of 1934.

(h) Amendment of Award. The Committee may amend, modify or terminate any outstanding Award with the Participant's consent at any time prior to payment or exercise in any manner not inconsistent with the terms of the Plan, including without limitation, to change the date or dates as of which an Option or Right becomes exercisable; a Performance Share is deemed earned; Restricted Stock becomes nonforfeitable; or to cancel and reissue an Award under such different terms and conditions as it determines appropriate.

### Section 13. Change of Control.

In the event of a Change of Control of the Company, all options, restricted stock, and other awards granted under the Plan shall vest immediately.

As used herein, a Change in Control of the Company shall be deemed to have occurred if (i) any "Acquiring Person" (as that term is used in the Rights Agreement dated as of February 13, 1996, between the Company and Chemical Mellon Shareholder Services, L.L.C. ("Rights Agreement")) is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company representing 15 percent or more of the combined voting power of the Company, or (ii) the stockholders of the Company approve (A) a plan of merger or consolidation of the Company (unless, immediately following consummation of such merger or consolidation, the persons who held the Company's voting securities immediately prior to consummation thereof will hold at least a majority of the total voting power of the surviving or new company, or (B) a sale or disposition of all or substantially all assets of the Company, or (C) a plan of liquidation or dissolution of the Company.

A Change in Control shall also include any act or event that, with the passage of time, would result in a Distribution Date, within the

meaning of the Rights Agreement.

QUESTAR CORPORATION  
STOCK OPTION PLAN FOR DIRECTORS  
As amended and restated effective May 21, 1996

Section 1. Purpose of the Plan

The Questar Corporation Stock Option Plan for Directors ("Plan") is intended to provide a method whereby the nonemployee voting directors ("Directors") of Questar Corporation (the "Company"), who are responsible for reviewing and monitoring the performance of the Company and the performance of the Company's officers, may be encouraged to acquire a larger stock ownership in the Company, thereby promoting the interests of the Company and all its stockholders. Accordingly, the Company, during the term of the Plan, will grant options to Directors to purchase shares of the Company's common stock, subject to the conditions hereinafter provided.

Section 2. Administration of the Plan

The Plan shall be administered by the Company's Option Plan Committee ("Committee"), a group appointed by the Company's President and Chief Executive Officer that includes three or more officers of the Company. The Committee shall hold meetings at such times and places as it may determine. No member of the Committee shall be eligible to receive options granted under the Plan.

Section 3. Stock Subject to the Plan

(a) The stock to be issued upon exercise of options granted under the Plan shall be the Company's common stock, without par value, that shall be made available either from authorized but unissued common stock or from common stock reacquired by the Company, including shares purchased in the open market. The aggregate number of shares of common stock that may be issued under options shall not exceed 470,000 shares. The limitations established by the preceding sentence shall be subject to adjustment as provided in Section 13 of the Plan.

(b) In the event that any outstanding option under the Plan for any reason expires or is terminated, the shares of common stock allocable to the unexercised portion of such option may again be made subject to options under the Plan.

Section 4. Type of Option

Only nonqualified stock options shall be granted under the terms of the Plan. Nonqualified stock options granted under the terms of the Plan are not to be treated as incentive stock options.

## Section 5. Option Price

The purchase price per share shall be 100 percent of the fair market value of one share of the Company's common stock on the date the option is granted.

The fair market value shall be deemed to be the closing price of the Company's common stock as reported on the New York Stock Exchange Composite Tape on the date the option is granted, or, if no sale of common stock has been reported on that date, the fair market value shall be determined by reference to such price for the next preceding day on which a sale occurred.

The purchase price shall be subject to adjustment only as provided in Section 13 of the Plan.

## Section 6. Eligibility of Optionees

(a) Options shall be granted only to Directors of the Company who are not currently serving as employees of the Company or its affiliates.

(b) Neither anything contained in the Plan or in any instrument under the Plan nor the grant of any option hereunder shall confer upon any optionee any right to continue as a Director of the Company.

## Section 7. Grant of Option

All Directors shall receive the first grant of Options pursuant to this Plan upon the date such Plan is initially approved by the Company's stockholders. Thereafter, all Directors shall receive options each year on the date of the first regular meeting of the Board of Directors. Each Director shall receive, on an annual basis, an option to purchase 3,200 shares of the Company's common stock. Each Director who serves as the chairman of a committee of the Board of Directors shall receive an option to purchase an additional 800 shares of the Company's common stock for each assignment as chairman of a committee.

## Section 8. Non-Transferability of Options

No option granted under the Plan shall be assignable or transferable by the optionee.

## Section 9. Term and Exercise of Options

(a) Each option granted under the Plan shall terminate ten years after the date on which it was granted and shall vest in one installment six months from the grant date.

(b) A Director electing to exercise an option shall give written notice to the Company of such election and of the number of shares he has elected to purchase, in such form as the Committee shall have prescribed or approved, and shall at the time of exercise tender the full purchase price of

the shares he has elected to purchase. The purchase price shall be paid in full in cash upon the exercise of the option; provided, however, that in lieu of cash, an optionee may exercise his option by tendering to the Company shares of common stock owned by him and having a fair market value equal to the cash exercise price applicable to his option, with the fair market value of such stock to be determined in the manner provided in Section 5 of the Plan. The optionee may also use a combination of cash and previously acquired shares. An optionee may not use shares of common stock obtained by exercising an option as consideration for additional shares until such shares have been held for six months.

(c) An optionee shall have no rights as a stockholder with respect to any shares covered by his option until the date the stock certificate is issued evidencing ownership of the shares. No adjustments shall be made for dividends (ordinary or extraordinary), whether in cash, securities or other property, or distributions or other rights, for which the record date is prior to the date such stock certificate is issued, except as provided in Section 13 hereof.

(d) Notwithstanding any provision of the Plan or any provision or limitation in any option to the contrary, if the Company obtains actual knowledge of a "change in control" in the Company (as defined below), then all outstanding options held by Directors may be exercised with respect to all shares of common stock subject thereto at any time during the period of 60 days following the date upon which the Company obtained actual knowledge of such change of control of the Company. As used herein, a "change in control" of the Company shall be deemed to have occurred if (i) any "Acquiring Person" (as such term is defined in the Rights Agreement dated as of February 13, 1996, between the Company and Chemical Mellon Shareholder Services, L.L.C. (the "Rights Agreement")) is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company representing 15% or more of the combined voting power of the Company, or (ii) the stockholders of the Company approve (A) a plan of merger or consolidation of the Company (unless, immediately following consummation of such merger or consolidation, the persons who held the Company's voting securities immediately prior to consummation thereof will hold at least a majority of the total voting power of the surviving or new corporation), or (B) a sale or disposition of all or substantially all assets of the Company, or (C) plan of liquidation or dissolution of the Company. A change in control shall also include any act or event which, with the passage of time, would result in a Distribution Date, within the meaning of the Rights Agreement.

#### Section 10. Termination of Status as Director

If an optionee is removed from his position as Director, any option granted to him under the terms of the Plan shall terminate as of the date of his removal or resignation. Any unvested options granted after February 13, 1996, shall vest upon the optionee's retirement as a Director. If an optionee dies, retires, or resigns for some reason other than to pursue a business opportunity that is or could be perceived to be a business opportunity for the Company, he (or his estate in the event of his death), shall have one year

from the date of death, retirement or resignation to exercise options that were granted prior to such date.

#### Section 11. Period in Which Options May be Granted

Options may be granted pursuant to the Plan, as amended, after such amendments are approved by the Company's stockholders and prior to May 21, 2001.

#### Section 12. Amendment or Termination of the Plan

The Company's Board of Directors may at any time terminate, annul, modify or suspend the Plan subject to the following conditions:

(a) The Board of Directors cannot amend the Plan more often than once per six-month period except for amendments to comply with changes in federal tax laws.

(b) The Board of Directors cannot amend, modify, suspend, or terminate the Plan in such a way that affects any options previously granted under the Plan without the consent of the optionee.

(c) Without the approval of the stockholders of the Company, no amendment or modification shall be made by the Board that:

(i) Increases the maximum number of shares as to which options may be granted under the Plan;

(ii) Alters the method by which the option price is determined;

(iii) Extends any option for a period longer than 10 years after the date of grant;

(iv) Materially modifies the requirements as to eligibility for participation in the Plan; or

(v) Provides for the administration of the Plan by a Committee that is not composed entirely of officers of the Company who are not eligible to participate in the Plan;

(vi) Alters this Section 12 so as to defeat its purpose.

#### Section 13. Changes in Capitalization

(a) In the event that the shares of stock of the Company, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares or otherwise) or if the number of such shares of stock shall be increased through the payment of a

stock dividend, then, subject to the provisions of Section 13(c) below, there shall be substituted for or added to each share of stock of the Company that was theretofore appropriated or that thereafter may become subject to an option under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of the stock of the Company shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be. Outstanding options shall also be appropriately amended as to price and other terms, as may be necessary to reflect the foregoing events.

(b) A dissolution or liquidation of the Company or a merger or consolidation in which the Company is not the surviving corporation, shall cause each outstanding option to terminate, except to the extent that another corporation may and does in the transaction assume and continue the option or substitute its own options.

(c) Fractional shares resulting from any adjustment in options pursuant to this Section 13 may be settled as the Committee shall determine.

(d) To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Notice of any adjustment shall be given by the Company to each holder of an option which shall have been so adjusted.

(e) The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganization or changes of its capital or business structure, to merge, to consolidate, to dissolve, to liquidate or to sell or transfer all or any part of its business or assets.

(f) In the case of an option exercised prior to the redemption or other termination of Rights pursuant to the Rights Agreement, (i) if such exercise occurs prior to the Distribution Date, the shares received upon exercise shall be deemed to include the Rights to which a holder of such shares on the Record Date would have been entitled, and (ii) if such exercise occurs on or after the Distribution Date, the holder of such option shall receive, upon exercise, in addition to the shares of common stock subject to such option, the Rights to which he would have been entitled had he been a holder of such shares on the Distribution Date; provided, however, that the preceding clause (ii) shall not apply if and to the extent that the Company shall have been advised by counsel that application thereof would create a significant risk of material adverse tax consequences to the Company or to such holder, and provided further that, if the provisions of clause (i) or (ii) hereof apply to an option with respect to a distribution of Rights, no further adjustment shall be made to such option under this Section 13 with regard to such distribution. The immediately preceding sentence contains terms and concepts that are defined in the Rights Agreement; the use of such terms and concepts is subject to the definitions and restrictions contained in the Rights Agreement.



QUESTAR CORPORATION  
DIRECTORS' STOCK PLAN

Section 1. Purpose

Questar Corporation (the "Company") hereby establishes the Questar Corporation Directors' Stock Plan (the "Plan"), which provides nonemployee directors with the option to receive all or part of their fees in shares of the Company's common stock. The purpose of this Plan is to further strengthen the alignment of interests between nonemployee directors and the Company's shareholders.

Section 2. Definitions

"Director" means a member of the Company's Board of Directors who is not an employee of the Company.

"Election" means a Participant's delivery of written notice of election to the Secretary of the Company electing to receive fees or a portion of such fees (in 25 percent increments) in the form of common stock.

"Fees" means the annual retainer (paid in monthly installments) and meeting fees earned by a Director for service as a member of the Board of Directors and as a member of a Committee established by the Board of Directors. Fees shall also mean any annual retainers and meeting fees earned by a Director for service as a director of a subsidiary owned or controlled by the Company.

"Participant" means a Director who has elected to receive payment of all or a portion of his or her fees in shares of common stock.

Section 3. Administration.

The Plan shall be administered by the Board of Directors or a Committee designated by the Board. The Plan is designed to qualify for the exemption for "formula award" plans provided for in Rule 16b-3(c)(ii) of the rules adopted by the Securities and Exchange Commission to enforce Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Act"). The Board of Directors shall appoint a committee of "disinterested" directors to administer the Plan if, in the opinion of counsel to the Company, it is necessary to preserve the exemption for shares obtained pursuant to this Plan from Section 16(b) of the Act.

Subject to the provisions of the Plan, the Board of Directors or the designated Committee shall have the authority to interpret the Plan; to establish, amend, and rescind appropriate rules and regulations pertaining to the Plan; to administer the Plan; and to take all such steps and make all such

determinations in connection with the Plan. No member of the Board of Directors or designated Committee shall be liable for any action or determination made in good faith. The determinations, interpretations, and other actions of the Board of Directors or designated Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and all persons.

#### Section 4. Eligibility and Participation

Participation in the Plan shall be limited to members of the Board of Directors who are not employees of the Company.

A Director may elect to receive all or a portion (in 25 percent increments) of his/her fees in shares of the Company's common stock. These fees include the annual retainer paid by the Company or its subsidiaries and any meeting fees for attendance at meetings of the Board of Directors, its Committees, and subsidiary Boards of Directors.

A Director may elect to participate in the Plan by providing written notice of his or her election to participate and to receive all or a portion of earned fees in shares of the Company's common stock. This notice shall be effective six months after being received by the Company's Corporate Secretary. A Director's election to participate in the Plan shall be irrevocable. Notwithstanding the preceding sentence, a Participant may revoke or change any election by making a subsequent written election that takes effect six months after being received by the Company's Corporate Secretary.

#### Section 5. Common Stock Subject to Plan

A maximum of 50,000 shares of common stock may be issued under this Plan. The common stock issued under this Plan, at the option of the Board of Directors, may be either original issue or purchased on the open market. In the event of any change in the outstanding common stock of the Company by reason of any stock split, stock dividend, merger, consolidation, reorganization, or other similar change in capitalization, the number or kind of shares that may be issued under the Plan shall be automatically adjusted so that the proportionate interest of the shares issuable under this Plan is maintained as before the occurrence of such event.

#### Section 6. Issuance of Shares

The number of shares to be awarded by a Director shall be calculated using the closing price of the Company's common stock on the New York Stock Exchange ("NYSE") on the date the Director's fees for service would otherwise have been paid. If there is no closing price on such day, the number of shares shall be calculated using the closing price of the common stock on the NYSE on the next preceding business day.

All shares issued under the Plan, including fractional shares, shall be held in a book-entry account. Participants may choose to receive a stock certificate representing the number of whole shares acquired by notifying the

Company's Corporate Secretary in writing. The Company shall make a cash payment to the Participant for any fractional shares using the closing price of the Company's common stock on the NYSE on the date the notification is received (or the next preceding business day if the notification is received on a day when there is no closing price on the NYSE).

#### Section 7. Effective Date

The Plan shall be submitted to the shareholders of the Company for their approval and adoption and will become effective June 1, 1996, upon such approval.

#### Section 8. Amendment and Termination

The Board of Directors of the Company may at any time terminate, and from time to time may amend or modify, the Plan, provided, however, that no amendment or modification may become effective without approval by the shareholders of the Company, if shareholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements or if the Board of Directors, on advice of counsel, determines that shareholder approval is otherwise necessary or advisable. In addition, the Board of Directors may not amend the Plan more than once every six months unless the amendment is designed to implement changes in the Internal Revenue Code of 1986 as amended, or rules promulgated to enforce it.