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

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 26, 1995

SOUTHWEST GAS CORPORATION
SOUTHWEST GAS CAPITAL I
(Exact name of registrant as specified in its charter)

CALIFORNIA 1-7850 88-0085720
DELAWARE 1-7850 TO BE APPLIED FOR
(State or other jurisdiction of (Commission (I.R.S. Employer
incorporation or organization) File Number) Identification No.)

5241 SPRING MOUNTAIN ROAD
POST OFFICE BOX 98510
LAS VEGAS, NEVADA 89193-8510
(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (702) 876-7237

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ITEM 5. OTHER EVENTS

Preferred Securities

On October 26, 1995, the Company completed the pricing for an offering of 2,400,000 Preferred Securities with respect to Registration Statement No. 33-62143. In connection therewith, the Company executed an underwriting agreement, obtained opinions of legal counsel on the securities and finalized documents relating to Southwest Gas Capital I. These documents are contained herein as exhibits.

ITEM 7. EXHIBITS

- 1.01 Underwriting Agreement.
- 4.06 Amended and Restated Declaration of Trust of Southwest Gas Capital I.
- 4.09 Form of Preferred Security (attached as Annex I to Exhibit A to the Amended and Restated Declaration of Trust of Southwest Gas Capital I included as Exhibit 4.06 hereto).
- 5.1 Opinion of O'Melveny & Myers as to the validity of the securities.
- 5.2 Opinion of Skadden, Arps, Slate, Meagher & Flom as to the validity of Securities issued by Southwest Gas Capital I.
- 8.01 Opinion of O'Melveny & Myers as to certain federal taxation matters.
- 23.02 Consent of O'Melveny & Myers (included in Exhibit 5.1).
- 23.03 Consent of O'Melveny & Myers (included in Exhibit 8.01).
- 23.04 Consent of Skadden, Arps, Slate, Meagher & Flom (included in Exhibit 5.2).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SOUTHWEST GAS CORPORATION

Date: October 30, 1995

/s/ Edward A. Janov

Edward A. Janov
Controller and Chief Accounting Officer

2,400,000 PREFERRED SECURITIES

SOUTHWEST GAS CAPITAL I
(A DELAWARE BUSINESS TRUST)

9.125% TRUST ORIGINATED PREFERRED SECURITIES ("TOPRS" (SM))
(LIQUIDATION AMOUNT OF \$25 PER PREFERRED SECURITY)

UNDERWRITING AGREEMENT

October 26, 1995

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
DEAN WITTER REYNOLDS INC.
PAINWEBBER INCORPORATED
SMITH BARNEY INC.
c/o MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281

Ladies and Gentlemen:

Southwest Gas Capital I (the "Trust"), a statutory business trust organized under the Business Trust Act (the "Delaware Act") of the State of Delaware (Title 12, Chapter 38 of the Delaware Code, 12 Del. C Section 3801 et seq.) and Southwest Gas Corporation, a California corporation (the "Company" and, together with the Trust, the "Offerors") confirm their agreement (the "Agreement") with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Dean Witter Reynolds Inc., PaineWebber Incorporated and Smith Barney Inc. (collectively, the "Underwriters", which term shall also include any underwriter substituted as

(SM) "Trust Originated Preferred Securities" and "TOPRS" are service marks of Merrill Lynch & Co., Inc.

hereinafter provided in Section 10 hereof) with respect to the sale by the Trust and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of 9.125% Trust Originated Preferred Securities (liquidation amount of \$25 per preferred security) of the Trust set forth in Schedule A hereto (the "Preferred Securities") except as may otherwise be provided in the Pricing Agreement, as hereinafter defined. The Preferred Securities will be guaranteed by the Company with respect to distributions and payments upon liquidation and redemption (the "Preferred Securities Guarantee") pursuant to the Preferred Securities Guarantee Agreement (the "Preferred Securities Guarantee Agreement"), dated as of October 31, 1995, between the Company and Harris Trust and Savings Bank, as guarantee trustee (the "Guarantee Trustee"), and entitled to the benefits of certain backup undertakings described in the Prospectus (as defined herein) with respect to the Company's agreement pursuant to the Supplemental Indenture (as defined herein) to pay all expenses relating to administration of the Trust (the "Undertakings"). The Preferred Securities and the related Preferred Securities Guarantee are referred to herein as the "Securities".

Prior to the purchase and public offering of the Preferred Securities by the several Underwriters, the Offerors and the Underwriters shall enter into an agreement substantially in the form of Exhibit A hereto (the "Pricing Agreement"). The Pricing Agreement may take the form of an exchange of any standard form of written telecommunication between the Offerors and the Underwriters and shall specify such applicable information as is indicated in Exhibit A hereto. The offering of the Preferred Securities will be governed by this Agreement, as supplemented by the Pricing Agreement. From and after the date of the execution and delivery of the Pricing Agreement, this Agreement shall be deemed to incorporate the Pricing Agreement.

The Company has filed with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended (the "1933 Act"), a registration statement on Form S-3 (File No. 33-55621) (the "1994 Registration Statement") under the 1933 Act for the offering from time to time of its debt securities, preferred stock and/or common stock, having an aggregate offering price of \$300,000,000 and the 1994 Registration Statement has become effective. While an aggregate offering price of \$270,112,800 of such debt securities, preferred stock and/or common stock remained unsold, the Offerors (a) filed with the Commission a registration statement on Form S-3 (No. 33-62143) for the registration under the 1933 Act of up to \$270,400,000 aggregate offering price of securities, including (i) the Preferred Securities, (ii) the Preferred Securities Guarantee and the Undertakings, and (iii) up to \$270,400,000 aggregate principal amount of Subordinated Deferrable Interest Notes (the "Subordinated Debt Securities") to be issued and sold to the Trust by the Company, (b) have filed such amendments thereto, if any, as may have been required to the date hereof, and (c) will file such additional amendments thereto as may hereafter be required. Such registration statement (as amended, if applicable) and the combined prospectus constituting a part thereof (including, in each case, all documents incorporated or deemed to be incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act and the information, if any, deemed to be part thereof pursuant to Rule 430A(b) of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations")), as supplemented by a Prospectus Supplement, dated October 26, 1995, relating to the Preferred Securities, the Preferred Securities Guarantee and the Subordinated Debt Securities, and as from time to time further amended or supplemented pursuant to the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or

otherwise are hereinafter referred to as the "1995 Registration Statement" and the "Prospectus", respectively, except that if any revised prospectus shall be provided to the Underwriters by the Offerors for use in connection with the offering of the Preferred Securities, which differs from the Prospectus on file at the Commission at the time the 1995 Registration Statement becomes effective (whether or not such revised prospectus is required to be filed by the Offerors pursuant to Rule 424(b) of the 1933 Act Regulations) (each, a "Revised Prospectus"), the term "Prospectus" shall refer to such revised prospectus from and after the time it is first provided to the Underwriters for such use. All references in this Agreement to financial statements and schedules and other information that is "contained," "included" or "stated" in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information that are or are deemed to be incorporated by reference in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus shall be deemed to mean and include the filing of any document under the 1934 Act that is or is deemed to be incorporated by reference in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus, as the case may be, after the time of execution of this Agreement.

The Offerors understand that the Underwriters propose to make a public offering of the Preferred Securities as soon as the Underwriters deem advisable after the Pricing Agreement has been executed and delivered, and the Declaration (as defined herein), the Indenture (as defined herein), and the Preferred Securities Guarantee Agreement have been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The entire proceeds from the sale of the Preferred Securities will be combined with the entire proceeds from the sale by the Trust to the Company of its common securities (the "Common Securities") guaranteed by the Company, to the extent set forth in the Prospectus, with respect to distributions and payments upon liquidation and redemption (the "Common Securities Guarantee" and, together with the Preferred Securities Guarantee, the "Guarantees") pursuant to the Common Securities Guarantee Agreement (the "Common Securities Guarantee Agreement" and, together with the Preferred Securities Guarantee Agreement, the "Guarantee Agreements"), dated as of October 31, 1995, by the Company for the benefit of the holder of the Common Securities and will be used by the Trust to purchase the Subordinated Debt Securities issued by the Company. The Preferred Securities and the Common Securities will be issued pursuant to the Amended and Restated Declaration of Trust of the Trust, dated as of October 26, 1995 (the "Declaration"), among the Company, as Sponsor, the trustees named therein (the "Trustees"), including Harris Trust and Savings Bank, as property trustee under the Declaration (the "Property Trustee"), and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Subordinated Debt Securities will be issued pursuant to an indenture, dated as of October 31, 1995 (the "Base Indenture"), between the Company and Harris Trust and Savings Bank, as indenture trustee (the "Indenture Trustee"), and a supplement to the Base Indenture, dated as of October 31, 1995 (the "Supplemental Indenture," and together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Indenture Trustee.

Section 1. Representations and Warranties. The Offerors jointly and severally represent and warrant to each Underwriter as of the date hereof and as of the date of the Pricing Agreement (such latter date being hereinafter referred to as the "Representation Date") as follows:

(a) At the time the 1994 Registration Statement became effective, at the time the 1995 Registration Statement became effective and at the Representation Date, the 1994 Registration Statement and the 1995 Registration Statement complied in all material respects with the requirements of the 1933 Act and the 1939 Act Regulations and the 1939 Act and the rules and regulations of the Commission under the 1939 Act (the "1939 Act Regulations"), and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, at the Representation Date (unless the term "Prospectus" refers to a prospectus that has been provided to the Underwriters by the Trust for use in connection with the offering of the Preferred Securities and that differs from the Prospectus on file at the Commission at the time the 1995 Registration Statement becomes effective, in which case, at the time it is first provided to the Underwriters for such use) and at the Closing Time, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall not apply to statements in or omissions from the 1994 Registration Statement, 1995 Registration Statement or Prospectus made in reliance upon and in conformity with information furnished to the Offerors in writing by any Underwriter expressly for use in the 1994 Registration Statement, the 1995 Registration Statement or Prospectus.

(b) The documents incorporated or deemed to be incorporated by reference in the 1994 Registration Statement, 1995 Registration Statement or Prospectus, at the time they were or (to the extent deemed to be incorporated by reference in the Prospectus) hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1933 Act, the 1933 Act Regulations, the 1934 Act and the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations"), as applicable, and did not or will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) Arthur Andersen LLP, the accountants who certified the financial statements and supporting schedules included or incorporated by reference in the 1994 Registration Statement and the 1995 Registration Statement, are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(d) The financial statements included in the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus present fairly the consolidated financial position of the Company and its consolidated subsidiaries as at the

dates indicated and the results of their operations for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis (except as otherwise specified in the notes thereto); the Company's ratios of earnings to fixed charges included in the Prospectus under the caption "Ratios of Earnings to Fixed Charges" and in Exhibit 12 to each of the 1994 Registration Statement and the 1995 Registration Statement have been calculated in compliance with Item 503(d) of Regulation S-K of the Commission and the supporting schedules included in the 1994 Registration Statement and the 1995 Registration Statement present fairly the information required to be stated therein; and the other financial and statistical information and data included or incorporated by reference in the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus are accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company and its consolidated subsidiaries.

(e) Each of the Offerors meets, and at the respective times of commencement and consummation of the offering of the Securities will meet, the registrant requirements for use of Form S-3 and Rule 415 under the 1933 Act and the 1933 Act Regulations.

(f) Since the respective dates as of which information is given in the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change, or any development involving a prospective material adverse change, in the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries (as defined herein), taken as a whole (a "Material Adverse Effect") or of the Trust, whether or not arising in the ordinary course of business, and (B) neither the Company, any of the Subsidiaries nor the Trust has incurred any liability or obligation, direct or contingent, or entered into any transaction, not in the ordinary course of business, that is material to the Trust or the Company and the Subsidiaries taken as a whole.

(g) The Company is a corporation duly organized and validly existing in good standing under the laws of the State of California with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the 1994 Registration Statement, 1995 Registration Statement and Prospectus, to enter into and perform its obligations under this Agreement, the Pricing Agreement, the Declaration, the Indenture and each of the Guarantees and to purchase, own, and hold the Common Securities issued by the Trust; and the Company is duly registered and qualified to conduct its business and is in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify does not have a Material Adverse Effect.

(h) All the outstanding shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and nonassessable and are free of any preemptive or similar rights.

(i) All the Company's subsidiaries are listed in an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (the "Form 10-K"), which is incorporated by reference into the Prospectus. Except for The Southwest Companies and its wholly owned subsidiary, PriMerit Bank, none of the Company's subsidiaries are "significant subsidiaries" as defined in Regulation S-X promulgated by the Commission.

(j) PriMerit Bank has been duly formed and is validly existing as a federal savings bank duly chartered and in good standing under the laws of the United States. All the outstanding shares of capital stock of PriMerit Bank have been duly authorized and validly issued, are fully paid and nonassessable, and are owned by The Southwest Companies directly, free and clear of any lien, adverse claim, security interest, equity, or other encumbrance. The Southwest Companies and Paiute Pipeline Company ("Paiute" and, together with The Southwest Companies and PriMerit Bank, the "Subsidiaries") are corporations duly organized, validly existing and in good standing in their respective jurisdictions of incorporation, with full corporate power and authority to own their respective assets. All of the outstanding shares of capital stock of The Southwest Companies and Paiute have been duly authorized and validly issued, are fully paid and nonassessable, and are owned by the Company directly, free and clear of any lien, adverse claim, security interest, equity, or other encumbrance.

(k) The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Act with the power and authority to own property and to conduct its business as described in the 1995 Registration Statement and Prospectus and to enter into and perform its obligations under this Agreement, the Pricing Agreement, the Preferred Securities, the Common Securities and the Declaration and is not required to be authorized to do business in any other jurisdiction; the Trust is not a party to or otherwise bound by any agreement other than those described in the Prospectus; the Trust is not and will not be classified as an association taxable as a corporation for United States federal income tax purposes; and the Trust is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles.

(l) The Common Securities have been duly authorized by the Declaration and, when issued and delivered by the Trust to the Company against payment therefor as described in the 1995 Registration Statement and Prospectus, will be validly issued and (subject to the terms of the Declaration) fully paid and non-assessable undivided beneficial interests in the assets of the Trust and will conform to all statements relating thereto contained in the Prospectus; the issuance of the Common Securities is not subject to preemptive or other similar rights; and at the Closing Time, all of the issued and outstanding Common Securities of the Trust will be directly owned by the Company free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(m) This Agreement has been, and at the Closing Time, the Pricing Agreement will have been, duly authorized, executed and delivered by each of the Offerors.

(n) The Declaration has been duly authorized by the Company and, at the Closing Time, will have been duly executed and delivered by the Company, and assuming due authorization, execution and delivery of the Declaration by the Property Trustee and the Delaware Trustee (as defined in the Declaration), the Declaration will, at the Closing Time, be a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equitable principles (the "Bankruptcy Exceptions") and will conform to all statements relating thereto in the Prospectus; and at the Closing Time, the Declaration will have been duly qualified under the 1939 Act.

(o) Each of (i) the Common Securities Guarantee Agreement and (ii) the Preferred Securities Guarantee Agreement has been duly authorized by the Company and, when validly executed and delivered by the Company, will constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (except to the extent enforcement thereof may be limited by the Bankruptcy Exceptions) and the Guarantees and the Guarantee Agreements will conform to all statements relating thereto contained in the Prospectus; and, at the Closing Time, the Preferred Securities Guarantee Agreement will have been duly qualified under the 1939 Act.

(p) The Preferred Securities have been duly authorized by the Declaration and, when issued and delivered pursuant to this Agreement against payment of the consideration set forth in the Pricing Agreement, will be validly issued and fully paid and non-assessable undivided beneficial interests in the Trust, will be entitled to the benefits of the Declaration and will conform to all statements relating thereto contained in the Prospectus; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; holders of Preferred Securities will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit.

(q) The Indenture has been duly authorized by the Company and, when validly executed and delivered by the Company, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions; the Indenture will conform to all statements relating thereto contained in the Prospectus; and, at the Closing Time, the Indenture will have been duly qualified under the 1939 Act.

(r) The Subordinated Debt Securities have been duly authorized by the Company and, at the Closing Time, will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Prospectus, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms (except to the extent enforcement thereof may be limited by the Bankruptcy

Exceptions), will be in the form contemplated by, and entitled to the benefits of, the Indenture and will conform to all statements relating thereto contained in the Prospectus.

(s) The Company's obligations under the Preferred Securities Guarantee and the Common Securities Guarantee are subordinate and junior in right of payment to all liabilities of the Company and are pari passu with the most senior preferred stock issued by the Company.

(t) The Subordinated Debt Securities are subordinate and junior in right of payment to all Senior Indebtedness (as defined in the Indenture) of the Company.

(u) George C. Biehl and Jeffrey W. Shaw, as Trustees of the Trust (the "Regular Trustees"), are employees of the Company and have been duly authorized by the Company to execute and deliver the Declaration; the Declaration has been duly executed and delivered by the Regular Trustees and is a valid and binding obligation of each Regular Trustee.

(v) None of the Offerors is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(w) Neither the Company nor any of the Subsidiaries is in violation of its articles of incorporation or charter or by-laws; the Trust is not in violation of the Declaration or its Certificate of Trust filed with the State of Delaware on August 17, 1995 (the "Certificate of Trust"); to the best knowledge of the Offerors after due inquiry, none of the Company, any of the Subsidiaries or the Trust is in violation of any law, ordinance, administrative or governmental rule or regulation applicable to the Company, any of the Subsidiaries or the Trust the violation of which would reasonably be expected to have a Material Adverse Effect or of any decree of any court or governmental agency or body having jurisdiction over the Company, any of the Subsidiaries or the Trust, or in default in any material respect in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which the Company, any of the Subsidiaries or the Trust is a party or by which any of them or any of their respective properties may be bound. The execution, delivery and performance of this Agreement, the Pricing Agreement, the Declaration, the Preferred Securities, the Common Securities, the Indenture, the Subordinated Debt Securities, the Guarantee Agreements and the Guarantees and the consummation of the transactions contemplated herein and therein and compliance by the Offerors with their respective obligations hereunder and thereunder have been duly and validly authorized by all necessary action (corporate or otherwise) on the part of the Offerors and do not and will not result in any violation of the articles of incorporation or charter or by-laws of the Company or any of the Subsidiaries, or the Declaration or Certificate of Trust and do not and will not conflict with or do not and will not constitute a breach of, or a default under, any agreement, indenture, lease or other instrument to which the Company, any of the Subsidiaries or the Trust is a party or by Subsidiaries or the Trust is a party or by

which any of them or any of their respective properties may be bound, or violates or will violate any statute, law, regulation or filing or judgment, injunction, order or decree applicable to the Company, any of the Subsidiaries or the Trust or any of their respective properties, or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company, any of the Subsidiaries or the Trust pursuant to the terms of any agreement or instrument to which any of them is a party or by which any of them may be bound or to which any of the property or assets of any of them is subject.

(x) There are no legal or governmental proceedings pending or, to the best knowledge of the Company or the Trust after due inquiry, threatened, against the Company, any of the Subsidiaries or the Trust, or to which the Company, any of the Subsidiaries or the Trust is subject, or to which any of their respective properties is subject, that are required to be described in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus but are not described as required, and there are no agreements, contracts, indentures, leases or other instruments that are required to be described in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus or to be filed as an exhibit to the 1994 Registration Statement or the 1995 Registration Statement that are not described or filed as required by the 1933 Act, the 1933 Act Regulations, the 1934 Act or the 1934 Act Regulations.

(y) No authorization, approval, consent or other order of or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official is necessary in connection with the issuance and sale of the Common Securities or the offering, issuance and sale of the Preferred Securities, the Subordinated Debt Securities or the Guarantees hereunder, except (i) such as may be required under the 1933 Act, the 1933 Act Regulations, the 1934 Act or the 1934 Act Regulations or state securities laws and the qualification of the Declaration, the Indenture and the Preferred Securities Guarantee under the 1939 Act, (ii) the authorizations of the California Public Utilities Commission issued June 5, 1991, May 8, 1992, February 3, 1993 and August 11, 1995 (which authorizations are, to the best knowledge of the Company, not the subject of any pending or threatened application for rehearing or petition for modification) and (iii) the opinion and order, dated May 18, 1983, and the limited waiver, dated August 8, 1995, of the Arizona Corporation Commission (which order and waiver are final and not subject to appeal), all of which have been or will be effected in accordance with this Agreement.

(z) Each of the Company and the Subsidiaries has such permits, licenses, franchises and authorizations of governmental or regulatory authorities ("permits") as are necessary to own its respective properties and to conduct its business in the manner described in the Prospectus, except where the failure to fulfill or perform any such obligation would not reasonably be expected to have a Material Adverse Effect; each of the Trust, the Company and the Subsidiaries has fulfilled and performed all its material obligations with respect to such permits, except where the failure to fulfill or perform any such obligation would not reasonably be expected to have a Material Adverse Effect; and no event has occurred which allows, or after notice or lapse of time would allow,

revocation or termination of any material permits or results or would result in any other material impairment of the rights of the holder of any such material permits, subject in each case to such qualifications as may be set forth in the Prospectus.

(aa) The Offerors have not taken, directly or indirectly, any action designed to, or that might be reasonably expected to, cause or result in stabilization or manipulation of the price of the Preferred Securities.

(ab) Neither the Company nor any of its Subsidiaries is currently subject to regulation under the Public Utility Holding Company Act of 1935, as amended.

(ac) No holder of any outstanding security of the Company has any right to require registration of such security because of the filing of the 1995 Registration Statement or consummation of the transactions contemplated by this Agreement.

Section 2. Sale and Delivery to Underwriters; Closing.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Trust agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Trust, at the price of \$25 per Preferred Security and at an annual distribution rate per Preferred Security set forth in the Pricing Agreement, the number of Preferred Securities set forth in Schedule A opposite the name of such Underwriter (except as otherwise provided in the Pricing Agreement), plus any additional number of Preferred Securities that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

In the event that the annual distribution rate has not been agreed upon and the Pricing Agreement has not been executed and delivered by all parties thereto by the close of business on the fourth business day following the date of this Agreement, this Agreement shall terminate forthwith, without liability of any party to any other party, unless otherwise agreed to by the Offerors and the Underwriters. As compensation to the Underwriters for their commitments hereunder and in view of the fact that the entire proceeds of the sale of the Preferred Securities (together with the entire proceeds from the sale by the Trust to the Company of the Common Securities) will be used to purchase the Subordinated Debt Securities of the Company, the Company hereby agrees to pay at the Closing Time (as defined below) to Merrill Lynch, for the accounts of the several Underwriters, a commission per Preferred Security determined by agreement between the Underwriters and the Company for the Preferred Securities to be delivered by the Trust hereunder at the Closing Time. The commission, when so determined, shall be set forth in the Pricing Agreement.

(b) Payment of the purchase price for, and delivery of certificates for, the Preferred Securities shall be made at the office of O'Melveny & Myers or at such other place as shall be agreed upon by the Underwriters and the Trust, at 10:00 A.M. New York time on the third business day (unless postponed in accordance with the provisions of Section 10) after execution of the Pricing Agreement, or such other time not later than ten business days after such

date as shall be agreed upon by the Underwriters and the Offerors (such time and date of payment and delivery being herein called the "Closing Time"). Payment shall be made to the Trust by certified or official bank check or checks drawn in New York Clearing House funds or similar next day funds payable to the order of the Trust to an account designated by the Trust, against delivery to the Underwriters of certificates for the Preferred Securities to be purchased by them. Certificates for the Preferred Securities shall be in such denominations and registered in such names as the Underwriters shall request not later than two full business days before the Closing Time or the relevant Date of Delivery, as the case may be. It is understood that each Underwriter has authorized Merrill Lynch, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Preferred Securities which it has agreed to purchase. Merrill Lynch may (but shall not be obligated to) make payment of the purchase price for the Preferred Securities to be purchased by any Underwriter whose check has not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

The certificates evidencing the Preferred Securities shall be delivered to the Underwriters, through the facilities of The Depository Trust Company for the account of the Underwriters with any transfer taxes payable in connection with the transfer of the Preferred Securities duly paid, against payment of the purchase price therefor.

At the Closing Time or the relevant Date of Delivery, as the case may be, the Company will pay, or cause to be paid, the commission payable at such time to the Underwriters under Section 2 hereof by certified or official bank check or checks payable to Merrill Lynch in New York Clearing House funds or other similar next day funds.

Section 3. Covenants of the Offerors. Each of the Offerors jointly and severally covenant with each Underwriter as follows:

(a) The Offerors will advise the Underwriters promptly and, if requested by the Underwriters, will confirm such advice in writing: (i) of any request by the Commission for amendment of or a supplement to the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus or for additional information; (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the 1994 Registration Statement, the 1995 Registration Statement or of the suspension of qualification of the Preferred Securities for offering or sale in any jurisdiction or the initiation of any proceeding for such purpose; and (iii) within the period of time referred to in the first sentence of subsection (d) below, of any change in the Company's condition (financial or other), business, prospects, properties, net worth or results of operations, or of the happening of any event, which makes any statement of a material fact made in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus (as then amended or supplemented) untrue or which requires the making of any additions to or changes in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus (as then amended or supplemented) in order to state a material fact required by the 1933 Act or the 1933 Act Regulations to be stated therein or necessary in order to make the statements therein not misleading, or of the necessity to amend or supplement the Prospectus (as then amended or supplemented) to comply with the 1933 Act or any other law. If at any time the Commission shall issue any stop order suspending the effectiveness of the 1994 Registration Statement or the 1995

Registration Statement, the Offerors will make every reasonable effort to obtain the withdrawal of such order at the earliest possible time.

(b) During such period as a prospectus is required by the 1933 Act to be delivered in connection with sales by any Underwriter or dealer, the Offerors will give the Underwriters notice of their intention to file or prepare (i) any amendment to the 1994 Registration Statement or the 1995 Registration Statement (including any post-effective amendment), (ii) any amendment or supplement to the Prospectus (including any revised prospectus which the Offerors propose for use by the Underwriters in connection with the offering of the Preferred Securities which differs from the prospectus on file at the Commission at the time the 1995 Registration Statement becomes effective, whether or not such revised prospectus is required to be filed pursuant to Rule 424(b) of the 1933 Act Regulations), or (iii) any document that would as a result thereof be incorporated by reference in the Prospectus whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish the Underwriters with copies of any such amendment, supplement or other document a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file any such amendment, supplement or other document or use any such prospectus to which the Underwriters or counsel for the Underwriters shall reasonably object.

(c) The Offerors will furnish to you, without charge (i) four copies of the 1994 Registration Statement and the 1995 Registration Statement certified by an officer of the Company to be in the form originally filed with the Commission and of each amendment thereto, including financial statements and all exhibits to the 1994 Registration Statement and the 1995 Registration Statement, (ii) such number of conformed copies of the 1994 Registration Statement and the 1995 Registration Statement as originally filed and of each amendment thereto, but without exhibits, as the Underwriters may reasonably request, (iii) such number of copies of the documents incorporated or deemed to be incorporated by reference therein, without exhibits, as the Underwriters may reasonably request, and (iv) one copy of the exhibits to the documents incorporated or deemed to be incorporated by reference therein.

(d) As soon after the execution and delivery of this Agreement as possible and thereafter from time to time for such period as the Prospectus is required by the 1933 Act or the 1933 Act Regulations to be delivered in connection with sales by any Underwriter or dealer, the Offerors will expeditiously deliver to each Underwriter and each dealer, without charge, as many copies of the Prospectus (and of any amendment or supplement thereto) as the Underwriters may request. The Offerors consent to the use of the Prospectus (and of any amendment or supplement thereto) in accordance with the provisions of the 1933 Act, the 1933 Act Regulations and with the securities or Blue Sky laws of the jurisdictions in which the Preferred Securities are offered by the several Underwriters and by all dealers to whom the Preferred Securities may be sold, both in connection with the offering and sale of the Preferred Securities and for such period of time thereafter as the Prospectus is required by the 1933 Act or the 1933 Act Regulations to be delivered in connection with sales by any Underwriter or dealer. If during such period of time any event shall occur that is required to be set forth in the Prospectus (as then amended or supplemented) or should be set forth therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Prospectus (or to file under the 1934 Act or the

1934 Act Regulations any document which, upon filing, will be incorporated or deemed to be incorporated by reference therein) in order to comply with the 1933 Act, the 1933 Act Regulations or any other law, the Offerors will forthwith prepare and, subject to the provisions of paragraph (b) above, file with the Commission an appropriate supplement or amendment or document which, upon filing, will be incorporated or deemed to be incorporated by reference therein, and will expeditiously furnish to the Underwriters and dealers a reasonable number of copies thereof. In the event that the Offerors and the Underwriters agree that the Prospectus should be amended or supplemented, the Offerors, if requested by the Underwriters, will promptly issue a press release announcing or disclosing the matters to be covered by the proposed amendment or supplement.

(e) The Offerors will cooperate with the Underwriters and with counsel for the Underwriters in connection with the registration or qualification of the Preferred Securities and Subordinated Debt Securities for offering and sale by the Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions as the Underwriters may designate and will file such consents to service of process or other documents necessary or appropriate in order to effect such registration or qualification, provided that in no event shall the Offerors be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Preferred Securities and the Subordinated Debt Securities, in any jurisdiction where it is not now so subject.

(f) The Company will, on behalf of the Trust, make generally available to the Trust's security holders as soon as practicable but not later than 45 days (unless such period corresponds to the Company's fiscal year, in which case 90 days) after the close of the period covered thereby, an earning statement of the Company (in form complying with the provisions of Section 11(a) of the 1933 Act and Rule 158 of the 1933 Act Regulations) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in said Rule 158) of the 1995 Registration Statement.

(g) The Offerors will use their best efforts to have the Preferred Securities listed, subject to notice of issuance, on the New York Stock Exchange on or before the Closing Time; if the Preferred Securities are exchanged for Subordinated Debt Securities, the Company will use its best efforts to have the Subordinated Debt Securities listed on the exchange on which the Preferred Securities were then listed.

(h) During a period of 90 days from the date of the Pricing Agreement, neither the Trust nor the Company will, without the Underwriters' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Preferred Securities, any security convertible into exchangeable into or exercisable for Preferred Securities or any equity securities substantially similar to the Preferred Securities (except for Preferred Securities issued pursuant to this Agreement).

(i) The Offerors will apply the net proceeds from the sale of the Preferred Securities substantially in accordance with the description set forth in the Prospectus under "Use of Proceeds."

(j) Except as stated in the Prospectus, the Offerors will not take, directly or indirectly, any action designed to or that might reasonably be expected to cause or result in stabilization or maintenance of the price of the Preferred Securities.

(k) The Offerors will use their best efforts to have their registration statement on Form 8-A declared effective under the 1934 Act within 31 days of the effectiveness of the 1995 Registration Statement.

Section 4. Payment of Expenses. The Company will pay all expenses incident to the performance of each Offeror's obligations under this Agreement, including, but not limited to, (i) the printing and filing of the 1994 Registration Statement and the 1995 Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificates for the Preferred Securities to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Preferred Securities and Subordinated Debt Securities under securities laws in accordance with the provisions of Section 3(e) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any Blue Sky survey, (v) the printing and delivery to the Underwriters of copies of the 1994 Registration Statement and the 1995 Registration Statement as originally filed and of each amendment thereto, of each preliminary prospectus, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any Blue Sky survey, (vii) the fee of the National Association of Securities Dealers, Inc., if any, (viii) the fees and expenses of the Indenture Trustee, including the fees and disbursements of counsel for the Indenture Trustee in connection with the Indenture and the Subordinated Debt Securities, (ix) the fees and expenses of the Property Trustee, including the fees and disbursements of counsel for the Property Trustee in connection with the Declaration and the Certificate of Trust, (x) any fees payable in connection with the rating of the Preferred Securities and Subordinated Debt Securities, (xi) the fees and expenses incurred in connection with the listing of the Preferred Securities and, if applicable, the Subordinated Debt Securities on the New York Stock Exchange, (xii) the cost and charges of any transfer agent or registrar and (xiii) the cost of qualifying the Preferred Securities with The Depository Trust Company.

If this Agreement is terminated by the Underwriters in accordance with the provisions of Section 5 hereof or if this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of the Company or the Trust to comply with the terms or fulfill any of the conditions of this Agreement, the Company shall reimburse the Underwriters for all of their reasonable out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

Section 5. Conditions of Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the accuracy of the representations and warranties of the Offerors herein contained, to the performance by the Offerors of their obligations hereunder, and to the following further conditions:

(a) The 1995 Registration Statement shall be effective as of the time of execution hereof; and at the Closing Time no stop order suspending the effectiveness of the 1994

Registration Statement or the 1995 Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission. The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the 1933 Act Regulations and prior to the Closing Time the Offerors shall have provided evidence satisfactory to the Underwriters of such timely filing.

(b) At the Closing Time the Underwriters shall have received:

(1) The favorable opinion, dated as of the Closing Time, of O'Melveny & Myers, counsel for the Offerors, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company has been duly incorporated and is validly existing in good standing under the laws of the State of California, with corporate power to own and lease its properties, to carry on its business as described in the Prospectus, to enter into this Agreement and to issue and deliver the Subordinated Debt Securities, the Guarantees and the Undertakings as provided herein.

(ii) PriMerit Bank has been duly organized, is validly existing and in good standing under the laws of the United States and has been authorized by the Office of Thrift Supervision to conduct the business of a federal savings association. All the outstanding shares of capital stock of PriMerit Bank have been duly authorized and validly issued, are fully paid and nonassessable, and are owned of record directly by The Southwest Companies.

(iii) Holders of outstanding securities of the Company are not entitled to any statutory preemptive right or to any right under its Articles of Incorporation to subscribe to any of the Preferred Securities or Subordinated Debt Securities.

(iv) No consent, approval, authorization or order of any federal or California governmental authority is required on the part of the Company for the issuance and sale of the Common Securities or the offering of the Preferred Securities, the Subordinated Debt Securities, the Guarantees or the Undertakings, except (a) such as have been obtained under the 1933 Act or the 1939 Act and such as have been applied for under the 1934 Act, (b) the authorizations of the California Public Utilities Commission referred to in Section 1(y) of this Agreement which have been obtained, remain in full force and effect and are, to the knowledge of such counsel, not the subject of any pending or threatened application for rehearing or petition for modification, and (c) such as may be required by applicable state securities or Blue Sky laws.

(v) The Company is not a "holding company" or an "affiliate" or "subsidiary company" of a "registered holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(vi) Each of the 1994 Registration Statement and the 1995 Registration Statement is effective under the 1933 Act and, to the knowledge of such counsel, no stop order suspending the effectiveness of the 1994 Registration Statement or the 1995 Registration Statement has been issued under the 1933 Act or threatened by the Commission.

(vii) The 1994 Registration Statement, at the date of filing of the Form 10-K, the 1995 Registration Statement, at the date it became effective, and the Prospectus, at the date it was filed pursuant to Rule 424(b) under the 1933 Act (or, if a Revised Prospectus, at the date it was first provided to the Underwriters for use in offering the Preferred Securities) (other than the financial statements and other financial information contained or incorporated by reference therein, as to which no opinion need be rendered), appeared on their face to comply in all material respects with the requirements as to form for registration statements on Form S-3 under the 1933 Act, the 1933 Act Regulations, the 1939 Act and the 1939 Act Regulations in effect as of such dates.

(viii) Each of the documents incorporated by reference in the 1994 Registration Statement, 1995 Registration Statement or Prospectus at the time they were filed (other than the financial statements and other financial information contained or incorporated by reference therein as to which such counsel need express no opinion), appeared on their face to comply in all material respects with the requirements as to form for reports on Form 10-K, Form 10-Q and Form 8-K, as the case may be, under the 1934 Act and the 1934 Act Regulations, as in effect on their respective dates of filing.

(ix) The statements (i) in the Prospectus Supplement referred to in the third paragraph hereof under the captions "Risk Factors", "The Trust", "Description of the Preferred Securities" (except under the subsection "Book-Entry Only Issuance-The Depository Trust Company"), "Description of the Subordinated Debt Securities" and "Effect of Obligations Under the Subordinated Debt Securities and the Guarantee", and (ii) in the combined prospectus referred to in such paragraph under the captions "The Trust", "Particular Terms of Subordinated Debt Securities Issued in Connection with Preferred Securities", "Description of the Preferred Securities" and "Description of the Guarantee", insofar as such statements constitute matters of California and federal law applicable to the Offerors or summaries of documents, fairly present the information required to be included therein pursuant to the 1933 Act, the 1933 Act Regulations, the 1939 Act and the 1939 Act Regulations.

(x) The statements set forth in the Prospectus Supplement referred to in the third paragraph hereof under the caption "United States Federal Income Taxation" constitute a fair and accurate summary of the matters addressed therein, based upon current law and the assumptions stated or referred to therein.

(xi) All of the issued and outstanding Common Securities of the Trust are owned of record by the Company.

(xii) The execution, delivery and performance of this Agreement and the Pricing Agreement have been duly authorized by all necessary corporate action on the part of the Company, and the Agreement and the Pricing Agreement have been duly executed and delivered by the Company.

(xiii) The Declaration, the Indenture and Preferred Securities Guarantee Agreement have been duly qualified under the 1939 Act.

(xiv) The Guarantee Agreements have been duly authorized by all necessary corporate action on the part of the Company, and, upon payment for and the delivery of the Preferred Securities in accordance with this Agreement, will constitute the legally valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as rights to indemnity may be limited by applicable law and except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

(xv) The Indenture has been duly authorized by all necessary corporate action on the part of the Company, and constitutes the legally valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

(xvi) The Subordinated Debt Securities are in the form contemplated by the Indenture. The Subordinated Debt Securities have been duly authorized by all necessary corporate action on the part of the Company and, upon payment for and the delivery of the Subordinated Debt Securities in accordance with the Agreement, will constitute the legally valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

(xvii) The Declaration has been duly authorized by all necessary corporate action on the part of the Company, and constitutes the legally valid and binding obligation of the Company, enforceable against the Company in accordance with its terms,

except as rights to indemnity may be limited by applicable law and except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

(xviii) The Company's execution, delivery and performance of this Agreement, the Pricing Agreement, the Declaration, the Guarantee Agreements, the Indenture, the Subordinated Debt Securities and the Undertakings do not violate the Company's Articles of Incorporation, Bylaws or any applicable California law, ordinance, administrative or governmental rule or regulation.

In connection with such counsel's participation in the preparation of the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus (excluding the summary financial information attached to the Form 8-K dated April 17, 1995 incorporated by reference therein), such counsel need not independently verify the accuracy, completeness or fairness of the statements contained or incorporated therein, and the limitations inherent in the examination made by such counsel and the knowledge available to it are such that such counsel need not assume any responsibility for such accuracy, completeness or fairness (except as otherwise specifically stated in subparagraph (ix) above); however, on the basis of such counsel's review of the 1994 Registration Statement, the 1995 Registration Statement, the Prospectus and the documents incorporated by reference therein and such counsel's participation in conferences in connection with the preparation of the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus (excluding the summary financial statement attached to the Form 8-K dated April 17, 1995 incorporated by reference therein), such counsel does not believe that the 1994 Registration Statement, at the date of filing of the Form 10-K, or the 1995 Registration Statement, at the time it became effective (in each case including the documents then incorporated by reference and considered as a whole as of such dates), contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and such counsel does not believe that the Prospectus, at the time the Prospectus was filed with the Commission pursuant to Rule 424(b) of the 1933 Act Regulations (or, if a Revised Prospectus, at the date it was first provided to the Underwriters for use in offering the Preferred Securities) and on the date of such opinion (in each case including the documents then incorporated by reference and considered as a whole as of such dates), contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. However, such counsel need not express any opinion or belief as to (x) any document filed by the Company under the 1934 Act, whether before or after the date of the filing of the Form 10-K or the effective date of the 1995 Registration Statement, except to the extent that any such document is a document incorporated by reference in the 1994 Registration Statement on the date of the filing of the Form 10-K or the 1995 Registration Statement at its effective date, read

together with the 1994 Registration Statement or the 1995 Registration Statement, as the case may be, and considered as a whole or is a document incorporated by reference and read together with the Prospectus at the time the Prospectus was filed with the Commission pursuant to Rule 424(b) of the 1933 Act Regulations and considered as a whole, (y) the financial statements and other financial or statistical data included or incorporated by reference in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus or (z) those parts of the 1994 Registration Statement or the 1995 Registration Statement that constitute statements of eligibility of the Indenture Trustee, the Guarantee Trustee or the Property Trustee under the 1939 Act.

(2) The favorable opinion, dated as of the Closing Time, of Robert M. Johnson, Associate General Counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) Paiute and The Southwest Companies have been duly incorporated and are validly existing in good standing under the laws of the State of Nevada, with corporate power to own and lease their respective properties and with respect to Paiute to carry on its business as described in the Prospectus.

(ii) The Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of the States of Nevada and Arizona and neither the Company, Paiute nor The Southwest Companies own or lease material properties or conduct material business in any other jurisdiction which would require such qualification. All the outstanding shares of capital stock of The Southwest Companies and Paiute have been duly authorized and validly issued, are fully paid and nonassessable, and are owned of record directly by the Company free and clear of any perfected security interest, or, to the best knowledge of such counsel after reasonable inquiry, any other security interest, lien, adverse claim, equity or other encumbrance.

(iii) There are no rights that entitle or will entitle any person to acquire any capital stock of the Company upon the issuance of the Preferred Securities by the Trust; there is no holder of any security of the Company or any other person who has the right contractual or otherwise, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, capital stock of the Company or the right to have any capital stock or other securities of the Company included in the 1994 Registration Statement or the 1995 Registration Statement or the right, as a result of the filing of the 1994 Registration Statement or the 1995 Registration Statement, to require the registration under the 1933 Act of any shares of capital stock or other securities of the Company.

(iv) There are no pending or, to the best knowledge of such counsel after due inquiry, threatened legal or governmental proceedings or, to the best knowledge of such counsel after due inquiry, any statutes or regulations required to be described in the Prospectus that are not described as required, nor any contracts or documents of a character required to be described in the 1994 Registration Statement, 1995 Registration

Statement or Prospectus or to be filed as exhibits to the 1994 Registration Statement or the 1995 Registration Statement that are not described or filed as required.

(v) To the best knowledge of such counsel after due inquiry, neither the Company nor any of the Subsidiaries is in violation of or is in default in the performance of any obligation contained in any bond, debenture, note or any other evidence of indebtedness or in any material agreement, indenture, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their respective properties may be bound, which violation or default could reasonably be expected to have a Material Adverse Effect.

(vi) No consent, approval, authorization or order of any court or regulatory authority is required in connection with the issuance and sale of the Common Securities or the offering of the Preferred Securities, the Subordinated Debt Securities, the Guarantees or the Undertakings except (a) such as have been obtained under the 1933 Act or the 1939 Act and such as have been applied for under the 1934 Act, (b) the authorizations of the California Public Utilities Commission referred to in Section 1(y) of this Agreement which have been obtained, remain in full force and effect and are, to the knowledge of such counsel, not the subject of any pending or threatened application for rehearing or petition for modification, (c) the opinion and order, dated May 18, 1983, and the limited waiver, dated August 8, 1995, of the Arizona Corporation Commission (which order and waiver are final and not subject to appeal), and (d) such as may be required by applicable state securities or Blue Sky laws.

(vii) The Guarantee Agreements, the Indenture and the Declaration have been duly executed and delivered by the Company.

(viii) The Company's execution, delivery and performance of the Agreement, the Pricing Agreement, the Declaration, the Guarantees, the Guarantee Agreements, the Indenture, the Subordinated Debt Securities and the Undertakings do not (i) violate, breach, or result in a default under, any existing obligation of the Company under any agreement, indenture, lease or other instrument to which the Company is a party or by which it or any of its properties is bound that is an exhibit to the 1994 Registration Statement or the 1995 Registration Statement or to any document incorporated by reference therein or any other material agreement, indenture, lease or other instrument known to such counsel after due inquiry, (ii) breach or otherwise violate any existing obligation of the Company under any order, judgement or decree of any Arizona, California or Nevada or federal court or governmental authority binding on the Company, or (iii) violate any applicable Arizona or Nevada law, ordinance, administrative or governmental rule or regulation.

(ix) The Trust is not a party to or otherwise bound by any agreement other than those listed on Schedule A attached to such opinion; the Trust is not subject to any judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other

governmental body having jurisdiction over the Trust or any of its properties; and the Trust is not required to file an application as a foreign corporation in Nevada.

In addition, such counsel shall include in his opinion a statement substantially to the effect set forth in the last paragraph of subsection (b) (1) above.

In rendering their opinions as aforesaid in Sections 5(b) (1) and 5(b) (2) above, counsel may rely upon an opinion or opinions, each dated the Closing Time, of other counsel retained by them or the Company as to laws of any jurisdiction other than the United States or (x) in the case of O'Melveny & Myers, the State of California and (y) in the case of Robert M. Johnson, Esq., the States of Arizona and Nevada, provided that (1) such reliance is expressly authorized by each opinion so relied upon, (2) a signed copy of each such opinion is delivered to the Underwriters which states that the Underwriters may rely thereon and is otherwise in form and substance satisfactory to them and their counsel, and (3) counsel shall state in their opinion that they believe that they and the Underwriters are justified in relying thereon.

(3) The favorable opinion, dated as of the Closing Time, of Skadden, Arps, Slate, Meagher & Flom, special Delaware counsel for the Offerors, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Act; all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made; under the Delaware Act and the Declaration the Trust has all necessary power and authority to own property and to conduct its business as described in the Registration Statement and Prospectus and to enter into and perform its obligations under this Agreement, the Pricing Agreement, the Preferred Securities and the Common Securities.

(ii) The Declaration has been duly executed and delivered by the Trustees and is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by the Bankruptcy Exceptions.

(iii) The Common Securities have been duly authorized by the Declaration and are validly issued and, except as otherwise provided in the Declaration, represent fully paid and non-assessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights under the Delaware Act and the Declaration.

(iv) The Preferred Securities have been duly authorized by the Declaration and, subject to the qualifications set forth herein, when delivered to and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable undivided beneficial interests in the assets of the Trust; the holders of the Preferred Securities will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation

Law of the State of Delaware; and the issuance of the Preferred Securities is not subject to preemptive or other similar rights under the Delaware Act or the Declaration. Such counsel may bring to the attention of the Underwriters that the Preferred Securities holders may be obligated, pursuant to the Declaration, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers of Preferred Securities and the issuance of replacement Preferred Securities, and (ii) provide security and indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Declaration.

(v) The issuance and sale by the Trust of the Preferred Securities and Common Securities; the execution, delivery and performance by the Trust of this Agreement, the Pricing Agreement and the Guarantee Agreements; the consummation of the transactions contemplated herein and therein; and compliance by the Trust with its obligations hereunder and thereunder have been duly authorized by all necessary actions of the Trust (corporate or otherwise) and do not and will not result in any violation of the provisions of its Certificate of Trust or the Declaration or any applicable Delaware law or administrative regulation.

(vi) No consent, approval, authorization or order of any Delaware court or Delaware governmental authority is required in connection with the issuance and sale of the Common Securities or the offering of the Preferred Securities, the Subordinated Debt Securities or the Guarantees.

(vii) The statements (i) in the Prospectus Supplement referred to in the third paragraph hereof under the captions "Risk Factors", "The Trust", "Description of the Preferred Securities" (except under the subsection "Book-Entry Only Issuance-The Depository Trust Company"), "Description of the Subordinated Debt Securities" and "Effect of Obligations Under the Subordinated Debt Securities and the Guarantee", and (ii) in the combined prospectus referred to in such paragraph under the captions "The Trust", "Particular Terms of Subordinated Debt Securities Issued in Connection with Preferred Securities", "Description of the Preferred Securities" and "Description of the Guarantee", insofar as they constitute matters of Delaware law, summaries of legal matters, documents or proceedings, or legal conclusions, have been reviewed by them and are correct in all material respects.

(viii) The Trust is not in violation of its Certificate of Trust or the Declaration.

(ix) This Agreement and the Pricing Agreement have been duly authorized, executed and delivered by the Trust.

(x) Neither the Company nor the Trust is subject to registration as an "investment company" under the 1940 Act.

(xi) The Declaration and the Preferred Securities Guarantee Agreement have been duly executed and delivered by the Property Trustee, and constitute the legal,

valid and binding obligations of the Property Trustee, enforceable against the Property Trustee in accordance with their terms, except as enforcement thereof may be limited by the Bankruptcy Exceptions.

(4) The favorable opinions, dated as of the Closing Time, of Seward & Kissel and internal counsel to Harris Trust and Savings Bank, as the case may be, counsel to Harris Trust and Savings Bank, as Property Trustee under the Declaration, and Guarantee Trustee under the Preferred Securities Guarantee Agreement, in form and substance satisfactory to counsel for the Underwriters, to the effect that,

(i) Harris Trust and Savings Bank is an Illinois banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of the State of Illinois adding necessary power and authority to execute and deliver, and to carry out and perform its obligations under the terms of the Declaration and the Preferred Securities Guarantee Agreement.

(ii) The execution, delivery and performance by the Property Trustee of the Declaration and the Preferred Securities Guarantee Agreement have been duly authorized by all necessary corporate action on the part of the Property Trustee.

(iii) The execution, delivery and performance of the Declaration and the Preferred Securities Guarantee Agreement by the Property Trustee do not conflict with or constitute a breach of the Articles of Organization or Bylaws of the Property Trustee.

(iv) No consent, approval or authorization of, or registration with or notice to, any Delaware or federal banking authority is required for the execution, delivery or performance by the Property Trustee of the Declaration and the Preferred Securities Guarantee Agreement.

(5) The favorable opinion, dated as of the Closing Time, of Winthrop, Stimson, Putnam & Roberts ("WSP&R"), counsel for the Underwriters, in form and substance satisfactory to the Underwriters with respect to the Preferred Securities, the Indenture, the Preferred Securities Guarantee Agreement, this Agreement, the Pricing Agreement, the 1994 Registration Statement, the 1995 Registration Statement, the Prospectus and other related matters as the Underwriters may require.

In giving its opinion, WSP&R may rely (i) as to certain matters of California law upon the opinion of O'Melveny & Myers, counsel for the Offerors, which shall be delivered in accordance of Section 5(b)(1) hereof, (ii) as to certain matters of Arizona and Nevada law upon the opinion of Robert M. Johnson, Associate General Counsel for the Company, which shall be delivered in accordance with Section 5(b)(2) hereof and (iii) as to certain matters of Delaware law upon the opinion of Skadden, Arps, Slate, Meagher & Flom, special Delaware counsel for the Offerors, which shall be delivered in accordance with Section 5(b)(3) hereof.

(c) Since the respective dates as of which information is given in the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus, (i) there shall not have occurred a material adverse change, or any development involving a prospective material adverse change, in the condition (financial or other), business, properties, management, net worth or results of operations of the Trust or the Company and the Subsidiaries taken as a whole whether or not arising from transactions in the ordinary course of business, in each case other than as set forth in or contemplated by the Prospectus and (ii) neither the Trust, the Company nor any of the Subsidiaries shall have sustained any loss or interference with its business or properties from fire, explosion, flood or other casualty, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, which is not set forth in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus and which is material to the Trust or the Company and the Subsidiaries taken as a whole, if in the judgment of the Underwriters any such development makes it impracticable or inadvisable to consummate the sale and delivery of the Preferred Securities by the Underwriters at the initial public offering price.

(d) The representations and warranties of the Company and the Trust contained in this Agreement shall be true and correct at and as of the Closing Time as if made on and as of the Closing Time, and the Underwriters shall have received a certificate, dated as of the Closing Time and signed by the chief executive officer and the chief financial officer of the Company (or such other officers as are acceptable to the Underwriters), and a certificate of the Trustees of the Trust, dated as of the Closing Time, each to the effect set forth in this Section 5(d) and in Sections 5(a), 5(e) and 5(f) hereof.

(e) The Company and the Trust shall have performed or complied with their respective agreements and satisfied all conditions which are required to be performed or complied with by them hereunder at or prior to the Closing Time.

(f) Since the respective dates as of which information is given in the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus, there shall have been no litigation or other proceeding instituted against the Trust or the Company or any of the Subsidiaries or any of their respective officers or directors in their capacities as such, before or by any federal, state or local court, commission, regulatory body, administrative agency or other governmental body, domestic or foreign, in which litigation or proceeding an unfavorable ruling, decision or finding would reasonably be expected to have a Material Adverse Effect.

(g) The Underwriters shall have received a letter addressed to the Underwriters and dated the date hereof from Arthur Andersen LLP, independent certified public accountants, substantially in the form heretofore approved by the Underwriters, confirming that they are independent accountants with respect to the Company as required by the 1933 Act and the 1933 Act Regulations, that the Trust is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles and with respect to the financial and other statistical and numerical information contained in the 1994 Registration Statement, the 1995 Registration Statement and the Prospectus and in the documents incorporated by reference therein. At the Closing Time, Arthur Andersen LLP shall have furnished to the Underwriters a letter, dated the date of its delivery, which shall confirm, on the basis of a review in accordance

with the procedures set forth in the letter from Arthur Andersen LLP delivered on the date hereof, that nothing has come to their attention during the period from the date of the letter referred to in the prior sentence to a date (specified in the letter) not more than five days prior to the Closing Time which would require any change in their letter delivered on the date hereof if it were required to be dated and delivered at the Closing Time.

(h) At the Closing Time and each Date of Delivery, if any, counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Preferred Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Offerors in connection with the issuance and sale of the Preferred Securities as herein contemplated shall be satisfactory in form and substance to the Underwriters and counsel for the Underwriters.

(i) At the Closing Time, the Preferred Securities shall be rated at least BB+ or better by Standard & Poor's Ratings Group ("S&P") and ba1 or better by Moody's Investors Service, Inc. ("Moody's") and the Trust shall have delivered to the Underwriters a letter, dated the Closing Time, from S&P and Moody's, respectively, or other evidence satisfactory to the Underwriters, confirming that the Preferred Securities have such ratings; and there shall not have occurred any decrease in the ratings of any of the debt securities of the Company by S&P or Moody's and S&P or Moody's shall not have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the debt securities of the Company.

(j) At the Closing Time, the Preferred Securities shall have been approved for listing on the New York Stock Exchange upon notice of issuance.

(k) The Underwriters shall have received a reliance letter from O'Melveny & Myers, dated as of the Closing Time, to the effect that the Underwriters may rely on the opinion of such counsel addressed to the Company with respect to the Trust qualifying as a grantor trust for United States federal income tax purposes as if such opinion was addressed to the Underwriters.

(l) The Underwriters shall have received a certificate of the Trustees of the Trust, dated as of the Closing Time, to the effect that (i) the Trust is not a party to or otherwise bound by any agreement other than those attached to such certificate and (ii) the Trust is not subject to any judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties.

Any certificate or document signed by any officer of the Company or any Trustee of the Trust and delivered to the Underwriters shall be deemed a representation and warranty by the Company or the Trust, as the case may be, to each Underwriter as to the statements made therein.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Underwriters by notice to the Offerors at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof.

Section 6. Indemnification.

(a) The Offerors will indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter and each person, if any, who controls each Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, from and against any and all losses, claims, liabilities, expenses and damages (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which they, or any of them, may become subject under the 1933 Act, the 1934 Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus relating to the Preferred Securities, the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus or any amendment or supplement to the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus or in any documents filed under the 1934 Act and incorporated by reference into the Prospectus (when read together with the Prospectus), or the omission or alleged omission to state in such document a material fact required to be stated in it or necessary to make the statements in it not misleading, provided that the Offerors will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Preferred Securities in the public offering to any person by such Underwriter and is based on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to such Underwriter furnished in writing to the Offerors by such Underwriter expressly for inclusion in the 1994 Registration Statement, the 1995 Registration Statement, any preliminary prospectus relating to the Preferred Securities or the Prospectus, and provided further that the Offerors will not be liable to any Underwriter (or any person controlling such Underwriter) from whom the person asserting any such loss, claim, liability, expense or damage purchased the Preferred Securities which are the subject thereof if such person did not receive from such Underwriter a copy of the Prospectus (or the Prospectus as amended or supplemented, excluding documents incorporated by reference therein), if the Offerors shall have previously furnished copies thereof to such Underwriter, at or prior to the confirmation of the sale of such Preferred Securities to such person in any case where such delivery is required by the 1933 Act and the untrue statement or omission of a material fact contained in the preliminary prospectus (or the Prospectus) was corrected in the Prospectus (or the Prospectus as amended or supplemented). This indemnity agreement will be in addition to any liability that the Offerors might otherwise have.

(b) The Company agrees to indemnify the Trust against all loss, liability, claim, damage and expense whatsoever, which may become due from the Trust under Section 6(a) hereof.

(c) Each Underwriter will indemnify and hold harmless the Offerors, each person, if any, who controls the Offerors within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, each of their directors or trustees and each of their officers who signed the 1994 Registration Statement or the 1995 Registration Statement to the same extent as the foregoing indemnity from the Offerors to each Underwriter, but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to such Underwriter furnished in writing to the Offerors by such Underwriter expressly for use in the 1994 Registration Statement, the 1995 Registration Statement, any preliminary prospectus relating to the Preferred Securities or the Prospectus. This indemnity will be in addition to any liability that each Underwriter might otherwise have.

(d) Any party that proposes to assert the right to be indemnified under this Section 6 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 6, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 6 unless, and only to the extent that, such omission results in the forfeiture of or substantial prejudice to substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (i) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (ii) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, (iii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (iv) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm at any one time (plus local counsel) for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. An

indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld).

(e) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity has or could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

Section 7. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 6 is applicable in accordance with its terms but for any reason is held to be unavailable from the Offerors or the Underwriters, the Offerors and the Underwriters will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Offerors from persons other than the Underwriters, such as persons who control the Offerors within the meaning of the 1933 Act, officers of the Offerors who signed the 1994 Registration Statement or the 1995 Registration Statement and directors or trustees of the Offerors, who also may be liable for contribution) to which the Offerors and any one or more of the Underwriters may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Offerors on the one hand and the Underwriters on the other. The relative benefits received by the Offerors on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Offerors bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Offerors, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Offerors or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Offerors and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 7 were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 7 shall be deemed to include, for purpose of this Section 7, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts

received by it, and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 7 are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section 7, any person who controls a party to this Agreement within the meaning of the 1933 Act will have the same rights to contribution as that party, and each officer of the Offerors who signed the 1994 Registration Statement or the 1995 Registration Statement will have the same rights to contribution as the Offerors, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 7, will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 7. No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld). The Company shall be jointly and severally liable for all contributions which the Trust may be required to make hereunder.

Section 8. Representations, Warranties and Agreements to Survive. The indemnity agreements contained in Section 6 hereof and contribution agreements contained in Section 7 hereof and all representations, warranties and agreements contained in this Agreement and the Pricing Agreement, or contained in certificates of officers or trustees of the Offerors submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Offerors and shall survive delivery of the Preferred Securities to the Underwriters. In addition, such indemnity and contribution agreements contained in Sections 6 and 7 shall survive any termination of this Agreement.

Section 9. Termination of Agreement. This Agreement shall be subject to termination in the absolute discretion of the Underwriters, without liability on the part of any Underwriter to the Offerors by notice to the Offerors, if prior to the Closing Time or each Date of Delivery, if any, as the case may be, (i) trading in any of the equity securities of the Company shall have been suspended by the Commission, the New York Stock Exchange or the Pacific Stock Exchange, (ii) trading in securities generally on the New York Stock Exchange, the Pacific Stock Exchange, the American Stock Exchange or the Nasdaq National Market shall have been suspended or limited or minimum or maximum prices shall have been generally established on such exchange, or additional material governmental restrictions, not in force on the date of this Agreement, shall have been imposed upon trading in securities generally by such exchange or by order of the Commission or any court or other governmental authority, (iii) a general banking moratorium in New York, Nevada, Arizona or California shall have been declared by either federal or state authorities, (iv) any material adverse change in the financial or securities markets in the United States or in political, financial or economic conditions in the United States or any outbreak or material escalation of hostilities or declaration by the United States of a national emergency or war or other calamity or crisis shall have occurred the effect of any of which is such as to make it, in the sole judgment of the Underwriters, impracticable or inadvisable to market the Preferred Securities on the terms and in the manner contemplated by the Prospectus or to enforce contracts for the resale of the Preferred Securities by the Underwriters, or (v) there shall have

occurred any decrease in the ratings of any of the debt securities of the Company or of the Preferred Securities by S&P or Moody's or S&P or Moody's shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the debt securities of the Company or of the Preferred Securities. Notice of such termination may be given to the Offerors by telegram, telecopy or telephone and shall be subsequently confirmed by letter.

Section 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time to purchase the Preferred Securities that it or they are obligated to purchase under this Agreement and the Pricing Agreement (the "Defaulted Securities"), the non-defaulting Underwriters shall have the right, within 48 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the non-defaulting Underwriters shall not have completed such arrangements within such 48-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of Preferred Securities, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of Preferred Securities, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

In the event of any such default which does not result in a termination of this Agreement, either the non-defaulting Underwriters or the Offerors shall have the right to postpone the Closing Time for a period not exceeding ten days in order to effect any required changes in the 1994 Registration Statement, the 1995 Registration Statement or the Prospectus or in any other documents or arrangements. No action taken pursuant to this Section 10 shall relieve any defaulting Underwriter from liability in respect of its default.

Section 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to Merrill Lynch, Pierce, Fenner & Smith Incorporated at Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1201, attention of the general counsel; notices to the Offerors shall be directed to them at 5241 Spring Mountain Road, Las Vegas, Nevada 98510, attention of the chief financial officer.

Section 12. Parties. This Agreement and the Pricing Agreement shall each inure to the benefit of and be binding upon the Underwriters and the Offerors and their respective successors. Nothing expressed or mentioned in this Agreement or the Pricing Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Offerors and their respective successors and the controlling persons and officers, directors and trustees referred to in Sections 6 and 7 and their heirs and legal

representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or the Pricing Agreement or any provision herein or therein contained. This Agreement and the Pricing Agreement and all conditions and provisions hereof and thereof are intended to be for the sole and exclusive benefit of the Underwriters and the Offerors and their respective successors, and said controlling persons and officers, directors and trustees and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Preferred Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

Section 13. Governing Law and Time. This Agreement and the Pricing Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

Section 14. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Trust a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Trust and the Company in accordance with its terms.

Very truly yours,

SOUTHWEST GAS CORPORATION

By: /s/ THOMAS J. TRIMBLE

Title:

SOUTHWEST GAS CAPITAL I

By: /s/ GEORGE C. BIEHL

Title: Trustee

By: /s/ JEFFREY W. SHAW

Title: Trustee

CONFIRMED AND ACCEPTED,

as of the date first above written:

MERRILL LYNCH & CO.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

DEAN WITTER REYNOLDS INC.

PAINWEBBER INCORPORATED

SMITH BARNEY INC.

By: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By /s/ RUSSELL ROBERTSON

Authorized Signatory

Underwriter -----	Number of Preferred Securities to be Purchased -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated	600,000
Dean Witter Reynolds Inc.	600,000
PaineWebber Incorporated	600,000
Smith Barney Inc.	600,000
Total	----- 2,400,000

2,400,000 Preferred Securities

SOUTHWEST GAS CAPITAL I
(A DELAWARE BUSINESS TRUST)

_____% TRUST ORIGINATED PREFERRED SECURITIES ("TOPRS")
(LIQUIDATION AMOUNT OF \$25 PER SECURITY)

PRICING AGREEMENT

_____, 1995

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
DEAN WITTER REYNOLDS INC.
PAINWEBBER INCORPORATED
SMITH BARNEY INC.

c/o MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281

Ladies and Gentlemen:

Reference is made to the Underwriting Agreement, dated _____, 1995 (the "Underwriting Agreement"), relating to the several purchases by Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Dean Witter Reynolds Inc., PaineWebber Incorporated and Smith Barney Inc. of the above _____% Trust Originated Preferred Securities (the "Preferred Securities"), of SOUTHWEST GAS CAPITAL I, a Delaware business trust (the "Trust")

Pursuant to Section 2 of the Underwriting Agreement, the Trust and Southwest Gas Corporation (the "Company"), a California corporation, agree with each Underwriter as follows:

1. The annual distribution rate, determined as provided in said Section 2, shall be _____% of the liquidation amount of \$25 per Preferred Security.

2. The compensation per Preferred Security to be paid by the Company to the several Underwriters in respect of their commitments hereunder shall be \$____; provided, however, that the compensation per Preferred Security for sales of 10,000 or more Preferred Securities to a single purchaser shall be \$_____.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Trust a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Trust and the Company in accordance with its terms.

Very truly yours,

SOUTHWEST GAS CORPORATION

By: _____
Title:

SOUTHWEST GAS CAPITAL I

By: _____
Title: Trustee

By: _____
Title: Trustee

CONFIRMED AND ACCEPTED,

as of the date first above written:

MERRILL LYNCH & CO.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

DEAN WITTER REYNOLDS INC.

PAINWEBBER INCORPORATED

SMITH BARNEY INC.

By: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By _____
Authorized Signatory

AMENDED AND RESTATED DECLARATION OF TRUST

SOUTHWEST GAS CAPITAL I

Dated as of October 26, 1995

Exhibit 4.06

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AMENDED AND RESTATED DECLARATION OF TRUST

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated and effective as of October 26, 1995, by the undersigned trustees (together with all other Persons from time to time duly appointed and serving as trustees in accordance with the provisions of this Declaration, the "Trustees"), Southwest Gas Corporation, a California corporation, as trust sponsor (the "Sponsor"), Harris Trust and Savings Bank, an Illinois banking corporation, as property trustee (the "Property Trustee") and by the holders, from time to time, of undivided beneficial interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, the Trustees and the Sponsor established a trust (the "Trust") under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of August 17, 1995, (the "Original Declaration") and a Certificate of Trust filed with the Secretary of State of Delaware on August 17, 1995, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Notes of the Note Issuer (as hereinafter defined);

WHEREAS, as of the date hereof, no interests in the Trust have been issued;

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration; and

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I
Interpretation and Definitions

Section 1.1 Definitions.

- (a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) a term defined anywhere in this Declaration has the same meaning throughout;
- (c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;
- (d) all references in this Declaration to Articles and Sections and Exhibits are to Articles and Sections of and Exhibits to this Declaration unless otherwise specified;
- (e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and
- (f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"Book Entry Interest" means a beneficial interest in a Global Certificate, ownership and transfers of which shall be maintained and made through book entries by a Depository as described in Section 9.4.

"Business Day" means any day other than a day on which banking institutions in New York, New York, Los Angeles, California or Chicago, Illinois are authorized or required by law to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time.

"Certificate" means a Common Security Certificate or a Preferred Security Certificate.

"Closing Date" means October 31, 1995.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Security" has the meaning specified in Section 7.1.

"Common Securities Guarantee" means the guarantee agreement to be dated as of October 31, 1995, of the Sponsor in respect of the Common Securities.

"Common Security Certificate" means a definitive certificate in fully registered form representing a Common Security substantially in the form of Annex II to Exhibit A.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered which office at the date of execution of this Declaration is located at 311 West Monroe Street, 12th Floor, Chicago, Illinois 60606, Attention: Indenture Trust Division.

"Covered Person" means: (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Trust Securities.

"Delaware Trustee" has the meaning set forth in Section 5.2.

"Definitive Preferred Security Certificates" has the meaning set forth in Section 9.4.

"Depository" means an organization registered as a clearing agency pursuant to Section 17A of the Exchange Act that is acting as depository for the Preferred Securities and in whose name or

in the name of a nominee of that organization shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of the Preferred Securities.

"Depository Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Depository effects book entry transfers and pledges of securities deposited with the Depository.

"Direction" by a Person means a written direction signed:

- (a) if the Person is a natural person, by that Person; or
- (b) in any other case, in the name of such Person by one or more Authorized Officers of that Person.

"Distribution" means a distribution payable to Holders of Trust Securities in accordance with Section 6.1.

"DTC" means The Depository Trust Company, the initial Depository.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Event of Default", in respect of the Trust Securities, means an Event of Default (as defined in the Indenture) has occurred and is continuing in respect of the Notes.

"Global Certificate" has the meaning specified in Section 9.4.

"Holder" means a Person in whose name a Certificate representing a Trust Security is registered on the books and records of the Trust, such Person being a beneficial owner within the meaning of the Business Trust Act, provided, that, in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Sponsor, as guarantor of the Trust Securities, or any Affiliate of the Sponsor.

"Indemnified Person: means (a) any Trustee or the Property Trustee; (b) any Affiliate of any Trustee or the Property Trustee; (c) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Trustee or the Property Trustee; or (d) any employee or agent of the Trust or its Affiliates.

"Indenture" means the Indenture dated as of October 31, 1995 among the Note Issuer and the Note Trustee as supplemented by the

First Supplemental Indenture dated as of October 31, 1995 and any other indenture supplemental thereto.

"Investment Company" means an investment company as defined in the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Legal Action" has the meaning set forth in Section 3.6(g).

"Ministerial Action" has the meaning set forth in the terms of the Trust Securities as set forth in Exhibit A.

"Majority in liquidation amount" means, except as provided in the terms of the Trust Securities and the Trust Indenture Act, Holder(s) of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Preferred Securities or Holders of outstanding Common Securities voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Trust Securities of the relevant class.

"Note Issuer" means the Sponsor in its capacity as issuer of the Notes.

"Note Trustee" means Harris Trust and Savings Bank, as trustee under the Indenture until a successor is appointed thereunder, and thereafter means such successor trustee.

"Notes" means the series of Notes to be issued by the Note Issuer under the Indenture to be held by the Property Trustee.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

- (a) a statement that each officer signing the Certificate has read the covenant or condition and the definition relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Certificate;
- (c) a statement that each such officer has made such examination or investigation as, in such officer's

opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

- (d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Paying Agent" has the meaning specified in Section 3.8(h).

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities Guarantee" means the guarantee agreement to be dated as of October 31, 1995, of the Sponsor in respect of the Preferred Securities.

"Preferred Security" has the meaning specified in Section 7.1.

"Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Depositary, or on the books of a Person maintaining an account with such Depositary (directly as a Depositary Participant or as an indirect participant, in each case in accordance with the rules of such Depositary).

"Preferred Security Certificate" means a certificate representing a Preferred Security substantially in the form of Annex I to Exhibit A.

"Pricing Agreement" means the pricing agreement between the Trust, the Note Issuer, and the underwriters designated by the Regular Trustees with respect to the offer and sale of the Preferred Securities.

"Property Trustee" means Harris Trust and Savings Bank, an Illinois banking corporation in its capacity as property trustee, or any successor trustee meeting the eligibility requirements set forth in Section 5.3.

"Property Trustee Account" has the meaning set forth in Section 3.8(c).

"Prospectus Supplement" means that certain Prospectus Supplement dated as of October 26, 1995 relating to the 2,400,000 Preferred Securities.

"Quorum" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both of them.

"Regular Trustee" means any Trustee other than the Delaware Trustee.

"Related Party" means, with respect to the Sponsor, any direct or indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Property Trustee, any vice-president, any assistant vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer or any other officer in the Corporate Trust Office of the Property Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"66-2/3% in liquidation amount" means, except as provided in the terms of the Trust Securities and by the Trust Indenture Act, Holders of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Preferred Securities or Holder(s) of outstanding Common Securities voting separately as a class, representing at least 66-2/3% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions, to the date upon which the voting percentages are determined) of all outstanding Trust Securities of the relevant class.

"Sponsor" means Southwest Gas Corporation, a California corporation, or any successor entity in a merger, consolidation or amalgamation, in its capacity as sponsor of the Trust.

"Tax Event" means the receipt by, and upon the request of, the Regular Trustees of an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to or change in an interpretation or application of

such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after the date of the Prospectus Supplement), (c) any interpretation or pronouncement by any such body, court, agency or authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position, or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated or effective, or which interpretation or pronouncement is issued or announced, or which action is taken, in each case on or after the date of the Prospectus Supplement, there is more than an insubstantial risk that (i) the Trust is, or within 90 days of the date thereof will, be subject to United States federal income tax with respect to income accrued or received on the Subordinated Debt Securities, (ii) interest payable to the Trust on the Subordinated Debt Securities is, or within 90 days of the date thereof will, not be deductible in whole or in part, by the Note Issuer for United States federal income tax purposes or (iii) the Trust is, or within 90 days of the date thereof will, be subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"10% in liquidation amount" means, except as provided in the terms of the Trust Securities or by the Trust Indenture Act, Holders of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Preferred Securities or Holders of outstanding Common Securities, voting separately as a class, representing at least 10% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Trust Securities of the relevant class.

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, other than the Property Trustee, so long as such person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in effect at the date as of which this instrument was executed, provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Securities" means collectively the Common Securities and the Preferred Securities.

"Underwriting Agreement" means the Underwriting Agreement for the offering and sale of Preferred Securities.

ARTICLE II
Trust Indenture Act

Section 2.1 Trust Indenture Act; Application

- (a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.
- (b) The Property Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.
- (c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such duties imposed by the Trust Indenture Act shall control.
- (d) The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

Section 2.2 Lists of Holders of Trust Securities.

- (a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Property Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders of the Trust Securities ("List of Holders") as of such record date, provided that none of the Sponsor or the Regular Trustees on behalf of the Trust shall be obligated to provide such list of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Sponsor and the Regular

Trustees on behalf of the Trust, and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Property Trustee. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided that the Property Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

- (b) The Property Trustee shall comply with the obligations of an indenture trustee under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

Section 2.3 Reports by the Property Trustee.

Within 60 days after December 31 of each year, the Property Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

Section 2.4 Periodic Reports to Property Trustee.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5 Evidence of Compliance with Conditions Precedent.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6 Events of Default; Waiver

- (a) The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred Securities, waive any past Event of Default in respect of the Preferred

Securities and its consequences, provided that, if the underlying Event of Default under the Indenture:

- (i) is not waivable under the Indenture, the Event of Default under the Declaration shall also not be waivable; or
- (ii) requires the consent or vote of all of the holders of the Notes to be waived under the Indenture, the Event of Default under the Declaration may only be waived by the vote of all of the Holders of the Preferred Securities.

Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or an Event of Default with respect to the Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Preferred Securities of an Event of Default with respect to the Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Common Securities.

- (b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences, provided that, if the underlying Event of Default under the Indenture:

- (i) is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration shall also not be waivable; or
- (ii) requires the consent or vote of all of the holders of the Notes to be waived, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration may only be waived by the vote of all of the Holders of Common Securities;

provided that, each Holder of Common Securities will be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Preferred Securities and only the Holders of the Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of the Trust Securities. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

- (c) A waiver of an Event of Default under the Indenture by the Property Trustee at the direction of the Holders of the Preferred Securities, constitutes a waiver of the corresponding Event of Default under this Declaration.

Section 2.7 Event of Default; Notice.

- (a) The Property Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Trust Securities, notices of all defaults with respect to the Trust Securities known to the Property Trustee, unless such defaults have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 2.7(a) being hereby defined to be an Event of Default as defined in the Indenture, not including any periods of grace provided for therein and irrespective of the giving of any notice provided therein); provided that, except for a default in the payment of principal of (or premium, if any) or interest on any of the Notes or in the payment of any sinking fund installment established for the Notes, the Property Trustee shall be protected in withholding such notice if and so long as Responsible Officers of the Property Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of the Trust Securities.
- (b) The Property Trustee shall not be deemed to have knowledge of any default except:

- (i) a default under Sections 501(1) and 501(2) of the Indenture; or
- (ii) any default as to which a Responsible Officer of the Property Trustee charged with the administration of the Declaration shall have obtained written or actual notice.

ARTICLE III
Organization

Section 3.1 Name.

The Trust is named "Southwest Gas Capital I", as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Trust Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

Section 3.2 Office.

The address of the principal office of the Trust is c/o Southwest Gas Corporation, 5241 Spring Mountain Road, Las Vegas, Nevada 89102. On ten Business Days written notice to the Holders of Trust Securities, the Regular Trustees may designate another principal office.

Section 3.3 Purpose.

The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Notes and (b) except as otherwise limited herein, to engage in only those other activities necessary, or incident thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust. All provisions of this Declaration shall be interpreted in a manner consistent with such purposes.

Section 3.4 Authority.

Subject to the limitations provided in this Declaration, including the provisions of Sections 3.11, 5.2 and 8.1(b), and to the specific duties of the Property Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Property Trustee in accordance with its powers shall constitute the act of

and serve to bind the Trust. In dealing with the Regular Trustees acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Regular Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

Section 3.5 Title to Property of the Trust.

Except as provided in Section 3.8 with respect to the Notes and the Property Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

Section 3.6 Powers and Duties of the Regular Trustees.

The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

- (a) to issue and sell the Preferred Securities and the Common Securities in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Preferred Securities and no more than one series of Common Securities, and, provided further, that there shall be no interests in the Trust other than the Trust Securities, and the issuance of Trust Securities shall be limited to [a one-time], simultaneous issuance of both Preferred Securities and Common Securities on the Closing Date;
- (b) in connection with the issue and sale of the Preferred Securities, at the direction of the Sponsor, to:
 - (i) execute and file with the Commission the registration statement on Form S-3 prepared by the Sponsor, including any amendments thereto, pertaining to the Preferred Securities;
 - (ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Preferred Securities in any State in which the Sponsor has determined to qualify or register such Preferred Securities for sale;
 - (iii) execute and file an application, prepared by the Sponsor, to the New York Stock Exchange or any other national stock exchange or the NASDAQ

National Market System for listing upon notice of issuance of any Preferred Securities;

- (iv) execute and file with the Commission a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor relating to the registration of the Preferred Securities under Section 12(b) of the Exchange Act; and
 - (v) execute and enter into the Underwriting Agreement and Pricing Agreement providing for the sale of the Preferred Securities;
- (c) to acquire the Notes with the proceeds of the sale of the Preferred Securities and the Common Securities; provided, however, that the Regular Trustees shall cause legal title to the Notes to be held of record in the name of the Property Trustee for the benefit of the Holders of the Preferred Securities and the Holders of Common Securities;
- (d) to give the Sponsor and the Property Trustee prompt written notice of the occurrence of a Tax Event; provided that the Regular Trustees shall consult with the Sponsor and the Property Trustee before taking or refraining from taking any Ministerial Action in relation to a Tax Event;
- (e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of Section 316(c) of the Trust Indenture Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Preferred Securities and Holders of Common Securities as to such actions and applicable record dates;
- (f) to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Trust Securities;
- (g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Property Trustee has the exclusive power to bring such Legal Action;
- (h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and

managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

- (i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;
- (j) to give the certificate required by Section 314(a)(4) of the Trust Indenture Act to the Property Trustee, which certificate may be executed by a Regular Trustee;
- (k) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;
- (l) to act as, or appoint another Person to act as, registrar and transfer agent for the Trust Securities;
- (m) to give prompt written notice to the Holders of the Trust Securities and the Property Trustee of any notice received from the Note Issuer of its election (i) to defer payments of interest on the Notes by extending the interest payment period under the Indenture or, (ii) to extend the scheduled maturity date on the Notes;
- (n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;
- (o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Trust Securities or to enable the Trust to effect the purposes for which the Trust was created;
- (p) to take any action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:
 - (i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

- (ii) causing the Trust to be classified for United States federal income tax purposes as a grantor trust; and
- (iii) cooperating with the Note Issuer to ensure that the Notes will be treated as indebtedness of the Note Issuer for United States federal income tax purposes,

provided that such action does not adversely affect the interests of Holders; and

- (q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none of the powers or the authority of the Property Trustee set forth in Section 3.8.

Section 3.7 Prohibition of Actions by the Trust and the Trustees.

- (a) The Trust shall not, and the Trustees and the Property Trustee shall not, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees and the Property Trustee shall cause the Trust not to:
 - (i) invest any proceeds received by the Trust from holding the Notes, but shall distribute all such proceeds to Holders of Trust Securities pursuant to the terms of this Declaration and of the Trust Securities;
 - (ii) acquire any assets other than as expressly provided herein;
 - (iii) possess Trust property for other than a Trust purpose;
 - (iv) make any loans or incur any indebtedness other than loans represented by the Notes;

- (v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Trust Securities in any way whatsoever;
- (vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Trust Securities; or
- (vii) other than as provided in this Amended and Restated Declaration or as set forth on Exhibit A hereto, (A) direct the time, method and place of exercising any trust or power conferred upon the Note Trustee with respect to the Notes, (B) waive any past default that is waivable under Section 513 of the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Notes shall be due and payable or (D) consent to any amendment, modification or termination of the Indenture or the Notes where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that for United States federal income tax purposes the Trust will not be classified as a grantor trust.

Section 3.8 Powers and Duties of the Property Trustee.

- (a) The legal title to the Notes shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Holders of the Trust Securities. The right, title and interest of the Property Trustee to the Notes shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Section 5.6. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Notes have been executed and delivered.
- (b) The Property Trustee shall not transfer its right, title and interest in the Notes to the Regular Trustees or to the Delaware Trustee (if the Property Trustee does not also act as Delaware Trustee).
- (c) The Property Trustee shall:
 - (i) establish and maintain a segregated non-interest bearing trust account (the "Property Trustee Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Holders of the Trust Securities and, upon the receipt of payments of funds made in respect of the Notes held by the Property Trustee, deposit such funds into the Property Trustee Account and

make payments to the Holders of the Preferred Securities and Holders of the Common Securities from the Property Trustee Account in accordance with Section 6.1. Funds in the Property Trustee Account shall be held uninvested until disbursed in accordance with this Declaration. The Property Trustee Account shall be an account that is maintained with a banking institution the rating on whose long term unsecured indebtedness is at least equal to the rating assigned to the Preferred Securities by a "nationally recognized statistical rating organization", as that term is defined for purposes of Rule 436(g)(2) under the Securities Act;

- (ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Preferred Securities and the Common Securities to the extent the Notes are redeemed or mature; and
 - (iii) upon notice of distribution issued by the Regular Trustees in accordance with the terms of the Preferred Securities and forms of the Common Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Notes to Holders of Trust Securities upon the occurrence of certain special events (as may be defined in the terms of the Trust Securities) arising from a change in law or a change in legal interpretation or other specified circumstances pursuant to the terms of the Trust Securities.
- (d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of the Trust Securities.
 - (e) The Property Trustee shall take any Legal Action which arises out of or in connection with an Event of Default or the Property Trustee's duties and obligations under this Declaration or the Trust Indenture Act.
 - (f) The Property Trustee shall not resign as a trustee unless either:
 - (i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Trust Securities pursuant to the terms of the Trust Securities; or

- (ii) a Successor Property Trustee has been appointed and has accepted that appointment in accordance with Section 5.6.
- (g) The Property Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Notes under the Indenture and, if an Event of Default occurs and is continuing, the Property Trustee shall, for the benefit of Holders of the Trust Securities, enforce its rights as holder of the Notes subject to the rights of the Holders pursuant to the terms of such Trust Securities.
- (h) The Property Trustee may authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Trust Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Property Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Property Trustee.
- (i) Subject to this Section 3.8, the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Property Trustee must exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Property Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

Section 3.9 Certain Duties and Responsibilities of the Property Trustee.

- (a) The Property Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Property Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6), the Property Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

- (b) No provision of this Declaration shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:
- (i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:
 - (A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property Trustee; and
 - (B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;
 - (ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;
 - (iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Trust Securities at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power

conferred upon the Property Trustee under this Declaration;

- (iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it;
- (v) the Property Trustee's sole duty with respect to the custody, safekeeping and physical preservation of the Notes and the Property Trustee Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Declaration and the Trust Indenture Act;
- (vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Notes or the payment of any taxes or assessments levied thereon or in connection therewith;
- (vii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor. Money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Trustee Account maintained by the Property Trustee pursuant to Section 3.8(c) (i) and except to the extent otherwise required by law; and
- (viii) the Property Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Property Trustee be liable for the default or misconduct of the Regular Trustees or the Sponsor.

Section 3.10 Certain Rights of Property Trustee.

- (a) Subject to the provisions of Section 3.9:

- (i) the Property Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;
- (ii) any direction or act of the Sponsor or the Regular Trustees contemplated by this Declaration shall be sufficiently evidenced by a Direction or an Officers' Certificate;
- (iii) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Regular Trustees;
- (iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) (or any rerecording, refiling or registration thereof);
- (v) the Property Trustee may consult with counsel or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Property Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;
- (vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have

provided to the Property Trustee security and indemnity, acceptable to the Property Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee provided, that, nothing contained in this Section 3.10(a)(vi) shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Declaration;

- (vii) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;
- (viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;
- (ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Trust Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;
- (x) whenever in the administration of this Declaration the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder the Property Trustee (i) may request instructions from the Holders of the Trust Securities which instructions may only be given by

the Holders of the same proportion in liquidation amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions; and

(xi) except as otherwise expressly provided by this Declaration, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration.

(b) No provision of this Declaration shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Property Trustee shall be construed to be a duty.

Section 3.11 Delaware Trustee.

Notwithstanding any other provision of this Declaration other than Sections 5.2 and 8.1(b), the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Property Trustee described in this Declaration. Except as set forth in Sections 5.2 and 8.1(b), the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act. The Delaware Trustee shall be entitled to the benefit of all of the immunities and indemnities that the Property Trustee is entitled to under the Declaration.

Section 3.12 Execution of Documents.

Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, a majority of or, if there are only two, both of the Regular Trustees are authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6; provided that, any listing application prepared by the Sponsor referred to in Section 3.6(b)(iii) may be executed by one Regular Trustee.

Section 3.13 Not Responsible for Recitals or Issuance of Trust Securities.

The recitals contained in this Declaration and the Trust Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Trust Securities.

Section 3.14 Duration of Trust.

The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall have existence for 55 years from the Closing Date.

Section 3.15 Mergers.

- (a) The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described in Section 3.15(b) and (c).
- (b) The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the Holders of the Trust Securities, the Delaware Trustee or the Property Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State; provided that:
 - (i) such successor entity (the "Successor Entity") either:
 - (A) expressly assumes all of the obligations of the Trust under the Trust Securities; or
 - (B) substitutes for the Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Preferred Securities rank with respect to Distributions and payments upon liquidation, redemption and maturity;
 - (ii) the Note Issuer expressly acknowledges a trustee of the Successor Entity that possesses the same powers and duties as the Property Trustee as the Holder of the Notes;

- (iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange, the NASDAQ National Market System or other organization on which the Preferred Securities are then listed;
 - (iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;
 - (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect;
 - (vi) such Successor Entity has a purpose identical to that of the Trust;
 - (vii) prior to such merger, consolidation, amalgamation or replacement, the Sponsor has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that:
 - (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect; and
 - (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and
 - (viii) the Sponsor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Preferred Securities Guarantee.
- (c) Notwithstanding Section 3.15(b), the Trust shall, except with the consent of Holders of 100% in liquidation amount of the Trust Securities, not consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or

replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or Successor Entity not to be classified for United States federal income tax purposes as a grantor trust.

ARTICLE IV
Sponsor

Section 4.1 Sponsor's Purchase of Common Securities.

On the Closing Date the Sponsor will purchase all the Common Securities issued by the Trust, in an amount equal to 3% of the capital of the Trust, at the same time as the Preferred Securities are sold.

Section 4.2 Responsibilities of the Sponsor.

In connection with the issue and sale of the Preferred Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

- (a) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 in relation to the Preferred Securities, including any amendments thereto;
- (b) to determine the States in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States;
- (c) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the NASDAQ National Market System for listing upon notice of issuance of any Preferred Securities;
- (d) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) of the Exchange Act, including any amendments thereto; and
- (e) to negotiate the terms of the Underwriting Agreement and Pricing Agreement providing for the sale of the Preferred Securities.

ARTICLE V
Trustees

Section 5.1 Number of Trustees.

The number of Trustees shall initially be three (3), and:

- (a) at any time before the issuance of any Trust Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and
- (b) after the issuance of any Trust Securities, the number of Trustees may be increased or decreased by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities, provided that in any case, the number of Trustees shall be at least three (3) and a majority of the Trustees shall be Regular Trustees.

Section 5.2 Delaware Trustee.

If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

- (a) a natural person who is a resident of the State of Delaware; or
- (b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law,

provided that, if the Property Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Property Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application. Except as otherwise provided, the Delaware Trustee's sole duty shall be to, upon the request of the other Trustees or the Sponsor, execute any documents and maintain custody of any records required to form, maintain the existence of, or dissolve, the Trust under the Business Trust Act.

Section 5.3 Property Trustee; Eligibility.

- (a) There shall at all times be one Trustee which shall act as Property Trustee which shall:
 - (i) not be an Affiliate of the Sponsor;

- (ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, state, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 5.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.
- (b) If at any time the Property Trustee shall cease to be eligible to so act under Section 5.3(a), the Property Trustee shall immediately resign in the manner and with the effect set forth in Section 5.6(c).
- (c) If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Property Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.
- (d) The Preferred Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

Section 5.4 Qualifications of Regular Trustees and Delaware Trustee Generally.

Each Regular Trustee and the Delaware Trustee (unless the Property Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers. Each of the Regular Trustees shall be an employee or officer of the Sponsor or otherwise be affiliated with the Sponsor.

Section 5.5 Initial Trustees.

The initial Regular Trustees shall be:

George C. Biehl
5241 Spring Mountain Road
Las Vegas, Nevada 89102

Jeffrey W. Shaw
5241 Spring Mountain Road
Las Vegas, Nevada 89102

The initial Delaware Trustee shall be:

Wilmington Trust Company
1100 N. Market Street
Wilmington, Delaware 19890

The Initial Property Trustee shall be:

Harris Trust and Savings Bank
311 West Monroe Street, 12th Floor
Chicago, Illinois 60606
Attention: Indenture Trust Administration

Section 5.6 Appointment, Removal and Resignation of Trustees.

- (a) Subject to Section 5.6(b), Trustees may be appointed or removed without cause at any time:
- (i) until the issuance of any securities, by written instrument executed by the Sponsor; and
 - (ii) after the issuance of any Trust Securities by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities; and
- (b)
- (i) The Trustee that acts as Property Trustee shall not be removed in accordance with Section 5.6(a) until a Successor Property Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Regular Trustees and the Sponsor; and
 - (ii) the Trustee that acts as Delaware Trustee shall not be removed in accordance with this Section 5.6(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor

Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

- (c) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by any instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:
- (i) No such resignation of the Trustee that acts as the Property Trustee shall be effective:
- (A) until a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor and the resigning Property Trustee; or
- (B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the Holders of the Trust Securities; and
- (ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.
- (d) The Holders of the Common Securities shall use their best efforts to promptly appoint a Successor Delaware Trustee or Successor Property Trustee, as the case may be, as the Property Trustee or the Delaware Trustee if the resigning Property Trustee or Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.6.
- (e) If no Successor Property Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.6 within 60 days after delivery to the Sponsor and the Trust of an instrument of resignation, the resigning Property Trustee or Delaware Trustee, as applicable, may

petition any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

Section 5.7 Vacancies among Trustees.

If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.6.

Section 5.8 Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of a Regular Trustee in accordance with Section 5.6, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

Section 5.9 Meetings.

Meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in- person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the

Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees.

Section 5.10 Delegation of Power.

- (a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and
- (b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

ARTICLE VI
Distributions

Section 6.1 Distributions.

Holders shall receive Distributions in accordance with the applicable terms of the relevant Holder's Trust Securities. Distributions shall be made on the Preferred Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Note Issuer makes a payment of interest (including Deferred Interest (as defined in the Indenture)), premium and principal on the Notes held by the Property Trustee (the amount of any such payment being a "Payment Amount"), the Property Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VII
Issuance of Trust Securities

Section 7.1 General Provisions Regarding Trust Securities.

- (a) The Regular Trustees shall on behalf of the Trust issue one class of preferred securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Exhibit A and incorporated herein by reference (the "Preferred Securities") and one class of common securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Exhibit A (the "Common Securities"). The Trust shall have no securities or other interests in the assets of the Trust other than the Preferred Securities and the Common Securities.
- (b) The Certificates shall be signed on behalf of the Trust by the Regular Trustees (or if there are more than two Regular Trustees by any two of the Regular Trustees). Such signatures may be the manual or facsimile signatures of the present or any future Regular Trustee. Typographical and other minor errors or defects in any such reproduction of any such signature shall not affect the validity of any Certificate. In case any Regular Trustee of the Trust who shall have signed any of the Trust Securities shall cease to be such Regular Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Trust Security, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks or identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Trust Securities may be listed, or to conform to usage.
- (c) The consideration shall be received by the Property Trustee for the issuance of the Trust Securities, which consideration shall constitute a

contribution to the capital of the Trust and shall not constitute a loan to the Trust.

- (d) Upon issuance of the Trust Securities as provided in this Declaration, the Trust Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.
- (e) Every Person, by virtue of having become a Holder or a Preferred Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

ARTICLE VIII
Termination

Section 8.1 Termination of Trust.

- (a) The Trust shall terminate on the earlier of December 31, 2050 or:
 - (i) upon the bankruptcy of the Holder of the Common Securities or the Sponsor;
 - (ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Holder of the Common Securities or the Sponsor; the filing of a certificate of cancellation with respect to the Trust or the revocation of the Holder of the Common Securities or the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;
 - (iii) upon the entry of a decree of judicial dissolution of the Holder of the Common Securities, the Sponsor or the Trust;
 - (iv) when all of the Trust Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Trust Securities;
 - (v) upon the occurrence and continuation of a Tax Event pursuant to which the Trust shall have been dissolved in accordance with the terms of the Trust Securities and all of the Notes endorsed thereon shall have been distributed to the Holders of Trust Securities in exchange for all of the Trust Securities; or

- (vi) before the issuance of any Trust Securities, with the consent of all of the Regular Trustees and the Sponsor.
- (b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), the Delaware Trustee shall file a certificate of cancellation with the Secretary of State of the State of Delaware.
- (c) The provisions of Section 3.9 and Article X shall survive the termination of the Trust.

ARTICLE IX
Transfer of Interest

Section 9.1 Transfer of Trust Securities.

- (a) Trust Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Trust Securities. Any transfer or purported transfer of any Trust Security not made in accordance with this Declaration shall be null and void.
- (b) Subject to this Article IX, Preferred Securities shall be freely transferable.
- (c) Subject to this Article IX, the Sponsor and any Related Party may only transfer Common Securities to the Sponsor or a Related Party of the Sponsor; provided that, any such transfer is subject to the conditions precedent that the transferor obtain the written opinion of nationally recognized independent counsel experienced in such matters that such transfer would not cause more than an insubstantial risk that:
 - (i) the Trust would not be classified for United States federal income tax purposes as a grantor trust; and
 - (ii) the Trust would be an Investment Company or the transferee would become an Investment Company.

Section 9.2 Transfer of Certificates.

The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any

Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration and the documents incorporated by reference herein.

Section 9.3 Deemed Trust Security Holders.

The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Trust Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Trust Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

Section 9.4 Book Entry Interests.

Unless otherwise specified in the terms of the Preferred Securities, the Preferred Securities Certificates, on original issuance, will be issued in the form of one or more, fully registered, global Preferred Security Certificates (each, a "Global Certificate"), to be delivered to DTC, the initial Depository, by, or on behalf of, the Trust. Such Global Certificates shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of DTC, and no Preferred Security Beneficial Owner will receive a definitive Preferred Security Certificate representing such Preferred Security Beneficial Owner's interests in such Global Certificates, except as provided in Section 9.7. Unless and until definitive, fully registered Preferred Security Certificates (the "Definitive Preferred Security Certificates") have been issued to the Preferred Security Beneficial Owners pursuant to Section 9.7:

- (a) the provisions of this Section 9.4 shall be in full force and effect;
- (b) the Trust and the Trustees shall be entitled to deal with the Depository for all purposes of this

Declaration (including the payment of Distributions on the Global Certificates and receiving approvals, votes or consents hereunder) as the Holder of the Preferred Securities and the sole holder of the Global Certificates and shall have no obligation to the Preferred Security Beneficial Owners;

- (c) to the extent that the provisions of this Section 9.4 conflict with any other provisions of the Declaration, the provisions of this Section 9.4 shall control; and
- (d) the rights of the Preferred Security Beneficial Owners shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such Preferred Security Beneficial Owners and the Depositary and/or the Depositary Participants and receive and transmit payments of Distributions on the Global Certificates to such Depositary Participants. DTC will make book entry transfers among the Depositary Participants.

Section 9.5 Notices to Depositary.

Whenever a notice or other communication to the Preferred Security Holder is required under this Declaration, unless and until Definitive Preferred Security Certificates shall have been issued to the Preferred Security Beneficial Owners pursuant to Section 9.7 the Regular Trustees shall give all such notices and communications specified herein to be given to the Preferred Security Holders to the Depositary, and shall have no notice obligations to the Preferred Security Beneficial Owners.

Section 9.6 Appointment of Successor Depositary.

If any Depositary elects to discontinue its services as securities depository with respect to the Preferred Securities, the Regular Trustees may, in their sole discretion, appoint a successor Depositary with respect to such Preferred Securities.

Section 9.7 Definitive Preferred Security Certificates.

If:

- (a) a Depositary elects to discontinue its services as securities depository with respect to the Preferred Securities and a successor Depositary is not appointed within 90 days after such discontinuance pursuant to Section 9.6; or
- (b) the Regular Trustees elect after consultation with the Sponsor to terminate the book entry system through the Depositary with respect to the Preferred Securities,

then:

- (c) Definitive Preferred Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Preferred Securities; and
- (d) upon surrender of the Global Certificates by the Depositary, accompanied by registration instructions, the Regular Trustees shall cause Definitive Certificates to be delivered to Preferred Security Beneficial Owners in accordance with the instructions of the Depositary. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on and shall be protected in relying on, said instructions of the Depositary. The Definitive Preferred Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Preferred Securities may be listed, or to conform to usage.

Section 9.8 Mutilated, Destroyed, Lost or Stolen Certificates.

If:

- (a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and
- (b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless.

then:

In the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, any two Regular Trustees on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.8, the Regular Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate

Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Trust Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X
Limitation of Liability of Holders
of Trust Securities, Trustees or Others

Section 10.1 Liability.

- (a) Except as expressly set forth in this Declaration, the Preferred Securities Guarantee, the Common Securities Guarantee and the terms of the Trust Securities, the Sponsor shall not be:
 - (i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Trust Securities which shall be made solely from assets of the Trust; and
 - (ii) be required to pay to the Trust or to any Holder of Trust Securities any deficit upon dissolution of the Trust or otherwise.
- (b) Pursuant to Section 3803(a) of the Business Trust Act:
 - (i) the Holder of the Common Securities shall be liable for all of the debts and obligations of the Trust (other than with respect to the Trust Securities) to the extent not satisfied out of the Trust's assets; and
 - (ii) the Holders of the Preferred Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

Section 10.2 Exculpation.

- (a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or

claim incurred by reason of such Indemnified Person's gross negligence (or, in the case of the Property Trustee, negligence) or willful misconduct with respect to such acts or omissions.

- (b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Securities might properly be paid.

Section 10.3 Fiduciary Duty.

- (a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.
- (b) Unless otherwise expressly provided herein:
- (i) whenever a conflict of interest exists or arises between an Indemnified Person and any Covered Person; or
 - (ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Trust Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict,

agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by this Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

- (c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision
- (i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or
 - (ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

Section 10.4 Indemnification.

- (a) To the fullest extent permitted by applicable law, the Sponsor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of gross negligence (or, in the case of the Property Trustee, negligence) or willful misconduct with respect to such acts or omissions.
- (b) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be

advanced by the Sponsor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Sponsor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 10.4(a). The indemnification shall survive the termination of this Declaration or the earlier removal or resignation of any of the Trustees or the Property Trustee.

Section 10.5 Outside Businesses.

Any Covered Person, the Sponsor, the Note Issuer, the Delaware Trustee and the Property Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Trust Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Note Issuer, the Delaware Trustee, or the Property Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Note Issuer, the Delaware Trustee and the Property Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Property Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI Accounting

Section 11.1 Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

Section 11.2 Certain Accounting Matters.

- (a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full

books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year by a firm of independent certified public accountants selected by the Regular Trustees.

- (b) The Regular Trustees shall cause to be prepared and delivered to each of the Holders of Trust Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related statements of income or loss.
- (c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Trust Securities any United States federal income tax information statement required by the Code, containing such information with regard to the Trust Securities held by each Holder as is required by the Code and the Treasury Regulations, and any comparable statements required to be provided under the law of any other taxing jurisdiction. Notwithstanding any right under the Code or other law to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.
- (d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority an annual United States federal income tax return Form 1041 or such other form required by United States federal income tax law, and any other tax returns or reports required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

Section 11.3 Banking.

The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Notes held by the Property Trustee shall be made directly to the Property Trustee Account and no other funds of the Trust shall be deposited in the Property Trustee Account. The sole signatories

for such accounts shall be designated by the Regular Trustees; provided, however, that the Property Trustee shall designate the sole signatories for the Property Trustee Account.

Section 11.4 Withholding.

The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made to any Holder, the Trust may reduce subsequent Distributions to such Holder by the amount of such withholding.

ARTICLE XII Amendments and Meetings

Section 12.1 Amendments.

- (a) Except as otherwise provided in this Declaration or by any applicable terms of the Trust Securities, this Declaration may only be amended by a written instrument approved and executed by:
- (i) the Regular Trustees (or, if there are more than two Regular Trustees a majority of the Regular Trustees);
 - (ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee; and
 - (iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee;

- (b) No amendment shall be made, and any purported amendment shall be void and ineffective:
- (i) unless, in the case of any proposed amendment, the Property Trustee shall have first received an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities);
 - (ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received:
 - (A) an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and
 - (B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and
 - (iii) to the extent the result of such amendment would be to:
 - (A) cause the Trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor trust;
 - (B) reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or
 - (C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act.
- (c) at such time after the Trust has issued any Trust Securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Trust Securities may be effected only with such additional requirements as may be set forth in the terms of such Trust Securities;
- (d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Trust Securities;

- (e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities;
- (f) the rights of the holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and
- (g) notwithstanding Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Trust Securities to:
 - (i) cure any ambiguity;
 - (ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;
 - (iii) add to the covenants, restrictions or obligations of the Sponsor; and
 - (iv) conform to any change in Rule 3a-5 or other exemption from the requirement to register as an Investment Company under the Investment Company Act or written change in the interpretation or application thereof by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the rights, preferences or privileges of the Holders.

Section 12.2 Meetings of the Holders of Trust Securities; Action by Written Consent.

- (a) Meetings of the Holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which Holders of such class of Trust Securities are entitled to act under the terms of this Declaration, the terms of the Trust Securities or the rules of any stock exchange, the NASDAQ National Market System or other organization on which the Preferred Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 10% in liquidation amount of such class of Trust Securities. Such direction shall be given by delivering to the Regular Trustees one or more calls in a writing stating that the signing Holders of Trust Securities wish to

call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Trust Securities calling a meeting shall specify in writing the Certificates held by the Holders of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

- (b) Except to the extent otherwise provided in the terms of the Trust Securities, the following provisions shall apply to meetings of Holders of Trust Securities:
- (i) notice of any such meeting shall be given to all the Holders of Trust Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Trust Securities is permitted or required under this Declaration or the rules of any stock exchange, the NASDAQ National Market System or other organization on which the Preferred Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Trust Securities. Any action that may be taken at a meeting of the Holders of Trust Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Trust Securities owning not less than the minimum amount of Trust Securities in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Trust Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Trust Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to a Holder for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;
 - (ii) each Holder of a Trust Security may authorize any Person to act for it by proxy on all matters in which a Holder of Trust Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be

revocable at the pleasure of the Holder of Trust Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Trust Securities were stockholders of a Delaware corporation;

- (iii) each meeting of the Holders of the Trust Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and
- (iv) unless the Business Trust Act, this Declaration, the terms of the Trust Securities, the Trust Indenture Act or the listing rules of any stock exchange, the NASDAQ National Market System or other organization on which the Preferred Securities are then listed or trading, otherwise provides, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Trust Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Trust Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII
Representations and Warranties of
Property Trustee and Delaware Trustee

Section 13.1 Representations and Warranties of Property Trustee.

The trustee that acts as initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the successor Property Trustee's acceptance of its appointment as Property Trustee that:

- (a) The Property Trustee is a banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of the United States or the State of Illinois, with trust power and authority

to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration and with its principal place of business in Illinois.

- (b) The execution, delivery and performance by the Property Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Property Trustee. The Declaration has been duly executed and delivered by the Property Trustee, and it constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).
- (c) The execution, delivery and performance of the Declaration by the Property Trustee does not conflict with or constitute a breach of the charter or By-laws of the Property Trustee.
- (d) The Property Trustee, pursuant to the Declaration, shall hold legal title and a valid ownership interest in the Notes in accordance with the provisions hereof.

Section 13.2 Representations and Warranties of Delaware Trustee.

The trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each successor Delaware Trustee represents and warrants to the Trust and to the Sponsor at the time of its acceptance of its appointment as Delaware Trustee that:

- (a) The Delaware Trustee is either a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware.
- (b) The execution, delivery and performance by the Delaware Trustee of the Declaration and Certificate of Trust has been duly authorized by all necessary corporate action on the part of the Delaware Trustee. The Declaration has been duly executed and delivered by the Delaware Trustee and, under Delaware law, constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws

affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

- (c) The execution, delivery and performance of the Declaration and Certificate of Trust by the Delaware Trustee does not conflict with or constitute a breach of the charter or By-laws of the Delaware Trustee.

ARTICLE XIV
Miscellaneous

Section 14.1 Notices.

All notices, instructions, requests and demands provided for in this Declaration shall be in writing, duly signed by the party giving same, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

- (a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

SOUTHWEST GAS CAPITAL I
5241 Spring Mountain Road
Las Vegas, Nevada 89102
Telecopy number: (702) 876-7037

- (b) if given to the Property Trustee, at the mailing address set forth below (or such other address as the Property Trustee may give notice of to the Holders of the Trust Securities):

HARRIS TRUST AND SAVINGS BANK
311 West Monroe Street, 12th Floor
Chicago, Illinois 60606
Attention: Indenture Trust Division
Telecopy number: (312) 461-3525

- (c) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as the Delaware Trustee may give notice of to the Holders of the Trust Securities):

WILMINGTON TRUST COMPANY
1100 North Market Street
Wilmington, Delaware 19890

- (d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

SOUTHWEST GAS CORPORATION
5241 Spring Mountain Road
Las Vegas, Nevada 89102
Attention: Chief Financial Officer
Telecopy number: (702) 876-7037

- (e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 14.2 Governing Law.

This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

Section 14.3 Intention of the Parties.

It is the intention of the parties hereto that the Trust not be characterized for United States federal income tax purposes as an association taxable as a corporation or a partnership but rather that the Trust be characterized as a grantor trust or otherwise in a manner such that each Holder of Trust Securities will be treated as owning an undivided beneficial interest in the Notes. The provisions of this Declaration shall be interpreted to further this intention of the parties.

Section 14.4 Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

Section 14.5 Successors and Assigns.

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

Section 14.6 Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 14.7 Counterparts.

This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees and the Property Trustee to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

GEORGE C. BIEHL,
as Trustee

/s/ GEORGE C. BIEHL

JEFFREY W. SHAW,
as Trustee

/s/ JEFFREY W. SHAW

WILMINGTON TRUST COMPANY,
as Delaware Trustee

By: /s/ NORMA P. CLOSS
Name: Norma P. Closs
Title: Vice President

SOUTHWEST GAS CORPORATION,
as Sponsor

By: /s/ THOMAS J. TRIMBLE
Name: Thomas J. Trimble
Title: Senior Vice President, General
Counsel and Secretary

HARRIS TRUST AND SAVINGS BANK,
as Property Trustee

By: /s/ E. KAY LIEDERMAN
Name: E. Kay Liederman
Title: Vice President

EXHIBIT A

TERMS OF
9.125% TRUST ORIGINATED PREFERRED SECURITIES
9.125% TRUST ORIGINATED COMMON SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of October 26, 1995 (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Prospectus referred to below):

1. Designation and Number.

- (a) "Preferred Securities." 2,400,000 Preferred Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of SIXTY MILLION DOLLARS (\$60,000,000) and a liquidation amount with respect to the assets of the Trust of \$25 per Preferred Security, are hereby designated for the purposes of identification only as "9.125% Trust Originated Preferred Securities" (the "Preferred Securities"). The Certificates evidencing the Preferred Securities shall be substantially in the form attached hereto as Annex I, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Preferred Securities are listed.
- (b) "Common Securities." 72,000 Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of ONE MILLION EIGHT HUNDRED THOUSAND DOLLARS and a liquidation amount with respect to the assets of the Trust of \$25 per Common Security, are hereby designated for the

purposes of identification only as "9.125% Trust Originated Common Securities" (the "Common Securities"). The Certificates evidencing the Common Securities shall be substantially in the form attached hereto as Annex II, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

2. Distributions.

- (a) Distributions payable on each Trust Security will be fixed at a rate per annum of [*.]*% (the "Coupon Rate") of the stated liquidation amount of \$25 per Trust Security, such rate being the rate of interest payable on the Notes to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Notes held by the Property Trustee. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.
- (b) Distributions on the Trust Securities will be cumulative, will accrue from October 31, 1995, and will be payable quarterly in arrears, on March 31, June 30, September 30, and December 31 of each year, commencing on December 31, 1995 except as otherwise described below. The Note Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Notes for a period not exceeding 20 consecutive quarters (each an "Extension Period") and, during such Extension Period, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Note Issuer may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on

the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Note Issuer may commence a new Extension Period, subject to the above requirements.

- (c) Distributions on the Trust Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. While the Preferred Securities remain in book-entry only form, the relevant record dates shall be one Business Day prior to the relevant payment dates which payment dates correspond to the interest payment dates on the Notes. Subject to any applicable laws and regulations and the provisions of the Declaration, each such payment in respect of the Preferred Securities will be made as described under the heading "Description of the Preferred Securities -- Book-Entry Only Issuance -- The Depository Trust Company" in the Prospectus Supplement dated October 26, 1995 (the "Prospectus Supplement"), to the Prospectus dated October 24, 1995 (together, the "Prospectus"), of the Trust included in the Registration Statement on Form S-3 of the Sponsor and the Trust. The relevant record dates for the Common Securities shall be the same record date as for the Preferred Securities. If the Preferred Securities shall not continue to remain in book-entry only form, the relevant record dates for the Preferred Securities, shall conform to the rules of any securities exchange on which the securities are listed and, if none, shall be selected by the Regular Trustees, which dates shall be at least one Business Day but less than 60 Business Days before the relevant payment dates, which payment dates correspond to the interest payment dates on the Notes. Distributions payable on any Trust Securities that are not punctually paid on any Distribution payment date, as a result of the Note Issuer having failed to make a payment under the Notes, will cease to be payable to the Person in whose name such Trust Securities are registered on the relevant record date, and such Distribution will instead be payable to the Person in whose name such Trust Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any date on which Distributions are payable on the Trust Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding

Business Day, in each case with the same force and effect as if made on such date.

- (d) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Trust Securities.

3. Liquidation Distribution Upon Dissolution.

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Trust Securities on the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive out of the assets of the Trust available for distribution to Holders of Trust Securities after satisfaction of liabilities to creditors of the Trust an amount equal to the aggregate of the stated liquidation amount of \$25 per Trust Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, Notes in an aggregate principal amount equal to the aggregate stated liquidation amount of such Trust Securities shall be distributed on a Pro Rata basis to the Holders of the Trust Securities in exchange for such Trust Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Securities shall be paid on a Pro Rata basis.

4. Redemption and Distribution.

- (a) Upon the repayment of the Notes in whole or in part, whether at maturity or upon redemption, the proceeds from such repayment or payment shall be simultaneously applied to redeem Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Notes so repaid or redeemed at a redemption price of \$25 per Trust Security plus an amount equal to accrued and unpaid Distributions thereon at the date of the redemption, payable in cash (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days notice of such redemption.
- (b) If fewer than all the outstanding Trust Securities are to be so redeemed, the Common Securities and the Preferred Securities will be redeemed Pro Rata and the Preferred Securities to be redeemed will be as described in Paragraph 4(f) (ii) below.

- (c) If a Tax Event (as defined below) shall occur and be continuing the Regular Trustees shall dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust, cause Notes held by the Property Trustee, having an aggregate principal amount equal to the aggregate stated liquidation amount of the Trust Securities, to be distributed to the Holders of the Trust Securities in liquidation of such Holders' interests in the Trust on a Pro Rata basis, within 90 days following the occurrence of such Tax Event (the "90-Day Period"); provided, however, that as a condition of such dissolution and distribution, the Regular Trustee shall have received an opinion of a nationally recognized independent tax counsel experienced in such matters (a "No Recognition Opinion"), which opinion may rely on published revenue rulings of the Internal Revenue Service, to the effect that the Holders of the Trust Securities will not recognize any gain or loss for United States federal income tax purposes as a result of the dissolution of the Trust and the distribution of Notes, and provided, further, that, if at the time there is available to the Trust the opportunity to avoid, within the 90-day Period, the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that has no adverse effect on the Trust, the Note Issuer, the Sponsor or the Holders of the Trust Securities ("Ministerial Action"), the Trust or the Sponsor will pursue such Ministerial Action in lieu of dissolution.

If (i) after receipt of a Dissolution Tax Opinion (as hereafter defined) by and upon the request of the Regular Trustees, the Note Issuer has received an opinion of a nationally recognized independent tax counsel experienced in such matters (a "Redemption Tax Opinion") to the effect that, as a result of a Tax Event, there is more than an insubstantial risk that the Note Issuer would be precluded from deducting the interest on the Notes for United States federal income tax purposes even if the Notes were distributed to the Holders of Trust Securities in liquidation of such Holders' interests in the Trust, as described in this paragraph 4(c), or (ii) the Regular Trustees shall have been informed by such tax counsel that a No Recognition Opinion cannot be delivered to the Trust, the Note Issuer shall have the right, upon not less than 30 nor more than 60 days notice, to redeem the Notes in whole or in part for cash within 90 days following the occurrence of such Tax Event and, following such redemption, Trust Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Notes so redeemed shall be redeemed by

the Trust at the Redemption Price on a Pro Rata basis; provided, however, that, if at the time there is available to the Trust the opportunity to avoid within such 90-day Period, the Tax Event by taking some Ministerial Action, the Trust or the Sponsor will pursue such Ministerial Action in lieu of redemption.

"Tax Event" means the receipt by, and upon the request of, the Regular Trustees of an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination or after the date of the Prospectus Supplement relating to the Preferred Securities of the Trust), (c) any interpretation or pronouncement by any such body, court, agency or authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position, or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated or effective, or which interpretation or pronouncement is issued or announced, or which action is taken, in each case on or after the date of the Prospectus Supplement, there is more than an insubstantial risk that (i) the Trust is, or within 90 days of the date thereof will be, subject to United States federal income tax with respect to income accrued or received on the Subordinated Debt Securities, (ii) interest payable to the Trust on the Subordinated Debt Securities is, or within 90 days of the date thereof will, not be deductible, in whole or in part, by the Note Issuer for United States federal income tax purposes or (iii) the Trust is, or within 90 days of the date thereof will be, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

On and from the date fixed by the Regular Trustees for any distribution of Notes and dissolution of the Trust: (i) the Trust Securities will no longer be deemed to be outstanding, (ii) The Depository Trust Company (the "Depository") or its nominee (or any successor depository or its nominee), as the record Holder of the Preferred Securities, will receive a registered global

certificate or certificates representing the Notes to be delivered upon such distribution, and (iii) any certificates representing Trust Securities not held by the Depositary or its nominee (or any successor depositary or its nominee), will be deemed to represent beneficial interests in the Notes having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on such Trust Securities until such certificates are presented to the Note Issuer or its agent for transfer or reissue.

- (d) The Trust may not redeem fewer than all the outstanding Trust Securities unless all accrued and unpaid Distributions have been paid on all Trust Securities for all quarterly Distribution periods terminating on or before the date of redemption.
- (e) If the Notes are distributed to holders of the Trust Securities, pursuant to the terms of the Indenture, the Note Issuer will use its best efforts to have the Notes listed on the New York Stock Exchange or on such other exchange, the NASDAQ National Market System or other organization as the Preferred Securities were listed immediately prior to the distribution of the Notes.
- (f) "Redemption or Distribution Procedures."
 - (i) Notice of any redemption of, or notice of distribution of Notes in exchange for the Trust Securities (a "Redemption/Distribution Notice") will be given by the Trust by mail to each Holder of Trust Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Notes. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this paragraph 4(f)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Trust Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Trust Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

- (ii) In the event that fewer than all the outstanding Trust Securities are to be redeemed, the Trust Securities to be redeemed shall be redeemed Pro Rata and, in the event Preferred Securities are held in book-entry only form by the Depositary or its nominee (or any successor depositary or its nominee), the Depositary will reduce Pro Rata the amount of the interest of each Depositary Participant in the Preferred Securities to be redeemed; provided, that if, as a result of such Pro Rata redemption, Depositary Participants would hold fractional interests in the Preferred Securities, the Depositary will adjust the amount of the interest of each Depositary Participant to be redeemed to avoid such fractional interests.
- (iii) If Trust Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice may only be issued if the Notes are redeemed as set out in this paragraph 4 (which notice will be irrevocable), then (A) while the Preferred Securities are in book-entry only form, with respect to the Preferred Securities, by 12:00 noon, New York City time, on the redemption date, provided that the Note Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Notes, the Property Trustee will deposit irrevocably with the Depositary (or successor depositary) funds sufficient to pay the applicable Redemption Price with respect to the Preferred Securities and will give the Depositary irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preferred Securities, and (B) with respect to Preferred Securities issued in definitive form and Common Securities, provided, that the Note Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Notes, the Property Trustee will pay the relevant Redemption Price to the Holders of such Trust Securities by check mailed to the address of the relevant Holder appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the date of such deposit, or on the redemption date, as applicable, Distributions will cease to accrue on the Trust Securities so called for redemption and all rights of Holders of such Trust Securities so called for redemption will cease, except the right of the Holders of such

Trust Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Regular Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Trust Securities that have been so called for redemption. If any date fixed for redemption of Trust Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Trust Securities is improperly withheld or refused and not paid either by the Property Trustee or by the Sponsor as guarantor pursuant to the Preferred Securities Guarantee or Common Securities Guarantee, as the case may be, Distributions on such Trust Securities will continue to accrue from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purpose of calculating the Redemption Price.

- (iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to (A) in respect of the Preferred Securities, the Depositary or its nominee (or any successor depositary or its nominee) if the Global Certificates have been issued or, if Definitive Preferred Security Certificates have been issued, to the Holder thereof, and (B) in respect of the Common Securities to the Holder thereof.
- (v) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), provided the acquirer is not the Holder of the Common Securities or the obligor under the Indenture, the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

5. Voting Rights - Preferred Securities

- (a) Except as provided under paragraphs 5(b) and 7 and as otherwise required by law and the Declaration, the Holders of the Preferred Securities will have no voting rights.
- (b) Subject to the requirements set forth in this paragraph, the Holders of a majority in liquidation amount of the Preferred Securities, voting separately as a class may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy available to the Note Trustee, or exercising any trust or power conferred on the Note Trustee with respect to the Notes, (ii) waive any past default and its consequences that is waivable under Section 513 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Notes shall be due and payable, provided, however, that, where a consent under the Indenture would require the consent or act of all of the holders of Notes affected thereby, the Property Trustee may only give such consent or take such action at the direction of all of the Holders of the Preferred Securities. The Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Note Trustee as set forth above, the Property Trustee shall not take any action in accordance with the directions of the Holders of the Preferred Securities under this paragraph unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not fail to be classified as a grantor trust on account of such action. If the Property Trustee fails to enforce its rights under the Declaration, any Holder of Preferred Securities may institute a legal proceeding directly against any Person to enforce the Property Trustee's rights under the Declaration without first instituting a legal proceeding against the Property Trustee or any other Person.

Any approval or direction of Holders of Preferred Securities may be given at a separate meeting of Holders of Preferred Securities convened for such

purpose, at a meeting of all of the Holders of Trust Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which the written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Preferred Securities will be required for the Trust to redeem and cancel Preferred Securities or to distribute the Notes in accordance with the Declaration and the terms of the Trust Securities.

Notwithstanding that Holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

6. Voting Rights - Common Securities.

- (a) Except as provided under paragraphs 6(b), 6(c) and 7, and as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.
- (b) The Holders of the Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees.
- (c) Subject to Section 2.6 of the Declaration and only after an Event of Default with respect to the Preferred Securities has been cured, waived or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including

(i) directing the time, method, place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred on the Property Trustee with respect to the Notes, (ii) waive any past default and its consequences that is waivable under Section 513 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Notes shall be due and payable, provided, however, that, where a consent or action under the Indenture would require the consent or act of all of the holders of the Notes, the Property Trustee may only give such consent or take such action at the direction of all of the Holders of the Common Securities. Pursuant to this paragraph 6(c), the Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Common Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Note Trustee as set forth above, the Property Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not fail to be classified as a grantor trust on account of such action. If the Property Trustee fails to enforce its rights under the Declaration, any Holder of Common Securities may after written request to the Property Trustee to enforce such rights, institute a legal proceeding directly against any Person to enforce the Property Trustee's rights under the Declaration, without first instituting a legal proceeding against the Property Trustee or any other person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Trust Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Notes in accordance with the Declaration and the terms of the Trust Securities.

7. Amendments to Declaration and Indenture.

- (a) In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect (i) any action that would adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of outstanding Trust Securities as a class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least 66-2/3% in liquidation amount of the Trust Securities, voting together as a single class; provided, however, if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of 66-2/3% in liquidation amount of such class of Trust Securities.
- (b) In the event the consent of the Property Trustee as the holder of the Notes, the Preferred Securities Guarantee and the Common Securities Guarantee is required under the Indenture with respect to any amendment, modification or termination of the Indenture, the Notes, the Preferred Securities Guarantee or the Common Securities Guarantee, the Property Trustee shall request the direction of the Holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of all of the holders of the Notes, the Property Trustee may only give such consent at the direction of all of the Holders of the Trust Securities; provided, further, that the Property Trustee shall not take any action in accordance with the directions of the Holders of the Trust Securities

under this paragraph 7(b) unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action.

8. Pro Rata.

A reference to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Trust Securities according to the aggregate liquidation amount of the Trust Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Trust Securities outstanding unless, in relation to a payment, an Event of Default under the Indenture has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Preferred Securities pro rata according to the aggregate liquidation amount of Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

9. Ranking.

The Preferred Securities rank pari passu and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing under the Indenture in respect of the Notes held by the Property Trustee, the rights of Holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of the Holders of the Preferred Securities.

10. Listing.

The Regular Trustees shall use their best efforts to cause the Preferred Securities to be listed for quotation on the New York Stock Exchange.

11. Acceptance of Trust Securities Guarantee and Indenture.

Each Holder of Preferred Securities and Common Securities, by the acceptance thereof, agrees to the provisions of the Preferred Securities Guarantee and the Common Securities Guarantee, respectively, including the subordination provisions therein and to the provisions of the Indenture.

12. No Preemptive Rights.

The Holders of the Trust Securities shall have no preemptive rights to subscribe for any additional securities.

13. Miscellaneous.

These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Preferred Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Trust at its principal place of business.

ANNEX I

[IF THE PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE

INSERT - This Preferred Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company, a New York corporation (the "Depository") or a nominee of the Depository. This Preferred Security is exchangeable for Preferred Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Preferred Security (other than a transfer of this Preferred Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Preferred Security is presented by an authorized representative of the Depository to the Trust or its agent for registration of transfer, exchange or payment, and any Preferred Security issued is registered in the name of CEDE & Co. or such other name as is requested by an authorized representative of the Depository and any payment hereon is made to CEDE & Co. or such other entity as is requested by an authorized representative of the Depository, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, CEDE & Co., has an interest herein.]

Certificate Number

Number of Preferred Securities

CUSIP NO. 844887 20 8

Certificate Evidencing Preferred Securities

of

SOUTHWEST GAS CAPITAL I

Preferred Securities

(liquidation amount \$25 per Preferred Security)

SOUTHWEST GAS CAPITAL I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that _____ (the "Holder") is the registered owner of preferred securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the 9.125% Trust Originated Preferred Securities (liquidation amount \$25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the

books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of October 26, 1995 as the same may be amended from time to time (the "Declaration"), including the designation of the terms of the Preferred Securities as set forth in Exhibit A to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Preferred Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Preferred Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the holder agrees to treat for United States federal income tax purposes, the Notes as indebtedness and the Preferred Securities as evidence of indirect beneficial ownership in the Notes.

IN WITNESS WHEREOF, the Trust has executed this certificate this _____ day of _____, _____.

George C. Biehl
as Trustee

Jeffrey W. Shaw
as Trustee

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee) and irrevocably appoints)

agent to transfer this Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: -----

Signature: -----

(Sign exactly as your name appears on the other side of this Preferred Security Certificate)

Certificate Number

Number of Common Securities

Certificate Evidencing Common Securities

of

SOUTHWEST GAS CAPITAL I

Common Securities
(liquidation amount \$25 per Common Security)

SOUTHWEST GAS CAPITAL I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that _____ (the "Holder") is the registered owner of common securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the 9.125% Trust Originated Common Securities (liquidation amount \$25 per Common Security) (the "Common Securities"). The Common Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of October 26, 1995, as the same may be amended from time to time (the "Declaration"), including the designation of the terms of the Common Securities as set forth in Exhibit A to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration.

The Holder is entitled to the benefits of the Common Securities Guarantee to the extent provided therein. The Trust will provide a copy of the Declaration, the Common Securities Guarantee and the Indenture to the Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Sponsor is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat for United States federal income tax purposes the Notes as indebtedness and the Common Securities as evidence of indirect beneficial ownership in the Notes.

IN WITNESS WHEREOF, the Trust has executed this certificate this _____
day of _____, _____.

George C. Biehl
as Trustee

Jeffrey W. Shaw
as Trustee

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security Certificate to:

- -----
- -----
- -----

(Insert assignee's social security or tax identification number)

- -----
- -----
- -----
- -----

(Insert address and zip code of assignee) and irrevocably appoints)

- -----
- -----
- -----

agent to transfer this Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: -----

Signature: -----

(Sign exactly as your name appears on the other side of this Preferred Security Certificate)

[O'MELVENY & MYERS LETTERHEAD]

October
30th
1 9 9 5

(213) 669-6000

815,040-023
LA1-682372.V1

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89102

Re: 9.125% Trust-Originated Preferred Securities of
Southwest Gas Capital I

Ladies and Gentlemen:

At your request, we have examined the Registration Statement on Form S-3, File No. 33-62143, as amended by Amendment No. 1 filed by Southwest Gas Corporation (the "Company") and Southwest Gas Capital I (the "Trust") with the Securities and Exchange Commission on August 25, 1995 and October 6, 1995, respectively (the "Registration Statement"), the Prospectus dated October 24, 1995 (the "Prospectus") and the Prospectus Supplement dated October 26, 1995 ("Prospectus Supplement") relating to the registration of 9.125% Trust-Originated Preferred Securities of the Trust (the "Preferred Securities"), the 9.125% Subordinated Deferrable Interest Note of the Company (the "Subordinated Note") and the guarantee of Preferred Securities of the Trust, including certain back-up undertakings (the "Guarantee"). We are familiar with the proceedings heretofore taken by the Company and the Trust in connection with the authorization, registration, issuance and sale of the Preferred Securities, the Subordinated Note and the Guarantee.

Based on the foregoing, it is our opinion that:

1. The Subordinated Note will, upon the execution, delivery and payment therefor by the Trust and the authentication thereof by Harris Trust and Savings Bank, as Trustee, constitute the legally valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by similar laws relating to or affecting creditors' rights generally

(including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, concepts of materiality, unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

2. The Guarantee will, upon the execution thereof and the issuance and sale of the Preferred Securities and other securities to be issued in connection therewith in the manner referred to in the Prospectus and Prospectus Supplement, constitute the legally valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law and by the unenforceability under certain circumstances of waivers of rights granted by law where the waivers are against public policy or prohibited by law.

We consent to the inclusion of this opinion in the Current Report on Form 8-K dated October 26, 1995 which is incorporated by reference in the Registration Statement, Prospectus and Prospectus Supplement.

Respectfully submitted,

O'MELVENY & MYERS

[SKADDEN LETTERHEAD]

October 30, 1995

Southwest Gas Capital I
c/o Southwest Gas Corporation
5241 Spring Mountain Road
P.O. Box 98510
Las Vegas, Nevada 89153-7173

Re: Southwest Gas Corporation;
Current Report on Form 8-K

Ladies and Gentlemen:

We have acted as special counsel to Southwest Gas Capital I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), in connection with the preparation of a Registration Statement on Form S-3 (Registration No. 33-62143), filed by Southwest Gas Corporation (the "Company") and the Trust with the Securities and Exchange Commission (the "Commission") on August 25, 1995 under the Securities Act of 1933, as amended (the "Act"), and Amendment No. 1 thereto, filed with the Commission on October 6, 1995 (such Registration Statement, as so amended, being hereinafter referred to as the "Registration Statement"), relating to the registration under the Act, of 2,400,000 of 9.125% Preferred Securities (the "Preferred Securities") of the Trust.

The Preferred Securities are to be issued pursuant to the Amended and Restated Declaration of Trust (the "Declaration") among the Company, as sponsor, Harris Trust and Savings Bank, as property trustee (the "Property Trustee"), Wilmington Trust Company, as the Delaware trustee (the "Delaware Trustee"), and George C. Biehl and Jeffrey W. Shaw, as regular trustees (together, the "Regular Trustees"). Capitalized terms used but not

otherwise defined herein have the meanings ascribed to them in the Registration Statement.

This opinion is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the certificate of trust (the "Certificate of Trust") filed by the Property Trustee and the Regular Trustees with the Secretary of State of the State of Delaware on August 17, 1995; (ii) the form of the Declaration (including the form of the terms of the Preferred Securities annexed thereto); (iii) the form of the Preferred Securities; and (iv) the Underwriting Agreement (the "Underwriting Agreement"), dated October 26, 1995, between the Company, the Trust and the representatives of the several underwriters set forth therein. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies. In making our examination of documents executed by parties other than the Trust, we have assumed that such parties had the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and that such documents constitute valid and binding obligations of such parties. In addition, we have assumed that each of the Declaration and the Preferred Securities as executed will be in form reviewed by us. As to any facts material to the opinions expressed herein which were not independently established or verified, we have relied upon oral or written statements and representations of officers, trustees and other representatives of the Company, the Trust and others.

Members of our firm are admitted to the bar in the State of Delaware, and we express no opinion as to the laws of any other jurisdiction other than the laws of the United States of America to the extent specifically referred to herein.

Based on and subject to the foregoing and to the other qualifications and limitations set forth herein, we are of the opinion that the Preferred Securities, when the Declaration is executed and delivered and the terms of the Preferred Securities are established in accordance with the terms of the Declaration, will be duly authorized for issuance and, when issued and executed in accordance with the Declaration and delivered and paid for as set forth in the Underwriting Agreement, will be validly issued, fully paid and nonassessable, representing undivided beneficial interests in the assets of Trust. We bring to your attention that the Preferred Securities holders may be obligated, pursuant to the Trust Declaration, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers of Preferred Securities and (ii) provide security and indemnity in connection with the requests of or directions to the Property Trustee to exercise its rights and powers under the Declaration.

This opinion is furnished to you solely for your benefit in connection with the filing of the Registration Statement and, except as set forth in the next sentence, is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other person for any purpose without our prior written consent. We also consent to the incorporation by reference into the Registration Statement and the use of our name under the heading "Legal Matters" in the Prospectus, dated October 24, 1995, as supplemented by the Prospectus Supplement, dated October 26, 1995, relating to the Preferred Securities included as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated

thereunder. This opinion is expressed as of the date hereof unless otherwise expressly stated and we disclaim any undertaking to advise you of any subsequent changes of the facts stated or assumed herein or any subsequent changes in applicable law.

Very truly yours,

/s/ Skadden, Arps, Slate, Meagher & Flom

[O'MELVENY & MYERS LETTERHEAD]

October
30th
1 9 9 5

(213) 669-6000

815,040-023
LA3-693294.V3

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89102

Re: Southwest Gas Capital I

Ladies and Gentlemen:

You have requested our opinion as to whether Southwest Gas Capital I (the "Trust") will qualify as a grantor trust for United States federal income tax purposes as of the date the Trust is formed. The Trust will be a business trust formed in accordance with the provisions of the Delaware Code, title 12, chapter 38.

In connection with rendering this opinion, we have examined the Amended and Restated Declaration of Trust (the "Declaration"), the Indenture, the First Supplemental Indenture, and such other documents as we have deemed necessary or appropriate for purposes of this opinion. For purposes of such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, and the authenticity of all documents submitted to us as relevant to this opinion and, as to matters of fact, we have relied upon the agreements, instruments, certificates and documents referred to above. We have assumed that all parties have the corporate power and authority to enter into and perform all obligations thereunder, and we have also assumed the due authorization by all requisite corporate actions, the due execution and delivery and the validity, binding effect and enforceability of such documents.

The facts as we understand them and on which this opinion is based are as follows:

Southwest Gas Corporation, a California corporation (the "Company"), will issue subordinated debt securities (the "Subordinated Debt Securities"), which will be held by the Trust. The Trust will initially have three trustees (the "Trustees"), two of whom will be persons employed by or affiliated with the Company. The third Trustee will be Wilmington Trust Company, a Delaware corporation. The Declaration will authorize the Trustees to have the Trust issue preferred securities (the "Preferred Securities") and common securities (the "Common Securities" and together with the Preferred Securities, the "Securities") representing beneficial undivided interests in the Trust. All of the Common Securities will be held by the Company. The Declaration will not permit the issuance by the Trust of any securities or other beneficial interests other than the Securities. Pursuant to the Declaration, Harris Trust and Savings Bank (the "Property Trustee"), who will not be a Trustee, will be appointed to hold the Subordinated Debt Securities owned by the Trust for the benefit of the holders of the Securities. The Property Trustee will also receive all interest and principal paid in respect of the Subordinated Debt Securities and will maintain such funds in a segregated account pending distribution of such funds to the holders of the Securities.

Holders of the Securities will be entitled to receive cumulative cash distributions (the "Distributions") at a specified annual rate of the liquidation preference of \$25 per Security, accruing from the date of original issuance and payable monthly in arrears on the last day of each calendar month of each year. The timing and rate of payments on the Securities and the total outstanding liquidation preference of the Securities shall be identical to, respectively, the timing and rate of payments on and total outstanding principal amount of the Subordinated Debt Securities. The Preferred Securities will rank pari passu with the Common Securities, except that in the event of a default under the Declaration the rights of the holders of the Common Securities to payments of Distributions and to payments upon liquidation, redemption or otherwise will be subordinated to the rights of the holders of the Preferred Securities. In addition, in the event that the Trust does not have sufficient funds to pay Distributions to the holders of the Preferred Securities, such holders will be entitled to elect a special trustee (the "Special Trustee") who will be a Trustee of the Trust and who will have the authority to bring legal action to compel the Property Trustee to enforce the rights of the Trust under the indenture executed in connection with the issuance of the Subordinated Debt Securities (the "Indenture").

The Subordinated Debt Securities will have a maturity of up to 30 years. In addition, the Company may also be given an option (the "Extension Option") to extend the maturity date of the Subordinated Debt Securities for an additional period not to exceed 19 years, provided however, that the Company may only exercise the Extension Option if it satisfies certain financial conditions at the end of the initial 30-year term. Furthermore, the Company may defer interest payments on the Subordinated Debt Securities for up to 20 consecutive quarters, at which time all deferred interest would be payable. The Subordinated Debt Securities will be rated just below investment grade.

Under Treasury Regulation Section 301.7701-4, in order for a trust to be classified as a fixed investment trust rather than as an association taxable as a corporation or as a partnership, there must be no power, on the part of the trustee or any other person, to vary the investment of the holders of interests in the trust in order to take advantage of market fluctuations. Furthermore, the trust cannot have multiple classes of ownership, unless the trust is formed for purposes of facilitating direct investment in the trust assets and the existence of multiple classes is merely incidental to such purposes.

The Declaration prohibits the Trustees from causing the Trust to acquire any assets other than the Subordinated Debt Securities. In particular, neither the Trustees nor the Trust may vary the assets of the Trust or the terms of the Securities. In addition, payments of interest and principal received with respect to the Subordinated Debt Securities may not be invested, but rather must be distributed to the holders of the Securities. Furthermore, as stated and with the exception noted above, the Preferred Securities will rank pari passu with the Common Securities.

Based on the foregoing, and assuming compliance with the provisions of the Declaration, it is our opinion that the Trust will be treated as a grantor trust under subpart E, part I of subchapter J of the Internal Revenue Code for United States federal income tax purposes rather than as an association taxable as a corporation or as a partnership and, accordingly, each beneficial owner of a Preferred Security will be treated for United States federal income tax purposes as the owner of an undivided interest in the Subordinated Debt Securities held by the Trust.

We consent to the inclusion of this opinion in the Current Report on Form 8-K dated October 26, 1995 which is incorporated by reference in the Registration Statement on Form S-3, File No. 33-62143, as amended by Amendment No. 1 filed by the Company and the Trust with the Securities and Exchange Commission on August 25, 1995 and October 6, 1995, respectively, the Prospectus dated October 24, 1995 and the Prospectus Supplement dated October 26, 1995 relating to the registration of the Preferred Securities.

Respectfully submitted,

O'MELVENY & MYERS