SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant /X/

Filed by a Party other than the Registrant / /

Check the appropriate box:

/ / Preliminary Proxy Statement
/X/ Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

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

Southwest Gas Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

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

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(2) Aggregate number of securities to which transaction applies:

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

$190,700,000.00, pursuant to Rule 0-11(c)(2)

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(4) Proposed maximum aggregate value of transaction:

$190,700,000.00

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(5) Total fee paid:

$38,140.00

/X/ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

LOGO

5241 SPRING MOUNTAIN ROAD - P.O. BOX 98510 - LAS VEGAS, NEVADA 89193-8510

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD TUESDAY, JULY 16, 1996

NOTICE IS HEREBY GIVEN that the Annual Meeting of shareholders of Southwest Gas Corporation (the "Company") will be held on July 16, 1996, at 10:00 a.m., in the auditorium of the Company's Headquarters office building, 5241 Spring Mountain Road, Las Vegas, Nevada, for the following purposes:

(1) To elect 11 directors of the Company;

(2) To consider and vote on a proposal to approve the principal terms of the sale of PriMerit Bank, Federal Savings Bank, to Norwest Corporation;

(3) To consider and vote on a proposal to approve the 1996 Stock Incentive Plan;

(4) To consider and vote on a proposal to amend the Restated Articles of Incorporation of the Company to increase the authorized shares of Common Stock from 30,000,000 shares to 45,000,000 shares;

(5) To consider and vote on a proposal to amend the Restated Articles of Incorporation of the Company to authorize a new class of Preferred Stock and to eliminate authority to issue shares of Preferred Stock ($50 par value), Cumulative Preferred Stock ($100 par value), Second Preference Stock ($100 par value) and Special Common Stock;

(6) To consider and vote on a proposal to ratify the selection of Arthur Andersen LLP as independent public accountants for the Company; and

(7) To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has established May 23, 1996, as the record date for the determination of shareholders entitled to vote at the Annual Meeting and to receive notice thereof.

Shareholders are cordially invited to attend the meeting in person. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED, POSTAGE PAID ENVELOPE.

Copies of the Summary Annual Report to Shareholders and Form 10-K Annual Report for the year ended December 31, 1995, have been previously provided to shareholders.

/s/ THOMAS J. TRIMBLE

Thomas J. Trimble
Senior Vice President/General Counsel
and Corporate Secretary

May 30, 1996

May 30, 1996

[SOUTHWEST GAS CORPORATION LOGO]

Michael O. Maffie, President and CEO

Dear Shareholder:

You are cordially invited to the Annual Meeting of shareholders of Southwest Gas Corporation scheduled to be held on Tuesday, July 16, 1996, in the auditorium of the Company's Headquarters office building, 5241 Spring Mountain Road, Las Vegas, Nevada, commencing at 10:00 a.m. Your Board of Directors looks forward to greeting personally those shareholders able to attend.

The Annual Meeting, which is normally held during the second week of May of each year, has been postponed this year to permit shareholders to consider and approve the principal terms of the sale of PriMerit Bank, the Company's financial services subsidiary, at the meeting. The Board of Directors approved the sale of the Bank on January 8, 1996, subject to shareholder approval. The Board of Directors has unanimously concluded that the sale of the Bank is in the best interests of the Company and its shareholders, and unanimously recommends that you vote FOR proposal 2, approval of the principal terms of the sale of the Bank.

At the meeting you will also be asked to consider and approve (i) the election of the 11 directors, (ii) the Company's proposed 1996 Stock Incentive Plan, (iii) amendments to increase the authorized shares of Common Stock, create a new class of Preferred Stock and eliminate the authority to issue shares of Preferred Stock, Cumulative Preferred Stock, Second Preference Stock and Special Common Stock, and (iv) the continued retention of Arthur Andersen LLP as the Company's independent public accountants. The Board of Directors unanimously recommends that you also vote FOR proposals 3, 4, 5, and 6.

It is important that your shares are represented and voted at the meeting regardless of the number of shares you own and whether or not you plan to attend. Accordingly, we request you to sign, date and mail the enclosed proxy at your earliest convenience.

Your interest and participation in the affairs of the Company are sincerely appreciated.

Sincerely,

[SIG]

LOCATION OF 1996
ANNUAL MEETING OF SHAREHOLDERS

5241 SPRING MOUNTAIN ROAD

*SHAREHOLDER PARKING WILL
BE IN THE WEST PARKING LOT.
ATTENDANTS WILL BE AVAILABLE
TO PROVIDE ASSISTANCE.

(MAP)

SOUTHWEST GAS CORPORATION
5241 SPRING MOUNTAIN ROAD - P.O. BOX 98510 - LAS VEGAS, NEVADA 89193-8510

PROXY STATEMENT

MAY 30, 1996

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of the Company of proxies representing Common Stock to be voted at the Annual Meeting of shareholders of the Company to be held on July 16, 1996, and at any adjournment thereof. This Proxy Statement and accompanying proxy card are being first mailed to shareholders on or about May 30, 1996.

A form of proxy is enclosed for your use. The Company will acknowledge revocation of any proxy upon request of the record holder made in person or in writing prior to the exercise of the proxy, or upon receipt of a valid proxy bearing a later date. Delivery of said revocation or valid proxy bearing a later date shall be made upon the Corporate Secretary of the Company. If a shareholder executes two or more proxies with respect to the same shares, the proxy bearing the most recent date will be honored if otherwise valid. All shares represented by valid proxies received pursuant to this solicitation will be voted at the Annual Meeting. Where a shareholder specifies by means of the proxy a choice with respect to any matter to be acted upon, his or her other shares will be voted in accordance with each specification so made.

The entire cost of soliciting proxies will be paid by the Company. In following up the original mail solicitation of proxies, the Company will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to the beneficial owners of the shares and will reimburse them for their expenses in so doing. Under an agreement with the Company, Marrow & Co., Inc., will assist in obtaining proxies from certain larger and other shareholders at an estimated cost of $6,000 plus certain expenses.

The total number of shares of Common Stock outstanding at the close of business on May 23, 1996, (the "Record Date") for the determination of shareholders entitled to notice of and to vote at the Annual Meeting, was 26,265,569. Only holders of Common Stock on the Record Date are entitled to notice of and to vote at the Annual Meeting of shareholders. The Company will appoint one or three employees to function as inspectors of election in advance of the meeting to tabulate votes, to ascertain whether a quorum is present and to determine the voting results on all matters presented to shareholders. A majority of all shares of Common Stock entitled to vote, represented in person or by proxy, constitutes a quorum. Abstentions and broker non-votes are each included in the determination of the number of shares present; however, they are not counted for the purpose of determining the election of each nominee for director.

Each share of Common Stock is entitled to one vote. Shareholders have cumulative voting rights with respect to the election of directors, if certain conditions are met. Any shareholder otherwise entitled to vote may cumulate his or her votes for a candidate or candidates placed in nomination at the meeting if, prior to the voting, he or she has given notice at the meeting, that he or she intends to cumulate his or her votes. A shareholder electing to cumulate his or her votes may cast as many votes as there are directors to be elected, multiplied by the number of shares of Common Stock standing in his or her name on the books of the Company at the close of business on the Record Date. A shareholder may cast all of his or her votes for one candidate or allocate them among two or more candidates in any manner he or she chooses. If any one shareholder has given such notice at the meeting, all shareholders may cumulate their votes for candidates in nomination.

The persons named in the proxies solicited by the Board of Directors, unless otherwise instructed, intend to vote the shares represented by such proxies FOR each of the proposals set forth in the Notice of Annual Meeting of Shareholders and, in the case of the election of directors, equally FOR each of the 11 candidates for the office of director named in this Proxy Statement; HOWEVER, if sufficient numbers of shareholders exercise cumulative voting rights to elect one or more other candidates, the management proxies will (1) determine the number of directors they are entitled to elect, (2) select such number from among the named candidates, (3) cumulate their votes, and (4) cast their votes for each candidate among the number they are entitled to elect.

TABLE OF CONTENTS

SUMMARY

The information below is qualified in its entirety by the more detailed information appearing elsewhere in this Proxy Statement, including the Appendices hereto and the documents incorporated herein by reference.

The Annual Meeting will be held on July 16, 1996, at 10:00 a.m. in the auditorium of the Company's Headquarters office building, 5241 Spring Mountain Road, Las Vegas, Nevada. Only holders of record of the Company's Common Stock at the close of business on May 23, 1996, (the "Record Date") will be entitled to vote at the Annual Meeting. At the close of business on the Record Date, 26,265,569 shares of the Company's Common Stock were issued and outstanding. Each share of Common Stock is entitled to one vote. A majority of all shares of Common Stock entitled to vote, represented in person or by proxy, constitutes a quorum.

ELECTION OF DIRECTORS

The names of 11 nominees have been submitted for election to the Board of Directors of the Company. Each of the 11 nominees was elected to his or her present term of office at the last Annual Meeting on May 11, 1995. For further information on the nominees, see "ELECTION OF DIRECTORS." The 11 nominees for director receiving the highest number of votes will be elected to serve until the next Annual Meeting. Shareholders have cumulative voting rights with respect to the election of directors, if certain conditions are met.

APPROVAL OF THE BANK SALE

The Company, The Southwest Companies ("SC") and Norwest Corporation ("Norwest") entered into an Agreement, dated as of January 8, 1996, pursuant to which SC would sell all of the outstanding stock of PriMerit Bank, Federal Savings Bank ("Bank") to Norwest, provided that Norwest had the option to elect to restructure the transaction as a purchase of substantially all of the assets and liabilities of the Bank. On April 10, 1996, Norwest exercised that option and the Company, SC, the Bank and Norwest entered into an Agreement, dated as of April 10, 1996 (the "Bank Sale Agreement"), pursuant to which the Bank will sell to a wholly owned subsidiary of Norwest substantially all the assets and liabilities of the Bank (the "Bank Sale"). A copy of the Bank Sale Agreement, without schedules, is set forth in Appendix A to this Proxy Statement. Shareholders are being asked to approve the principal terms of the Bank Sale Agreement. The affirmative vote of a majority of the shares of the Company's Common Stock outstanding on the Record Date is required to approve the principal terms of the Bank Sale Agreement.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY CONCLUDED THAT THE BANK SALE IS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE COMPANY'S SHAREHOLDERS VOTE FOR THE PRINCIPAL TERMS OF THE BANK SALE AGREEMENT. For discussion of the factors considered by the Board in reaching its decision to approve the Bank Sale Agreement and recommend that shareholders vote FOR approval of the principal terms of the Bank Sale Agreement, see "APPROVAL OF THE BANK SALE -- REASONS FOR THE BANK SALE."

TERMS OF THE BANK SALE

Upon consummation of the Bank Sale, the Bank will sell to a subsidiary of Norwest (the "Purchaser"), and the Purchaser will purchase from the Bank, substantially all of the assets and liabilities of the Bank, other than certain assets and liabilities relating to taxes and real estate development activities formerly conducted by the Bank and certain recorded intangibles, in exchange for $190,700,000 in cash, as such amount may be reduced by the after-tax amount of any purchase price reduction or increased by the after-tax amount of any purchase price increase. On or prior to the consummation of the Bank Sale, the Company is required to pay Norwest a certain amount in cash determined in accordance with the provisions of the Bank Sale Agreement in exchange for certain deferred tax assets of the Bank which will be retained by the Company. If the

purchase of the Bank had occurred on March 31, 1996, the purchase price for these assets would have been $616,510.

The Company will retain all real estate development assets of the Bank, certain recorded intangibles, including general valuation allowances, deferred profits and reserves related to the real estate development activities of the Bank, and certain claims, refunds, credits or overpayments with respect to any taxes paid or incurred by the Bank and its affiliates for periods ending prior to the consummation of the Bank Sale. In addition, the Southwest Gas Corporation Foundation will acquire the PriMerit Bank, Federal Savings Bank, Charitable Foundation. The Company will also retain the real estate liabilities and all liabilities for taxes imposed on the Bank and its subsidiaries for any taxable period (or portion thereof) that ends on or before the consummation of the Bank Sale. The net book value of the assets and liabilities of the Bank to be retained, including the deferred tax assets of the Bank to be purchased by the Company, was $(218,282) at March 31, 1996. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Consideration for the Bank Sale and -- Retained Assets and Liabilities."

CLOSING DATE

The closing of the Bank Sale (the "Closing") will occur within ten business days following the satisfaction or waiver of all conditions to the Bank Sale Agreement, other than conditions relating to the delivery of certain closing documents, or such other date as may be agreed to by the parties (the "Closing Date"). It is anticipated that the Closing will occur during the third quarter of 1996. The Bank Sale Agreement may be terminated by either party if the Bank Sale has not been consummated by September 30, 1996.

OPINION OF FINANCIAL ADVISOR

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") has rendered its written opinion to the Board of Directors dated January 8, 1996, that the consideration to be received by the Company pursuant to the terms of the Bank Sale Agreement was fair to the Company from a financial point of view. This opinion was reconfirmed in writing as of the date of this Proxy Statement by redelivery of an opinion dated as of the date of this Proxy Statement. A copy of the opinion of Merrill Lynch is set forth in Appendix B to this Proxy Statement. The opinion should be read in its entirety with respect to the assumptions made, other matters considered and limitations on the reviews undertaken in connection with such opinion. For additional information, see "APPROVAL OF THE BANK SALE -- OPINION OF FINANCIAL ADVISOR."

CONDUCT OF BUSINESS PENDING BANK SALE

Pursuant to the Bank Sale Agreement, the Company has made certain covenants relating to the conduct of the business of the Bank pending the consummation of the Bank Sale. Among other things, the Company has agreed to conduct the business of the Bank in the ordinary and usual manner, including the extension of credit in accordance with existing lending policies, except that the Company has agreed not to allow the Bank to make, without the prior written consent of Norwest, any new loan or increase the principal amount of any outstanding loan to a principal amount of $2,000,000 or more or make any commitment for any such loan or increase. In addition, the Company has also agreed that it will not, without the prior written consent of Norwest, permit the Bank to: (i) engage or participate in any material transaction, or incur or sustain any material obligation, except in the ordinary course of business; (ii) change its interest rate or fee pricing policies; (iii) amend or cancel any lease or other material contract of the Bank, or enter into any material contract other than as specifically permitted by the Bank Sale Agreement; (iv) deviate from general policies of the Bank existing on the date of the Bank Sale Agreement; (v) make any capital expenditures not permitted by the Bank Sale Agreement in amounts individually in excess of $50,000 or in the aggregate in excess of $100,000; (vi) make any investments or enter into any derivative contracts, except in the ordinary course of business; or (vii) declare or pay any cash or property dividends, stock dividends or other distributions of capital stock, rights or options, except

as specifically provided for in the Bank Sale Agreement. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Conduct of Business Pending Bank Sale."

The Bank Sale Agreement permits the Bank to pay a cash dividend to the Company in an amount not to exceed $375,000 for the quarter ending June 30, 1996, if the Bank Sale is not consummated by that date. In addition, the Bank Sale Agreement permits the Bank to pay dividends to the Company at a rate equal to $1,000,000 for the month ending July 31, 1996, and $1,250,000 for each of the months ending August 31, 1996 and September 30, 1996, if the Bank Sale is not consummated by such dates. The maximum amounts which may be dividended by the Bank to the Company are prorated for each day after July 1, 1996, that the Closing Date does not occur.

REGULATORY APPROVALS

Regulatory approvals, notices or filings must be obtained or made, as the case may be, by the Company prior to the Closing Date with the Arizona Corporation Commission (the "ACC"), the California Public Utilities Commission (the "CPUC") and the Federal Home Loan Bank of San Francisco (the "FHLB"). Regulatory approvals or notices must also be obtained or made, as the case may be, by Norwest prior to the Closing Date with the Federal Reserve Board, the Nevada Commissioner of Financial Institutions and the Office of Thrift Supervision (the "OTS"). Approvals of the Federal Reserve Board, the Nevada Commissioner of Financial Institutions, the ACC and the OTS have been obtained. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Regulatory Approvals."

In addition a number of other regulatory approvals must be obtained with respect to certain post-closing matters, including approval from the CPUC of the Company's obligation to reimburse SC in certain circumstances if SC is unable to fulfill its indemnification obligations to Norwest. OTS approval with respect to such post-closing matters has been obtained. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Indemnification Provisions."

CONDITIONS TO THE BANK SALE

The obligations of the parties to the Bank Sale Agreement to consummate the Bank Sale are subject to various conditions, including, but not limited to: (i) obtaining approval of the principal terms of the Bank Sale Agreement by the affirmative vote of a majority of the outstanding shares of the Company's Common Stock; (ii) obtaining all requisite regulatory approvals; (iii) obtaining all approvals and consents of any third party required in order to consummate the Bank Sale; and (iv) other customary closing conditions. In addition, no event may have occurred or failed to occur after October 31, 1995 which has had or is reasonably expected to have any material adverse effect on the Bank and certain of the Bank's subsidiaries taken as a whole. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Conditions to the Bank Sale."

TERMINATION AND TERMINATION FEE

The Bank Sale Agreement provides that it may be terminated: (i) by the mutual consent of the parties to the Bank Sale Agreement; (ii) by any of the parties upon written notice to the other parties if any regulatory agency having jurisdiction refuses to grant approval or consent to any material aspect of the Bank Sale unless such decision is appealed or an application to such governmental entity is resubmitted; and (iii) by either of the parties to the other party upon written notice to the other party if an event occurs which makes it impossible to satisfy by September 30, 1996, any of the conditions to the obligations of such party.

The Bank Sale Agreement also provides that Norwest may terminate the Bank Sale Agreement by written notice to the Company in the event: (i) (x) an acquisition proposal (as defined) is made, (y) the Board of Directors fails to recommend shareholder approval of the principal terms of the Bank Sale Agreement or withdraws or modifies such recommendation in a manner adverse to Norwest, and (z) either the principal terms of the Bank Sale Agreement are not approved by the affirmative vote of a majority of the shares of the Company's Common Stock or the meeting of shareholders of the Company at which approval of the principal terms of the Bank Sale Agreement is sought does not occur by August 16, 1996; or (ii) the consummation of an acquisition proposal

(as defined) occurs prior to the termination of the Bank Sale Agreement. Upon the giving of written notice of termination by Norwest pursuant to this provision, the Company is required to pay to Norwest, within ten business days after the receipt of such notice, the amount of $5,250,000 plus documented expenses incurred by Norwest in connection with the Bank Sale Agreement up to the amount of $1,250,000. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Termination and Termination Fee."

INDEMNIFICATION PROVISIONS

The Bank Sale Agreement provides for indemnification from the other party for losses suffered to the extent arising out of: (i) any breach of any representation or warranty; or (ii) a breach of any agreement to be performed. The parties are not required to provide indemnification with respect to these matters unless the aggregate of all amounts for which indemnity would otherwise be payable exceeds $1,000,000 and will be responsible only for amounts in excess of $1,000,000 and not exceeding $5,000,000. Except for covenants related to post-closing matters, certain taxes and as otherwise described below, neither party will have any liability for the breach of representations, warranties or covenants after one year from the Closing Date.

SC and the Bank have agreed to indemnify Norwest and the Purchaser for any loss relating to or arising out of certain real estate liabilities up to a maximum amount equal to $175,000,000. The Bank Sale Agreement also provides that Norwest and the Purchaser will indemnify the Company, SC and the Bank for any loss arising out of the liabilities assumed by the Purchaser in a total amount not exceeding $175,000,000 less any amounts paid by the Purchaser with respect thereto. See "APPROVAL OF THE BANK SALE -- TERMS OF THE BANK SALE -- Indemnification Provisions."

SELECTED PRO FORMA FINANCIAL INFORMATION

The following sets forth selected pro forma financial information as if the Bank Sale had been consummated as of March 31, 1996 and as if it had been consummated at the beginning of the quarter ended March 31, 1996 and also at the beginning of the year ended December 31, 1995. The following selected pro forma financial information is not necessarily indicative of the effects on the Company or the results of its operations had the Bank Sale occurred on such dates.

The selected pro forma balance sheet information as of March 31, 1996 reflects a reduction of approximately $175 million related to the Company's investment in the Bank, and the utilization of funds from the sale to pay estimated taxes (including an additional $15.7 million in taxes estimated to be due as a result of Norwest's election to consummate the Bank Sale as a purchase of assets and assumption of liabilities) and other accrued costs associated with the Bank Sale and retire long-term debt.

The pro forma income statement information for the quarter ended March 31, 1996 and the year ended December 31, 1995 reflect the estimated impact on interest expense as if approximately $163 million of debt had been retired at the beginning of each respective period by using the proceeds from the Bank Sale. The historical consolidated statements of income already reflect an allocation to the Bank for interest on debt associated with discontinued operations. The amounts shown in the adjustments column for net interest deductions are net of that allocation. Income taxes are provided at a rate of 40 percent.

SELECTED PRO FORMA FINANCIAL INFORMATION

	MARCH 31, 1996		
	(THOUSANDS OF DOLLARS)		
	HISTORICAL	ADJUSTMENTS	PRO FORMA
Total assets	$1,533,217	$ (175,000)	$1,358,217
Long-term debt, including current maturities	$ 732,666	$ (163,000)	$ 569,666
Other current liabilities	$ 59,668	$ (12,000)	$ 47,668

	QUARTER ENDED MARCH 31, 1996		
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
	HISTORICAL	ADJUSTMENTS	PRO FORMA
Net interest deductions	$ (12,953)	$ 1,000	$ (11,953)
Income from continuing operations	$ 14,859	$ 600	$ 15,459
Earnings per share from continuing operations	$ 0.60	$ 0.03	$ 0.63

	YEAR ENDED DECEMBER 31, 1995		
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
	HISTORICAL	ADJUSTMENTS	PRO FORMA
Net interest deductions	$ (53,354)	$ 4,000	$ (49,354)
Income from continuing operations	$ 2,654	$ 2,400	$ 5,054
Earnings per share from continuing operations	$ 0.10	$ 0.10	$ 0.20

APPROVAL OF 1996 STOCK INCENTIVE PLAN

Shareholders are being asked to approve the Company's 1996 Stock Incentive Plan (the "1996 Plan") which was adopted by the Board of Directors on March 5, 1996. Any officer or key employee of the Company or its subsidiaries, as determined in the sole discretion of the subcommittee of the Nominating and Compensation Committee of the Board appointed to administer the 1996 Plan, will be eligible to be granted options. In addition, non-employee directors will automatically be granted options under the Plan in the amounts described below. The authority to grant new options under the 1996 Plan will terminate on March 4, 2006, unless earlier terminated by the Board.

The maximum number of shares which may be issued under the 1996 Plan is 1,500,000, subject to adjustment upon the occurrence of certain events. An option granted to an employee may be either an incentive option or a nonqualified option. With respect to each eligible employee, the

maximum number of shares which may be subject to options granted to such individual during any calendar year cannot exceed 100,000 shares. Non-employee directors will be automatically granted nonqualified options to purchase 3,000 shares of the Company's Common Stock on the date of this Annual Meeting if the 1996 Plan is approved by the shareholders and 2,000 shares on each Annual Meeting date during the term of the 1996 Plan thereafter; provided that the maximum number of shares which may be covered by options granted to non-employee directors will not exceed 350,000 shares. For further information on the 1996 Plan, see "APPROVAL OF 1996 STOCK INCENTIVE PLAN."

The affirmative vote of a majority of the shares represented at the Annual Meeting in person or by proxy is necessary to approve the 1996 Plan. A copy of the 1996 Stock Incentive Plan is attached as Appendix C to this Proxy Statement. Shareholders should note that because outside Directors (subject to reelection and CPUC and shareholder approval) may receive stock options under this proposal, all current outside Directors of the Company may have a personal interest in this proposal and its approval by shareholders.

APPROVAL OF AMENDMENTS TO RESTATED ARTICLES OF INCORPORATION

Shareholders are also being asked to approve two amendments to the Restated Articles of Incorporation. The first amendment would increase the authorized number of shares of Common Stock from 30,000,000 shares to 45,000,000 shares. For further information regarding this amendment, see "APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO INCREASE AUTHORIZED SHARES OF COMMON STOCK." The second amendment would create a new class of Preferred Stock and eliminate the authority to issue shares of currently authorized Preferred Stock, Cumulative Preferred Stock, Second Preference Stock and Special Common Stock. For further information regarding this amendment, see "APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO AUTHORIZE A NEW CLASS OF PREFERRED STOCK AND TO ELIMINATE AUTHORITY TO ISSUE SHARES OF PREFERRED STOCK ($50 Par Value), CUMULATIVE PREFERRED STOCK ($100 Par Value), SECOND PREFERENCE STOCK ($100 Par Value) AND SPECIAL COMMON STOCK." No change is being requested in the number of shares of Preference Stock, all of which are reserved for issuance under the Company's Shareholders Rights Plan. The affirmative vote of a majority of the shares of the Company's Common Stock outstanding on the Record Date is required to approve each amendment.

SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected Arthur Andersen LLP as independent public accountants for the Company for the year ending December 31, 1996, subject to ratification by the shareholders of the Company. For more information, see "SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS."

ELECTION OF DIRECTORS
(ITEM 1 ON THE PROXY CARD)

NAMES AND QUALIFICATIONS OF NOMINEES

Each director elected at the Annual Meeting of shareholders will serve until the next Annual Meeting (normally held on the second Thursday of May) and until his or her successor shall be elected and qualified. The 11 nominees were elected to their present term of office at the last Annual Meeting of shareholders on May 11, 1995. The 11 nominees for director receiving the highest number of votes will be elected to serve until the next Annual Meeting.

The names of the nominees for election to the Board of Directors, the principal occupation of each nominee and his or her employer for the last five years or longer, and the principal business of the corporation or other organization, if any, in which such occupation or employment is carried on, follow.

RALPH C. BATASTINI
Former President, Vice Chairman and Chief Financial Officer
The Dial Corp (Formerly The Greyhound Corporation)

Director Since: 1992
Board Committees: Audit (Chairman), Pension Plan Investment

Mr. Batastini, 66, received his undergraduate degree from Illinois State University and his M.B.A. degree in finance from the University of Chicago. He joined The Greyhound Corporation in 1957 and retired in 1984 as vice chairman and chief financial officer. At the time of his retirement Mr. Batastini headed Greyhound's financial group of companies involved in capital equipment leasing, computer leasing, reinsurance, money orders, mortgage insurance and real estate. He subsequently served as president of Batastini & Co. from 1985 until his retirement in 1990. He currently is the president of the Barrow Neurological Foundation and has been a director of PriMerit Bank since 1992.

MANUEL J. CORTEZ
President and Chief Executive Officer
Las Vegas Convention and Visitors Authority

Director Since: 1991
Board Committees: Nominating and Compensation, Pension Plan Investment

Mr. Cortez, 57, served four terms (1977-1990) on the Clark County Commission and is a former chairman of the Commission. He has been active on various boards, including the Environmental Quality Policy Review Board, the Las Vegas Valley Water District Board of Directors and the University Medical Center Board of Trustees, and served as chairman of the Liquor and Gaming Licensing Board and the Clark County Sanitation District. He has also held leadership roles with numerous civic and charitable organizations such as Boys and Girls Clubs of Clark County, Lied Discovery Childrens Museum and Boys Town. Currently, Mr. Cortez holds professional memberships in the American Society of Association Executives, the Professional Convention Managers Association, the International Association of Convention and Visitors Bureaus and the American Society of Travel Agents. He has been a director of PriMerit Bank since 1991.

LLOYD T. DYER
Retired President and Chief Executive Officer
Harrah's

Director Since: 1978
Board Committees: Executive, Nominating and Compensation

Mr. Dyer, 68, obtained a degree in banking and finance from the University of Utah prior to his employment with Harrah's, a hotel/gaming corporation with its principal facilities in Reno and Lake Tahoe, in 1957. He was elected president and chief operating officer of Harrah's in 1975, and elected president and chief executive officer in 1978. He remained in those positions with Harrah's until his retirement in April 1980. Mr. Dyer has been a director of PriMerit Bank since 1986. He is also a trustee of the William F. Harrah Trusts.

KENNY C. GUINN
Chairman of the Board
Southwest Gas Corporation and PriMerit Bank

Director Since: 1981
Board Committees: Executive (Chairman), Nominating and Compensation

Mr. Guinn, 59, was appointed President and Chief Operating Officer of Southwest Gas Corporation in 1987, Chairman and Chief Executive Officer in 1988 and was elected Chairman of the Board of Directors in 1993. Mr. Guinn is actively involved in numerous business, charitable and civic activities. He is past chairman of the Las Vegas Metropolitan Police Fiscal Affairs Committee and past chairman of the Board of Trustees for the University of Nevada, Las Vegas Foundation. In May 1994 he was appointed Interim President of the University of Nevada, Las Vegas and served in this capacity for approximately one year. He is also a director for Oasis Residential, Inc., Boyd Gaming Corporation and Del Webb Corporation. Mr. Guinn was elected a director of PriMerit Bank in 1980 and has served as Chairman of the Board of Directors of PriMerit since 1987.

THOMAS Y. HARTLEY
President and Chief Operating Officer
Colbert Golf Design and Development

Director Since: 1991
Board Committees: Audit, Nominating and Compensation

Mr. Hartley, 62, obtained his degree in business from Ohio University in 1955, and was employed in various capacities by Deloitte Haskins & Sells from 1959 until his retirement as an area managing partner in 1988. Mr. Hartley is actively involved in numerous business and civic activities. He is chairman of the University of Nevada, Las Vegas Foundation and president of the Las Vegas Founders Club. He has also held executive positions with the Nevada Development Authority, the Las Vegas Founders Golf Foundation, the Las Vegas Chamber of Commerce and the Boulder Dam Area Council of the Boy Scouts of America. He is a director of Rio Hotel and Casino, Inc., Sierra Health Services, Inc. and has been a director of PriMerit Bank since 1991.

MICHAEL B. JAGER
Private Investor
Director Since: 1989

Board Committees: Audit, Pension Plan Investment

Mr. Jager, 64, obtained a degree in petroleum geology from Stanford University in 1955. After a four-year employment with the Richfield Oil Corporation as a petroleum geologist, he joined the Frank H. Ayres & Son Construction Company and was involved in the construction of subdivisions and homes in southern California until 1979. Since that time he has consulted in the single family

residential development industry, and owns and manages a number of businesses in Oregon and Nevada. He has been a director of PriMerit Bank since 1989.

LEONARD R. JUDD
Former President, Chief Operating Officer and Director
Phelps Dodge Corporation

Director Since: 1988
Board Committees: Audit, Nominating and Compensation (Chairman)

Mr. Judd, 57, former president, chief operating officer and director of Phelps Dodge Corporation, joined Phelps Dodge in 1963 and worked at that company's operations in Arizona, New Mexico and New York City. He was elected to the Phelps Dodge board of directors in 1987, president of Phelps Dodge Mining Company in 1988 and became president and chief operating officer of Phelps Dodge in 1989. He remained in those positions until his retirement in 1991. Mr. Judd is a member of various professional organizations and is active in numerous civic groups. He serves as a director of the Kasler Holding Company, the Montana College of Mineral Science and Technology Foundation, and has been a director of PriMerit Bank since 1988.

JAMES R. LINCICOME
Retired Executive Vice President and General Manager,
Government Electronics Group, Motorola Corporation

Director Since: 1987
Board Committees: Audit, Executive, Nominating and Compensation

Mr. Lincicome, 70, was employed by Motorola in its Communications Division in 1950. After progressing through positions in that Division, he transferred to the Government Electronics Group, where from 1979 until his retirement in 1987, he was General Manager responsible for various national defense, space exploration and other government related programs. Mr. Lincicome is a member of various professional organizations and is past chairman of the Arizona State University Engineering Advisory Council, Junior Achievement of Central Arizona, the Phoenix Urban League, United for Arizona and the Valley of the Sun United Way. He has held a number of leadership roles in other civic and charitable organizations in Arizona, including the Research Committee of the Arizona Town Hall and Board Member of the Goldwater Institute, and was vice chairman of the Government Division of the Electronic Industries Association in 1986. He has been a director of PriMerit Bank since 1988.

MICHAEL O. MAFFIE
President and Chief Executive Officer
Southwest Gas Corporation

Director Since: 1988
Board Committees: Executive

Mr. Maffie, 48, joined the company in 1978 as Treasurer after seven years with Arthur Andersen & Co. He was named Vice President/Finance and Treasurer in 1982, Senior Vice President and Chief Financial Officer in 1984, Executive Vice President in 1987, President and Chief Operating Officer in 1988 and President and Chief Executive Officer in 1993. He has been a director of PriMerit Bank since 1993. He received his undergraduate degree in accounting and his M.B.A. degree in finance from the University of Southern California. A member of various professional organizations, he serves as a board member of the United Way of Nevada, Nevada School of the Arts, Boys and Girls Clubs of Las Vegas, a trustee of the Las Vegas Symphony Orchestra, the University of Nevada, Las Vegas Foundation and the Nevada Development Authority. He also serves as a Commissioner on the State of Nevada Commission on Substance Abuse Education, Prevention, Enforcement and

Treatment, and is a former president of the Allied Arts Council. He is a director of the Pacific Coast Gas Association and a former director of the American Gas Association.

CAROLYN M. SPARKS
Co-Founder
International Insurance Services, Ltd.

Director Since: 1988
Board Committees: Audit, Pension Plan Investment (Chairperson)

Mrs. Sparks, 54, graduated from the University of California at Berkeley in 1963, and with her husband, co-founded International Insurance Services, Ltd., in 1966 in Las Vegas. She has served on the University and Community College System of Nevada Board of Regents since 1984, and in 1991 was elected to a two-year term as Chairperson of the Board of Regents. Mrs. Sparks is actively involved with numerous charitable and civic organizations, including founding chairperson of the University Medical Center Foundation and the Children's Miracle Network Telethon. She also served on the board for Bishop Gorman High School and is currently chair of the board for the Las Vegas Center for Children. She is a director of Showboat, Inc., a hotel/gaming corporation and has been a director of PriMerit Bank since 1988.

ROBERT S. SUNDT
Retired President
Sundt Corp.

Director Since: 1987
Board Committees: Executive, Pension Plan Investment

Mr. Sundt, 69, has been associated with Sundt Corp. in a variety of positions since 1948. He was named President of Sundt Corp. in 1983. He is now retired and has no continuing association with Sundt Corp. He has been a director of PriMerit Bank since 1988. He is a member of the American Institute of Constructors, Consulting Constructors Council of America and a life director of the Associated General Contractors of America. He is a member of the American Arbitration Association and serves as an arbitrator on disputes concerning the construction industry. He is past member of the Construction Industry Presidents Forum. Mr. Sundt is affiliated with a number of community organizations and is past chairman of the Tucson Metropolitan Chamber of Commerce.

SECURITIES OWNERSHIP BY NOMINEES AND EXECUTIVE OFFICERS

The following table discloses all Common Stock of the Company beneficially owned by the nominees for Directors and the executive officers of the Company, as of May 8, 1996.

DIRECTOR/EXECUTIVE OFFICER	NUMBER OF SHARES BENEFICIALLY OWNED(1)(2)
Ralph C. Batastini	5,838
Manuel J. Cortez	1,731
Lloyd T. Dyer	4,141
Kenny C. Guinn	54,332
Thomas Y. Hartley	7,687
Michael B. Jager	4,861(3)
Leonard R. Judd	2,000
James R. Lincicome	2,000
Michael O. Maffie	33,957(4)
Carolyn M. Sparks	2,343
Robert S. Sundt	5,000
George C. Biehl	14,613(4)
Dan J. Cheever	3,434
L. Keith Stewart	7,430
Thomas J. Trimble	11,091(4)
Other Executive Officers	23,108

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(1) As of May 8, 1996, the directors and executive officers of the Company beneficially owned 183,566 shares, which represents less than 1 percent of the outstanding shares of the Company's Common Stock. No investor owned more than 5 percent of the outstanding voting stock of the Company as of April 30, 1996.

(2) The Common Stock holdings listed in this column include performance shares granted to the Company's executive officers under the Company's Management Incentive Plan for 1993, 1994 and 1995.

(3) Number of shares includes 3,000 shares held in trust for Margaret Jager, over which Mr. Jager has no control.

(4) Number of shares does not include 6,618 shares held by the Southwest Gas Corporation Foundation, which is a charitable trust. Messrs. Maffie, Trimble, and Biehl are trustees of the Foundation but disclaim beneficial ownership of said shares.

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The Company has adopted procedures to assist its directors and executive officers in complying with Section 16(a) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), which includes assisting in the preparation of forms for filing. For 1995, all the required reports were filed timely.

GENERAL INFORMATION

BOARD OF DIRECTORS

The Board of Directors is responsible for the overall affairs of the Company and for establishing broad corporate policies.

Regular meetings of the Board of Directors are scheduled for the third Tuesdays of January, July, September and November, the first Tuesday of March and the second Wednesday of May. An organizational meeting is also held immediately following the Annual Meeting of shareholders. The Board held six regular meetings and one organizational meeting in 1995. The Board also held seven regular meetings as directors for PriMerit Bank, the Company's financial services subsidiary. Each director attended more than 75 percent of the meetings of the Board and standing committees on which he or she served during 1995.

DIRECTORS COMPENSATION

Outside directors receive an annual retainer of $20,000, plus $900 for each Board or committee meeting attended. Committee chairpersons receive an additional $500 for each committee meeting they chair. The outside directors also receive an annual retainer of $16,000 and fees for serving on the Board of Directors of the Bank. Each director receives a fee of $700 for each Bank Board or committee meeting attended, and the Bank committee chairpersons also receive an additional $250 for each committee meeting they chair. The Chairman of the Company's Board, Mr. Guinn, receives an additional $25,000 annually for serving in that capacity. Directors who are full-time employees of the Company or its subsidiaries receive no additional compensation for Board service.

Outside directors may defer their compensation until retirement or other termination of status as a director. Amounts deferred accrue interest at 150 percent of the Moody's Seasoned Corporate Rate.

The Company also provides a retirement plan for its outside directors. With a minimum of ten years of service, an outside director can retire and receive a benefit equal to the annual retainer, at retirement, for serving on the Company's Board of Directors. Directors who retire before age 65, after satisfying the minimum service obligation, will receive retirement benefits upon reaching age 65.

COMMITTEES OF THE BOARD

In order to assist it in discharging its duties, the Board of Directors has established four permanent committees: (i) the Executive Committee; (ii) the Audit Committee; (iii) the Nominating and Compensation Committee; and (iv) the Pension Plan Investment Committee.

The Executive Committee meets, if necessary, during the months that the full Board of Directors does not meet. The Executive Committee considers corporate policy matters requiring timely action and recommends that certain other matters be considered and acted upon by the Board. The Executive Committee consists of Directors Guinn (Chairman), Dyer, Lincicome, Maffie and Sundt.

The Audit Committee, whose functions are discussed below under the caption "SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS," consists of Directors Batastini (Chairman), Hartley, Jager, Judd, Lincicome and Sparks.

The Nominating and Compensation Committee makes recommendations to the Board of Directors on such matters as director fees, officer compensation and benefit programs and compensation and benefit programs for all employees. The Nominating and Compensation Committee also makes recommendations to the Board regarding nominees to be proposed by the Board for election as directors. In considering candidates for the Board, the Nominating and Compensation Committee seeks to achieve an appropriate balance of expertise and diversity of interests recognizing factors such as the character and quality of individuals, experience, age, education, geographic location, anticipated participation in Board activities and other personal attributes or special talents. The Nominating and Compensation Committee will consider written suggestions from shareholders regarding potential nominees for election as directors. To be considered by the Nominating and Compensation Committee for inclusion in the slate of nominees to be proposed by the Board, such suggestions should be addressed to the Company's Corporate Secretary. The Nominating and Compensation Committee consists of Directors Judd (Chairman), Cortez, Dyer, Guinn, Hartley and Lincicome.

The Pension Plan Investment Committee establishes, monitors and oversees asset investment policy and practices of the retirement plan on a continuing basis. The Pension Plan Investment Committee consists of Directors Sparks (Chairman), Batastini, Cortez, Jager and Sundt.

In 1995, no Executive Committee meetings were held, the Audit Committee held three meetings, the Nominating and Compensation Committee held three meetings and the Pension Plan Investment Committee held three meetings.

EXECUTIVE COMPENSATION AND BENEFITS

EXECUTIVE COMPENSATION REPORT

The Nominating and Compensation Committee of the Board of Directors (the "Committee") has prepared the following report on the Company's executive compensation program.

Under the supervision of the Committee, the Company has developed and implemented an executive compensation program with the objectives of: (i) reasonableness; (ii) competitiveness; (iii) internal equity; and (iv) performance. These objectives are addressed through an executive compensation program established through industry-based compensation comparisons consisting of annual salaries and a management incentive plan (the "Incentive Plan") that focuses on specific annual and long-term Company financial and productivity performance objectives.

The nature of the Company's operation has historically led to the utilization of compensation systems widely used in industry, weighted for utility companies, and accepted by various utility regulatory agencies. Companies of comparable size used to establish the peer group index for the "Performance Graph" were factored into the compensation review. Other utility and general industry surveys were also used to assess the Company's compensation program. Continued use of such systems is designed to address the first three compensation objectives. A range of salaries that are comparable with industry levels provides an objective standard to judge the reasonableness of the Company's salaries, maintains the Company's ability to compete for and retain qualified executive officers, and provides a means for ensuring that internal responsibilities are properly rewarded. This same strategy is applied in establishing executive officer salaries for the Bank.

The fourth compensation objective, performance, is addressed through the Company's Incentive Plan. The Incentive Plan is designed to retain key management employees and to focus on specific annual and long-term Company financial and productivity performance objectives. Productivity factors were added to the Incentive Plan in March 1995 to take into consideration shareholder benefits resulting from customer growth and overall customer satisfaction. For the Company's chief executive and chief financial officers, these objectives include the Bank's performance.

Salaries for executive officers are set relative to the mid-point levels for their positions based on the above-described industry comparisons. Compensation above those levels is tied to achieving specific financial and productivity performance objectives under the Incentive Plan. An incentive opportunity, expressed as a percentage of salary, is established annually for each participant. No performance awards are payable unless the Company's Common Stock dividend equals or exceeds the prior year's dividend and the Company's performance equals or exceeds a threshold percentage of the performance targets. The maximum award opportunities cannot exceed 140 percent of the targeted awards for meeting the performance objectives.

Awards under the Incentive Plan are determined by comparing the annual performance of the Company's utility operations annual performance to return-on-equity, customers to employee ratios and customer service satisfaction targets. The financial performance factors used to make this determination involve the average of the Company's utility equity performance over the last three years (which is weighted and adjusted for inflation), and the Company's current utility return-on-equity performance in comparison to a peer group of natural gas distribution companies. The productivity performance factors used to make this determination involve an internal Company customer to employee ratio, the actual customer to employee ratio in comparison to a peer group of natural gas distribution companies, and customer service satisfaction experienced throughout the Company's operating divisions as measured by an independent outside entity. Each of the five factors is equally weighted, and if the threshold percentage for any factor is achieved, a percentage of annual performance awards will have been earned. The financial performance factors for the Company's financial services subsidiary, which are outlined below, are also taken into consideration in determining the annual award for the Company's chief executive and chief financial officers.

If annual performance awards are earned, payment of the awards will be subject to a possible downward adjustment depending on Incentive Plan participants' satisfaction of individual performance goals. The Committee will make the individual performance determination for the Company's chief executive officer, who in turn will make such determination for the remaining Incentive Plan participants. Further, the actual awards will be split, with 40 percent of the awards paid in cash and the remaining 60 percent converted into performance shares tied to the value of the Company's Common Stock on the date of the awards. The performance shares will be restricted for a period of three years and the ultimate payout in Company Common Stock will be subject to continued employment and the Company's financial and productivity performance during the subsequent three-year restriction period.

Separate peer groups of natural gas utility companies are used to assess the Company's annual and long-term performance objectives. Natural gas distribution utilities are used to assess the annual and long-term performance of the Company's utility operations. Diversified natural gas distribution utilities, consisting of the same companies used to assess the Company's five-year performance reflected in the "Performance Graph" portion of this Proxy Statement, have also been used to assess the Company's overall long-term performance. If the pending sale of the Bank is completed, the peer group of diversified natural gas distribution utilities will no longer be used to assess the Company's long-term performance. The Committee will then establish other measures to assess such performance.

The Bank provides performance-based incentive awards through its Executive Compensation Program. Under the plan, separate incentive awards, each based on a percentage of salary for each participant, are established for achieving annual and long-term performance objectives. Annual performance is measured against a return-on-equity target for core banking operations, while long-term performance is measured against an average return-on-equity target for core banking operations of a peer group of financial institutions. Annual awards are paid in cash at the time performance is measured. Long-term awards, though measured annually, are withheld for the three-year performance period. No performance awards are payable under the plan unless actual performance exceeds a threshold percentage return-on-equity for core banking operations for each performance period. The maximum award opportunities cannot exceed 150 percent of the target awards. If the pending sale of the Bank is consummated, the program will be terminated and the long-term awards that have been earned through 1995 will be paid to program participants.

The Company's performance during 1995 exceeded the threshold percentages for each of the established productivity targets. The Company's utility operation exceeded the target for the internal customer to employee ratio, the customer to employee ratio in comparison to a peer group of natural gas distribution companies, and the customer service satisfaction survey. The Bank exceeded the threshold for its annual performance goal and exceeded its long-term performance

target for the second year of the 1994-1996 three-year performance period and the first year of the 1995-1997 performance period.

Mr. Maffie's salary for 1995, as the Company's chief executive officer, was set relative to the mid-point level for salaries paid to chief executive officers of comparable companies, taking into consideration the length of service in his current position. His performance award opportunities under the Incentive Plan took into consideration the Company's utility and financial services operations, weighted 88 percent and 12 percent, respectively. The performance award opportunities ranged from 63 to 126 percent of his annualized salary at December 31, 1995, not his actual salary shown in the Summary Compensation Table.

Mr. Maffie's target performance award for 1995 was set equal to $382,500 or 90 percent of his annualized salary. Based on the Company's overall 1995 performance in relation to the established performance goals, Mr. Maffie earned $307,510 or 80 percent of his target award. The performance of the Company's utility operations accounted for 85.5 percent of Mr. Maffie's award, with 32 percent paid in cash and 68 percent in performance shares. The performance of the Bank accounted for 14.5 percent of his award, which was paid in cash.

The Company does not anticipate that the compensation for any of its executive officers will exceed the $1 million threshold in the near term; therefore, shareholder approval necessary to maintain the tax deductibility of compensation at or above that level is not being requested at this time. The Committee will consider this matter if compensation levels approach this threshold, in light of the tax laws then in effect.

The Nominating and Compensation Committee believes that the compensation program addresses the Company's compensation objectives, enhances the commitment of key management employees and strengthens long-term shareholder value.

NOMINATING AND COMPENSATION COMMITTEE

Leonard R. Judd, (Chairman)	Kenny C. Guinn
Manuel J. Cortez	Thomas Y. Hartley
Lloyd T. Dyer	James R. Lincicome

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The above-named committee members served on the Company's Nominating and Compensation Committee during 1995. Mr. Guinn retired as Chairman and Chief Executive Officer of the Company on May 12, 1993, and retired as a full-time employee of the Company on August 31,1993. Mr. Guinn became a member of the Committee after his retirement as an officer of the Company.

SUMMARY COMPENSATION TABLE

The following table provides for fiscal years ended December 31, 1993, 1994 and 1995, compensation earned by the Company's Chief Executive Officer and each of the four other most highly compensated executive officers of the Company.

SUMMARY COMPENSATION TABLE (1)

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY($)	ANNUAL COMPENSATION BONUS($)(2)	OTHER ANNUAL COMPENSATION($)	LONG TERM COMPENSATION AWARDS RESTRICTED STOCK AWARD(S) ($)(2)(3)(4)	LONG TERM COMPENSATION AWARDS OPTIONS/ SARS(#)	LONG TERM COMPENSATION PAYOUTS LTIP PAYOUTS ($)(5)	ALL OTHER COMPENSATION($) (6)(7)(8)
Michael O. Maffie	1995	408,671	128,270	0	179,246	N/A	N/A	40,481
President/C.E.O.	1994	370,616	73,149	0	51,098	N/A	N/A	32,898
	1993	316,904	48,510	0	48,510	N/A	N/A	31,070
Dan J. Cheever	1995	255,135	95,000	0	N/A	N/A	N/A	23,037
President/C.E.O.	1994	226,770	69,913	0	N/A	N/A	N/A	12,484
PriMerit Bank	1993	208,725	75,000	0	N/A	N/A	N/A	4,497
Thomas J. Trimble	1995	212,367	40,114	0	60,172	N/A	N/A	48,153
Senior Vice President/ General Counsel/ Corporate Secretary	1994	209,178	20,413	0	20,413	N/A	N/A	39,404
	1993	206,345	19,219	0	19,219	N/A	N/A	38,223
George C. Biehl	1995	197,326	41,448	0	56,523	N/A	N/A	12,137
Senior Vice President/ Chief Financial Officer	1994	187,068	25,124	0	16,988	N/A	N/A	9,148
	1993	175,449	16,632	0	16,632	N/A	N/A	8,732
L. Keith Stewart	1995	162,142	30,929	0	46,389	N/A	N/A	16,168
Senior Vice President/ Operations	1994	154,712	15,359	0	15,359	N/A	N/A	11,650
	1993	144,622	13,861	0	13,861	N/A	N/A	11,170

(1) All compensation reflected in the Summary Compensation Table is reported on an earned basis for each fiscal year.

(2) Bonuses and performance shares accrued for calendar years 1993, 1994 and 1995 were paid and awarded in 1994, 1995 and 1996, respectively.

(3) Dividends equal to the dividends paid on the Company's Common Stock will accrue on the performance shares awarded under the long-term component of the Company's Incentive Plan during the restriction period.

(4) Messrs. Maffie, Trimble, Biehl and Stewart were awarded performance shares (restricted stock) under the Company's Incentive Plan. Mr. Cheever does not participate in the Company's Incentive Plan. The total number of performance shares granted in 1994 and 1995, for calendar years 1993 and 1994, and their value based on the market price of Company Common Stock at December 29, 1995 for each individual are as follows:

	SHARES	VALUE
Mr. Maffie	6,457	$113,805
Mr. Trimble	2,604	45,896
Mr. Biehl	2,206	38,881
Mr. Stewart	1,922	33,875

(5) If the impending sale of the Bank is consummated, the long-term performance awards under both performance periods, or $94,959, will be paid to Mr. Cheever at least one week prior to closing.

(6) For Messrs. Maffie, Trimble, Biehl and Stewart, the amounts shown in this column for each year consist of above-market interest on deferred compensation and matching contributions under the Company's executive deferral plan. Under the plan, executive officers may defer up to 50 percent of their annual compensation for payment at retirement or at some other employment terminating event. Interest on such deferrals is set at 150 percent of the Moody's Seasoned Corporate Rate. As part of the plan, the Company provides matching contributions that parallel the contributions made under the Company's 401(k) plan, which is available to all Company employees, equal to one-half of the deferred amount, up to six percent of their annual salary.

(7) For Mr. Cheever, the amounts shown in this column consist of above-market interest on deferred compensation and matching contributions under the Bank's 401(k) and executive deferral plans. Under the Bank's executive deferral plan which was adopted in 1994, Mr. Cheever may defer up to 50 percent of his annual salary and bonus for payment at retirement or at some other employment terminating event. Interest on executive plan deferrals is set at 150 percent of the Moody's Seasoned Corporate Rate. For 1994 and the first two months of 1995, the Bank provided matching contributions equal to the amount deferred under each plan, up to six percent of Mr. Cheever's annual compensation. For the remainder of 1995, such matching contributions were only provided to Mr. Cheever under the provisions of the Bank's executive deferral plan.

(8) All Other Compensation consists of matching contributions under the Company's or the Bank's deferral plans and interest on such deferrals in excess of 120 percent of the Applicable Federal Long-term [bond] Rate. The breakdown of such compensation for each named executive officer is as follows:

	INTEREST	CONTRIBUTIONS
Mr. Maffie	$ 28,239	$12,242
Mr. Cheever	5,920	17,117
Mr. Trimble	41,783	6,370
Mr. Biehl	6,221	5,916
Mr. Stewart	11,307	4,861

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LONG-TERM INCENTIVE PLAN AWARDS FOR 1995

The following table summarizes the long-term cash incentive awards earned by Dan Cheever under the Bank's performance-based executive compensation plan for the three-year performance periods of January 1, 1994 through December 31, 1996 and January 1, 1995 through December 31, 1997. Of the named executive officers, only Mr. Cheever was eligible to participate in the Bank plan. If the pending sale of the Bank is consummated, the long-term performance awards under both performance periods will be paid to Mr. Cheever at least one week prior to closing and the Plan will be terminated.

LONG-TERM INCENTIVE PLAN TABLE

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS(#)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT	ESTIMATED FUTURE PAYOUT UNDER NON-STOCK PRICE-BASED PLANS			
			THRESHOLD ($ OR #)	TARGET ($ OR #)	MAXIMUM ($ OR #)	
Dan Cheever	N/A	1994-1997(1)	$34,007	$ 34,007	$34,007	
Dan Cheever	N/A	1995-1998(2)	$37,782	$ 37,782	$37,782	

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(1) The long-term performance award earned by Mr. Cheever for the first performance period represents 30 percent or the second year's percentage of such award. Mr. Cheever earned 20 percent, or $23,170, during the first year of this performance period. This year's award is not subject to further adjustment during the performance period, and if the pending sale of the Bank is consummated, the awards earned through the end of 1995 will be paid out to Mr. Cheever at least one week prior to closing.

(2) The long-term performance award earned by Mr. Cheever for the second performance period represents 33 percent or the first year's percentage of such award. This year's award is not subject to further adjustment during the performance period, and if the pending sale of the Bank is consummated, the award earned through the end of 1995 will be paid out to Mr. Cheever at least one week prior to closing.

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BENEFIT PLANS

Southwest Gas Basic Retirement Plan. The named executive officers, except Mr. Cheever, participate in the Company's non-contributory, defined benefit retirement plan, which is available to all employees of the Company and its subsidiaries (except the Bank which has a separate plan). Benefits are based upon an employee's years of service, up to a maximum of 30 years, and the employee's highest five consecutive years salary within the final 10 years of service.

PENSION PLAN TABLE(1)(2)

ANNUAL COMPENSATION	YEARS OF SERVICE 10	15	20	25	30
$ 50,000	$ 8,750	$ 13,125	$ 17,500	$ 21,875	$ 26,250
100,000	17,500	26,250	35,000	43,750	52,500
150,000	26,250	39,375	52,500	65,625	78,750
200,000	35,000	52,500	70,000	87,500	105,000
250,000	43,750	65,625	87,500	109,375	131,250
300,000	52,500	78,750	105,000	131,250	157,500
350,000	61,250	91,875	122,500	153,125	183,750
400,000	70,000	105,000	140,000	175,000	210,000
450,000	78,750	118,125	157,500	196,875	236,250
500,000	87,500	131,250	175,000	218,750	262,500

(1) Years of service beyond 30 years will not increase benefits under the basic retirement plan.

(2) For 1996, the maximum annual compensation that can be considered in determining benefits under the plan is $150,000. For future years the maximum annual compensation will be adjusted to reflect changes in the cost of living as established by the Internal Revenue Service.

Compensation covered under the basic retirement plan is based on salary depicted in the Summary Compensation Table. As of December 31, 1995, the credited years of service for the named executive officers shown in the Summary Compensation Table are as follows: Mr. Maffie, 17 years; Mr. Biehl, 10 years; Mr. Stewart, 11 years; and Mr. Trimble, 9 years.

Amounts shown in the pension plan table are straight-life annuity amounts notwithstanding the availability of joint survivorship benefit provisions. Benefits paid under the basic and supplemental retirement plans are not reduced by any Social Security benefits received.

Supplemental Retirement Plan. The named executive officers, except Mr. Cheever, also participate in the Company's supplemental retirement plan. Such officers with 10 or more years of service may retire at age 55 or older and will receive benefits under the plan. Such benefits, when added to benefits received under the basic retirement plan, will equal 60 percent of their highest 12 months of compensation with the Company. The total benefit may be reduced if an officer retires prior to age 60, depending upon his age and total years of service with the Company. The cost to the Company for benefits under the supplemental retirement plan for any one of the named executive officers cannot be properly allocated or determined because of the overall plan assumptions and options available.

The Bank Retirement Income Plan. Mr. Cheever, who is a named executive officer, participates in the Bank's non-contributory, defined benefit retirement plan, which is available to all employees of the Bank and its subsidiaries. Through March 1994, benefits were based upon an employee's years of service, up to a maximum of 15 years, and the employee's 60 highest paid consecutive months of employment with the Bank. Commencing April 1, 1994, the plan was curtailed. Employees hired on or after that date will not be able to participate in the plan, while existing employees will not be able to increase benefits under the plan through additional service with the Bank. Salary changes for existing employees, however, will continue to affect plan benefits. If the pending sale of the Bank is consummated, the plan will be merged with the defined benefit retirement plan of Norwest.

PENSION PLAN TABLE(1)(2)

ANNUAL COMPENSATION	YEARS OF SERVICE 5	10	15	
$ 50,000	$ 5,833	$11,667	$ 17,500	
100,000	11,667	23,333	35,000	
150,000	17,500	35,000	52,500	
200,000	23,333	46,667	70,000	
250,000	29,167	58,333	87,500	
300,000	35,000	70,000	105,000	

(1) Prior to March 31, 1994, years of service beyond 15 years would not increase benefits under the plan. With the curtailment of the plan, additional years of service will no longer increase benefits under the plan.

(2) For 1996, the maximum annual compensation that can be considered in determining benefits under the plan is $150,000. For future years, the maximum annual compensation will be adjusted to reflect changes in the cost of living as established by the Internal Revenue Service.

Compensation covered under the Bank retirement plan is based on salary depicted in the Summary Compensation Table. At the time the plan was curtailed, Mr. Cheever had five years of service with the Bank. Only future salary changes will affect Mr. Cheever's benefits under the plan.

Amounts shown in the pension plan table are straight life annuity amounts notwithstanding the availability of joint survivorship benefit provisions. Benefits paid under the Bank's basic and supplemental retirement plans are not reduced by any Social Security benefits.

PriMerit Bank Supplemental Executive Retirement Plan. Mr. Cheever also participates in the Bank's supplemental retirement plan. Participation in the supplemental plan is limited to officers of the Bank selected by the Bank's Board of Directors. Benefits under the plan, when added to benefits received under the defined benefit retirement plan, will equal 60 percent of the participant's average annual salary over the 60 highest paid consecutive months of service. The total benefit will be reduced if a participant retires prior to age 65, and with less than 15 years of service with the Bank. The cost to the Bank for benefits under the supplemental retirement plan for Mr. Cheever cannot be properly determined because of the overall plan assumptions and options available. If the pending sale of the Bank is consummated, the plan will be terminated and Mr. Cheever's accrued benefits, estimated to be $75,000, will be paid prior to closing.

CHANGE IN CONTROL ARRANGEMENT

The Bank, during 1994, entered into an agreement with Mr. Cheever that is designed to support his continued employment with the Bank. Under the terms of the agreement, Mr. Cheever would be entitled to a lump sum benefit payment of $500,000 if he is employed by the Bank at the time of a change in control of the Bank. Such payment would become due and payable only after the occurrence of a change in control. The agreement also provides that Mr. Cheever would be entitled to a lump sum deferred compensation benefit equal to 200 percent of his annual salary if his employment with the Bank is terminated (or his responsibilities are substantially changed without his consent) within 12 calendar months of a change in control for other than cause, death, disability or retirement. In addition, Mr. Cheever will be entitled to an additional $169,959 under the Bank's Long-Term Incentive Plan and Supplemental Executive Retirement Plan. (See "EXECUTIVE COMPENSATION AND BENEFITS -- Long-Term Incentive Plan Awards for 1995" and "-- Benefit Plans -- Supplemental Executive Retiremental Plan"). No officer or director of the Company will receive any additional compensation upon consummation of the Bank Sale.

PERFORMANCE GRAPH

The performance graph below compares the five-year cumulative total return on the Company's Common Stock, assuming reinvestment of dividends, with the total returns on the Standard & Poor's 500 Stock Composite Index (S&P 500) and the Edward D. Jones Natural Gas Diversified Index, a peer-group index compiled by Edward D. Jones & Company, consisting of the Company and 22 other diversified natural gas distribution companies.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURNS

MEASUREMENT PERIOD	SOUTHWEST GAS	S&P 500	E.D. JONES NATURAL GAS DIVERSIFIED INDEX(1)(2)
1990	$100.0	$100.0	$100.0
1991	88.2	130.3	86.0
1992	120.2	140.3	91.4
1993	146.2	154.3	103.9
1994	135.2	156.4	90.3
1995	177.6	215.0	122.8

(1) The Company selected the Edward D. Jones Natural Gas Diversified Index as a peer-group index because it provides a representative sample of natural gas distribution companies with at least 30 percent, but less than 90 percent, of their gross revenues from distribution operations. This index should be available on a continuing basis; however, if the pending sale of the Bank is consummated, another representative index will be assembled or selected.

(2) The Edward D. Jones Natural Gas Diversified Index, which is weighted by year-end market capitalization, consists of the following companies; Alabama/Tennessee Resources, Inc., Chesapeake Utilities Corp., Columbia Gas System, Consolidated Natural Gas, Eastern Enterprises, Energen Corp., Enserch Corp., Equitable Resources, Inc., KN Energy, Inc., National Fuel Gas Co., National Gas & Oil Co., Noram Energy Corp., Oneok, Inc., Pacific Enterprises, Pennsylvania Enterprises, Inc., Questar Corp., South Jersey Industries, Southwest Gas Corporation, Southwestern Energy Co., UGI Corp., Valley Resources, Inc., Washington Energy Company, and Wicor, Inc.

APPROVAL OF THE BANK SALE

(ITEM 2 ON THE PROXY CARD)

You are being asked to consider and vote upon a proposal to approve the principal terms of the Agreement dated as of April 10, 1996, (the "Bank Sale Agreement") among the Company, The Southwest Companies, a Nevada corporation ("SC"), the Bank and Norwest Corporation, a Delaware corporation ("Norwest"), pursuant to which Norwest has agreed, subject to the satisfaction of certain conditions, to purchase substantially all of the assets and liabilities of the Bank for $190,700,000 in cash, subject to certain adjustments described below (the "Bank Sale"). The Company will pay Norwest a certain amount in cash for the Bank's deferred tax assets. If the purchase of the Bank occurred on March 31, 1996, the purchase price for these assets would have been $616,510. The Company will retain all assets and liabilities of the Bank relating to the Bank's real estate development activities, the tax assets and liabilities of the Bank and certain recorded intangibles. The net book value of these assets and liabilities as of March 31, 1996, was $(218,282). The affirmative vote of a majority of the shares of the Company's Common Stock outstanding on the Record Date is required to approve the principal terms of the Bank Sale Agreement. Shareholders are not entitled to exercise dissenters' rights with respect to the Bank Sale.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE BANK SALE AGREEMENT AS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE COMPANY APPROVE THE PRINCIPAL TERMS OF THE BANK SALE AGREEMENT.

The Closing of the Bank Sale (the "Closing") will occur within ten business days following the satisfaction or waiver of all conditions to the Bank Sale Agreement, other than conditions relating to the delivery of certain closing documents, or such other date as may be agreed to by the parties (the "Closing Date"). It is anticipated that the Closing will occur during the third quarter of 1996. The Bank Sale Agreement may be terminated by either party if the Bank Sale has not been consummated by September 30, 1996.

This section of the Proxy Statement provides information regarding the material terms of the Bank Sale. The following description does not purport to be complete and is qualified in its entirety by reference to the Bank Sale Agreement, which is set forth in Appendix A to this Proxy Statement. Shareholders are urged to read the Bank Sale Agreement in its entirety.

BACKGROUND OF THE BANK SALE

The enactment of the Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA") in August 1989 resulted in a fundamental change in the rules under which thrift institutions, like the Bank, were required to operate. One of the most fundamental changes was in minimum regulatory capital requirements. Under FIRREA, a thrift institution was required to deduct from regulatory capital goodwill and the amount of any investments in and loans to subsidiaries engaged in an activity not permitted of national banks, such as real estate investment. The Bank had $92.9 million of goodwill and $101 million in real estate held for sale or development at September 30, 1989.

In October 1989, the management of the Company met with the management of the Bank to discuss the anticipated changes in the business of the Bank resulting from the enactment of FIRREA and the new capital regulations. They determined that much more capital would be required in the business of the Bank than before FIRREA. At the same time, the ability of the Company to raise capital to be contributed to the Bank was constrained by public utility legislation in California which became effective in 1988. During this general time-frame, a decision was made to wind down the Bank's real estate development activities and to cease construction of residential homes and multi-family projects.

As a result of these changes in the operating environment, management began to consider the future of the Company's investment in the Bank. In September 1991, the Board of Directors invited a major investment banking firm to make a presentation regarding options with respect to the Company's investment in the Bank. The conclusion reached in the presentation was generally that the value of the Company would be enhanced by the ultimate disposition of the Bank. It was determined that the timing of such a disposition should take into account a variety of factors. No decision was made to dispose of the Bank at this time.

As part of the ongoing review of the Company's investment in the Bank, management made a presentation to the Board of Directors in September 1993 regarding the effect of the Bank on the Company's financial position and operating results, noting that the Bank had recorded losses of $37.2 million and $9.8 million in 1991 and 1992, respectively, but had become marginally profitable in 1993. No representatives of investment banking firms participated in the presentation, although it was based, in part, upon conclusions reached during a series of meetings between management and investment bankers. At this meeting no determinations were made with regard to the disposition of the Company's investment in the Bank.

At the regular meeting of the Board of Directors held in May 1994, the management of the Company, the Company's legal advisors and representatives of a major investment banking firm made presentations to the Board regarding the Company's investment in the Bank, its effect on the Company and strategic alternatives available to the Company with regard to the Bank. At the presentation, management expressed its opinion that the primary factors affecting a decision whether to dispose of the Bank presented a stronger case for a present sale of the Bank than at any other time since the Company's acquisition of the Bank. The Board expressed a willingness to consider the sale of the Bank as one possible alternative if certain parameters were met, but it did not feel compelled to immediately dispose of the Bank.

Following this presentation, and after further discussion, the Board of Directors unanimously approved a resolution to retain the investment banking firm to advise the Company regarding strategic alternatives available to the Company with respect to the Bank. The Board also approved the engagement of legal counsel to advise the Company regarding legal matters.

After the regular meeting of the Board of Directors, a process was conducted with a view to identifying parties with an interest in discussing an acquisition of the Bank pursuant to the parameters under consideration by the Board. Each of the identified parties was provided with information regarding the Bank. After a review of this information, two parties, including Norwest, expressed continued interest in a possible purchase. Both parties were provided with additional information and given an opportunity to review materials with management of the Bank and the Company. Negotiations were then commenced with both parties.

During the course of the negotiations, it became apparent that the parameters outlined by the Board of Directors for a possible sale of the Bank would not be met. At this point, management terminated the process and recommended to the Board at its regular meeting in August 1994 that a sale of the Bank to the parties under consideration not be pursued at that time. The Board concurred with the conclusions reached by management.

Management continued to discuss potential sale possibilities with the two potential acquirors identified during the summer of 1994, as well as several other financial institutions. These discussions were typically general in nature, although one potential acquiror executed a confidentiality agreement in December 1994, performed an extensive off-site analysis of the Bank's operations and met with management for discussions during the summer of 1995.

At the regular meeting of the Board of Directors on September 18, 1995, representatives of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), the management of the Company and the Company's legal advisors made presentations to the Board regarding strategic alternatives available to the Company with regard to the Bank. The presentation given by represent-

atives of Merrill Lynch included discussions regarding: (i) recent merger and acquisition activity among depository institutions; (ii) an overview and a preliminary range of potential valuations of the Bank; (iii) potential acquirors of the Bank; and (iv) strategies for determining potential interest of potential acquirors in acquiring the Bank. Following the presentation, and after further discussion, the Board unanimously approved a resolution to retain Merrill Lynch to advise the Company regarding strategic alternatives available to the Company with respect to the Bank.

After the regular meeting of the Board of Directors in September 1995, a limited auction process was conducted with regard to the sale of the Bank. Merrill Lynch contacted six financial institutions to determine whether they might be interested in acquiring the Bank. In addition, another party contacted Merrill Lynch directly and expressed an interest in the Bank. Three of these institutions indicated that they had no interest in a transaction with the Bank. During late September and early October 1995, the Company and the Bank provided Norwest and three other potentially interested parties with financial and business information after execution of confidentiality agreements. Following a review of the information provided, Merrill Lynch requested each party to submit a bid for the Bank. Two bids were received, including one from Norwest.

Management and the Company's financial and legal advisors reviewed the terms of each of the bids. The other bid was for a lesser amount and was accompanied by potential downward price adjustments for certain items. Both bids satisfied the parameters set by the Board of Directors in May 1994, with one exception. Neither bidder was willing to acquire the assets and liabilities of the Bank relating to its real estate development activities due to lack of familiarity with these assets and liabilities and the inherent difficulties in quantifying unknown and contingent liabilities of a discontinued real estate development business. The net book values of the real estate development assets and liabilities at March 31, 1996 was $(835,000). (See "TERMS OF THE BANK SALE -- Consideration for the Bank Sale" and "Retained Assets and Liabilities" for a description of the real estate assets and liabilities retained).

On January 8, 1996, a special meeting of the Board of Directors was convened for the purpose of considering management's recommendation to approve the principal terms of the Bank Sale Agreement. Representatives from the Company's financial and legal advisors were present at the meeting or participated by conference telephone.

Management and the Company's legal and financial advisors made presentations regarding the Bank, Norwest, the principal terms of the Bank Sale Agreement and valuations of the Bank using different valuation techniques. Merrill Lynch rendered an oral opinion (subsequently confirmed in writing) to the Board of Directors to the effect that, as of such date and based upon and subject to matters stated in such opinion, the consideration to be received by the Company from Norwest pursuant to the terms of the Bank Sale Agreement was fair to the Company from a financial point of view. (See "-- OPINION OF FINANCIAL ADVISOR") Management also presented to the Board a summary of the accounting and tax consequences of the Bank Sale.

After discussion, the Board of Directors unanimously approved terms of the Bank Sale. The execution of the sale was publicly announced on January 8, 1996.

Under the provisions of the sales agreement, SC would sell all of the outstanding stock of the Bank to Norwest, provided that Norwest had the option to elect to restructure the transaction as a purchase of substantially all of the assets and liabilities of the Bank, other than certain assets and liabilities relating to taxes and real estate development activities formerly conducted by the Bank and certain recorded intangibles. On April 10, 1996, Norwest exercised that option and the Company, SC, the Bank and Norwest entered into the Bank Sale Agreement dated as of April 10, 1996 pursuant to which the Bank will sell to a wholly owned subsidiary of Norwest substantially all the assets and liabilities of the Bank, other than certain assets and liabilities relating to taxes and real estate development activities formerly conducted by the Bank and certain recorded intangibles.

REASONS FOR THE BANK SALE

The Board of Directors has unanimously concluded that the Bank Sale is in the best interests of the Company and its shareholders and unanimously recommends that shareholders approve the principal terms of the Bank Sale Agreement. In reaching its determination to approve the Bank Sale Agreement, the Board considered the following factors, which together with the process followed by the Company in soliciting interest in the purchase of the Bank, constitute all of the material factors considered by the Board:

(i) The Board's belief that a divestiture of the Bank would improve the Company's equity valuation by (x) signaling a return of management's attention to its core gas operations, (y) allowing capital to be redeployed into its existing gas business and (z) reducing the Company's cost of capital by eliminating the Bank's volatile earnings stream and reducing the leverage in its capital structure.

(ii) The Board's belief that there was no longer a strategic fit between the Company and the Bank in the post-FIRREA regulatory environment. The Board also considered that proposed federal legislation would require federally chartered savings institutions to either (x) convert to national banks or state chartered depository institutions by January 1, 1998 and to divest activities not permissible for national bank holding companies, such as the gas utility business, or (y) surrender their charters and liquidate by January 1, 1998.

(iii) The Board's assessment of the Bank's current operating environment, including, but not limited to, the continued consolidation and increasing competition in the banking and financial services industry generally and in Nevada in particular and the need for additional investment in technology, product development and marketing in order to maintain the Bank's franchise value.

(iv) The Board's consideration, based in part upon information provided by Merrill Lynch and the Company's management, of various variables relevant to a determination of the optimal timing of a sale of the Bank. The information provided included a review of the current operating and regulatory environment for thrift institutions, an overview of recent thrift acquisition premiums, the interest of potential acquirors in the Bank and factors that might affect such interest, the Bank's ability to maintain earnings growth and asset quality in an increasingly competitive environment and the Bank's ability to originate loans, gather deposits and increase fee income. Merrill Lynch provided an overview of the mergers and acquisitions market for nationwide thrift/thrift and bank/thrift deals with transaction values of $20 million or more for 1989 through August 28, 1995. Mergers and acquisitions for thrifts and banks remained low in 1989, 1990 and 1991 with 18 transactions consummated in 1989 with an aggregate transaction value of $934 million, 9 transactions consummated in 1990 with an aggregate transaction value of $802 million and 13 transactions consummated in 1991 with an aggregate transaction value of $814 million. Mergers and acquisitions for thrifts and banks grew steadily in 1992, 1993 and 1994 from 38 transactions with an aggregate transaction value of $3.484 billion in 1992, to 57 transactions with an aggregate transaction value of $5.323 billion in 1993 and 64 transactions with an aggregate transaction value of $7.974 billion in 1994. Mergers and acquisitions then showed a decline in 1995 from 1994 levels based on activity through August 28, 1995 (36 transactions with an aggregate transaction value of $4.361 billion). Merrill Lynch also provided information on the mergers and acquisitions market in the Western region of the United States. This overview showed that most recent thrift acquisitions in the Western Region were by large financial institutions seeking to build market share. Merrill Lynch also reviewed the transaction multiples for Norwest's announced acquisition of AMFED Financial, a thrift based in Nevada with approximately $1.6 billion in assets. With an aggregate purchase price of approximately $197 million, the transaction yielded a price to book value multiple of 1.42x, a price to tangible book multiple of 1.69x and an implied deposit premium of 7%. Merrill Lynch also provided a comparison of asset quality, capitalization and profitability ratios and market

share statistics for AMFED and the Bank. In addition, the Board considered (x) that consolidation values for financial institutions might be reaching a plateau, (y) the real and significant risk that the current value of the Bank as an acquisition target might diminish given an extended period of flat earnings at the current level, and (z) that the opportunity cost of continuing to hold the Bank as an investment might be significant.

(v) The Board's consideration, based in part upon information provided by Merrill Lynch and the Company's management, that the strategic value of the Bank as the last remaining sizable community bank franchise in Nevada could diminish because the willingness of potential buyers to acquire moderately sized financial institutions might subside once larger financial institutions achieved greater critical mass in the area, at which time the remaining acquisition candidates, such as the Bank, might be considered not to be a viable means of entering the Nevada market. In this regard, the information provided included a review of other acquisition opportunities in the State as well as the number of potential acquirors, the Bank's market share in certain Nevada markets, the attractiveness of a thrift franchise to potential acquirors in an uncertain regulatory environment and the likelihood of continued consolidation in the banking industry and the potential synergies between potential acquirors and the Bank. Market share information provided by Merrill Lynch showed that large out-of-state holding companies have a substantial presence in most Nevada banking markets. As of June 30, 1994, the four largest out-of-state financial institutions in Nevada (assuming the completion of pending acquisitions) had 26.8%, 26.4%, 10.72% and 5.76% of total deposits in the state compared to 9.4% for the Bank. The information also showed that substantial branch overlap existed between the Bank and its larger in-market competitors, creating a potential for cost savings.

(vi) The Board's consideration, based in part on information provided by Merrill Lynch and the Company's management, of the value to the Company of the Bank continuing as a stand-alone entity compared to its value to a potential acquiror, such as Norwest, in light of the factors summarized above and the current economic and financial environment. The information provided included a review of the opportunity cost of receiving a sale value for the Bank now as opposed to holding the Bank and realizing value in the future. Merrill Lynch presented a break-even returns analysis based on earnings projections for the Bank provided by the management of the Bank and a range of hypothetical offer values for the Bank of $160 million to $200 million. Using price to earnings multiples of 10x to 15x and a discount rate of 15%, Merrill Lynch calculated that a compound annual growth rate of earnings of between approximately 16% and 35% would be needed by the Bank over a five year period to provide the Company with the same value on a present value basis as hypothetical offer values of $160 million to $200 million. In this regard, the Board considered the Bank's ability to generate a level of annual earnings growth during the next five years sufficient to achieve a valuation equivalent to the Bank's present sale value and the prospects for achieving such earnings growth.

(vii) The Board's consideration of the financial presentations of Merrill Lynch (including the assumptions and methodologies underlying their analyses), the results of the contacts and discussions between the Company, its advisors and various third parties and the written opinion of Merrill Lynch that, as of January 8, 1996, and based upon and subject to the matters stated in such opinion, the consideration to be received by the Company pursuant to the terms of the Bank Sale Agreement was fair to the Company from a financial point of view. (See "-- OPINION OF FINANCIAL ADVISOR")

The foregoing discussion of the information and factors considered by the Board of Directors is not intended to be exhaustive, but constitutes the material factors considered by the Board. In reaching its determination to approve and recommend the principal terms of the Bank Sale Agreement, the Board did not assign relative or specific weights to the foregoing factors or to the process followed by the Company in soliciting interest from potential purchasers, and individual directors may have weighed such factors and the process differently. Throughout its deliberations,

the Board received the advice of Merrill Lynch and representatives of O'Melveny & Myers, the firm retained as special counsel to the Company.

FOR THE REASONS SET FORTH ABOVE, THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE BANK SALE AGREEMENT AS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE COMPANY APPROVE THE PRINCIPAL TERMS OF THE BANK SALE AGREEMENT.

OPINION OF FINANCIAL ADVISOR

The Company has engaged Merrill Lynch to act as its financial advisor in connection with matters related to the Bank. The Company selected Merrill Lynch as its financial advisor on the basis of Merrill Lynch's experience and qualifications in similar advisory capacities and its general familiarity with the Company and the Bank and their businesses.

As part of its engagement, representatives of Merrill Lynch attended the meeting of the Board of Directors held on January 8, 1996, at which the Board considered the Bank Sale. On January 8, 1996, Merrill Lynch rendered its written opinion to the Board to the effect that, as of such date, the consideration to be received by the Company pursuant to the terms of the Bank Sale Agreement (the "Consideration") was fair to the Company from a financial point of view. This opinion was reconfirmed in writing as of the date of this Proxy Statement by redelivery of an opinion dated as of the date of this Proxy Statement. No limitations were imposed by the Company or the Bank on the scope of Merrill Lynch's investigation or on the procedures followed by Merrill Lynch in rendering its fairness opinion.

The full text of Merrill Lynch's written opinion dated as of the date of this Proxy Statement is set forth in Appendix B to this Proxy Statement. The description of the opinion set forth herein is qualified in its entirety by reference to Appendix B, although it discloses all material elements of such opinion. Shareholders are urged to read Merrill Lynch's opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Merrill Lynch in connection therewith.

MERRILL LYNCH'S OPINION IS DIRECTED TO THE BOARD OF DIRECTORS OF THE COMPANY AND ADDRESSES ONLY THE FAIRNESS OF THE CONSIDERATION TO THE COMPANY. IT DOES NOT ADDRESS THE COMPANY'S UNDERLYING BUSINESS DECISION TO PROCEED WITH THE TRANSACTION OR THE RELATIVE MERITS OF THE TRANSACTION. THE OPINION DOES NOT CONSTITUTE, NOR SHOULD IT BE CONSTRUED AS, A RECOMMENDATION TO ANY SHAREHOLDER AS TO HOW SUCH SHAREHOLDER SHOULD VOTE AT THE ANNUAL MEETING.

Merrill Lynch has informed the Company that in arriving at its opinion, Merrill Lynch has, among other things: (i) reviewed the Company's Annual Reports, Forms 10-K and related audited financial information for the three fiscal years ended December 31, 1995 and the Company's Quarterly Report on Form 10-Q and the related unaudited financial information for the quarterly period ending March 31, 1996; (ii) reviewed the Bank's Annual Reports and related audited financial information for the three fiscal years ended December 31, 1995 and unaudited financial information for the quarterly period ending March 31, 1996; (iii) reviewed certain information, including financial forecasts relating to the business, earnings, assets and prospects of the Bank furnished to it by the Bank; (iv) conducted discussions with members of senior management of the Bank concerning the business and prospects of the Bank; (v) compared the results of operations of the Bank with those of certain companies which it deemed to be relevant; (vi) compared the proposed financial terms of the Bank Sale contemplated by the Bank Sale Agreement with financial terms of certain other mergers and acquisitions which it deemed to be relevant; (vii) reviewed the Bank Sale Agreement; and (viii) performed such other financial studies and analyses as it deemed necessary, none of

which were material, individually or in the aggregate, other than those described below. Each of the material financial analyses performed by Merrill Lynch are summarized below.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all financial and other information supplied or otherwise made available to it for the purposes of its opinion, and it has not independently verified such information or undertaken an independent evaluation or appraisal of the assets or liabilities of the Bank or any of its subsidiaries nor has it been furnished any such evaluation or appraisal. Merrill Lynch is not an expert in the evaluation of allowances for loan losses and has not made an independent evaluation of the adequacy of the allowances for loan losses of the Bank nor has Merrill Lynch reviewed any individual credit files, and it has assumed that the aggregate allowance for loan losses of the Bank is adequate to cover such losses. Merrill Lynch has also assumed and relied upon the senior management of the Bank as to the reasonableness and achievability of the financial forecasts furnished by the Bank (and the assumptions and bases therefor). Merrill Lynch's opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of, the date of such opinion.

Merrill Lynch's opinion has been rendered without regard to the necessity for, or the level of, any restrictions, obligations, undertakings or divestitures which may be imposed or required in the course of obtaining regulatory approvals for the Bank Sale.

In connection with rendering its opinion on January 8, 1996, Merrill Lynch performed a variety of financial analyses, consisting of those summarized below. The summary set forth below, which has been provided by Merrill Lynch, does not purport to be a complete description of the analyses performed by Merrill Lynch in this regard, although it included all material analyses performed by Merrill Lynch. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to a partial analysis or summary description. Accordingly, notwithstanding the separate factors summarized below, Merrill Lynch believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors considered by it, without considering all analyses and factors, or attempting to ascribe relative weights to some or all such analyses and factors, could create an incomplete view of the evaluation process underlying Merrill Lynch's opinion. In addition, while Merrill Lynch gave the various analyses approximately similar weight, it may have used them for different purposes and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described below should not be taken to be Merrill Lynch's view of the actual value of the Bank. The fact that any specific analysis has been referred to in the summary below is not meant to indicate that such analysis was given more weight than any other analysis.

In performing its analyses, Merrill Lynch took into account its assessment of general economic, market and financial conditions, and its experience in similar transactions, as well as its experience in securities valuation and its knowledge of the banking industry generally. The analyses performed by Merrill Lynch are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Merrill Lynch's analysis of the fairness of the Bank Sale to the Company and were provided to the Board of Directors in connection with the delivery of Merrill Lynch's opinion on January 8, 1996. With respect to the comparison of selected companies analysis and the analysis of selected thrift merger transactions summarized below, no public company utilized as a comparison is identical to the Bank and such analyses necessarily involve complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and other factors that could affect the public trading values of, or merger transactions involving, the companies concerned. In addition, the analyses do not purport to be appraisals or to reflect the prices at which any securities of the Bank may trade at the present time or at any time in the future.

Furthermore, Merrill Lynch's opinion is just one of the many factors taken into consideration by the Board.

The projections furnished to Merrill Lynch and used by it in certain of its analyses were prepared by the management of the Bank as part of its normal budget process. The Bank does not publicly disclose internal management projections of the type provided to Merrill Lynch in connection with its review of the Bank Sale. Such projections were not prepared with a view towards public disclosure. Merrill Lynch has assumed that such projections reflect the best estimates and judgments of the Bank's management and that such projections would be realized in the amounts and the time periods estimated by the management of the Bank. Actual results could vary significantly from those set forth in such projections.

The following is a summary of the selected analyses presented by Merrill Lynch to the Board of Directors on January 8, 1996, in connection with the delivery of its opinion on January 8, 1996, which, as indicated, was reconfirmed as of the date hereof. Merrill Lynch's analyses were based upon a Consideration value of $175 million which would have been the Consideration if the Bank Sale had been consummated as a stock sale. The Company and Norwest estimated that the Company will be required to pay an additional $15.7 million in income taxes by virtue of consummating the Bank Sale as a purchase of assets and an assumption of liabilities. In performing its analysis, Merrill Lynch assumed that the Consideration of $190.7 million is the after tax economic equivalent to the Company of a sale of stock of the Bank for $175 million.

Summary of Proposal. Merrill Lynch reviewed the terms of the proposed transaction, including the Consideration and aggregate transaction value determined in accordance with the proposed Bank Sale Agreement. Based on a value of $175 million in the aggregate, the consideration to be received by the Company upon consummation of the Bank Sale, equated to a price to book value multiple of 0.96x, a price to tangible book value multiple of 1.47x, a price to annualized earnings for the nine months ended September 30, 1995 multiple of 22.65x, a price to 1996 estimated earnings multiple of 16.46x, a price to 1997 estimated earnings multiple of 14.42x and an implied deposit premium (defined as the difference between the transaction value and tangible book value divided by total deposits, excluding mark-to-market adjustments) of 4.48 percent. All data for the Bank, except for estimated earnings, was at or annualized for the nine-month period ended September 30, 1995.

Discounted Dividend Stream Analysis. Using a discounted dividend stream analysis, Merrill Lynch estimated the present value of the future streams of after-tax cash flows that the Bank could produce on a stand-alone basis from 1996 through 2000 and distribute to shareholders ("dividendable net income"). In this analysis, Merrill Lynch assumed that the Bank performed in accordance with the earnings forecasts provided by the Bank's senior management and projected the maximum dividends that would permit the Bank's tangible common equity to asset ratio to be maintained at a minimum 6.76 percent level (the Bank's then-current level at September 30, 1995). Merrill Lynch estimated the terminal values for the Bank at 9.0, 10.0 and 11.0 times the Bank's year 2000 estimated operating income (defined as net income before intangible amortization). The dividendable net income streams and terminal values were then discounted to present values using different discount rates ranging from 13 percent to 15 percent based upon a capital asset pricing model and chosen to reflect different assumptions of required returns to holders or prospective buyers of the Bank's Common Stock. The discounted dividend stream analysis indicated a reference range of between $126.1 million to $156.0 million for the Bank. The analysis was based upon the Bank's senior management's projections prepared as part of its normal budget process. Actual results could vary significantly from those set forth in these projections based upon factors beyond the control of the Bank. Merrill Lynch noted that the discounted dividend analysis was included because it is a widely used valuation methodology, but noted that the results of such methodology are highly dependent upon the estimates of earnings growth rates provided by senior management of the Bank and dividend payout rates, terminal values, and discount rates described above. As indicated above, this analysis did not purport to be indicative of actual future results.

Analysis of Selected Thrift Merger Transactions. Merrill Lynch reviewed publicly available information regarding thrift merger transactions with a value between $50 million and $500 million which had occurred in the Western region of the United States since January 1, 1994. Merrill Lynch compared the price to year-to-date annualized earnings, price to fully diluted book value and price to fully diluted tangible book multiples and the implied deposit premium paid in the contemplated transaction (assuming a Consideration value of $175 million) with such selected thrift merger transactions. This analysis yielded a range of price to earnings multiples of 7.71x to 20.04x with a mean of 13.54x and a median 13.37x compared to a transaction multiple of 22.65x for the Bank (using the Bank's annualized earnings for the nine months ended September 30, 1995), a range of price to fully diluted book value multiples of 0.85x to 1.64x with a mean of 1.36x and a median of 1.41x compared to a transaction multiple of 0.96x for the Bank (using the fully diluted book value of the Bank as of September 30, 1995), a range of price to fully diluted tangible book multiples of approximately 1.11x to 1.78x with a mean of 1.50x and a median of 1.45x compared to a transaction multiple of 1.47x for the Bank (using the fully diluted tangible book value of the Bank as of September 30, 1995) and a range of implied deposit premiums paid of approximately 1.21 percent to 9.55 percent with a mean of 5.40 percent and a median of 6.71 percent compared to a transaction premium of 4.48 percent for the Bank. This analysis yielded an overall imputed reference range of aggregate value of the Bank of $59.6 million to $298.2 million, and an imputed reference range of aggregate value of the Bank of $103.3 million to $256.4 million based on both the mean and median imputed ranges of the selected transactions, compared to a transaction value of $175 million.

Merrill Lynch also reviewed publicly available information regarding thrift merger transactions with a value between $50 million and $500 million which had occurred in the United States since January 1, 1995. Merrill Lynch compared the price to year-to-date annualized earnings, price to fully diluted book value and price to fully diluted tangible book multiples and the implied deposit premium paid in the contemplated transaction (assuming a Consideration value of $175 million) with such selected thrift merger transactions. This analysis yielded a range of price to earnings multiples of 8.49x to 20.62x with a mean of 15.19x and a median of 14.69x compared to a transaction multiple of 22.65x for the Bank (using the Bank's annualized earnings for the nine months ended September 30, 1995), a range of price to fully diluted book value multiples of approximately 1.11x to 2.48x with a mean of 1.53x and a median of 1.46x compared to a transaction multiple of 0.96x for the Bank (using the fully diluted book value of the Bank as of September 30, 1995), a range of price to fully diluted tangible book multiples of approximately 1.10x to 2.57x with a mean of 1.57x and a median of 1.51x compared to a transaction multiple of 1.47x for the Bank (using the fully diluted tangible book value of the Bank as of September 30, 1995) and a range of implied deposit premiums paid of approximately 2.84 percent to 17.73 percent with a mean of 7.75 percent and a median of 8.44 percent compared to a transaction premium of 4.48 percent for the Bank. This analysis yielded an overall imputed reference range of aggregate value of the Bank of $65.6 million to $451.0 million and an imputed reference range of aggregate value of the Bank of $113.5 million to $278.2 million based on the mean and median imputed ranges of selected transactions compared to a transaction value of $175 million.

Comparison of Selected Companies. Merrill Lynch compared selected balance sheet data, asset quality, capitalization and profitability ratios using financial data at or for the twelve months ended September 30, 1995 and, as appropriate, market data as of December 8, 1995 for the Bank to a group of selected regional thrift holding companies which Merrill Lynch deemed to be relevant, including CENFED Financial Corp., California Financial Holding Company, First Republic Bancorp, Home Federal Financial Corp., InterWest Savings Bank, Metropolitan Bancorp, Quaker City Banc., WesterFed Financial and Sterling Financial Corp. (collectively, the "Regional Bank Composite"). This comparison showed, among other things, that: (i) for the 12-month period ended September 30, 1995, the Bank's net interest margin was 3.03 percent compared to a mean of 2.55 percent for the Regional Bank Composite; (ii) for the 12-month period ended September 30, 1995 the Bank's efficiency ratio (defined as non-interest expense divided by the sum of non-interest income and net interest income before provision for loan losses) was 61.18 percent compared to a mean of

66.45 percent for the Regional Bank Composite; (iii) for the 12-month period ended September 30, 1995, the Bank's return on average assets was 0.39 percent compared to a mean of 0.46 percent for the Regional Bank Composite; (iv) for the 12-month period ended September 30, 1995, the Bank's return on average equity was 4.03 percent compared to a mean of 6.20 percent for the Regional Bank Composite; (v) at September 30, 1995, the Bank's tangible equity to tangible assets ratio was 6.76 percent compared to a mean of 7.35 percent for the Regional Bank Composite; (vi) at September 30, 1995, the Bank's non-performing loans to total loans ratio was 2.00 percent compared to a mean of 1.28 percent for the Regional Bank Composite; (vii) at September 30, 1995, the Bank's non-performing assets to total assets ratio was 1.31 percent compared to a mean of 1.38 percent for the Regional Bank Composite; (viii) at September 30, 1995, the Bank's loan loss reserves to non-performing assets ratio was 67.27 percent compared to a mean of 55.62 percent for the Regional Bank Composite; (ix) at September 30, 1995, the Bank's loan loss reserves to non-performing loans ratio was 76.79 percent compared to a mean of 95.06 percent for the Regional Bank Composite; (x) at September 30, 1995, the Bank's equity to assets ratio was 9.97 percent compared to a mean of 7.56 percent for the Regional Bank Composite; (xi) at September 30, 1995, the Bank's Tier 1 capital ratio was 11.91 percent compared to a mean of 13.15 percent for the Regional Bank Composite; (xii) at September 30, 1995, the Bank's total risk based capital ratio was 13.11 percent compared to a mean of 14.63 percent for the Regional Bank Composite; (xiii) at December 8, 1995, the Regional Bank Composite's mean price per share to book value per share at September 30, 1995 was 1.04x as compared to a transaction multiple of 0.96x; (xiv) at December 8, 1995 the Regional Bank Composite's mean price per share to tangible book value per share at September 30, 1995 was 1.10x as compared to a transaction multiple of 1.47x; (xv) at December 8, 1995 the Regional Bank Composite's mean price per share to latest twelve months earnings per share at September 30, 1995 was 14.89x as compared to a transaction multiple of 22.65x (using the Bank's annualized earnings for the nine months ended September 30, 1995); and (xvi) at December 8, 1995, the Regional Bank Composite's mean price per share to 1996 estimated earnings per share was 9.60x as compared to a transaction multiple of 16.46x. The above comparisons showed the Bank to have asset quality and capitalization ratios generally comparable to the Regional Bank Composite and profitability ratios somewhat below the Regional Bank Composite. Merrill Lynch did not compute any valuation or reference ranges for the Bank based upon the trading multiples of the Regional Bank Composite.

In addition, Merrill Lynch compared selected balance sheet data, asset quality, capitalization and profitability ratios using financial data at or for the twelve months ended September 30, 1995 and, as appropriate, market data as of December 8, 1995 for the Bank to a group of 67 selected nationwide thrift holding companies which Merrill Lynch deemed to be relevant (collectively, the "Nationwide Bank Composite"). This comparison showed, among other things, that: (i) for the 12-month period ended September 30, 1995, the Bank's net interest margin was 3.03 percent compared to a mean of 3.19 percent for the Nationwide Bank Composite; (ii) for the 12-month period ended September 30, 1995 the Bank's efficiency ratio (defined as non-interest expense divided by the sum of non-interest income and net interest income before provision for loan losses) was 61.18 percent compared to a mean of 58.50 percent for the Nationwide Bank Composite; (iii) for the 12-month period ended September 30, 1995, the Bank's return on average assets was 0.39 percent compared to a mean of 0.88 percent for the Nationwide Bank Composite; (iv) for the 12-month period ended September 30, 1995, the Bank's return on average equity was 4.03 percent compared to a mean of 10.31 percent for the Nationwide Bank Composite; (v) at September 30, 1995, the Bank's tangible equity to tangible assets ratio was 6.76 percent compared to a mean of 8.95 percent for the Nationwide Bank Composite; (vi) at September 30, 1995, the Bank's non-performing loans to total loans ratio was 2.00 percent compared to a mean of 1.93 percent for the Nationwide Bank Composite; (vii) at September 30, 1995, the Bank's non-performing assets to total assets ratio was 1.31 percent compared to a mean of 1.38 percent for the Nationwide Bank Composite; (viii) at September 30, 1995, the Bank's loan loss reserves to non-performing assets ratio was 67.27 percent compared to a mean of 95.97 percent for the Nationwide Bank Composite;

(ix) at September 30, 1995, the Bank's loan loss reserves to non-performing loans was 76.79 percent compared to a mean of 117.63 percent for the Nationwide Bank Composite; (x) at September 30, 1995, the Bank's equity to assets ratio was 9.97 percent compared to a mean of 9.12 percent for the Nationwide Bank Composite; (xi) at September 30, 1995, the Bank's Tier 1 capital ratio was 11.91 percent compared to a mean of 14.89 percent for the Nationwide Bank Composite; (xii) at September 30, 1995, the Bank's total risk based capital ratio was 13.11 percent compared to a mean of 16.02 percent for the Nationwide Bank Composite; (xiii) at December 8, 1995, the Nationwide Bank Composite's mean price per share to book value per share at September 30, 1995 was 1.25x as compared to a transaction multiple of 0.96x; (xiv) at December 8, 1995, the Nationwide Bank Composite's mean price per share to tangible book value per share at September 30, 1995 was 1.29x as compared to a transaction multiple of 1.47x; (xv) at December 8, 1995, the Nationwide Bank Composite's mean price per share to latest twelve months earnings per share at September 30, 1995 was 13.87x as compared to a transaction multiple of 22.65x (using the Bank's annualized earnings for the nine months ended September 30, 1995); and (xvi) at December 8, 1995, the Nationwide Bank Composite's mean price per share to 1996 estimated per share was 11.42x as compared to a transaction multiple of 16.46x. The above comparisons showed the Bank to have asset quality and capitalization ratios generally comparable to the Nationwide Bank Composite and profitability ratios somewhat below the Nationwide Bank Composite. Merrill Lynch did not compute any valuation or reference ranges for the Bank based upon the trading multiples of the Nationwide Bank Composite.

No company or transaction used in the above analyses as a comparison is identical to the Bank, or the contemplated transaction. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value or merger and acquisition value of the companies to which they are being compared. Mathematical analysis (such as determining the mean or median) is not, in itself, a meaningful method of using comparable company or transaction data.

Mark-to-Market Analysis. Merrill Lynch evaluated the estimated market value of key components of the Bank's balance sheet, including, among other things, the Bank's investment securities and mortgage-backed securities portfolios and loan portfolio. This analysis indicated a valuation of the Bank of approximately $130.8 million before any adjustments for a premium related to deposits or intangible assets not included on the Bank's balance sheet or any credit quality related writedowns related to the portfolios analyzed.

In connection with its opinion dated as of the date of this Proxy Statement, Merrill Lynch performed procedures to update, as necessary, certain of the analyses described above. Merrill Lynch did not perform any analyses in addition to those described above in connection with its issuance of its updated opinion.

The Company and Merrill Lynch have entered into a letter agreement dated September 22, 1995 relating to the services to be provided by Merrill Lynch in connection with the Bank Sale. The Company has agreed to pay Merrill Lynch fees as follows: (i) a cash retainer fee of $100,000 which was paid in September 1995; (ii) a cash fee of $500,000, which was paid upon execution of the Bank Sale Agreement; and (iii) an additional cash fee equal to an amount based upon a formula of 0.60 percent of the aggregate purchase price paid in the Bank Sale up to $165 million plus 6 percent of the aggregate purchase price paid in the Bank Sale above $165 million, excluding any additional taxes if the Bank Sale is structured as a purchase of assets and an assumption of amounts attributable to, less the fees paid pursuant to clauses (i) and (ii), payable at the Closing of the Bank Sale. In such letter, the Company also agreed to reimburse Merrill Lynch for its reasonable and necessary out-of-pocket expenses incurred in connection with its advisory work, including the reasonable fees and disbursements of its legal counsel, and to indemnify Merrill Lynch against certain liabilities relating to or arising out of the Bank Sale, including liabilities arising under the federal securities laws.

Merrill Lynch has been retained by the Board of Directors as an independent contractor to act as financial advisor to the Company with respect to the Bank Sale. Merrill Lynch is a nationally recognized investment banking firm which, among other things, regularly engages in the valuation of businesses and securities, including banking institutions, in connection with mergers and acquisitions. Merrill Lynch has in the past three years provided financial advisory, investment banking and other services to the Company and Norwest and has received customary fees for the rendering of such services. In addition, in the ordinary course of its securities business, Merrill Lynch may actively trade debt and/or equity securities of the Company and Norwest and their respective affiliates for its own account and the accounts of its customers, and Merrill Lynch, therefore, may from time to time hold a long or short position in such securities.

MARKET INFORMATION

The high and low sales prices per share of the Company's Common Stock, as reported on the New York Stock Exchange Composite Tape on January 8, 1996, the last business day preceding public announcement of the Bank Sale Agreement and on May 28, 1996, the last practicable date prior to the mailing of this Proxy Statement, were $18.00 and $17.875 and $16.875 and $16.75, respectively.

SELECTED FINANCIAL DATA

The following table sets forth certain selected historical consolidated financial information for the Company. The income statement and balance sheet data for the Company included in the selected financial data for each of the five years in the period ended December 31, 1995, are derived from audited consolidated financial statements for the Company for such five-year period. The selected financial data for the twelve-month periods ended March 31, 1995 and 1996, are derived from the unaudited historical financial statements of the Company. All financial information derived from unaudited financial statements reflects, in the opinion of management of the Company, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such data. Results for the twelve months ended March 31, 1996, are not necessarily indicative of the results that may be expected for any other interim period or for the year as a whole. This information should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto, included in documents incorporated herein by reference. See "INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE."

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

SUMMARY CONSOLIDATED SELECTED FINANCIAL DATA
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	TWELVE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,				
	1996	1995	1995	1994	1993	1992	1991
Operating revenues...	$ 548,333(1)	$ 595,492	$ 563,502(2)	$ 599,553	$ 539,105	$ 534,390	$ 565,010
Operating expenses...	488,211(1)	517,555	505,090(2)	510,863	461,423	448,815	498,753
Operating income.....	$ 60,122(1)	$ 77,937	$ 58,412(2)	$ 88,690	$ 77,682	$ 85,575	$ 66,257
Income from continuing operations.....	$ 3,064(1)	$ 16,240	$ 2,654(2)	$ 23,524	$ 13,751(3)	$ 32,214	$ 18,291
Income (loss) from discontinued operations, net of tax.....	(17,732)(4)	1,997	(17,536)(4)	2,777	1,655	(14,553)(5)	(32,466)(5)
Net income (loss)....	$ (14,668)	$ 18,237	$ (14,882)	$ 26,301	$ 15,406	$ 17,661	$ (14,175)
Net income (loss) applicable to common stock.....	$ (14,880)	$ 17,770	$ (15,189)	$ 25,791	$ 14,665	$ 16,610	$ (15,500)
Total assets at period end.....	$1,533,217	$1,443,860	$1,532,527	$1,453,582	$1,362,861	$1,265,380	$1,268,321
Capitalization at period end							
Common equity.....	$ 370,159	$ 362,284	$ 356,050	$ 348,556	$ 335,117	$ 329,444	$ 327,149
Preferred and preference stocks.....	--	4,000	--	4,000	8,058	15,316	22,574
Trust originated preferred securities.....	60,000	--	60,000	--	--	--	--
Long-term debt, net.....	612,666	682,286	607,945	678,263	568,600	589,883	464,042
	$1,042,825	$1,048,570	$1,023,995	$1,030,819	$ 911,775	$ 934,643	$ 813,765
Common stock data							
Return on average common equity....	(4.0)%	5.2%	(4.1)%	7.6%	4.4%	5.1%	(4.6)%
Earnings (loss) per share							
Continuing operations.....	$ 0.12	$ 0.75	$ 0.10	$ 1.09	$ 0.63	$ 1.51	$ 0.83
Discontinued operations.....	(0.74)	0.09	(0.76)	0.13	0.08	(0.70)	(1.59)
Earnings (loss) per share.....	$ (0.62)	$ 0.84	$ (0.66)	$ 1.22	$ 0.71	$ 0.81	$ (0.76)
Dividends paid per share.....	$ 0.82	$ 0.81	$ 0.82	$ 0.80	$ 0.74	$ 0.70	$ 1.05
Payout ratio.....	N/A	96%	N/A	66%	104%	86%	N/A
Book value per share at period end.....	$ 14.97	$ 16.83	$ 14.55	$ 16.38	$ 15.96	$ 15.99	$ 15.88
Market value per share at period end.....	$ 17.25	14.75	$ 17.63	$ 14.13	$ 16.00	$ 13.75	$ 10.63
Market value per share to book value per share.....	115%	88%	121%	86%	100%	86%	67%

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(1) Record warm weather experienced in the southwest region of the country during the 1995/1996 winter heating season reduced operating margin approximately $29 million, pretax, compared to expected normal weather results.

(2) Record-breaking warm weather in the Company's service territories during 1995 reduced operating margin approximately $28 million, pretax, compared to expected normal weather results.

(3) In 1993, the Company wrote off $15.9 million in gross plant related to Arizona pipe replacement programs. The impact of this write-off, net of accumulated depreciation, tax benefits and other related items, was a noncash reduction to consolidated net income and income from continuing operations of $9.3 million, or $0.44 per share.

(4) Includes a $13 million, net of tax, loss on disposal recorded in 1995 and $7.2 million, net of tax, for a proposed deposit insurance assessment.

(5) The Bank incurred pretax losses from real estate activities of $50.5 million in 1991 and $15.3 million in 1992. The Bank no longer invests in real estate held for development and has substantially divested its real estate development portfolio.

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PRO FORMA FINANCIAL INFORMATION

In January 1996, the Company entered into an agreement to sell all of the outstanding common stock of the Bank to Norwest Corporation for $175 million. In April 1996, Norwest elected to structure the acquisition as a purchase of substantially all of the assets and liabilities of the Bank, rather than a stock purchase, for approximately $191 million pursuant to an option in the original agreement. It is estimated that the Company will be required to pay an additional $16 million in income taxes by virtue of consummating the Bank Sale as a purchase of assets and an assumption of liabilities. The consideration of $191 million is therefore the economic equivalent to the Company of a sale of stock of the Bank for $175 million.

The following Pro Forma Consolidated Balance Sheet reflects the financial position of the Company as if the Bank Sale had been consummated as of March 31, 1996. The Pro Forma Consolidated Statements of Income reflect the operations of the Company as if the Bank Sale had been consummated at the beginning of the quarter ended March 31, 1996 and as if it had been consummated at the beginning of the year ended December 31, 1995. The following pro forma financial information is not necessarily indicative of the effects on the Company or the results of its operations had the proceeds from the Bank Sale actually been received on such dates.

The pro forma balance sheet reflects the receipt of $191 million, payment of additional income taxes of $16 million, and the sale of net Bank assets of $175 million and the distribution of the remaining proceeds of $175 million ($191 million gross sales price less additional income taxes of $16 million) assuming such proceeds are utilized to pay previously accrued taxes and other costs associated with the Bank Sale of $12 million and retire long-term debt ($120 million of current maturities and $43 million of other long-term debt at March 31, 1996).

The pro forma income statements reflect the estimated impact on interest expense as if approximately $163 million of debt had been retired at the beginning of each period by using the net proceeds from the Bank Sale. The historical consolidated statements of income already reflect an allocation to the Bank for interest on debt associated with discontinued operations. The amount shown in the adjustments column for net interest deductions is net of that allocation. Income taxes are provided at a rate of 40 percent.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEET
(THOUSANDS OF DOLLARS)

	MARCH 31, 1996		
	HISTORICAL	ADJUSTMENTS	PRO FORMA
ASSETS			
Utility plant			
Gas plant	$1,604,299	$ --	$1,604,299
Less: accumulated depreciation	(476,960)	--	(476,960)
Acquisition adjustments	6,189	--	6,189
Construction work in progress	25,888	--	25,888
Net utility plant	1,159,416	--	1,159,416
Current assets			
Cash and cash equivalents	5,932	--	5,932
Accounts receivable, net of allowances	43,446	--	43,446
Accrued utility revenue	28,071	--	28,071
Deferred tax benefit	17,022	--	17,022
Prepaids and other current assets	27,300	--	27,300
Net assets of discontinued operations	175,118	(175,000)	118
Total current assets	296,889	(175,000)	121,889
Deferred charges and other assets	76,912	--	76,912
Total assets	$1,533,217	$(175,000)	$1,358,217
CAPITALIZATION AND LIABILITIES			
Capitalization			
Common stock	$ 26,355	$ --	$ 26,355
Additional paid-in capital	316,720	--	316,720
Retained earnings	27,084	--	27,084
Total common equity	370,159	--	370,159
Company-obligated mandatorily redeemable preferred securities of Southwest Gas Capital I	60,000	--	60,000
Long-term debt, less current maturities	612,666	(43,000)	569,666
Total capitalization	1,042,825	(43,000)	999,825
Current liabilities			
Current maturities of long-term debt	120,000	(120,000)	--
Short-term debt	--	--	--
Accounts payable	49,294	--	49,294
Accrued taxes	45,866	--	45,866
Deferred purchased gas costs	34,900	--	34,900
Other current liabilities	59,668	(12,000)	47,668
Total current liabilities	309,728	(132,000)	177,728
Deferred income taxes and other credits			
Deferred income taxes and investment tax credits	140,044	--	140,044
Other deferred credits	40,620	--	40,620
Total deferred income taxes and other credits	180,664	--	180,664
Total capitalization and liabilities	$1,533,217	$(175,000)	$1,358,217

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	QUARTER ENDED MARCH 31, 1996		
	HISTORICAL	ADJUSTMENTS	PRO FORMA
Gas operating revenues	$188,352	$ --	$188,352
Net cost of gas	78,469	--	78,469
Operating margin	109,883	--	109,883
Operating expenses:			
Operations and maintenance	47,211	--	47,211
Depreciation and amortization	16,539	--	16,539
Taxes other than income taxes	7,594	--	7,594
Total operating expenses	71,344	--	71,344
Operating income	38,539	--	38,539
Other income and (expenses):			
Net interest deductions	(12,953)	1,000(1)	(11,953)
Preferred securities distributions	(1,369)	--	(1,369)
Other income (deductions), net	79	--	79
Total other income and (expenses)	(14,243)	1,000	(13,243)
Income from continuing operations before income taxes	24,296	1,000	25,296
Income tax expense	9,437	400(2)	9,837
Income from continuing operations	$ 14,859	$ 600	$ 15,459
Earnings per share from continuing operations	$ 0.60	$ 0.03	$ 0.63
Average number of common shares outstanding	24,604	24,604	24,604

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(1) Reflects the impact of a reduction in average debt outstanding during the quarter of approximately $163 million, offset by interest costs previously accrued for discontinued operations.

(2) Income tax effect, at 40 percent, of the pro forma adjustments.
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	YEAR ENDED DECEMBER 31, 1995		
	HISTORICAL	ADJUSTMENTS	PRO FORMA
Gas operating revenues	$563,502	$ --	$563,502
Net cost of gas	227,456	--	227,456
Operating margin	336,046	--	336,046
Operating expenses:			
Operations and maintenance	187,969	--	187,969
Depreciation and amortization	62,492	--	62,492
Taxes other than income taxes	27,173	--	27,173
Total operating expenses	277,634	--	277,634
Operating income	58,412	--	58,412
Other income and (expenses):			
Net interest deductions	(53,354)	4,000(1)	(49,354)
Preferred securities distributions	(913)	--	(913)
Other income (deductions), net	(652)	--	(652)
Total other income and (expenses)	(54,919)	4,000	(50,919)
Income from continuing operations before income taxes	3,493	4,000	7,493
Income tax expense	839	1,600(2)	2,439
Income from continuing operations	$ 2,654	$ 2,400	$ 5,054
Preferred stock dividend requirements	$ 307	$ --	$ 307
Earnings per share from continuing operations	$ 0.10	$ 0.10	$ 0.20
Average number of common shares outstanding	23,167	23,167	23,167

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(1) Reflects the impact of a reduction in average debt outstanding during the year of approximately $163 million, offset by interest costs previously allocated to discontinued operations.

(2) Income tax effect, at 40 percent, of the pro forma adjustments.
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TERMS OF THE BANK SALE

Upon consummation of the Bank Sale, the Bank will sell to a wholly owned thrift subsidiary of Norwest (the "Purchaser"), and the Purchaser will purchase from the Bank, substantially all of the assets and liabilities of the Bank, other than certain assets and liabilities relating to taxes and real estate development activities formerly conducted by the Bank and certain recorded intangibles in exchange for the consideration described below.

CONSIDERATION FOR THE BANK SALE

Upon consummation of the Bank Sale, Norwest will pay to the Bank $190,700,000 in cash, as such amount may be reduced by the after tax amount of any purchase price reduction or increased by the after tax amount of any purchase price increase. The amount of any purchase price reduction will be determined by adding: (i) the amount of any Real Estate Liabilities paid in the aggregate by the Bank or any subsidiary of the Bank which is not a Real Estate Subsidiary (collectively, the "Bank Subsidiaries") subsequent to November 30, 1995 but on or prior to the Closing Date in excess of $1,205,000; and (ii) the amount of any taxes paid by the Bank or any of the Bank Subsidiaries subsequent to October 31, 1995 (other than for any taxes related to operations during that period) in excess of $2,700,000. The amount of any purchase price increase will be determined by adding: (i) any amounts received by the Bank or any of the Bank Subsidiaries with respect to Margarita Village residential real estate development project ("Margarita Village") or a parcel of vacant land located in Reno, Nevada ("Stead Property") subsequent to November 30, 1995 and prior to the Closing Date in excess of $530,428; and (ii) any amounts received by the Bank or any of the Bank Subsidiaries subsequent to October 31, 1995 but on or prior to the Closing Date with respect to tax refunds attributable to periods on or prior to October 31, 1995 in excess of $2,568,921. As of the date of this Proxy Statement, there would be no purchase price reduction or increase as a result of these provisions.

The term "Real Estate Liabilities" is defined in the Bank Sale Agreement to include all liabilities or obligations of the Bank or any of its subsidiaries arising out of any real estate development activities of the Bank or any of its affiliates, any real estate held for development, any Real Estate Subsidiary or the ownership or operation of any Real Estate Subsidiary. The term "Real Estate Subsidiary" is defined in the Bank Sale Agreement to include any interest or investment of the Bank (whether in the form of debt, equity or otherwise) or any subsidiary of the Bank that had engaged in real estate development activities.

On or prior to the Closing Date, the Company is required to pay Norwest a certain amount in cash determined in accordance with the provisions of the Bank Sale Agreement in exchange for certain deferred tax assets of the Bank which will be retained by the Company. If the purchase of the Bank had occurred on March 31, 1996, the purchase price for these assets would have been $616,510.

RETAINED ASSETS AND LIABILITIES

The Company will retain all real estate development assets of the Bank, including Margarita Village, the Stead Property and the Real Estate Subsidiaries, certain recorded intangibles, including general valuation allowances, deferred profits and reserves related to the real estate development activities of the Bank, and certain claims, refunds, credits or overpayments with respect to any taxes paid or incurred by the Bank and its affiliates for periods ending prior to the Closing Date. In addition, the Southwest Gas Corporation Foundation will acquire the PriMerit Bank, Federal Savings Bank Charitable Foundation.

The Company will also retain the Real Estate Liabilities and all liabilities for taxes imposed on the Bank and its subsidiaries for any taxable period (or portion thereof) that ends on or before the Closing Date.

The net book value of the assets and liabilities of the Bank to be retained by the Company, including deferred tax assets, was $(218,282) at March 31, 1996.

REPRESENTATIONS AND WARRANTIES

In the Bank Sale Agreement the Company makes representations and warranties to Norwest regarding, among other things: (i) the corporate organization and existence of the Company, SC, the Bank and each of the Bank Subsidiaries; (ii) the ownership of the Bank stock by SC; (iii) insurance of branch deposits by the Savings Association Insurance Fund; (iv) the corporate power and authority of the Bank and each of the Bank Subsidiaries to carry on their respective businesses as now being conducted and to own, lease and operate their respective properties; (v) all equity interests of the Bank Subsidiaries being owned free and clear of any encumbrances; (vi) the authorized capital stock of the Bank; (vii) the corporate power and authority of the Company, SC and the Bank to execute and deliver the Bank Sale Agreement and to consummate the transactions contemplated thereby; (viii) the Bank Sale Agreement and the transactions contemplated thereby not violating in any material respect applicable law, contracts or the articles, charter or bylaws of the Company, SC and the Bank; (ix) consents and approvals necessary in connection with the Bank Sale Agreement; (x) title to the property used in the operation of the businesses of the Bank and each of the Bank Subsidiaries; (xi) furniture, fixtures and equipment of the Bank and each of the Bank Subsidiaries; (xii) leases and contracts entered into by the Bank and each of the Bank Subsidiaries; (xiii) environmental matters and liabilities; (xiv) the accuracy of certain financial statements delivered to Norwest; (xv) the absence of violations of certain material contracts; (xvi) the absence of undisclosed litigation or other proceedings; (xvii) the absence of undisclosed liabilities; (xviii) the accuracy of all filings made with governmental entities; (xix) the absence of certain changes in the conduct of the business of the Bank and each of the Bank Subsidiaries or any event since October 31, 1995 having or reasonably likely to have a material adverse effect on the Bank and the Bank Subsidiaries taken as a whole; (xx) the filing of all tax returns and payment or provision for payment of all taxes incurred and the absence of any matter in controversy with respect to payment of taxes that is reasonably likely to result in a determination materially adverse to the Bank and the Bank Subsidiaries; (xxi) compliance with applicable laws; (xxii) accuracy of disclosure of insurance policies and indemnity bonds; (xxiii) the absence of agreements between the Company and regulatory agencies; (xxiv) absence of undisclosed affiliate transactions; (xxv) accuracy of disclosure regarding intellectual property owned by the Bank or any of the Bank Subsidiaries and their unrestricted right to use the same; (xxvi) the accuracy of the disclosure of loans or leases made or entered into by the Bank and their status as legal, valid and binding obligations of the obligor thereunder; (xxvii) the existence of all certifications, authorizations, licenses, permits and other approvals necessary to conduct the business of the Bank; (xxviii) accuracy of articles of incorporation, bylaws and minute books delivered to Norwest; (xxix) employee benefit plans, employment and labor contracts and related matters; (xxx) accuracy of disclosure regarding investments of the Bank and each of the Bank Subsidiaries; (xxxi) absence of any broker's or finder's fees other than that of Merrill Lynch; (xxxii) accuracy of information provided to Norwest regarding bank accounts; and (xxxiii) absence of any brokered deposits.

In the Bank Sale Agreement Norwest makes representations and warranties to the Company regarding, among other things: (i) the corporate organization and existence of Norwest and the Purchaser; (ii) the corporate power and authority of Norwest and the Purchaser to execute and deliver the Bank Sale Agreement and to consummate the transactions contemplated thereby; (iii) the Bank Sale Agreement and the transactions contemplated thereby not violating in any material respect applicable law, contracts or the certificate of incorporation or bylaws of Norwest or the Purchaser; (iv) consents and approvals necessary in connection with the Bank Sale Agreement; (v) sufficiency of funds of Norwest or the Purchaser to enable it to carry out its obligations under the Bank Sale Agreement; and (vi) the absence of any broker's or finder's fees.

Except for covenants relating to obligations to be performed after the Closing and as otherwise described below, the respective representations, warranties and covenants of the parties will survive for one year after the Closing Date. The representations, warranties and covenants of the parties with respect to taxes, insurance claims and the obligation of the Company to reimburse SC

and the Bank if SC or the Bank is unable to fulfill its indemnification obligations will survive until expiration of the applicable statute of limitations period (including any extensions thereof). Following termination of the representations, warranties and covenants, no party will have any liability to the other with respect thereto.

CONDITIONS TO THE BANK SALE

The obligations of the Company, SC, the Bank, Norwest and the Purchaser to consummate the Bank Sale are subject to various conditions, including, but not limited to: (i) the absence of any legal administrative, arbitration, investigatory or other proceedings instituted (or pending) by any governmental entity which prevents the consummation of the Bank Sale; (ii) the absence of any injunctive order or decree of a court of competent jurisdiction restraining or prohibiting the Bank Sale; (iii) the obtaining of all requisite regulatory approvals described below; (iv) the satisfaction of all statutory or regulatory requirements for valid consummation of the Bank Sale; (v) the obtaining of all approvals and consents of any third party required in order to consummate the Bank Sale; and (vi) the obtaining of approval of the principal terms of the Bank Sale Agreement by the affirmative vote of the outstanding shares of the Company's Common Stock.

The obligation of the Company and the Bank to consummate the Bank Sale is subject to the satisfaction of the following conditions: (i) the representations and warranties of Norwest contained in the Bank Sale Agreement being true in all material respects as of the date thereof and on the Closing Date; (ii) Norwest and the Purchaser having performed all obligations and complied with all material covenants and conditions required by the Bank Sale Agreement to be performed or complied with at or prior to the Closing Date; (iii) Norwest having delivered to the Company a certificate dated the Closing Date and signed on Norwest's behalf by its chief executive and principal financial officer to the effects described in clauses (i) and (ii) above; (iv) Norwest having delivered to the Company an opinion of counsel covering certain matters described in the Bank Sale Agreement; (v) there not being imposed on the Company any conditions to the consummation of the transactions contemplated by the Bank Sale Agreement imposed by any governmental entity that are, individually or together with any other condition, reasonably deemed by the Company in good faith to be unreasonably burdensome upon the Company; and (vi) the Purchaser shall have duly authorized, executed and delivered to the Bank an Assumption Agreement in the form attached as an exhibit to the Bank Sale Agreement and such other documents as may be required by the Bank Sale Agreement. The Company may waive satisfaction of certain of the foregoing conditions.

The obligations of Norwest and the Purchaser to consummate the Bank Sale are subject to the satisfaction of the following conditions: (i) the representations and warranties of the Company and SC contained in the Bank Sale Agreement being true in all material respects as of the date thereof and on the Closing Date; (ii) the Company, SC and the Bank having performed all obligations and complied with all material covenants and conditions required by the Bank Sale Agreement to be performed or complied with at or prior to the Closing Date; (iii) the Company, SC and the Bank having delivered to Norwest and the Purchaser a certificate dated the Closing Date and signed on their respective behalf by their respective chief executive officer and principal financial officer to the effects described in clauses (i) and (ii) above; (iv) the Company having delivered to Norwest opinions of counsel covering certain matters described in the Bank Sale Agreement; (v) there not being imposed on Norwest any conditions to the consummation of the transactions contemplated by the Bank Sale Agreement imposed by any governmental entity that are, individually or together with any other condition, reasonably deemed by Norwest in good faith to be unreasonably burdensome upon Norwest; and (vi) the Bank having duly authorized, executed and delivered to the Purchaser a Bill of Sale in the form attached as an exhibit to the Bank Sale Agreement and such other documents as may be required by the Bank Sale Agreement. Norwest may waive satisfaction of certain of the foregoing conditions.

In addition, no event may have occurred or failed to occur after October 31, 1995 which has had or is reasonably expected to have any material adverse effect on the Bank and the Bank Subsidiaries taken as a whole. A material adverse effect will not be deemed to have occurred for

these purposes as a result of: (i) any change in law, generally accepted accounting principles or regulatory accounting principles, or the interpretation thereof, that affects the thrift industry generally; (ii) any change in the general level of interest rates, unless such change affects the Bank to a materially greater extent than thrift institutions generally; (iii) any assessment imposed on the Bank in connection with the recapitalization of the Savings Association Insurance Fund or the Federal Deposit Insurance Corporation ("FDIC"); and (iv) the write-off of any goodwill on the books of the Bank and the Bank Subsidiaries as a result of the execution of the Bank Sale Agreement.

REGULATORY APPROVALS

The following regulatory approvals, consents or filings must be obtained or made, as the case may be, by the Company in connection with the Bank Sale prior to the Closing Date: (i) approval from the Arizona Corporation Commission (the "ACC") of the divestiture of the Bank; (ii) filing of notice of sale of the Bank with the CPUC; (iii) consent of the FHLB to the Purchaser's assumption of FHLB advances made to the Bank; and (iv) approval from the FHLB of an application to permit transfer of FHLB capital stock owned by the Bank to the Purchaser. ACC approval has been obtained.

The following regulatory notices, approvals, consents or filings must be obtained or made, as the case may be, by Norwest in connection with the Bank Sale prior to the Closing Date: (i) notice to the Federal Reserve Board of a bank holding company to acquire control of a savings association; (ii) notice to the Nevada Commissioner of Financial Institutions to acquire control of a Nevada depository institution; (iii) notifications required under the Hart-Scott-Rodino Antitrust Improvements Act; and (iv) approval from the OTS for a company proposing to merge, consolidate with or acquire the assets of two or more savings associations. Approvals of the Federal Reserve Board, the Nevada Commissioner of Financial Institutions and the OTS have been obtained.

The following regulatory approvals, releases, consents or filings must be obtained or made, as the case may be, by the Company in connection with the Bank Sale after the Closing Date: (i) approval from the CPUC of the Company's obligation to reimburse SC in certain circumstances if SC is unable to fulfill its indemnification obligations to Norwest (see "-- Indemnification"); (ii) approval from the FHLB for withdrawal or removal of the Bank as a member of the FHLB; (iii) approval from the FDIC of voluntary termination of insured status of the Bank; (iv) approval from the OTS of a voluntary dissolution plan of the Bank; and (v) filing with the OTS of a request for release of the Company and SC from registration as savings and loan holding companies. In addition, Norwest must file a certificate of assumption of liability with the FDIC within 30 days after the Closing Date. OTS approval of the Bank's voluntary plan of dissolution has been obtained.

The approval of any application merely implies satisfaction of regulatory criteria for approval, which does not include review of the Bank Sale from the standpoint of the adequacy of the consideration to be received by, or fairness to, shareholders. Regulatory approvals do not constitute an endorsement or recommendation of the proposed Bank Sale.

Norwest and the Company are not aware of any governmental approvals or compliance with banking or public utility laws and regulations that are required for consummation of the Bank Sale other than those described above. Should any other approval or action be required, it is presently contemplated that such approval or action would be sought. There can be no assurance that any such approval or action, if needed, could be obtained and, if such approvals or actions, are obtained, there can be no assurance as to the timing thereof. The Bank Sale cannot proceed in the absence of all requisite regulatory approvals required to be obtained prior to the Closing Date.

CONDUCT OF BUSINESS PENDING BANK SALE

The Company has agreed in the Bank Sale Agreement to maintain its corporate existence in good standing and to conduct the Bank's business in the ordinary and usual manner, including the extension of credit in accordance with existing lending policies, except that the Company has agreed not to allow the Bank to make, without the prior written consent of Norwest, any new loan or

increase the principal amount of any outstanding loan to a principal amount of $2,000,000 or more or make any commitment for any such loan or increase. In the Bank Sale Agreement, the Company has also agreed, among other things, that it will not, without the prior written consent of Norwest, allow the Bank to: (i) engage or participate in any material transaction, or incur or sustain any material obligation, except in the ordinary course of business; (ii) except for a branch to be constructed at Crossroads, in Henderson, Nevada, open, close or relocate any branch or operating site, or acquire or sell or agree to acquire or sell any branch or operating site; (iii) change its interest rate or fee pricing policies, or materially alter the mix of rate, terms and account types, with respect to branch deposits, other than in the ordinary course of business; (iv) make or agree to make any improvements to its branches or operating sites, except with respect to commitments made on or before the date of the Bank Sale Agreement and normal maintenance and refurbishing made in the ordinary course of business; (v) amend or cancel, or take any other action that may result in an amendment or cancellation of, any lease or other material contract of the Bank or any Bank Subsidiary, or enter into any material contract other than as specifically permitted by the Bank Sale Agreement; (vi) foreclose upon or acquire real property securing a loan except in accordance with the Bank's customary policy; (vii) deviate from general policies of the Bank existing on the date of the Bank Sale Agreement; (viii) change the Bank's method of accounting except as required by applicable law or generally acceptable accounting principles; (ix) except as required by applicable law, adopt, amend, renew or terminate any employee benefit plan or employee program or increase or modify the compensation of any officer, director or other employee except in the ordinary course of business; (x) terminate or unilaterally fail to renew any existing insurance coverage or bonds; (xi) amend or modify its charter or bylaws; (xii) declare or pay any cash or property dividends, stock dividends or other distributions of capital stock, rights or options, except as specifically provided for in the Bank Sale Agreement; (xiii) merge or consolidate with any other person; (xiv) make any redemption, purchase or acquisition of any of its equity interests; (xv) make any capital expenditures not permitted by the Bank Sale Agreement in amounts individually in excess of $50,000 or in the aggregate in excess of $100,000; (xvi) make any investments or enter into any derivative contracts, except in the ordinary course of business; (xvii) authorize or incur any long term debt, except in the ordinary course of business; (xviii) mortgage or pledge any of its assets, except in the ordinary course of business; (xix) sell or dispose of assets of the Bank or the Bank Subsidiaries, except in the ordinary course of business; or (xx) make any capital contribution to any subsidiary of the Bank. Norwest Mortgage, Inc., a subsidiary of Norwest, will commence the servicing of the Bank's loan portfolio on June 1, 1996.

The Bank Sale Agreement permits the Bank to pay a cash dividend to the Company in an amount not to exceed $375,000 for the quarter ending June 30, 1996, if the Bank Sale is not consummated by that date. In addition, the Bank Sale Agreement permits the Bank to pay dividends to the Company at a rate equal to $1,000,000 for the month ending July 31, 1996, and $1,250,000 for each of the months ending August 31, 1996 and September 30, 1996, if the Bank Sale is not consummated by such dates. The maximum amounts which may be dividended by the Bank to the Company are prorated for each day after July 1, 1996, that the Closing Date does not occur.

CERTAIN COVENANTS

The Bank Sale Agreement provides that prior to the Closing Date, the Company will or will cause the Bank to, as the case may be: (i) provide Norwest and its representatives with reasonable access to all properties, documents, accounts, books and records of the Bank and its subsidiaries and furnish Norwest with any information reasonably requested; (ii) provide Norwest with reasonable access to the Company's and the Bank's officers, employees, accountants, counsel and other representatives; (iii) except as otherwise agreed by the Company and Norwest, provide Norwest with Phase I environmental reports for each parcel of real property owned by the Bank (all of which have been provided); (iv) obtain a survey and assessment of all potential asbestos containing material in owned properties and deliver a written report to Norwest (all of which have been delivered); (v) cooperate with Norwest in preparing, submitting and filing applications for, and taking required actions with respect to, all requisite regulatory approvals in connection with the

transactions contemplated by the Bank Sale Agreement (see "Regulatory Approvals"); (vi) cooperate in obtaining consents or approvals of third parties necessary or advisable to consummate the transactions contemplated by the Bank Sale Agreement; (vii) furnish any information reasonably requested regarding subsidiaries, directors, officers, shareholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application; (viii) use reasonable efforts to obtain all approvals, waivers and consents required to consummate the transactions contemplated by the Bank Sale Agreement; (ix) consult with Norwest before issuing any press release or otherwise making any public statements with respect to the Bank Sale Agreement and the transactions contemplated thereby; (x) do all things reasonably necessary or desirable and within its control to effect the consummation of the transactions contemplated by the Bank Sale Agreement; (xi) give prompt notice of the occurrence, or failure to occur, of any event, or the existence of any condition, that would be likely to cause any of its representations or warranties contained in the Bank Sale Agreement to be untrue; (xii) give prompt notice of any material failure on the part of the Company to comply with any covenant, condition or agreement contained in the Bank Sale Agreement; (xiii) promptly furnish Norwest with copies of the minutes of each meeting of the shareholder or directors of the Bank or the Bank Subsidiaries and any material contract entered into by the Bank; (xiv) promptly provide Norwest with copies of all regularly prepared monthly board reports and quarterly financial statements of the Bank and the Bank Subsidiaries; (xv)at or prior to the Closing, deliver to Norwest all records of the Bank and the Bank Subsidiaries not otherwise located at a branch or other operating site; (xvi) obtain the resignations, to be effective at the Closing, of the directors of the Bank Subsidiaries; (xvii)use reasonable efforts to terminate certain employee benefit plans and obtain consent of participants for any necessary lump sum distributions in connection with such termination, at the sole cost and expense of Norwest; (xviii) use reasonable efforts to amend or terminate certain contracts as described in the Bank Sale Agreement, at the sole cost and expense of Norwest; and (xix) call a meeting of the shareholders of the Company at which the Board of Directors shall recommend shareholder approval of the principal terms of the Bank Sale Agreement, and use its best efforts to solicit proxies in favor thereof, except to the extent the Board determines that to do so would or is likely to violate its fiduciary duty under applicable law.

The Company has agreed in the Bank Sale Agreement that neither it nor any of its subsidiaries, nor any director, officer, representative, or agent of the Company or any of its subsidiaries, will solicit, authorize the solicitation of, or, except to the extent, based on advice of counsel, legally advisable for the discharge of the fiduciary duties of the Board of Directors under applicable law, enter into any discussions with any party other than Norwest concerning any offer or possible offer (i) to purchase any shares of common stock, any option or warrant to purchase any shares of common stock, any securities convertible into any shares of such common stock, or any other equity security of the Bank; (ii) to purchase, lease or otherwise acquire the assets of the Bank or any of the Bank Subsidiaries except in the ordinary course of business; or (iii) to merge, consolidate or otherwise combine with the Bank or any of the Bank Subsidiaries (each an "Acquisition Event"). If any entity makes an offer or inquiry to the Company or the Bank or any of the Bank Subsidiaries concerning any of the foregoing, such offer or inquiry, including the terms thereof, must be disclosed to Norwest.

The Bank Sale Agreement also provides that, prior to the Closing Date, Norwest will or will cause the Purchaser to, as the case may be: (i) cooperate with the Company, SC and the Bank in preparing, submitting and filing applications for, and taking required actions with respect to, all requisite regulatory approvals in connection with the transactions contemplated by the Bank Sale Agreement (see "-- Regulatory Approvals"); (ii) cooperate with the Company, SC and the Bank with respect to obtaining consents or approvals of third parties necessary or advisable to consummate the transactions contemplated by the Bank Sale Agreement; (iii) furnish to the Company all information concerning Norwest required for inclusion in any application made by the Company in connection with obtaining any requisite regulatory approvals; (iv) furnish any information reasonably requested regarding subsidiaries, directors, officers, shareholders and such other matters as

may be reasonably necessary or advisable in connection with any statement, filing, notice or application; (v) cooperate in obtaining consents or approvals of third parties necessary or advisable to consummate the transactions contemplated by the Bank Sale Agreement; (vi) consult with the Company before issuing any press release or otherwise making any public statements with respect to the Bank Sale Agreement and the transactions contemplated thereby; (vii) do all things reasonably necessary or desirable and within its control to effect the consummation of the transactions contemplated by the Bank Sale Agreement; (viii) give prompt notice of the occurrence, or failure to occur, of any event, or the existence of any condition, that would be likely to cause any of its representations or warranties contained in the Bank Sale Agreement to be untrue; (ix) give prompt notice of any material failure to comply with any covenant, condition or agreement contained in the Bank Sale Agreement; and (x) employ each employee who is employed by the Bank on the day before the Closing Date.

INDEMNIFICATION PROVISIONS

The Bank Sale Agreement provides that each of the Company, SC and the Bank, as the case may be, will indemnify: (i) Norwest and the Purchaser for any loss that Norwest may suffer to the extent arising out of any breach of any representation or warranty made by the Company and SC pursuant to the Bank Sale Agreement; and (ii) Norwest and the Purchaser for any loss that Norwest may suffer to the extent arising out of any breach of any agreement to be performed by the Company, SC and the Bank pursuant to the Bank Sale Agreement. The Company, SC or the Bank, as the case may be, will not be required to indemnify Norwest or the Purchaser with respect to these matters unless the aggregate of all amounts for which indemnity would otherwise be payable exceed $1,000,000 and will be responsible only for amounts in excess of $1,000,000 and not exceeding $5,000,000. In addition, SC and the Bank have agreed to indemnify Norwest and the Purchaser for any loss relating to or arising out of the Real Estate Liabilities up to a maximum amount equal to $175,000,000.

The Bank Sale Agreement provides that Norwest and the Purchaser will indemnify the Company, SC and the Bank: (i) for any loss that the Company, SC or the Bank may suffer to the extent arising out of any breach of any representation or warranty made by Norwest pursuant to the Bank Sale Agreement; (ii) for any loss that the Company, SC or the Bank may suffer to the extent arising out of any breach of any agreement to be performed by Norwest or the Purchaser pursuant to the Bank Sale Agreement; and (iii) for any loss arising out of the liabilities assumed by the Purchaser. Norwest and the Purchaser will not be required to indemnify the Company, SC or the Bank in the circumstances described in clauses (i) and (ii) above unless the aggregate of all amounts for which indemnity would otherwise be payable exceed $1,000,000 and will be responsible only for amounts in excess of $1,000,000 and not exceeding $5,000,000. The obligations of Norwest described in clause (iii) above will in no event exceed $175,000,000 less any amounts paid by the Purchaser with respect thereto.

With regard to tax liabilities, the Bank Sale Agreement provides that SC and, to the extent permitted by law, the Company and the Bank will indemnify Norwest and the Purchaser against all taxes imposed with respect to the purchased assets: (i) for any taxable year or period that ends on or before the Closing Date; or (ii) with respect to any taxable year or period beginning before and ending after the Closing Date, the portion of such taxable year or period ending on and including the Closing Date, except to the extent such taxes are accrued on the balance sheet of the Bank and the Bank Subsidiaries contained in the financial statements as of October 31, 1995 and adjusted to reflect certain payments, refunds or accruals.

The Company has agreed to reimburse SC or the Bank for any amount which SC or the Bank is required to pay to Norwest under the terms of the Bank Sale Agreement, but which SC or the Bank is unable to pay due to: (i) the payment of a dividend or loan by SC or the Bank to the Company; (ii) the sale of SC or transfer, merger, consolidation or dissolution of SC other than to or with the Bank; or (iii) the encumbrance or disposition or any of SC's or the Bank's assets in circumstances

in which the proceeds of such sale, encumbrance or disposition are not retained by SC or the Bank or used by SC or the Bank to satisfy their obligations.

In addition, the Bank Sale Agreement provides that Norwest will indemnify the Company, SC and the Bank against all taxes imposed with respect to the purchased assets for: (i) any taxable year or period that begins after the Closing Date; and (ii) with respect to any taxable year or period beginning before and ending after the Closing Date, the portion of such taxable year beginning on the day after the Closing Date.

Except for covenants related to post-closing matters, certain taxes, Real Estate Liabilities and liabilities assumed by the Purchaser, neither party will have any liability for the breach of representations, warranties or covenants after one year from the Closing Date.

TAX MATTERS

The Bank Sale Agreement provides that Norwest will be entitled to receive any tax refunds related to the Bank or the Bank Subsidiaries which constitute tax receivables accrued on the balance sheets of the Bank and the Bank Subsidiaries as of October 31, 1995, with certain adjustments as provided in the Bank Sale Agreement. Norwest is obligated to make payments for taxes accrued on the balance sheets of the Bank and the Bank Subsidiaries as of October 31, 1995, with certain adjustments as provided in the Bank Sale Agreement. All stamp, transfer, documentary, sales, use, registration and other like taxes and fees incurred in connection with the Bank Sale are required to be paid by Norwest. The Bank Sale Agreement also provides that Norwest and the Purchaser will cooperate with the Company with respect to tax matters arising prior to the Closing Date in connection with: (i) preparation for audits of or disputes with taxing authorities; (ii) provision of information reasonably requested by the Company; and (iii) timely notice to the Company of pending or threatened audits. In addition, Norwest, the Purchaser, the Bank, the Company and SC have agreed to cooperate with each other in the preparation of tax returns and the sharing of correspondence received from taxing authorities.

TERMINATION AND TERMINATION FEE

The Bank Sale Agreement provides that it may be terminated (i) by the mutual consent of the parties to the Bank Sale Agreement; (ii) by the Company, SC, the Bank or Norwest upon written notice to the other parties if any regulatory agency or governmental entity having jurisdiction over the Bank Sale refuses to grant approval or consent to any material aspect of the Bank Sale unless such decision is appealed or an application to such governmental entity is resubmitted; (iii) by the Company, SC or the Bank upon written notice to Norwest if Norwest has not filed applications with the applicable governmental entity for approval of the Bank Sale by March 22, 1996; (iv) by the Company, SC and the Bank upon written notice to Norwest if an event occurs which makes it impossible to satisfy by September 30, 1996, any of the conditions to the obligations of the Company; (v) by Norwest upon written notice to the Company, SC and the Bank if an event occurs which makes it impossible to satisfy by September 30, 1996, any of the conditions to the obligations of Norwest; and (vi) by Norwest upon written notice to the Company, SC and the Bank if the Bank has not filed or attempted in good faith to file certain applications with governmental entities by March 22, 1996.

The Bank Sale Agreement also provides that Norwest may terminate the Bank Sale Agreement by written notice to the Company in the event: (i) (x) an Acquisition Proposal is made, (y) the Board of Directors fails to recommend shareholder approval of the principal terms of the Bank Sale Agreement or withdraws or modifies such recommendation in a manner adverse to Norwest, and (z) either the principal terms of the Bank Sale Agreement are not approved by the affirmative vote of a majority of the shares of the Company's Common Stock or the meeting of shareholders of the Company at which approval of the principal terms of the Bank Sale Agreement is sought does not occur by August 16, 1996; or (ii) the consummation of an Acquisition Proposal occurs prior to the termination of the Bank Sale Agreement. Upon the giving of written notice of termination by Norwest, the Company is required to pay to Norwest, within ten business days after the receipt of

such notice, the amount of $5,250,000 plus documented expenses incurred by Norwest in connection with the Bank Sale Agreement up to the amount of $1,250,000.

WAIVER AND AMENDMENT

The parties may, in writing, give any consent, amend the Bank Sale Agreement or waive any inaccuracies in the representations and warranties of the other party or compliance by the other party with any of the covenants and conditions in the Bank Sale Agreement.

EXPENSES

Except as otherwise described below, Norwest and the Company will each pay their own expenses in connection with the Bank Sale, including fees and expenses of their respective accountants and counsel. The Bank Sale Agreement provides that Norwest will reimburse the Company and SC for (i) any additional costs incurred in connection with any transaction contemplated by Norwest after the Bank Sale; and (ii) any documented out-of-pocket expenses incurred by the the Company, SC or the Bank, with respect to the termination of any employee benefit plans of the Bank or the modification, amendment or termination of any other contracts of the Bank. In addition, Norwest has also agreed to pay the additional costs incurred by the Company, SC or the Bank in connection with the consummation of the Bank Sale as a purchase of assets and assumption of liabilities rather than as a stock sale. Upon consummation of the Bank Sale, Mr. Cheever will be entitled to certain payments to be made by Norwest, and such payments will constitute expenses incurred by Norwest in connection with the Bank Sale. For further information regarding such payments, see "EXECUTIVE COMPENSATION AND BENEFITS -- Long-Term Incentive Plan Awards for 1995," "-- Benefit Plans" and "Change in Control Arrangement."

APPROVAL OF 1996 STOCK INCENTIVE PLAN (ITEM 3 ON THE PROXY CARD)

At the Annual Meeting, shareholders will be asked to approve the Southwest Gas Corporation 1996 Stock Incentive Plan (the "1996 Plan"), which was adopted by the Board of Directors on March 5, 1996. The purpose of the 1996 Plan is to promote the success of the Company and its subsidiaries by providing an additional means through the grant of stock options to attract, retain, motivate and reward key employees (including officers, whether or not directors) of the Company and its related subsidiaries by providing incentives related to equity interests in and the financial performance of the Company. In addition, the 1996 Plan includes an automatic award feature to attract, motivate and retain experienced and knowledgeable outside directors through the grant of fixed nonqualified stock options to them. The affirmative vote of a majority of the shares represented at the Annual Meeting in person or by proxy is necessary to approve the 1996 Plan.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE 1996 STOCK INCENTIVE PLAN AS SET FORTH IN APPENDIX C TO THIS PROXY STATEMENT AS IN THE BEST INTEREST OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE COMPANY APPROVE THE 1996 STOCK INCENTIVE PLAN.

The material features of the 1996 Plan are summarized below. The following summary is qualified in its entirety by reference to the full text of the 1996 Plan, which is set forth in Appendix C to this Proxy Statement. Capitalized terms used herein and not otherwise defined have the meanings given to them in the 1996 Plan.

ADMINISTRATION

The 1996 Plan will be administered by a subcommittee of the Nominating and Compensation Committee (the "Committee") of the Board of Directors, which consists of three or more members of the Board, each of whom is a "Disinterested" director as such term is defined for purposes of Rule 16b-3 under the Exchange Act or "outside" as such term is defined for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee will have the authority to determine the specific terms and conditions of such Options, including,

without limitation, the number of shares subject to each Option, the price to be paid for the shares and any other vesting criteria. The Committee will make all other determinations necessary or advisable for the administration of the 1996 Plan.

ELIGIBILITY

Any officer (whether or not a director) or key employee of the Company or its subsidiaries, as determined in the sole discretion of the Committee, is eligible to be granted Options under the 1996 Plan.

The 1996 Plan also provides that each director who is not an officer or employee of the Company or one of its subsidiaries (a "Non-Employee Director") is automatically granted fixed nonqualified stock options described below (see "-- Non-Employee Director Options").

SHARES AVAILABLE FOR AWARDS

The Committee determines the number of shares subject to each Option granted to an employee and the terms and conditions of such Options, including the price (if any) to be paid for the shares. The maximum number of shares of Common Stock which may be delivered pursuant to Options granted during any calendar year to any employee may not exceed 100,000 shares. In addition, the maximum number of shares of Common Stock that may be delivered to Non-Employee Directors pursuant to fixed awards may not exceed 350,000 shares.

The number and kind of shares available under the 1996 Plan are subject to adjustment in the event of (i) certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events which change the number or kind of shares outstanding; or (ii) extraordinary dividends or distribution of property to the shareholders. Shares relating to Options which are not exercised or which expire or are canceled will again become available for regrant and award purposes under the 1996 Plan to the extent permitted by law.

The Company estimates that all officers of the Company will be among those eligible to receive awards, subject to the discretion of the Committee to determine the particular individuals who, from time to time, will be selected to receive awards. The number of key employees of the Company and its Subsidiaries who will be eligible to receive awards has not been determined at this time. In addition, neither the individuals who are to receive awards, nor the number of awards that will be granted to any individual or group of individuals have been determined at this time.

VESTING AND OPTION PERIODS

Except as may be provided in an applicable Option Agreement, no Option made under the 1996 Plan may be exercisable or may vest until at least six months after the initial Option Date, and once exercisable an Option will remain exercisable until the expiration or earlier termination of the Option. Each Option made to an employee will expire on such date as is determined by the Committee, but not later than ten years after the Option Date.

TRANSFERABILITY

The 1996 Plan provides, with limited exceptions, that rights or benefits under any Option are not assignable or transferable except by will or the laws of descent and distribution, and that only the participant (or, if the participant has suffered a disability, his or her legal representative) may exercise the Option during the participant's lifetime.

OPTIONS THAT MAY BE GRANTED UNDER THE 1996 PLAN TO EMPLOYEES

An Option is the right to purchase shares of Common Stock at a future date at a specified price (the "Option Price"). The Option Price is generally the closing price for a share of Common Stock ("Fair Market Value") reported on the date of grant. On May 28, 1996, the closing price for a share of Common Stock as reported on the New York Stock Exchange Composite Tape was $16.75.

An Option granted to an employee may either be an incentive stock option, as defined in the Code, or a nonqualified stock option. An incentive stock option may not be granted to a person who owns more than 10 percent of the total combined voting power of all classes of stock of the Company and its Subsidiaries unless the Option Price is at least 110 percent of the Fair Market Value of shares of Common Stock subject to the Option and such Option by its terms is not exercisable after expiration of five years from the date such Option is granted. The aggregate Fair Market Value of shares of Common Stock (determined at the time the Option is granted) for which incentive stock options may be first exercisable by an Option holder during any calendar year under the 1996 Plan or any other plan of the Company or its Subsidiaries may not exceed $100,000.

Full payment for shares purchased on the exercise of any Option must be made at the time of such exercise in: (i) cash; (ii) subject to the Committee's approval, in shares of Common Stock having a Fair Market Value equal to the Option Price; or (iii) by notice and third party payment in such manner as may be authorized by the Committee. In addition, Option holders may be permitted to offset or surrender stock or deliver already owned stock in satisfaction of applicable tax withholding requirements.

OTHER MISCELLANEOUS PROVISIONS

ADJUSTMENTS; ACCELERATION

The 1996 Plan contains provisions relating to adjustments for changes in the Common Stock upon certain specified events. The number and kind of shares available under the 1996 Plan, as well as the number, kind and price of shares subject to outstanding Options, is subject to adjustment in the event of a reorganization, merger, sale of assets, recapitalization, stock split, stock dividend, exchange offer or similar event.

The 1996 Plan also provides for full vesting and acceleration of Options (subject to certain limitations) in the event of a "Change in Control Event" affecting the Company. The Committee, however, prior to the Change in Control Event, may determine that there will be no such acceleration of benefits. A Change in Control Event is generally defined to include an acquisition by one person (or group of persons) of at least 20 percent of the ownership of the Company, the replacement of the majority of the members of the incumbent Board of Directors (excluding replacement directors nominated by the incumbent Board), or mergers and similar transactions which result in a 50 percent change in ownership, subject to certain exceptions.

TERMINATION OF EMPLOYMENT

The Committee will establish in respect of each Option granted under the 1996 Plan to an employee the effect of a termination of employment on the rights and benefits thereunder and in so doing may make distinctions based upon the cause of termination.

TERMINATION OF OR CHANGES TO THE 1996 PLAN

The authority to grant new Options under the 1996 Plan will terminate on March 4, 2006, unless the 1996 Plan is terminated prior to that time by the Board of Directors. Such termination typically will not affect rights of participants which accrued prior to such termination. The Board may, without shareholder approval, suspend or amend the 1996 Plan at any time, and the Committee may, with the consent of a holder, substitute Options or modify the terms and conditions of an outstanding Option, to, among other changes, extend the term (subject to maximum term limits), accelerate exercisability or vesting or preserve benefits of the Option. However, the Committee may not, without prior shareholder approval, reprice outstanding Options, or cancel and replace such Options with Options having a lower exercise price. In addition, without shareholder approval, the Board may not increase the maximum number of shares which may be delivered pursuant to Options granted under the 1996 Plan, materially increase the benefits accruing to participants under the 1996 Plan or materially change the requirements as to the eligibility to participate in the 1996 Plan. Amendment of the 1996 Plan will not, without the consent of the participant, adversely affect such person's rights under an Option previously granted, unless the Option itself otherwise expressly so provides.

NON-EMPLOYEE DIRECTOR OPTIONS

If the 1996 Plan is approved by the Company's shareholders, each person who is then a Non-Employee Director will be granted automatically a nonqualified stock option to purchase 3,000 shares of the Company's Common Stock. Each Non-Employee Director who subsequently becomes a member of the Board of Directors will also be granted a nonqualified stock option to purchase that number of shares of Common Stock determined by multiplying 2,000 by a fraction, the numerator of which is the number of days between the Option Date and the next Annual Meeting of shareholders, and the denominator of which is 365. In addition, on the date of each Annual Meeting of shareholders occurring during the term of the 1996 Plan, commencing with the Annual Meeting of shareholders occurring during 1997, each person who is a Non-Employee Director as of such date will, subject to the limitations on shares available for Non-Employee Director Awards described above, be granted automatically a nonqualified stock option to purchase 2,000 shares of the Company's Common Stock.

The purchase price per share of Common Stock covered by each such Option granted to a Non-Employee Director, payable in cash or shares of Common Stock, will be the Fair Market Value of the Common Stock on the date the Option is granted. Any previously owned shares used in payment of the exercise price must have been owned by the Non-Employee Director at least six months prior to the date of exercise. The Options will become exercisable in three installments as follows: (i) 40 percent on the first anniversary of the Option Date; (ii) 30 percent on the second anniversary of the Option Date; and (iii) 30 percent on the third anniversary of the Option Date. Unless earlier terminated, the Options will expire 10 years after the date they are granted. The specific number of shares specified above and the shares subject to outstanding Options (as well as the exercise price) are subject to adjustment in certain circumstances specified in the 1996 Plan. If an Option under the 1996 Plan is not exercised prior to the time certain of such circumstances occur, the Option will terminate as provided in the 1996 Plan.

In the event that a Non-Employee Director's service as a member of the Board of Directors is terminated for any reason other than retirement, any portion of an Option granted pursuant to Article 5 of the 1996 Plan which is not exercisable will terminate and any portion of such Option which is then exercisable will remain exercisable for two years after such service terminates or until the expiration of the stated term of such Option, whichever occurs first. If a Non-Employee Director retires (terminates service on or after age 65 and after ten years of service as a Director), all Options granted shall become exercisable and may be exercised for two years after the date of retirement or until the expiration of the stated term, whichever first occurs.

FEDERAL INCOME TAX CONSEQUENCES OF OPTIONS UNDER THE 1996 PLAN

The federal income tax consequences of the 1996 Plan under current federal law, which is subject to change, are summarized in the following discussion, which deals with the general tax principles applicable to the 1996 Plan. State and local tax consequences are beyond the tax scope of this summary.

NONQUALIFIED STOCK OPTIONS

No taxable income will be realized by an Option holder upon the grant of a Nonqualified Stock Option under the 1996 Plan. When the holder exercises the Nonqualified Stock Option, however, he or she will generally recognize ordinary income equal to the difference between the Option price and the fair market value of the shares at the time of exercise. The Company is generally entitled to a corresponding deduction at the same time and in the same amounts as the income recognized by the Option holder. Upon a subsequent disposition of the Common Stock, the Option holder will realize short-term or long-term capital gain or loss, depending on how long the Common Stock is held. The Company will not be entitled to any further deduction at that time.

INCENTIVE STOCK OPTIONS

An employee who is granted an Incentive Stock Option under the 1996 Plan does not recognize taxable income either on the date of its grant or on the date of its exercise, provided that, in general, the exercise occurs during employment or within three months after termination of employment. However, any appreciation in value of the Common Stock after the date of the grant will be includable in the participant's federal alternative minimum taxable income at the time of exercise in determining liability for the alternative minimum tax. If Common Stock acquired pursuant to an Incentive Stock Option is not sold or otherwise disposed of within two years from the date of grant of the Option nor within one year after the date of exercise, any gain or loss resulting from disposition of the Common Stock will be treated as long-term capital gain or loss. If stock acquired upon the exercise of an Incentive Stock Option is disposed of prior to the expiration of such holding periods (a "Disqualifying Disposition"), the participant generally will recognize ordinary income at the time of such Disqualifying Disposition equal to the difference between the exercise price and the fair market value of the Common Stock on the date the Incentive Stock Option is exercised or, if less, the excess of the amount realized on the Disqualifying Disposition over the exercise price. Any remaining gain or net loss is treated as a short-term or long-term capital gain or loss, depending upon how long the Common Stock is held. Unlike the case in which a Nonqualified Stock Option is exercised, the Company is not entitled to a tax deduction upon either the grant or exercise of an Incentive Stock Option or upon disposition of the Common Stock acquired pursuant to such exercise, except to the extent that the employee recognizes ordinary income in a Disqualifying Disposition.

SPECIAL RULES GOVERNING PERSONS SUBJECT TO SECTION 16(B)

Under the federal tax law, special rules may apply to participants in the 1996 Plan who are subject to the restrictions on resale of the Company's Common Stock under Section 16(b) of the Exchange Act. These rules, which effectively take into account the Section 16(b) restrictions, apply in limited circumstances and may impact the timing or amount of income recognized by these persons with respect to Options under the 1996 Plan.

ACCELERATED PAYMENTS

If, as a result of certain changes in control of the Company, a participant's Options become immediately exercisable, the additional economic value, if any, attributable to the acceleration may be deemed a "parachute payment." The additional value generally will be deemed a parachute payment if such value, when combined with the value of other payments which are deemed to result from the change in control, equals or exceeds a threshold amount equal to 300 percent of the participant's average annual taxable compensation over the five calendar years preceding the year in which the change in control occurs. In such case, the excess of the total parachute payments over such participant's average annual taxable compensation will be subject to a 20 percent non-deductible excise tax in addition to any income tax payable. The Company will not be entitled to a deduction for that portion of any parachute payment which is subject to the excise tax.

SECTION 162(M) LIMITS

Notwithstanding the foregoing discussion with respect to the deductibility of compensation under the 1996 Plan by the Company, Section 162(m) of the Code would render non-deductible to the Company certain compensation to certain employees required to be named in the Summary Compensation Table (i.e., the Chief Executive Officer or one of the four other most highly compensated executive officers of the Company, the "Executive Officers") in excess of $1,000,000 in any year unless such excess compensation is "performance-based" (as defined in the Code) or is otherwise exempt from these new limits on deductibility. The applicable conditions of an exemption for performance-based compensation plans include, among others, a requirement that the shareholders approve the material terms of the plan. The Company believes that Options granted (to the extent granted at a price not less than market price on the date of grant) are exempt

from such limits as performance-based compensation. However, in light of uncertainties regarding its ultimate interpretation, no assurances can be given that all compensation intended to so qualify will in fact be deductible, if the nonqualifying amount should, together with other non-exempt compensation paid to an Executive Officer, exceed $1,000,000. As of the date of this Proxy Statement, no Executive Officer of the Company has ever received compensation in excess of $1,000,000 in any year.

Shareholders should note that because Non-Employee Directors (subject to re-election and CPUC and shareholder approval) may receive stock options under this proposal, all current Non-Employee Directors of the Company may have a personal interest in the proposal and its approval by shareholders. However, the members of the Board of Directors believe that the Plan is in the best interests of the Company and its shareholders.

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO INCREASE AUTHORIZED SHARES OF COMMON STOCK (ITEM 4 ON THE PROXY CARD)

At the Annual Meeting, shareholders will be asked to approve an amendment to Article IV of the Company's Restated Articles of Incorporation increasing the number of shares of Common Stock which the Company has the authority to issue from 30,000,000 shares to 45,000,000 shares and, increasing the par value of said number of shares which the Company is authorized to issue by $15,000,000. The affirmative vote of a majority of the shares of the Company's Common Stock outstanding on the Record Date is required to approve the proposed amendment.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE AMENDMENT TO THE COMPANY'S RESTATED ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK AS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE COMPANY APPROVE THIS AMENDMENT TO THE COMPANY'S RESTATED ARTICLES OF INCORPORATION.

As of May 23, 1996, there were 26,265,569 shares of Common Stock outstanding and an aggregate of 1,265,109 shares of Common Stock reserved for issuance under the Company's dividend reinvestment and stock purchase plan, management incentive plan and the defined contribution pension plans offered by the Company and its subsidiaries. Further, if the proposed 1996 Stock Incentive Plan is adopted by shareholders at this Annual Meeting, an additional 1,500,000 shares of Common Stock will be reserved for issuance upon exercise of options which may be granted thereunder.

The proposal to increase the number of shares of authorized Common Stock is designed to ensure that the Company has the ability to issue Common Stock to meet a portion of its ongoing capital requirements. The Company is one of the fastest growing natural gas distribution companies in the country. The Company desires to finance a portion of the additional plant and equipment to provide service to its growing customer base through the issuance of Common Stock. The increase in authorized shares of Common Stock will also ensure that shares would be available, if needed, for issuance in connection with stock splits, stock dividends, options, warrants, rights, acquisitions and other corporate purposes. The Board of Directors believes that the availability of additional shares for such purposes without delay or the necessity for a special shareholders meeting would be beneficial to the Company.

No further action or authorization by the Company's shareholders would be necessary prior to the issuance of the additional shares of Common Stock unless required by applicable law or regulatory agencies or by the rules of any stock exchange on which the Company's securities are listed. A shareholder vote is generally required in connection with any transaction which requires an amendment to the Company's Restated Articles of Incorporation, any merger or sale of substantially all of the assets of the Company or any reorganization in which the Company's shareholders would own less than five-sixths of the voting power of the surviving corporation.

The holders of any of the additional shares of Common Stock issued in the future would have the same rights and privileges as the holders of the shares of Common Stock currently authorized and outstanding. Those rights include cumulative voting rights with respect to the election of directors, if certain conditions are met, and exclude preemptive rights with respect to the future issuance of any such additional shares.

Although the Board of Directors has no present intention of doing so, it could issue shares of Common Stock that could make it more difficult or discourage an attempt to obtain control of the Company by means of merger, tender offer, proxy contest or other means. Such shares could be used to create voting or other impediments or to discourage persons seeking to gain control of the Company. Other measures previously approved by shareholders and the Board of Directors that are designed to address change in control attempts are discussed in Proposal 5 in this Proxy Statement. The nature of the Company's business, which could also affect any change in control attempts, is also discussed in Proposal 5.

While the Company may consider effecting an equity offering of Common Stock in the proximate future for purposes of raising additional capital or otherwise, the Company, as of the date hereof, has no immediate plans, arrangements, commitments or understandings with respect to the issuance of any shares of such stock.

APPROVAL OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION TO AUTHORIZE A NEW CLASS OF PREFERRED STOCK AND TO ELIMINATE AUTHORITY TO ISSUE SHARES OF PREFERRED STOCK ($50 PAR VALUE), CUMULATIVE PREFERRED STOCK ($100 PAR VALUE), SECOND PREFERENCE STOCK ($100 PAR VALUE) AND SPECIAL COMMON STOCK (ITEM 5 ON THE PROXY CARD)

At the Annual Meeting, the shareholders will be asked to approve a further amendment to Article IV of the Company's Restated Articles of Incorporation to create 5,000,000 shares of a new class of Preferred Stock and to eliminate authority to issue shares of Preferred ($50 par value), Cumulative Preferred Stock ($100 par value), Second Preference Stock ($100 par value) and Special Common Stock. The complete text of the proposed amendment to Article IV, including the increase in the number of shares of Common Stock discussed in Proposal 4, is set forth in Appendix D to this Proxy Statement. No change is being requested in the authorized number of shares of Preference Stock, all of which are reserved for issuance under the Company's Shareholder Rights Plan, as hereinafter described. The affirmative vote of a majority of the shares of the Company's Common Stock outstanding on the Record Date is required to approve the proposed amendment.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE AMENDMENT TO THE COMPANY'S RESTATED ARTICLES OF INCORPORATION AS SET FORTH IN APPENDIX D TO THIS PROXY STATEMENT TO AUTHORIZE A NEW CLASS OF PREFERRED STOCK AND TO ELIMINATE AUTHORITY TO ISSUE SHARES OF PREFERRED STOCK ($50 PAR VALUE), CUMULATIVE PREFERRED STOCK ($100 PAR VALUE), SECOND PREFERENCE STOCK ($100 PAR VALUE) AND SPECIAL COMMON STOCK AS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE COMPANY APPROVE THIS AMENDMENT TO THE COMPANY'S RESTATED ARTICLES OF INCORPORATION.

The creation of the new class of Preferred Stock is designed to provide maximum flexibility to the Board of Directors to issue preferred stock to meet a portion of the ongoing capital requirements of the Company. The Company is one of the fastest growing natural gas distribution companies in the country. The Company desires to finance a portion of the additional plant and equipment to provide service to its growing customer base through the issuance of Preferred Stock. Such stock would also ensure that Preferred Stock will be available, if needed, for issuance in connection with stock splits, stock dividends, options, warrants, rights, acquisitions and other corporate purposes.

The designation, preferences, conversion rights, cumulative, relative, participating, optional or other rights, including voting rights, qualifications, limitations, or restrictions of the new class of Preferred Stock are determined by the Board of Directors at the time of issuance. Except for the preference over the Preference Stock and Common Stock, the Board will be entitled to authorize the creation and issuance of 5,000,000 shares of Preferred Stock in one or more series with such limitations and restrictions as may be determined in the Board's sole discretion.

No further action or authorization by the Company's shareholders would be necessary prior to the issuance of the shares of Preferred Stock, unless required by applicable law or regulatory agencies or by the rules of any stock exchange on which the Company's securities may be listed. A shareholder vote is generally required in connection with any transaction which requires an amendment to the Company's Restated Articles of Incorporation, any merger or sale of substantially all of the assets of the Company or any reorganization in which the Company's shareholders would own less than five-sixths of the voting power of the surviving corporation.

Authority to issue 5,000,000 shares of the new class of Preferred Stock eliminates the need for the continued authorization to issue shares of Preferred ($50 par value), Cumulative Preferred Stock ($100 par value), Second Preference Stock ($100 par value) and Special Common Stock and simplifies the Company's capital structure. Since there are no shares of such stock outstanding, withdrawing the authorization to issue such stock will have no effect other than the elimination of the designation and preference limitations that currently exist.

Although the Board of Directors has no present intention of doing so, it could issue shares of Preferred Stock that could, depending on the terms of such series, make it more difficult or discourage an attempt to obtain control of the Company by means of merger, tender offer, proxy contest or other means. Such shares could be used to create voting or other impediments or to discourage persons seeking to gain control of the Company. The existence of the additional shares could have the effect of discouraging unsolicited change in control attempts. As of this date, the Board is unaware of any specific effort to accumulate the Company's shares or to obtain control of the Company by means of merger, tender offer, solicitation in opposition to management or otherwise.

Other measures are designed specifically to address change in control attempts. Article IV-A of the Restated Articles of Incorporation requires an affirmative vote of the holders of not fewer than 85 percent of the outstanding shares of the Company's Common Stock to approve or authorize any business combination of the Company with any shareholder who beneficially owns 10 percent or more of the outstanding shares of the Company's Common Stock, unless the business combination is approved by the requisite vote of the Board. The Board has also adopted a Shareholder Rights Plan (the "Rights Plan"), a summary of which has been provided to shareholders of record on April 15, 1996 and included in the Form 8-K filed by the Company on March 13, 1996. Exercise of the rights granted under the Rights Plan to all shareholders could cause substantial dilution to the beneficial owner of 20 percent or more of the Company's Common Stock who is attempting to acquire the Company. Both measures are designed to require such shareholders to negotiate with the Board in order to avoid the supermajority voting requirements of Article IV-A of the Restated Articles of Incorporation and the distribution of rights under the Shareholder Rights Plan.

Any attempt to acquire control of the Company would also be subject to state and federal regulatory approvals. Since the Company is a regulated utility, prior regulatory approvals would be required before any sale, merger or consolidation of the Company could occur. The regulatory approval process, though not designed to protect shareholder interests, would require disclosures regarding the proposed sale, merger or consolidation and provide additional opportunities to shareholders to evaluate any such action.

While the Company may consider effecting an equity offering of Preferred Stock in the proximate future for purposes of raising additional capital or otherwise, the Company, as of the date hereof, has no immediate plans, arrangements, commitments or understandings with respect to the

issuance of any shares of such stock. Therefore, the restrictions and limitations of any series of Preferred Stock subject to this proposal cannot be stated or estimated at this time.

SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS (ITEM 6 ON THE PROXY CARD)

The Board of Directors has selected Arthur Andersen LLP as independent public accountants for the Company for the year ending December 31, 1996, subject to ratification by the shareholders. Arthur Andersen LLP has served as independent public accountants for the Company since 1957. To the knowledge of the Company, at no time has Arthur Andersen LLP had any direct or indirect financial interest in or any connection with the Company or any of its subsidiaries other than in connection with services rendered to the Company as described below. The affirmative vote of a majority of the shares represented at the Annual Meeting in person or by proxy is necessary to ratify the selection of Arthur Andersen LLP as independent public accountants for the Company.

The selection of Arthur Andersen LLP by the Board of Directors was based on the recommendation of the Audit Committee, which is composed wholly of outside directors. The Audit Committee meets periodically with the Company's internal auditors and independent public accountants to review the scope and results of the audit function and the policies relating to auditing procedures. In making its annual recommendation, the Audit Committee reviews both the audit scope and estimated fees for the coming year. If the shareholders do not ratify this appointment, other firms of certified public accountants will be considered by the Board upon recommendation of the Audit Committee.

During 1995 the Company paid Arthur Andersen LLP for: (i) the examination of the annual financial statements; (ii) reviews of unaudited quarterly financial information; (iii) assistance and consultation in connection with preparing various Securities and Exchange Commission ("SEC") filings; (iv) the examination of the annual financial statements of the Company's employee benefit plans; (v) consultation in connection with various tax and accounting matters; and (vi) certain other professional services.

The Audit Committee approved the audit and other professional services and considered the costs of all such services and what effect, if any, performance of the other professional services might have on the independence of the accountants.

Representatives of Arthur Andersen LLP will be present at the Annual Meeting of shareholders. They will have the opportunity to make statements, if they are so inclined, and will be available to respond to appropriate questions.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 1995 some directors and executive officers of the Company were depositors of, and had transactions with the Bank. These transactions were on the same terms (including interest rates, repayment terms and collateral) as those prevailing at the time for comparable transactions with other persons of similar credit and, in the opinion of the Board of Directors of the Bank, do not involve more than a normal risk of collectibility or other unfavorable characteristics.

OTHER MATTERS TO COME BEFORE THE MEETING

If any business not described herein should come before the meeting for shareholder action, it is intended that the shares represented by proxies will be voted in accordance with the best judgment of the persons voting them. At the time this proxy statement was mailed, the Company knew of no other matters which might be presented for shareholder action at the meeting.

SUBMISSION OF SHAREHOLDER PROPOSALS

Shareholders are advised that any shareholder proposal intended for consideration at the 1997 Annual Meeting must be received in writing by the Company on or before December 2, 1996, to be considered for inclusion in the proxy materials for the 1997 Annual Meeting. All proposals must comply with applicable SEC rules. It is recommended that shareholders submitting proposals direct them to the Corporate Secretary of the Company and utilize Certified Mail-Return Receipt Requested in order to ensure timely delivery.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

THIS PROXY STATEMENT INCORPORATES BY REFERENCE DOCUMENTS THAT ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. SUCH DOCUMENTS, EXCLUDING EXHIBITS, UNLESS SPECIFICALLY INCORPORATED THEREIN, ARE AVAILABLE WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST, TO GEORGE C. BIEHL, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, SOUTHWEST GAS CORPORATION, 5241 SPRING MOUNTAIN ROAD, P.O. BOX 98510, LAS VEGAS, NEVADA 89193-8510, TELEPHONE NUMBER (702) 876-7237. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY JULY 9, 1996.

The following documents filed with the SEC by the Company (File No. 1-7850) pursuant to the Exchange Act are incorporated by reference in this Proxy Statement.

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1995;

2. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996; and

3. The Company's Current Reports on Form 8-K dated January 8, 1996, February 14, 1996, March 5, 1996 and May 2, 1996.

All documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act subsequent to the date hereof and prior to the meeting shall be deemed to be incorporated by reference herein and to be a part hereof from the date of such filing. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. Any such statement as modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part hereof.

By Order of the Board of Directors

[SIG]
Thomas J. Trimble
Senior Vice President/General Counsel
and Corporate Secretary

APPENDIX A

AGREEMENT

BETWEEN

SOUTHWEST GAS CORPORATION, A CALIFORNIA CORPORATION
THE SOUTHWEST COMPANIES, A NEVADA CORPORATION
PRIMERIT BANK, FEDERAL SAVINGS BANK, A FEDERAL SAVING BANK

AS SELLERS

AND

NORWEST CORPORATION, A DELAWARE CORPORATION

AS BUYER

DATED AS OF
APRIL 10, 1996

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EXHIBITS

AGREEMENT

This AGREEMENT (this "Agreement"), dated as of April 10, 1996, is entered into by and among SOUTHWEST GAS CORPORATION, a California corporation ("Parent"), THE SOUTHWEST COMPANIES, a Nevada corporation ("SC"), PRIMERIT BANK, FEDERAL SAVINGS BANK, a federal savings bank ("Bank"), and NORWEST CORPORATION, a Delaware corporation ("Buyer"). SC and Parent are collectively referred to herein as "Sellers" and sometimes individually as a "Seller."

R E C I T A L S :

A. Parent owns all the capital stock of SC.

B. SC owns all of the capital stock of Bank.

C. Buyer desires to acquire certain of the assets, properties and business of the Bank and assume certain liabilities of the Bank related to such assets, all of which assets and liabilities, taken together, constitute substantially as an entirety a going concern, pursuant to and in accordance with the terms and conditions of this Agreement and Sellers desire to cause Bank to sell and transfer to a wholly-owned bank or thrift subsidiary of Buyer to be acquired or to be formed by Buyer after the date hereof (the "Purchaser") certain of the assets, properties and business of the Bank, pursuant to and in accordance with the terms and conditions of this Agreement (such asset purchase and liability assumption pursuant to the terms of this Agreement being referred to as the "Purchase and Assumption").

In consideration of the mutual promises and covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1.

DEFINITIONS

1.1 Definitions. As used in this Agreement, the following definitions shall apply:

"ACQUISITION AGREEMENT" means the Agreement, dated as of January 8, 1996, among Parent, Bank and Buyer to which this Agreement is attached as Appendix A.

"ACQUISITION EVENT" has the meaning given such term in Section 6.9.

"ACQUISITION PROPOSAL" has the meaning given such term in Section 6.9.

"AFFILIATE" means any Person directly or indirectly controlling, controlled by, or under common control with, the subject entity through the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity whether through the ownership of voting securities, by contract or otherwise. Without limiting the foregoing, the ownership, direct or indirect, of a 25 percent interest in such entity shall be deemed to be control.

"AFFILIATED GROUP" means any affiliated group within the meaning of Section 1504 of the Code or any similar group defined under a similar provision of state, local or foreign law, including any consolidated, unitary or combined group of companies.

"AGENCY" means HUD, FHA, VA, GNMA, FNMA or FHLMC, as applicable.

"AGREEMENT" means this Agreement by and among Sellers, Bank and Buyer, as amended or supplemented, together with all Exhibits and Schedules, incorporated by reference or referred to herein.

"APPLICABLE LAW" means any domestic, federal, state or local statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree, policy, guideline or other requirement of any Governmental Entity applicable to Buyer, Purchaser, Sellers, Bank or the Subsidiaries.

"ASSUMED LIABILITIES" means all Branch Deposits and all other obligations and liabilities, whether actual or contingent, or known or unknown, of Bank as of the Closing Date (except Retained Liabilities).

"ASSUMPTION AGREEMENT" means the assumption agreement in substantially the form of Exhibit A.

"ATM" means all automated teller machines owned and currently being used by Bank.

"BANK REGULATOR" means, one or more of the following, as applicable: the OTS, the FDIC, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Nevada Commissioner of Financial Institutions.

"BANK SUBSIDIARIES" means PriMerit Investor Services, BSF Trustee, First Nevada Company, and Home Trustee, Inc.

"BILL OF SALE" means the bill of sale in substantially the form of Exhibit B.

"BRANCH DEPOSITS" mean all deposits as defined in Section 3(1) of the Federal Deposit Insurance Act, as amended (12 USC sec. 1831(1)), at the Branches.

"BRANCHES" mean each of the branches, loan production offices, other banking offices and ATMs of Bank, all of which are listed on Schedule 1.1(a).

"BUSINESS DAY" means any day other than a Saturday, a Sunday, or a day on which banks in the state of Nevada or Minnesota are generally closed for regular banking business.

"CLOSING" means the consummation of the transactions contemplated by this Agreement.

"CLOSING DATE" means the date and time of the Closing.

"CODE" means the Internal Revenue Code of 1986, as amended.

"CONFIDENTIALITY AGREEMENT" means the Confidentiality Agreement dated November 29, 1995, between Parent and Buyer.

"CONTRACT" or "CONTRACTS" means any rights and interests arising under or in connection with any agreement, arrangement, bond, commitment, franchise, guarantee, indemnity, indenture, instrument, lease, license or understanding, whether written or oral that will be included in the Purchased Assets.

"DPC PROPERTY" means any voting securities, other personal property or real property acquired by Bank or a Bank Subsidiary by foreclosure or otherwise, in the ordinary course of collecting a debt previously contracted in good faith, retained with the object of sale for a period not longer than the applicable statutory holding period and recorded in Bank's business records as such.

"EMPLOYEE BENEFIT PLANS" mean all employee benefit plans (as defined in Section 3(3) of ERISA) maintained or contributed to by Bank and in which the Employees participate, all of which are listed on Schedule 1.1(b).

"EMPLOYEE PROGRAMS" mean all of Bank's payroll practices, personnel policies, contracts, plans, and arrangements, if any, providing for bonuses, deferred compensation, retirement payments, profit sharing, incentive pay, commissions, vacation pay or other benefits in which any Employees or their dependents participate, and all employment, severance or other agreements with any director of the Bank or any Bank Subsidiary or any Employee, all of which are listed on Schedule 1.1(b).

"EMPLOYEES" mean employees of Bank and the Bank Subsidiaries (including any such employees on leave or disability who return to work within three months after the initial date of leave or disability).

"ENCUMBRANCE" means any lien, pledge, security interest, claim, charge, easement, limitation, commitment, encroachment, restriction or encumbrance of any kind or nature whatsoever.

"ENVIRONMENTAL LAW" means the federal Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Superfund Amendment and Reauthorization Act, the Safe Drinking Water Act and the Toxic Substances Control Act, each as amended to the date hereof or any regulations thereunder, or any other Applicable Law relating to (a) the discharge, spill, disposal, emission, or other release of any Hazardous Substance; (b) any injury to or death of individuals or damage to or loss of property caused by or resulting from the presence of Hazardous Substances; or (c) the generation, storage, handling, location, disposal or arranging for disposal of Hazardous Substances.

"EQUITY INTERESTS" mean capital stock, partnership interests (limited or general), joint venture interests or other equity interests or any securities or other equity interests convertible into or exchangeable for any of the foregoing or any other rights, warrants or options to acquire or vote any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCLUDED ASSETS" means collectively: (i) any claims, refunds, credits or overpayments with respect to any Taxes paid or incurred by the Bank and its Affiliates, or any related interest received from the relevant taxing authority for periods ending prior to the Closing Date, and the appropriately prorated portion thereof for periods commencing prior to the Closing Date and ending on or after the Closing Date; (ii) the rights of the Sellers and Bank under this Agreement and the Related Documents, including but not limited to the right to receive the Purchase Price; (iii) any tax sharing agreement between Bank on the one hand and Sellers or the Real Estate Subsidiaries on the other hand and any other Contract (except depository contracts between the Bank or the Bank Subsidiaries and Sellers and the Real Estate Subsidiaries) between the Bank on the one hand and Sellers and the Subsidiaries (other than the Bank Subsidiaries) on the other hand and any claims of the Bank or the Bank Subsidiaries thereunder; (iv) the Real Estate Subsidiaries; (v) the recorded intangibles reflected on Schedule 1.1(c); (vi) the Margarita Village Lien, the Stead Real Property described on Schedule 1.1(d) and the assets and liabilities reflected on Schedule 1.1(e); (vii) the assets of PriMerit Bank, Federal Savings Bank Charitable Foundation; and (viii) the Bank's charter, non-transferable franchises, licenses, permits, authorizations and memberships, corporate seals, minute books, stock books and other corporate records having to do with the corporate organization and capitalization of Bank and all income tax records; provided, however, that copies of such corporate and tax reports shall be provided to Buyer at Buyer's request; (ix) Bank's books of accounts; provided, however, that copies of such books of accounts shall be provided to Buyer at Buyer's request; and (x) all corporate records of Bank with respect to the Excluded Assets set forth in clauses (i) through (ix) hereof.

"FEDERAL RESERVE BOARD" means the Board of Governors of the Federal Reserve System.

"FDIC" means the Federal Deposit Insurance Corporation.

"FHA" means the Federal Housing Administration.

"FHA LOANS" mean Loans which satisfy all applicable rules and requirements to be insured by FHA and which are insured by FHA.

"FHLB" means the Federal Home Loan Bank of San Francisco.

"FHLMC" means the Federal Home Loan Mortgage Corporation.

"FILINGS" mean all reports, returns, registrations and statements, together with any amendments required to be made with respect thereto, that were required to be filed with (a) the OTS, including, but not limited to, thrift financial reports, annual reports and proxy statements, (b) the FDIC, and (c) any other applicable Governmental Entity, including taxing authorities, except where the failure to file such reports, returns, registrations and statements has not had and is not reasonably expected to have a material adverse effect on Bank and the Bank Subsidiaries taken as a whole.

"FINAL TERMINATION DATE" means September 30, 1996.

"FINANCIAL STATEMENTS" mean the financial statements of Bank and the Subsidiaries described in Section 4.5.

"FNMA" means the Federal National Mortgage Association.

"GAAP" means generally accepted accounting principles as used in the United States of America as in effect at the time any applicable financial statements were prepared or any act requiring the application of GAAP was performed.

"GNMA" means the Government National Mortgage Association.

"GOVERNMENTAL ENTITY" means any court, administrative agency or commission or other governmental authority or instrumentality, including, without limitation, each Bank Regulator, the SEC, the California Public Utilities Commission and the Arizona Corporation Commission.

"HAZARDOUS SUBSTANCES" mean (a) substances that are defined or listed in, or otherwise classified pursuant to, any Applicable Laws as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or "EP Toxicity;" (b) oil petroleum or petroleum derived substances and drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources; (c) any flammable substances or explosives, any radioactive materials, any hazardous wastes or substances, any toxic wastes or substances or any other materials or pollutants which pose a hazard to DPC Property or any other property of Bank or any Bank Subsidiary or to persons on or about such property; and (d) asbestos, other than non-friable asbestos, or electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

"HUD" means the Department of Housing and Urban Development.

"INSURER" means a Person who insures or guarantees all or any portion of the risk of loss upon borrower default on any of the Serviced Mortgage Loans, including, without limitation the FHA, the VA and any private mortgage insurer, and providers of life, flood, hazard, disability, title or other insurance with respect to any of the Serviced Mortgage Loans or the property securing any such Serviced Mortgage Loan.

"INTELLECTUAL PROPERTY" means all Marks used in connection with the conduct of business in the ordinary course at any Branch or Operating Site and listed on Schedule 1.1(f).

"INVESTOR" means any Person who owns (beneficially or of record) a Serviced Mortgage Loan, or the servicing rights or master servicing rights to a Serviced Mortgage Loan, subserviced, serviced or master serviced by Bank or any Bank Subsidiary pursuant to a Mortgage Servicing Agreement.

"IRS" means the Internal Revenue Service.

"LEASE" means any of the real estate leases, or a sublease of Bank's interest thereunder, for a Branch or any Operating Site.

"LOANS" mean loans originated by Bank or any Bank Subsidiary or purchased by Bank or any Bank Subsidiary, including loan commitments and the unfunded portion of existing commitments.

"LOSS" means any actual cost, expense or liability, including but not limited to penalties, fines, damages, legal and other professional fees and expenses reasonably incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that are imposed upon or otherwise incurred or suffered by the relevant party.

"MARGARITA VILLAGE LIEN" means the superpriority lien and associated loan on the project described on Schedule 1.1(g).

"MARK" means any brand name, copyright, patent, service mark, trademark, trade name, state or federal common law usages and all registrations or applications for registration of any of the foregoing.

"MATERIAL CONTRACTS" mean all Contracts or offers that would become binding upon acceptance by a third party (a) that obligate Bank or any Bank Subsidiary to pay or forego receipt of an amount of $50,000 or more in any 12-month period, other than (i) any Branch Deposit or (ii) any Loan made in the ordinary course of business; (b) that bind Bank or any Bank Subsidiary and contain a covenant by Bank or such Bank Subsidiary not to compete; (c) that bind Bank or any Bank Subsidiary or any of its properties and contain a right of first refusal in favor of a third party; (d) that relate to Technology Systems; (e) that grant a power of attorney or similar authorization to act on behalf of Bank or any Bank Subsidiary to any Person; (f) any agreement or commitment with respect to the Community Reinvestment Act or similar law with any state or Federal regulatory authority or any other party; or (g) that are otherwise material to Bank and the Bank Subsidiaries taken as a whole. All Material Contracts as of the date hereof are listed on Schedule 1.1(h).

"MORTGAGE" means, with respect to a Mortgage Loan or a Serviced Mortgage Loan, a mortgage, deed of trust or other security instrument creating a lien upon real property and any other property described therein which secures a Mortgage Note, together with any assignment, reinstatement, extension, endorsement or modification of any thereof.

"MORTGAGE LOAN" means any interest in a Loan secured by a Mortgage.

"MORTGAGE LOAN REGULATIONS" mean (a) all Applicable Laws with respect to the origination, insuring, purchase, sale, pooling, servicing, subservicing, master servicing or filing of claims in connection with a Loan, (b) the responsibilities and obligations set forth in any agreement between Bank or any of the Bank Subsidiaries and an Investor or private mortgage insurer (including, without limitation, Mortgage Servicing Agreements and selling and servicing guides), (c) all Applicable Laws and other requirements of an Agency, and all rules, regulations and other requirements of an Investor, private mortgage insurer, public housing program or Investor program with respect to the origination, insuring, purchase, sale, pooling, servicing, subservicing, master servicing or filing of claims in connection with a Serviced Mortgage Loan, and (d) the terms and provisions of the Serviced Mortgage Loan documents.

"MORTGAGE NOTE" means, with respect to a Mortgage Loan or a Serviced Mortgage Loan, a promissory note or notes, or other evidence of indebtedness, with respect to such Mortgage Loan or Serviced Mortgage Loan secured by a Mortgage or Mortgages, together with any assignment, reinstatement, extension, endorsement or modification thereof.

"MORTGAGE SERVICING AGREEMENTS" mean all contracts or arrangements between Bank or any of the Bank Subsidiaries and an Investor pursuant to which Bank or any of the Bank Subsidiaries subservices, services or master services Serviced Mortgage Loans for such Investor.

"OPERATING SITES" mean the headquarters building, warehouse and other non-Branch offices of Bank or any of the Bank Subsidiaries, all of which are listed on Schedule 1.1(i).

"OTS" means the Office of Thrift Supervision.

"PERMITTED ENCUMBRANCES" mean all Encumbrances that are:

(a) disclosed in any title reports, opinions or insurance binders delivered or made available to Buyer prior to the execution of this Agreement;

(b) for Taxes or assessments, special or otherwise, either not due and payable or being contested in good faith and fully accrued or adequately provided for;

(c) representing mechanics', materialmen's, carriers', warehousemen's, landlords' and other similar or statutory liens arising in the ordinary course of business and fully accrued or adequately provided for; or

(d) rights of parties lawfully in possession and any other defect, exception to title or easement or claim of easement which in all cases does not materially impair the use, operation or value of the property to which it relates.

"PERSON" means any individual, corporation, company, partnership (limited or general), joint venture, association, limited liability company, trust or other entity.

"PURCHASE AND ASSUMPTION PURCHASE PRICE" OR "PURCHASE PRICE" means the purchase price set forth in Section 2.3.

"PURCHASED ASSETS" means all of the assets, properties, rights and business of the Bank of every type and description, real, personal and mixed, tangible and intangible, wherever located and whether or not reflected on the books and records of the Bank, other than the Excluded Assets. Such assets and property shall include, without limitation, all right, title and interest of the Bank in all lands, branches, offices, buildings (together with improvements, appurtenances, licenses and permits), motor vehicles, equipment, furniture and fixtures, supplies, stationery, cash, loans, the allowance for loan losses , accrued interest, securities, certificates of deposit, accounts receivable, cash management accounts, servicing rights, leases of real and personal property, prepaid expenses, deposits, licenses and permits, agreements and contracts, claims against third parties (including warranty claims relating to goods, equipment or real property sold to the Bank), authorizations and approvals of any third party, the right to receive mail, payments on loans and accounts receivable and other communications, prepaid FDIC insurance and assessments and other prepaid expenses incurred in the ordinary course of business and not related to the Excluded Assets, computer software used in connection with personal computers (the "Software"), other files and business records, advertising materials, customer application forms, the right to use the Bank's ABA transit numbers and other intangible properties and rights to, refunds and prepayments under Contracts, Marks and the capital stock and assets of the Bank Subsidiaries, and the payment referred to in Section 6.11, but shall not include the Excluded Assets.

"REAL ESTATE LIABILITIES" means all liabilities or obligations (absolute or contingent) of Bank or any Subsidiary to the extent arising out of any real estate development activities (past or present) of Bank or any of its Affiliates, all real estate held for development, all Real Estate Subsidiaries, the ownership or operation of the Real Estate Subsidiaries by Bank or any Subsidiary, including without limitation, (i) claims of persons who have purchased properties or assets from Real Estate Subsidiaries or any partnership, joint venture, association, project or development in which any of the Real Estate Subsidiaries may have participated at any time, (ii) contractual obligations, performance bonds, undertakings, guarantees, suretyship arrangements, or other obligations of Bank or the Subsidiaries with respect to the business or obligations of the Real Estate Subsidiaries, and (iii) liabilities or obligations arising out of the ownership, operation, formation, dissolution, sale or disposition of any Real Estate Subsidiary.

"REAL ESTATE SUBSIDIARIES" means the entities identified on Schedule 1.1(j) hereto and all interests or investments (equity, debt, or otherwise) of the Bank or any Subsidiary, direct or indirect, in any of such entities.

"REAL PROPERTY" means all real property of Bank or any Bank Subsidiary, including fee, leasehold and other interests in real property (including real property that is DPC Property, but excluding any interest in real property held solely as a trustee or beneficiary under a deed of trust or mortgagee under a mortgage).

"RECORDS" mean all records and original documents which pertain to and are utilized by Bank to administer, reflect, monitor, evidence or record information respecting the business or conduct of Bank and the Bank Subsidiaries, including all such records maintained on electronic or magnetic media in the Technology Systems.

"REGULATORY AGREEMENT" means, with respect to Bank or any Bank Subsidiary, any cease-and-desist or other order issued by, or any written agreement, consent agreement or memorandum of understanding with, or any order or directive by, or any extraordinary supervisory letter from, or any board resolutions adopted at the request of any Bank Regulator or other Governmental Entity that restricts the conduct of Bank's or any Bank Subsidiary's business or that in any manner relates to its capital adequacy, its credit policies, its management or its business.

"RELATED DOCUMENTS" means the Bill of Sale and the Assumption Agreement.

"REQUISITE REGULATORY APPROVALS" mean all approvals or consents of or filings with any Governmental Entity required in order to consummate the transactions contemplated by this Agreement, all of which are listed in Schedule 1.1(k).

"RETAINED LIABILITIES" means all obligations and liabilities of Bank, whether actual or contingent, or known or unknown, consisting of or arising out of (i) the Real Estate Subsidiaries or any assets or obligations or liabilities thereof; (ii) Real Estate Liabilities; (iii) any liabilities or obligations consisting of or arising out of the Excluded Assets; and (iv) all Taxes imposed on Sellers, Bank and the Subsidiaries (either directly or by virtue of joint and several liabilities) (A) for any taxable year or period that ends on or before the Closing Date or (B) with respect to any taxable year or period beginning before and ending after the Closing Date, the portion of such taxable year or period ending on and including the Closing Date; and any liabilities or obligations consisting of, arising out of, or related to acts occurring after the Closing Date.

"SEC" means the United States Securities and Exchange Commission.

"SERVICED MORTGAGE LOAN" means any closed Mortgage Loan, whether or not such Mortgage is included in a securitized portfolio, which is subserviced, serviced or master serviced by Bank or any of the Bank Subsidiaries pursuant to Mortgage Servicing Agreements.

"SOFTWARE" means all computer programs, software, firmware and related documentation used in the operation of the Technology Systems.

"SUBSIDIARY" means any Person, more than 50 percent of the voting power of which is owned directly or indirectly by Bank or any Person more than 50 percent of the Equity Interests of which is owned directly or indirectly by Bank, all of which are listed on Schedule 1.1(l).

"TAXES" means all federal, provincial, territorial, state, municipal, local, foreign or other taxes, imposts, rates, levies, assessments and other charges including, without limitation, all income, franchise, gains, capital, real property, goods and services, transfer, value added, gross receipts, windfall profits, severance, ad valorem, personal property, production, sales, use, license, stamp, documentary stamp, mortgage recording, excise, employment, payroll, social security, unemployment, disability, estimated or withholding taxes, and all customs and import duties, together with any interest, additions, fines or penalties with respect thereto or in respect of any failure to comply with any requirement regarding Tax Returns and any interest in respect of such additions, fines or penalties.

"TAX RETURN" means any return, report, information statements, schedule or other document (including any related or supporting information) with respect to Taxes, including any document required to be retained or provided to any Governmental Entity pursuant to 31 USC sections 5311-5328 and regulations promulgated thereunder.

"TECHNOLOGY SYSTEMS" mean all electronic data processing, communications, telecommunications, disaster recovery services and other computer systems which are material to the operation of the Branches and the Operating Sites, and to the servicing of the Loans and Serviced Mortgage Loans and, including (a) any computer hardware and Software owned, leased or licensed by Bank that is used in the operation of the Technology Systems, and (b) any Contracts pursuant to which Bank is granted rights which are used in the operation of the Technology Systems, including Software licenses and similar agreements.

"VA" means the Veterans Administration.

"VA LOANS" mean Loans which satisfy all applicable rules and regulations to be guaranteed by the VA and which are guaranteed by the VA.

1.2 Construction and Interpretation.

(a) When used to modify a statement with respect to the Bank or a Bank Subsidiary, "material," "materially," or similar phrases refer to matters which are material to the business, condition (financial or otherwise) or operations of Bank and the Bank Subsidiaries, taken as a whole; provided, however, that such terms shall not include (i) changes in Applicable Law, GAAP, or regulatory accounting principles, or thrift laws or regulations, or interpretations thereof, that affect the thrift industry generally or changes in the general level of interest rates unless such change affects Bank to a materially greater extent than thrift institutions generally (ii) any assessment imposed on the Bank in connection with the recapitalization of the Savings Association Insurance Fund of the FDIC; or (iii) the writeoff of any goodwill on the books of Bank and the Bank Subsidiaries as a result of the execution of delivery of this Agreement.

(b) Any reference to the "ordinary course of business" shall refer to the ordinary course of the business of Bank and the Subsidiaries prior to October 31, 1995.

ARTICLE 2.

PURCHASE AND ASSUMPTION

2.1 Assets to Be Sold. Subject to the terms and conditions of this Agreement, at the Closing, the Bank will sell to Purchaser, and Purchaser will purchase from the Bank the Purchased Assets. Such sale, conveyance, assignment, transfer and delivery shall be effected by delivery by the Bank to the Purchaser at the Closing of (i) the duly executed Bill of Sale, (ii) good and sufficient deeds, in recordable or registrable form, with respect to all Real Property owned by the Bank and included among the Purchased Assets, (iii) assignments of mortgages or deeds of trust, security agreements and security interests and assignments of notes, in recordable form, if applicable, relating to the Purchased Assets, and (iv) such other instruments of conveyance and transfer as the Purchaser shall reasonably request.

2.2 Assumed Liabilities. On the Closing Date Purchaser shall assume the obligations and liabilities of Bank other than the Retained Liabilities. Such assumption shall be effected by delivery by the Purchaser to the Bank at the Closing of (i) the duly executed Assumption Agreement, and (ii) such other instruments and supporting documents as Sellers, Bank or any applicable third party may reasonably request. The Purchaser shall not assume or be liable for the Retained Liabilities.

2.3 Purchase and Assumption Price. (a) The Purchase and Assumption Purchase Price shall be an amount equal to $190,700,000. The Purchase Price shall be reduced by the after tax amount of any Purchase Price reduction and increased by the after tax amount of any Purchase Price increase. The amount of any Purchase Price reduction shall be determined by adding (x) the amount of Real Estate Liabilities paid in the aggregate by the Bank or any of the Bank Subsidiaries subsequent to November 30, 1995 but on or prior to the Closing Date in excess of $1,205,000, and (y) the amount of Taxes paid by the Bank or any of the Bank Subsidiaries subsequent to October 31, 1995 but on or prior to the Closing Date (other than for Taxes related to operations

subsequent to October 31, 1995 and prior to the Closing Date) in excess of the amount of Taxes accrued on the balance sheet of the Bank contained in the Financial Statements as of October 31, 1995. The amount of any Purchase Price increase shall be determined by adding (x) any amounts received by the Bank or any of the Bank Subsidiaries with respect to the Margarita Village Lien or the Stead Real Property described in Schedule 1.1(d) subsequent to November 30, 1995 and prior to the Closing Date in excess of $200,000, plus the book value of the Margarita Village Lien and the Stead Real Property on the Bank's Financial Statements at November 30, 1995, and (y) any amounts received by the Bank or any of the Bank Subsidiaries subsequent to October 31, 1995 but on or prior to the Closing Date with respect to Tax refunds attributable to periods on or prior to October 31, 1995 except for Tax receivables accrued on the balance sheets of the Bank contained in the Financial Statements of October 31, 1995.

(b) Bank shall prepare an interim closing statement as of a date no more than five Business Days prior to the Closing Date and as if the Closing had occurred on such date setting forth the amount of the Purchase Price. The interim closing statement shall be delivered by Bank to Buyer and Purchaser no less than two Business Days prior to the Closing Date. The Purchase Price paid by the Buyer on the Closing Date shall be the Purchase Price set forth on the interim closing statement.

(c) Not more than 30 calendar days after the Closing Date, Bank shall deliver to Buyer and Purchaser a final closing statement setting forth its final calculation of the amount of the Purchase Price.

(d) If within 30 calendar days after delivery of the final closing statement to Buyer and Purchaser, the Buyer and Purchaser determine in good faith that the Purchase Price set forth on the final closing statement was inaccurate, Buyer and Purchaser shall give notice of such determination to Sellers and Bank setting forth the amount of the Purchase Price as determined by Buyer and Purchaser and specifying in reasonable detail the Buyer's and Purchaser's basis for its disagreement with Bank's determination of the Purchase Price. The failure by Buyer and Purchaser so to express its disagreement within such 30-day period shall constitute acceptance of the Purchase Price by Buyer and Purchaser. If the parties are unable to resolve their disagreement, the items in dispute shall be referred to KPMG Peat Marwick, LLP ("KPMG") and Arthur Andersen, LLP ("AA") for determination. KPMG and AA shall make a determination as to the matter in dispute, which determination shall be in writing, furnished to each of the parties as promptly as practicable after the matter in dispute has been referred to KPMG and AA and shall be final, conclusive and binding upon each of the parties hereto. If KPMG and AA cannot agree, KPMG and AA will jointly designate another accounting firm to make the determination, which determination shall be final, conclusive and binding upon each of the parties hereto. The final closing statement shall thereupon be modified in accordance with the determination of KPMG and AA. Each of the parties shall pay the fees and expenses of its accountants and, if a third accountant is appointed as set forth above, the Sellers, on the one hand, and the Buyer on the other hand shall share equally the expenses of such third accountant.

(e) If the amount of the Purchase Price paid by Buyer and Purchaser was less than that set forth on the final closing statement, Buyer and Purchaser shall, subject to the provisions of Section 2.3(d), promptly pay the difference to Bank together with interest thereon for each day after the Closing Date to the date of such payment at the rate of the closing Federal Funds rate per annum as set forth in the Western Edition of The Wall Street Journal published on the day prior to the date of payment (the "Interest Rate"). If the amount of the Purchase Price paid by Buyer and Purchaser was greater than that set forth on the final closing statement, Bank shall, subject to the provisions of Section 2.3(d), promptly pay the difference to Buyer, together with interest thereon for each day after the Closing Date to the Date of such payment at the Interest Rate.

ARTICLE 3.

THE CLOSING

3.1 Closing. The Closing shall take place (a) at the offices of Buyer, Norwest Center, Sixth and Marquette, Minneapolis, MN 55479 within ten (10) Business Days following the satisfaction or waiver of all of the conditions in Article 7 (other than those designating instruments, opinions, certificates or other documents to be delivered at the Closing), or (b) at such other place and time as the parties hereto shall agree.

3.2 Delivery by Sellers and Bank. On the Closing Date Sellers and Bank shall deliver or cause to be delivered the following to Buyer and Purchaser:

(a) copies of resolutions duly adopted by the Board of Directors and shareholders of each Seller and Bank authorizing this Agreement and the transactions contemplated hereby, certified as of the Closing Date by the Secretary or Assistant Secretary of such party; and

(b) the documents required to be delivered by Sellers and Bank pursuant to Section 7.2 and such other documentation as may be required by this Agreement.

3.3 Deliveries by Buyer and Purchaser. On the Closing Date, Buyer and Purchaser shall deliver or cause to be delivered the following to Bank and Sellers:

(a) copies of resolutions duly adopted by the Board of Directors and (if applicable) shareholders of Buyer and Purchaser authorizing this Agreement and the transactions contemplated hereby, certified as of the Closing Date by a Secretary or Assistant Secretary of such party;

(b) an amount equal to the Purchase and Assumption Purchase Price by wire transfer in immediately available funds to an account designated in writing to Buyer and Purchaser by Bank; and

(c) the documents required to be delivered by Buyer and Purchaser pursuant to Section 7.3 and such other documents as may be required by this Agreement.

ARTICLE 4.

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers represent and warrant to Buyer as follows:

4.1 Organization and Related Matters.

(a) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of California. SC is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. All of the Bank Stock is owned by SC, beneficially and of record, free and clear of all Encumbrances, other than net worth maintenance and similar obligations to Bank Regulators, and there are no other outstanding Equity Interests of Bank.

(b) Bank is a federal savings bank duly organized, validly existing and in good standing under the provisions of the Home Owners' Loan Act, as amended (12 USC sec. 1461), and is a member in good standing of the Federal Home Loan Bank System through the FHLB. The Branch Deposits are insured to applicable limits by the Savings Association Insurance Fund of the FDIC. Bank has the corporate power and authority to carry on its business as now being conducted and to own, lease and operate its properties.

(c) Except as set forth on Schedule 4.1, all of the Equity Interests of the Bank Subsidiaries are owned beneficially and of record directly or indirectly by Bank, free and clear of any Encumbrances. Except for the Subsidiaries and as set forth on Schedule 4.1, neither Bank nor any Bank Subsidiary has a direct or indirect Equity Interest in any Person, other than DPC Property.

(d) The Bank Subsidiaries are duly organized, validly existing and in good standing under the laws of the jurisdiction of their organization. Each of the Bank Subsidiaries has the corporate power and authority to carry on its respective business as now being conducted and to own, lease and operate its respective properties. Each of the Bank Subsidiaries is duly qualified and licensed and in good standing to do business as a foreign corporation in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so organized or existing or to have such power and authority or to be so qualified or licensed would not have a material adverse effect on Bank and the Bank Subsidiaries taken as a whole. None of the Bank Subsidiaries has engaged in the real estate development business as an owner, operator, developer, contractor or otherwise.

(e) Bank is not a party to, and is not obligated by, any commitment, plan or arrangement to issue or to sell any Equity Interests of Bank or the Bank Subsidiaries or to sell or otherwise transfer any significant portion of their assets, except the transactions contemplated by this Agreement and there are no outstanding subscriptions, contracts, conversion privileges, options, warrants, calls or preemptive or other rights requiring Bank to sell, dispose of, purchase, redeem or otherwise acquire the capital stock of the Bank.

4.2 Authority; No Violation.

(a) Each Seller and Bank has full corporate power and authority to execute and deliver this Agreement and the Related Documents to which it is a party and to consummate the transactions contemplated hereby. Except for the approval of a majority of the outstanding shares of Parent's common stock, the execution and delivery of this Agreement and the Related Documents to which it is a party and the consummation of the transactions contemplated hereby have been or will be duly and validly approved by all requisite corporate action on the part of Sellers and Bank, and, except for a meeting of the shareholders of Parent and corporate actions to be taken in connection with the transfer of the Bank Subsidiaries, no other corporate proceedings on the part of Sellers or Bank are necessary to approve this Agreement and the Related Documents to which it is a party and to consummate the transactions contemplated hereby. This Agreement and the Related Documents to which it is a party have been or will be duly and validly executed and delivered by Sellers and Bank and (assuming the due authorization, execution and delivery of this Agreement by Buyer and the Related Documents by Purchaser) constitute a valid and binding obligation of Sellers and Bank, enforceable against Sellers and Bank in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally and except as may be limited by general principles of equity whether applied in a court of law or a court of equity.

(b) Neither the execution and delivery of this Agreement by Sellers and Bank or the Related Documents to which they are a party nor the consummation by Sellers and Bank of the transactions contemplated hereby, nor compliance by Sellers and Bank with any of the terms or provisions hereof, will (i) violate any provision of the respective articles of incorporation or charter and By-Laws of Sellers or Bank or (ii) assuming that the Requisite Regulatory Approvals and the consents and approvals referred to in Section 4.3 are duly obtained, (x) violate in any material respect any Applicable Law with respect to either Bank, Sellers or any Bank Subsidiary, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Encumbrance upon any of the respective properties or assets of either Seller, Bank or any of the Bank Subsidiaries under, any of the terms, conditions or provisions of any Contract to which either Seller, Bank or any of the Bank Subsidiaries is a party, or by which either Seller, Bank or any of the Bank Subsidiaries, or any of their respective properties or assets, may be bound or affected, except for (i) such violations which arise from the legal or regulatory status of Buyer or its Affiliates or the businesses in which they are or propose to be engaged and

(ii) such consents and approvals the failure of which to obtain will not, individually or in the aggregate, have a material adverse effect on the Sellers and their Subsidiaries taken as a whole or the Bank and the Bank Subsidiaries taken as a whole.

4.3 Consents and Approvals. Except for the Requisite Regulatory Approvals to be obtained by Sellers and Buyer, the consents and approvals to be obtained by Buyer and Purchaser and the matters set forth on Schedule 4.3, no consents or approvals of or filings, notices or registrations with any Governmental Entity or with any Person who is a party to a Material Contract are necessary in connection with the execution and delivery by Sellers and Bank of this Agreement or the consummation by Sellers and Bank of the transactions contemplated hereby (including, without limitation the consummation of the Purchase and Assumption).

4.4 Title to Property.

(a) Bank and the Bank Subsidiaries own or have the right to use all property used in the operation of their business. Sellers have furnished to Buyer Schedule 4.4(a) that sets forth a description (including the character of the interest of Bank and each Bank Subsidiary) of all Real Property. Except as set forth on Schedule 4.4(a), Bank and each Bank Subsidiary has good and marketable title to all Real Property owned in fee and all material items of personal property reflected as owned on its books, in each case free and clear of all Encumbrances, except Permitted Encumbrances.

(b) All furniture, fixtures and equipment of Bank and each Bank Subsidiary that are material to the business, financial condition, results of operations or prospects of Bank and the Bank Subsidiaries taken as a whole, are in a good state of maintenance and repair, except for ordinary wear and tear, and are adequate for the conduct of the business of Bank and each Bank Subsidiary as presently conducted. Except as set forth in Schedule 4.4(a), (i) neither Bank nor any Bank Subsidiary has entered into any Contract containing a material obligation to improve any Real Property, (ii) to Seller's knowledge, each Lease and other Contract under which Bank or any Bank Subsidiary is a lessee or holds or operates any material property (real, personal or mixed) owned by any third party is in full force and effect and is a valid and legally binding obligation of Bank or such Bank Subsidiary and, to Sellers' knowledge, each other party thereto; (iii) Bank or such Bank Subsidiary and, to Sellers' knowledge, each other party to any such Lease or other Contract have performed in all material respects all the obligations required to be performed by them to date under such Lease or other Contract and are not in default in any material respect under any such Lease or other Contract and, to Sellers' knowledge, there is no pending or threatened proceeding that would interfere with the quiet enjoyment of such leasehold or such material property by Bank or any Bank Subsidiary; (iv) to Seller's knowledge, there has not been any generation, use, handling, transportation, treatment, storage, release or disposal of any Hazardous Substance in connection with the conduct of the business of Bank or such Bank Subsidiary and there has never been a use of any of the Real Property or any of the real property formerly owned by the Bank or any Bank Subsidiary for which the Bank or a Bank Subsidiary has any indemnification obligations that has created or might reasonably be expected to result in any liability under any Environmental Law; (v) to Seller's knowledge, no underground storage tanks are on or in the Real Property; and (vi) to Seller's knowledge, no Hazardous Substances exist on any real property at any time directly or indirectly owned or operated, whether as beneficial owner or in a fiduciary capacity, by Bank or any Bank Subsidiary in a manner that could reasonably be expected to expose Bank or such Bank Subsidiary as a former owner or operator of such real property to any liability under any Environmental Law.

(c) Sellers have provided Buyer access to copies of all Leases included on Schedule 4.4(a) and all appraisals and title insurance policies relating to Real Property.

4.5 Financial Statements. Sellers have previously delivered to Buyer: (a) the audited consolidated statement of financial condition of Bank and the Subsidiaries as of December 31, 1994 and related audited consolidated statements of operations and cash flows for the year ended on such date, including in each case the related notes and schedules thereto, together with the related opinion of Arthur Andersen, LLP, independent certified public accountants to Bank; and (b) the

unaudited consolidated statement of financial condition of Bank and the Subsidiaries as of October 31, 1995. The Financial Statements referred to in clause (a) above (including the related notes and schedules thereto), subject to qualifications, if any, noted in the accompanying opinion, have been prepared in accordance with GAAP or applicable regulatory accounting principles consistently applied during the periods involved and fairly present the consolidated financial condition, consolidated results of operations and consolidated changes in financial position of Bank and the Subsidiaries as of the date thereof and for the periods covered thereby. Except for changes in the financial accounting standards as set forth in Schedule 4.5, the Financial Statements referred to in clause (b) above have been prepared on a consolidated basis in accordance with GAAP or applicable regulatory accounting principles applied on a basis consistent with those at December 31, 1994, except for the omission of normal recurring year-end audit adjustments (if any) and notes thereto and fairly present the consolidated financial condition of Bank and the Subsidiaries as of the date thereof.

4.6 Material Contracts. Except as set forth on Schedules 1.1(h) or 4.4(a), (a) each Material Contract is a valid and binding obligation of Bank or a Bank Subsidiary; (b) Bank and each Bank Subsidiary has duly performed all material obligations under the Material Contracts to be performed by it to the extent that such obligations to perform have accrued; and (c) to Sellers' knowledge, there are no breaches, violations or defaults or allegations or assertions of such by any party under any Material Contract. True copies of all Material Contracts, including all amendments and supplements thereto, have been made available to Buyer.

4.7 Legal or Other Proceedings. Except as set forth in Schedule 4.7, as of the date of this Agreement, neither Bank nor any of the Bank Subsidiaries is a party to any, and there are no pending or, to Sellers' knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against or affecting Bank, any of the Bank Subsidiaries or any of their respective properties or assets or challenging the validity or propriety of the transactions contemplated by this Agreement and there is no injunction, order, judgment or decree imposing ongoing obligations upon Bank, any of the Bank Subsidiaries or the properties or assets of Bank or any of the Bank Subsidiaries. Except for customary ongoing quality control reviews or as set forth in Schedule 4.7, no audit, investigation, complaint or inquiry of Bank or any of the Bank Subsidiaries by any Agency, Investor or Insurer is pending or, to the knowledge of Sellers, threatened.

4.8 Undisclosed Liabilities. Sellers have furnished to Buyer Schedule 4.8 which sets forth all liabilities of Bank or any of the Subsidiaries that are material to Bank and the Subsidiaries taken as a whole, contingent or otherwise, that are not reflected or reserved against in the Financial Statements dated as of October 31, 1995, except for liabilities incurred or accrued since October 31, 1995 in the ordinary course of business, none of which, individually or in the aggregate, has had or may reasonably be expected to have a material adverse effect on Bank and the Subsidiaries taken as a whole.

4.9 Reports and Filings. Since January 1, 1993, Bank and each Bank Subsidiary has filed all Filings. Bank has made available to Buyer all Filings filed by Bank or any Bank Subsidiary since January 1, 1993, together with copies of any orders or other administrative actions taken in connection with such Filings to the extent permitted to do so by Applicable Law. As of their respective dates, each of such Filings (a) was true and complete in all material respects (or was amended so as to be so following discovery of any discrepancy); (b) complied in all material respects with Applicable Law (or was amended so as to be so following discovery of any such noncompliance); and (c) did not contain any 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 light of the circumstances under which they were made, not misleading. Any Financial Statement contained in any of such Filings that was intended to present the financial position of Bank or any Bank Subsidiary fairly presented the financial position of Bank or such Bank Subsidiary and was prepared in accordance with GAAP or applicable regulatory accounting principles consistently applied, except

as stated therein, required by Applicable Law during the periods involved or as otherwise set forth in Section 4.5.

4.10 Absence of Certain Changes or Events. Except as contemplated by Section 6.2(l) or as set forth on Schedule 4.10, since October 31, 1995, Bank has not declared, set aside or paid any dividend or other distribution with respect to, or repurchased any Equity Investments in, Bank. Except as set forth in Schedule 4.10 or as consented to by Buyer in writing, during the period from October 31, 1995 to the Closing Date, (a) neither Bank nor the Bank Subsidiaries has: (i) mortgaged, pledged or subjected to any Encumbrance or lease any of the Real Property, or permitted or suffered any such asset to be subjected to any Encumbrance or lease, except in the ordinary course of business; (ii) other than in the ordinary course of business, (A) increased the wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to any executive officer, Employee, or director from the amount in effect as of October 31, 1995, or granted any severance or termination pay, (B) entered into any contract to make or grant any severance or termination pay, or (C) paid any bonus to any such person; (iii) suffered any strike, work stoppage, slow-down, or other labor disturbance at the Branches or Operating Sites; (iv) amended, canceled or terminated any agreement relating to Technology Systems, Software or Intellectual Property, except in the ordinary course of business; (v) changed its accounting principles, practices or methods except as required by any change in Applicable Law, GAAP or regulatory accounting principles; (vi) engaged in any material sale or purchase of assets, entered into, amended, or terminated any Material Contract, or engaged in any other material transaction other than for fair value in the ordinary course of business; or (vii) incurred any damage, destruction or loss to any of the assets of Bank and the Bank Subsidiaries which has had or may be reasonably expected to have, individually or in the aggregate, a material adverse effect on Bank and the Bank Subsidiaries taken as a whole; and (b) no event has occurred or has failed to occur which has had or is reasonably expected to have, individually or in the aggregate with any other event(s), a material adverse effect on Bank and the Subsidiaries taken as a whole, provided, however, that for purposes of this Section 4.10, no such material adverse effect shall be deemed to have occurred as a result of (i) any change in Applicable Law, GAAP or regulatory accounting principles, (ii) changes in thrift laws or regulations, or interpretations thereof, that affect the thrift industry generally or changes in the general level of interest rates unless such change affects Bank to a materially greater extent than thrift institutions generally, (iii) or any assessment imposed on the Bank in connection with the recapitalization of the Savings Association Insurance Fund of the FDIC, or (iv) the write-off of any goodwill on the books of Bank and the Bank Subsidiaries as a result of the execution and delivery of this Agreement.

4.11 Taxes and Tax Returns.

(a) Except as reflected in Schedule 4.11, or otherwise disclosed, Bank and each Subsidiary, and any Affiliated Group of which any such entity was a member, has duly filed all Tax Returns required to be filed by it on or prior to the date of this Agreement (all such returns being accurate and complete in all material respects), has duly paid or made provisions for the payment of all Taxes that have been incurred or are due or claimed to be due from it by any taxing authority on or prior to the date of this Agreement other than Taxes which are not yet delinquent or are being contested in good faith (and which are set forth in Schedule 4.11) and has not executed an extension or waiver of any statute of limitations on the assessment or collection of any Taxes that is currently in effect. Except as set forth in Schedule 4.11, there is no audit, examination, deficiency, refund litigation, tax claim, notice of assessment, notice of proposed assessment or any other matter in controversy with respect to any Taxes that is reasonably likely to result in a determination materially adverse to Bank and the Bank Subsidiaries taken as a whole.

(b) No election under Section 341(f) of the Code has been or hereafter shall be made to treat Bank or any Bank Subsidiary as a consenting corporation (as defined in Section 341(f) of the Code).

4.12 Compliance with Applicable Law. Bank and each of the Bank Subsidiaries hold, and have at all times held, all material licenses, franchises, permits and other authorizations necessary for the lawful ownership and use of their respective assets and the conduct of their respective businesses and have complied with and are not in default in any material respect under any Applicable Law material to Bank and the Bank Subsidiaries taken as a whole.

4.13 Insurance. All insurance policies and indemnity bonds as of the date of this Agreement providing coverage for Bank and the Bank Subsidiaries are listed on Schedule 4.13. As of the date hereof each such insurance policy or bond is in full force and effect, and, as of the date hereof neither Bank nor any of the Bank Subsidiaries has received written notice or any other indication from any insurer or agent of any intent to cancel any such insurance policy or bond.

4.14 Agreements with Regulatory Agencies. Neither Bank nor any of the Bank Subsidiaries is currently subject to any Regulatory Agreement, nor has Bank or any of the Bank Subsidiaries been advised by any Bank Regulator or other Governmental Entity that it is considering issuing or requesting any Regulatory Agreement.

4.15 Affiliate Transactions. Except as set forth on Schedule 4.15, no Person who is an executive officer, director or Affiliate of Bank is an obligor or guarantor on any Loan, a lessor with respect to any Lease, or otherwise has any interest in any asset of, Bank or the Bank Subsidiaries. Except as set forth on Schedule 4.15, Bank and the Bank Subsidiaries on a consolidated basis do not have any other liabilities or obligation of any kind to either Seller or any Affiliate, other than Bank or a Bank Subsidiary. Except as set forth on Schedule 4.15, there are no intercompany payables owed by or intercompany receivables owed to Bank and the Bank Subsidiaries on a consolidated basis to or from Sellers or their Affiliates (other than the Bank and the Bank Subsidiaries).

4.16 Intellectual Property.

(a) Schedule 1.1(f) contains a true and complete list of all Intellectual Property owned by Bank or any Bank Subsidiary and any licenses or similar agreements pursuant to which Bank or any Bank Subsidiary is granted rights with respect to Intellectual Property.

(b) Except as set forth in Schedule 1.1(f), Bank or any Bank Subsidiary has the unrestricted right to use the Intellectual Property, free and clear of any claims, by any Person (other than the claims of any licensors under licensing or similar agreements), and the consummation of the transactions contemplated by this Agreement will not alter or impair any such right. No claims have been asserted to either Sellers, Bank or any Bank Subsidiary by any Person with respect to the use by Bank or any Bank Subsidiary of any Intellectual Property or challenging or questioning the validity or effectiveness of any license or similar agreement with respect thereto, and, to the knowledge of Sellers, there is no basis for any such claim. Except as set forth in Schedule 1.1(f), no Intellectual Property is subject to any outstanding order, judgment, decree, stipulation or agreement restricting the use thereof by Bank or any Bank Subsidiary.

4.17 Loan Portfolio.

(a) Schedule 4.17 sets forth a description, as of October 31, 1995, of (i) by type and classification, if any, each Loan or lease by Bank in excess of $500,000; and (ii) by type and classification, all Loans or leases of Bank of $500,000 or more, that have been classified by its bank examiners, auditors (external or internal), or credit administration personnel as "Special Mention," "Substandard," "Doubtful," "Loss" or any comparable classification.

(b) To Seller's knowledge, each Loan or Serviced Mortgage Loan owned or held by Bank complied at the time it was made or, if such Loan or Serviced Mortgage Loan was acquired and not originated by Bank, complied at the time it was originated, and remains in compliance, in all material respects with Applicable Law, including the federal Truth-in-Lending Act and other consumer protection laws, usury, equal credit opportunity, disclosure and recording laws.

(c) Except in the case of Loans which individually and in the aggregate are not material or for deficiencies which can be cured without the incurrence of unreasonable expenditures in the

circumstances, to Sellers' knowledge, each Loan included in the Financial Statements as of October 31, 1995, or acquired since that date (i) is the legal, valid and binding obligation of the obligor thereunder, enforceable in accordance with its terms, except (A) as enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and except as may be limited by general principles of equity whether applied in a court of law or a court of equity, and (B) to the extent Applicable Law requires the holder of the note with respect to the Loan to foreclose against the collateral for such note before seeking recovery on such note, or prohibits a deficiency judgment or other recovery on such note against the mortgagor or the grantor of such security interest or any guarantor of such Loan, (ii) arose in the ordinary course of business and (iii) is secured by a valid and legally enforceable security interest to the extent reflected in the loan records with respect thereto except (x) as enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally and except as may be limited by general principles of equity whether applied in a court of law or a court of equity, and (y) subject to any requirement of Applicable Law that the holder of the note with respect to the Loan foreclose against the collateral for such note before seeking recovery on such note, or prohibiting a deficiency judgment or other recovery on such note against the mortgagor or the grantor of such security interest or any guarantor of such Loan.

4.18 Mortgage Banking Licenses and Qualifications. Bank (a) is qualified and or authorized, as appropriate (i) by FHA as a mortgagee and servicer for FHA Loans, (ii) by VA as a lender and servicer for VA Loans, (iii) by FNMA and FHLMC as a seller/servicer of first mortgages to FNMA and FHLMC, and (iv) by GNMA as an authorized issuer and servicer of GNMA-guaranteed mortgage-backed securities; and (b) has all other certifications, authorizations, licenses, permits and other approvals necessary to conduct its current business, and is in good standing under all Applicable Laws and Mortgage Loan Regulations as a mortgage lender and servicer.

4.19 Payment of Taxes, Insurance Premiums, etc. To Seller's knowledge, the responsibilities of Bank and all prior servicers and originators of the Serviced Mortgage Loans with respect to all applicable Taxes (including tax reporting for the period prior to the Closing), special assessments, ground rents, flood insurance premiums, hazard insurance premiums and mortgage insurance premiums that are related to the Serviced Mortgage Loans have been met in all material respects.

4.20 Minute Books. The copies of the articles of incorporation and bylaws, including amendments, of Bank and each Bank Subsidiary which have been delivered to Buyer are true, correct and complete. The minute books of Bank and each Bank Subsidiary made available to Buyer are true, correct and complete and accurately reflect all material actions duly taken to date by its respective shareholder or owner, board of directors and committees.

4.21 Employee Benefit Plans and Employment and Labor Contracts.

(a) Sellers have furnished to Buyer Schedule 1.1(b) that sets forth all Employee Benefit Plans and any collective bargaining agreements, labor contracts and Employee Programs in which Bank or any Bank Subsidiary participates, or by which it is bound. Except as set forth in Schedule 1.1(b), (i) Bank and each Bank Subsidiary is in compliance in all material respects with the applicable provisions of ERISA and the regulations and published authorities thereunder currently in effect with respect to all such Employee Benefit Plans and Employee Programs; (ii) Bank and each Bank Subsidiary has performed all of its obligations under all such plans and programs; and (iii) there are no actions, suits or claims (other than routine claims for benefits) pending or, to the knowledge of Sellers, threatened against any such employee benefit plans or the assets of such plans, and to the knowledge of Sellers, no facts exist which could give rise to any actions, suits or claims (other than routine claims for benefits) against such plans or the assets of such plans that might have a material adverse effect on such plans. True copies of all of the Employee Benefit Plans and Employee Programs referred to in Schedule 1.1(b), including all amendments and supplements thereto, and all related summary plan descriptions have been made available to Buyer.

(b) The Employee Benefit Plans have been duly authorized by the board of directors of Bank. Each such plan and associated trust intended to be qualified under Section 401(a) of the Code has

received a favorable determination letter from the Internal Revenue Service and Sellers have no knowledge of any circumstances likely to result in revocation of any such determination letter. No event has occurred that will or could subject any such Employee Benefit Plans to tax under Section 511 of the Code. All costs of any Employee Benefit Plans subject to Title IV of ERISA have been provided for on the basis of consistent methods in accordance with actuarial assumptions and practices. Subject to amendments that are required by the Tax Reform Act of 1986 and later legislation, since the last valuation date for each Employee Benefit Plan subject to Title IV of ERISA, there has been no amendment or change to such Employee Benefit Plan that would increase the amount of benefits thereunder. Sellers have made available to Buyer for each of the Employee Benefit Plans, to the extent applicable, (i) a copy of the Form 5500 which was filed in each of the most recent three plan years, including, without limitation, all schedules thereto and all financial statements with attached opinions of independent accountants; (ii) the most recent determination letter from the IRS; (iii) the statement of assets and liabilities as of the most recent valuation date; and (iv) the statement of changes in fund balance and in financial position or the statement of changes in net assets available for benefits under each Employee Benefit Plan for the most recently ended plan year. The documents referred to in subdivisions (iii) and (iv) fairly present the financial condition of each of said Employee Benefit Plans as at such dates and the results of operations of each of said plans, all in accordance with GAAP or applicable regulatory accounting principles applied on a consistent basis.

(c) Neither Bank nor any entity with which Bank has been treated as a single employer under Section 4001(b) of ERISA sponsors or participates, or has sponsored or participated, in any Employee Benefit Plan that is a "multiemployer plan" (within the meaning of Section 3(37) of ERISA) that would subject such Person to any liability with respect to any such Employee Benefit Plan.

(d) All group health plans of Bank (within the meaning of Section 5000(b)(1) of the Code) have been operated in compliance in all material respects with the group health plan continuation coverage requirements of Section 4980B of the Code and Section 601 through 609 of ERISA, to the extent such requirements are applicable.

(e) There have been no acts or omissions by Bank that have given rise to or may give rise to fines, penalties, taxes, or related charges under Sections 502(c), 502(i), 502(1) or 4071 of ERISA or Chapter 43 of the Code which would be material to Bank and the Bank Subsidiaries taken as a whole.

(f) Schedule 1.1(b) sets forth the name of each director, officer or employee of Bank or any Bank Subsidiaries entitled to receive any benefit or any payment of any amount (including, without limitation, severance, unemployment compensation, golden parachute or otherwise) under any existing employment agreement, severance plan or other benefit plan as a result of the consummation of any transaction contemplated in this Agreement, and with respect to each such person, the nature of such benefit or the amount of such payment, the event triggering the benefit or payment, and the date of, and parties to, such employment agreement, severance plan or other benefit plan.

4.22 Investments. Sellers have furnished to Buyer Schedule 4.22 that, except for investments that have matured or been sold, sets forth all of the investments reflected in the consolidated balance sheet of Bank and the Bank Subsidiaries, contained in the Financial Statements dated October 31, 1995, and all of the investments made since October 31, 1995 to January 8, 1996. Except as set forth in Schedule 4.22, (i) all such investments are legal investments under Applicable Law for federal savings associations, and (ii) none of such investments is subject to any restriction, contractual, statutory or other, that would materially impair the ability of the Bank or any Bank Subsidiary holding such investment to dispose freely of any such investment at any time, except restrictions on the public distribution or transfer of such investments under the Securities Act of 1933, as amended, or state securities laws.

4.23 Broker's or Finder's Fees. Except for the fees of Merrill, Lynch & Co. to be paid by Parent, no agent, broker, investment or commercial banker, or other Person acting on behalf of

either Seller, will have any claims against Buyer, Bank or Purchaser for any broker's or finder's fee or any other commission or similar fee directly or indirectly in connection with any of the transactions contemplated in this Agreement.

4.24 Bank Accounts. Schedule 4.24 sets forth an accurate list of each bank, trust company, savings association or other financial institution with which the Bank or any Bank Subsidiary has an account or safe deposit box and the names and identification of all persons authorized to draw thereon or to have access thereto.

4.25 Deposits. Except as set forth in Schedule 4.25, none of the Bank's Branch Deposits is a Brokered Deposit. Except as set forth in Schedule 4.25, no portion of the Branch Deposits represents a deposit by any Affiliate of Bank. "Brokered Deposits" shall mean all deposits of Bank for which Bank has paid a commission or an interest rate substantially above that paid by Bank to the general depositors of Bank at the time of issuance of the deposit.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers and Bank as follows:

5.1 Organization and Related Matters. Buyer is a corporation duly organized and validly existing in good standing under the laws of the state of Delaware. The Purchaser will, at the time of Closing, be a bank or savings bank duly organized and validly existing under the laws of the jurisdiction of its organization and will have the requisite power and authority to own, operate and lease its properties and to carry on its business.

5.2 Authority; No Violation.

(a) Buyer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and at the Closing Date, each of Purchaser and Buyer will have full corporate power and authority to execute and deliver the Related Documents to which it is a party and to consummate the transactions contemplated thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by all requisite corporate action on the part of Buyer, and no other corporate proceedings on the part of Buyer are necessary to approve this Agreement or the Related Documents and to consummate the transactions contemplated hereby and the transactions contemplated by this Agreement and the Related Documents will be duly and validly approved by all requisite corporate action on the part of the Purchaser. This Agreement and the Related Documents have been or will be duly and validly executed and delivered by Buyer and Purchaser and (assuming the due authorization, execution and delivery of this Agreement by Sellers and Bank) constitute a valid and binding obligation of Buyer, enforceable against Buyer in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and except as may be limited by general principles of equity whether applied in a court of law or a court of equity.

(b) Neither the execution and delivery of this Agreement by Buyer or the Related Documents to which Buyer or Purchaser is a party nor the consummation by Buyer and Purchaser of the transactions contemplated hereby, nor compliance by Buyer with any of the terms or provisions hereof will or the execution or delivery by the Purchaser or Buyer of the Related Documents to which it is a party (i) violate any provision of the certificate of incorporation or bylaws of Buyer or Purchaser or (ii) assuming that the Requisite Regulatory Approvals and consents and approvals referred to in Section 5.3 hereof are duly obtained, (x) violate in any material respect any Applicable Law applicable to either Buyer or Purchaser, or any of its respective properties or assets, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Encumbrance upon any of the respective properties

or assets of Buyer or Purchaser under, any of the terms, conditions or provisions of any Contract to which either Buyer or Purchaser is a party or by which either Buyer or Purchaser, or any of its properties or assets may be bound or affected, except for such consents and approvals the failure of which to obtain will not, individually or in the aggregate, materially adversely affect the ability of either Buyer or Purchaser to consummate the transactions contemplated by this Agreement.

5.3 Consents and Approvals. Except for the Requisite Regulatory Approvals to be obtained by Sellers and Buyer, the consents and approvals to be obtained by Sellers and the matters set forth on Schedule 5.3, no consents or approvals of or filings or registrations with any Governmental Entity or with any third party are necessary in connection with the execution and delivery by Buyer of this Agreement or the consummation by Buyer or Purchaser of the transactions contemplated hereby (including, without limitation, the consummation of the Purchase and Assumption).

5.4 Financing; Capital. Buyer has current assets, irrevocable credit lines, or guaranties or other financial arrangements such that at the Closing, Buyer (or Purchaser) will have funds sufficient to enable them to carry out their obligations under this Agreement. After giving effect to the transactions contemplated hereby, Buyer (or Purchaser) will have sufficient shareholders' equity to comply with all regulatory capital adequacy requirements and will be in compliance, in all material respects, with all other banking laws, regulations, and guidelines applicable to its respective business as of the Closing.

5.5 Broker's or Finder's Fees. No agent, broker, investment or commercial banker or other Person acting on behalf of Buyers will have any claim against Sellers or Bank for any broker's or finder's fee or any other commission or similar fee directly or indirectly in connection with any of the transactions contemplated in this Agreement.

5.6 Proxy Statement. None of the information regarding Buyer and its subsidiaries supplied by Buyer for inclusion in the proxy statement to be used in connection with the shareholders' meeting at which the Purchase and Assumption will be considered will on the date mailed be false or misleading with respect to any material fact, or omit to state any material fact necessary to make the statements therein not misleading, or at the time of the shareholders' meeting at which the Purchase and Assumption is considered to be false or misleading with respect to any material fact, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of any proxy for such meeting.

ARTICLE 6.

COVENANTS

The parties covenant and agree that during the period prior to the Closing or, to the extent expressly herein provided, thereafter:

6.1 Access. Upon the reasonable request to Parent, Sellers and Bank shall give Buyer and its representatives reasonable access during normal business hours to all properties, documents, accounts, books and records of Bank and the Subsidiaries and furnish Buyer with such financial, operating and environmental data and other information with respect to the same as Buyer shall from time to time reasonably request, and provide Buyer with access to Sellers' officers, employees, accountants, counsel and other representatives, and the officers, employees, accountants, counsel and other representatives of the Bank and the Subsidiaries, in each case subject to Applicable Laws relating to the exchange of information. Buyer shall have the right at its own expense to make copies of the above-described corporate records, reports and other documents, subject to Applicable Laws relating to the exchange of information. In addition, except as may be otherwise agreed by the parties, Sellers shall provide Buyer with Phase I environmental reports for each parcel of Real Property owned by the Bank (excluding residential DPC Property). Oral reports of such environmental assessments shall be delivered to Buyer as soon as practicable, provided Sellers use their best efforts to provide such reports no later than six (6) weeks from the date of this Agreement and written reports shall be delivered to Buyer as soon as practicable, provided Sellers shall use their

best efforts to provide such reports no later than ten (10) weeks from the date of this Agreement. Sellers shall also obtain (except as may be otherwise agreed by the parties) Phase II environmental reports for properties identified by Buyer on the basis of the results of such Phase I environmental reports. The costs and expenses of all Phase II environmental reports shall be shared equally by Buyer and Sellers. Bank shall obtain a survey and assessment of all potential asbestos containing material in owned properties (other than DPC property) and a written report of the results shall be delivered to Buyer as soon as practicable, provided Sellers shall use their best efforts to obtain a report within six (6) weeks of execution of this Agreement. During the period prior to the Closing, Buyer shall furnish to Sellers such relevant information as Sellers may reasonably request regarding the ability of Buyer to perform its obligations under this Agreement.

6.2 Conduct of Business of Bank. During the period from the date of this Agreement and continuing until the Closing Date, except as required by Applicable Law or as expressly permitted by this Agreement, or with the prior written consent of Buyer, Sellers shall cause Bank and the Bank Subsidiaries to carry on their respective businesses in the usual and ordinary course, in accordance with present practices and policies and Applicable Law, and to use commercially reasonable efforts to pursue their relationships with customers, suppliers and others having business dealings with them and to maintain the services of the Employees. Without limiting the generality of the foregoing, and except as set forth in Schedule 6.2 or as otherwise expressly permitted by this Agreement or consented to in writing by Buyer, Sellers shall not permit Bank or any of the Bank Subsidiaries to:

(a) Engage or participate in any material transaction, or incur or sustain any material obligation, except in the ordinary course of business;

(b) Except for the Branch to be constructed at Crossroads, Henderson, Nevada, open, close or relocate any Branch or Operating Site, or acquire or sell or agree to acquire or sell any Branch or Operating Site;

(c) Change its interest rate or fee pricing policies, or materially alter the mix of rate, terms and account types, with respect to Branch Deposits, other than in the ordinary course of business;

(d) Make or agree to make any improvements to the Branches or the Operating Sites, except with respect to commitments for such made on or before the date of this Agreement and normal maintenance or refurbishing made in the ordinary course of business;

(e) Amend, terminate or cancel, or take any other action that may result in an amendment, termination or cancellation of any Lease or any other Material Contract of Bank and the Subsidiaries or enter into any Material Contract (except for the renewal of Contracts with respect to Technology Systems for terms not to exceed June 30, 1996, or for month to month periods thereafter);

(f) Foreclose upon or otherwise acquire any real property securing any Loan except in accordance with the Bank's customary policy with respect to any such Loan;

(g) Deviate in any material respect from policies and procedures existing as of the date hereof with respect to (i) classification of assets, (ii) accrual of interest on assets, (iii) underwriting, pricing, originating, warehousing, selling and servicing or buying or selling rights to service, any Loans or Serviced Mortgage Loans, (iv) hedging (which term includes both buying futures and forward commitments from financial institutions) its mortgage loan positions or commitments, and (v) obtaining financing and credit;

(h) Change its method of accounting in effect at October 31, 1995, except as required by changes in Applicable Law, GAAP or regulatory accounting principles as concurred to by Buyer's independent auditors;

(i) Except as required by Applicable Law or to maintain qualification pursuant to the Code and except as required by Section 6.12 of this Agreement, (i) adopt, amend, renew or terminate any Employee Benefit Plan or Employee Program, between Bank or any of the Bank

Subsidiaries and one or more of its Employees, except that Bank and the Bank Subsidiaries may hire or terminate one or more of its Employees in the ordinary course of business, (ii) increase in any manner the compensation or fringe benefits of any director, officer or Employee or pay any benefit not required by any Employee Program as in effect as of the date hereof, except for normal merit increases with respect to Employees in the ordinary course of business consistent with past practice, or (iii) enter into or modify any Contract providing for the payment to any director, officer or Employee of the Bank or any Bank Subsidiaries of compensation or benefits contingent, or the terms of which are materially altered, upon the occurrence of any of the transactions contemplated by this Agreement ("Management Contracts"), provided that the foregoing shall not prohibit the renewal of any such Management Contracts for a one year term at the same terms and conditions as currently in effect; or (iv) increase in any manner the compensation of any Person who is a party to a Management Contract not required by any Employee Program as in effect on the date hereof;

(j) Terminate or unilaterally fail to renew any existing insurance coverage or bonds;

(k) Amend or modify its charter or bylaws;

(l) Declare or pay any cash or property dividends or distributions; provided that Bank may pay a cash dividend on Bank Stock in an amount not to exceed $250,000 for the quarter ending December 31, 1995, $375,000 for the quarter ending March 31, 1996 and $375,000 for the quarter ending June 30, 1996 if the Purchase and Assumption is not consummated by such date, and dividends at a rate equal to $1,000,000 for the month ending July 31, 1996 and $1,250,000 for each of the months ending August 31, 1996 and September 30, 1996, which amounts shall be pro rated for each day after July 1, 1996 that the Closing Date does not occur;

(m) Declare or distribute any stock dividend, effect any stock split, or authorize, issue, or make any distribution of its capital stock or any other securities, grant or issue any right or option to acquire any such additional securities, or effect any recapitalization, exchange, or reclassification of shares;

(n) Merge with or into, consolidate with, any other Person;

(o) Except as contemplated by Section 6.11, make any direct or indirect redemption, purchase or other acquisition of any of its Equity Interests;

(p) Except for the Branch under construction or to be constructed at Crossroads in Henderson, Nevada, make any capital expenditures, including any capitalized lease obligation, in amounts individually in excess of $50,000 or in the aggregate in excess of $100,000;

(q) Make any new loan having a principal amount of $2,000,000 or more, increase the principal amount of any outstanding loan to $2,000,000 or more or make any commitment for any such loan or increase; provided, however, that Buyer shall be deemed to have consented in writing to any such loan, increase or commitment if it has not declined to give its consent within three (3) Business Days after receipt by Buyer of a request for such consent, accompanied by all of the credit information used by the Bank in determining to approve such loan or commitment; provided, that Sellers will cause Bank, promptly after the making thereof by Bank, to supply Buyer with all reasonably requested information concerning loans in amounts less than $2,000,000 but greater than $1,000,000;

(r) Make any investments or enter into any derivative contracts except investments made in the ordinary course of business for terms of up to one year and in amounts of $100,000 or less or investments made in the ordinary course of business with terms of ten Business Days or less;

(s) Authorize or incur any long term debt (other than deposit liabilities and Federal Home Loan Bank advances incurred in the ordinary course of business, consistent with past practices);

(t) Mortgage, pledge or subject to lien or other encumbrance any of its assets or of any assets of its Bank Subsidiaries, except in the ordinary course of business;

(u) Sell or otherwise dispose of any of its or the Bank Subsidiaries' assets or properties other than in the ordinary course of business;

(v) Make any capital contribution to any Subsidiary; or

(w) Agree (by contract or otherwise) to do any of the foregoing;

6.3 Regulatory Approvals: Consents of Third Parties.

(a) During the period prior to the Closing, Buyer, Purchaser, Sellers and Bank shall cooperate, in preparing, submitting and filing all applications for all Requisite Regulatory Approvals, and obtaining such Requisite Regulatory Approvals and taking such other actions as may be required by Applicable Laws or court or administrative proceedings with respect to the transactions contemplated by this Agreement, and shall use all reasonable efforts to obtain such approvals and to accomplish such actions as expeditiously as possible. As promptly as practicable after the date of this Agreement, Buyer and Sellers shall prepare, submit and file or cause to be filed the applications for Requisite Regulatory Approvals set forth on Schedule 1.1(k). Buyer and Sellers shall have the right to review in advance, and to the extent practicable each will consult the other on, in each case subject to Applicable Laws relating to the exchange of information, all the information which appears in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement other than any portion of such filings or submissions that are customarily accorded confidential treatment. In exercising the foregoing right, each of the parties hereto shall act reasonably and as promptly as practicable. The parties hereto agree that they will consult and cooperate with each other with respect to the obtaining of all Requisite Regulatory Approvals and consents or approvals of third parties necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other apprised of the status of matters relating to completion of the transactions contemplated herein. Each of the Sellers and Buyer shall use reasonable efforts to take, or cause to be taken, all actions necessary to comply promptly with all legal requirements which may be imposed on such party or the Bank and the Subsidiaries with respect to the transactions contemplated hereby and, subject to the conditions set forth in Article 7 hereof, to consummate such transactions. Buyer will furnish to Parent all information concerning Buyer and Purchaser required for inclusion in a proxy statement or statements to be sent to the shareholders of Parent or in any statement or application made by Parent in connection with obtaining any Requisite Regulatory Approvals to be obtained by it pursuant to this Agreement.

(b) Each party shall, upon request, furnish each other with all information concerning themselves, their subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of any party or any of their respective subsidiaries to any Governmental Entity in connection with the transactions contemplated by this Agreement.

(c) The parties shall use all reasonable efforts to obtain all approvals, waivers and/or consents of third parties required to consummate the transactions contemplated by this Agreement (it being understood that Sellers shall be responsible for obtaining all such approvals, waivers and consents from such parties with whom Bank or any of the Subsidiaries is in contractual privity to the extent necessary to consummate the Purchase and Assumption). If any required consent of or waiver by such third parties (excluding Governmental Entities) is not obtained prior to the Closing, the parties, each without cost, expense or liability to the other shall cooperate in good faith to develop an alternative arrangement to achieve the economic results intended, and the failure to obtain such consent or waiver shall not constitute a failure to satisfy any condition to Closing set forth in Article 7 of this Agreement, unless material to the transactions contemplated hereby.

(d) Each party represents that at the date hereof, it does not know of any facts that would reasonably cause it to believe that all Requisite Regulatory Approvals could not be obtained and agrees not to take any action or enter into any agreement or arrangement that reasonably would be expected to delay or jeopardize its ability to obtain such Requisite Regulatory Approvals; provided, however, (i) that nothing herein shall require Buyer to agree to any conditions to the consummation of the Purchase and Assumption imposed by any Governmental Entity with jurisdiction over the Purchase and Assumption that are, individually or together with any other conditions, reasonably deemed by Buyer in good faith to be unreasonably burdensome upon Buyer or the Purchaser ("Buyer's Burdensome Conditions") and (ii) that nothing herein shall require Sellers to agree to any conditions to the consummation of the transactions contemplated by this Agreement imposed by any Governmental Entity that are, individually or together with any other condition, reasonably deemed by Parent in good faith to be unreasonably burdensome upon Sellers or Bank ("Sellers' Burdensome Conditions").

(e) To the extent that the assignment of any contract or any license, permit, approval or qualification issued or to be issued by any government or agency or instrumentality thereof relating to the business of the Bank or the Purchased Assets to be assigned to Purchaser pursuant to this Agreement shall require the consent of any other party, this Agreement shall not constitute a contract to assign the same if an attempted assignment would constitute a breach thereof. Sellers and Bank shall use their reasonable efforts at the expense of Buyer, and shall cooperate with Purchaser where appropriate, to obtain any consent necessary to any such assignment. If any such consent is not obtained, then Sellers and the Bank shall cooperate with Buyer and Purchaser at the expense of Buyer in any reasonable arrangement requested by Purchaser designed to provide to Purchaser the benefits under any such contract, license, permit, approval or qualification, including enforcement of any and all rights of the Bank against the other party thereto arising out of breach or cancellation thereof by such other party or otherwise. Sellers and Bank shall obtain the consent of Buyer before incurring any expense in connection with the foregoing terminations or consents.

(f) At the reasonable request of Buyer, the Bank will give notice to terminate any Contract to be included in the Purchased Assets, provided that the Bank shall not be required to terminate any such Contract (i) if it believes that such termination may unreasonably disrupt the operation of the business of Bank or any Bank Subsidiary and (ii) unless it obtains satisfactory indemnification from Buyer and the Purchaser, which shall survive the termination of this Agreement, against any related costs or liabilities. Sellers and Bank shall obtain the consent of Buyer before incurring any expense in connection with the foregoing terminations or consents.

6.4 Public Announcements. Parent and Buyer shall consult with each other before issuing any press releases or otherwise making any public statements with respect to this Agreement or the transactions contemplated hereby, and neither of them shall issue or permit any Affiliate to issue any such press release or make any such public statement prior to such consultation unless reasonably satisfactory to the other parties hereto, except as may be required by law or by the rules or regulations of any Governmental Entity or securities exchange.

6.5 Further Assurances. Subject to the terms and conditions of this Agreement, Sellers, Bank and Buyer shall, and shall cause Purchaser to, do all things reasonably necessary or desirable and within their control to effect the consummation of the transactions contemplated hereby and cause their respective Affiliates to take such action as is contemplated hereby or required hereunder.

6.6 Notification of Certain Matters. Each party shall give prompt notice to the other party of (a) the occurrence, or failure to occur, of any event or existence of any condition that would be likely to cause any of its representations or warranties contained in this Agreement to be untrue or inaccurate in any material respect on the Closing Date, and (b) any failure on its part to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement.

6.7 Corporate Records, Contracts and Financial Statements. From the date hereof through the Closing Date:

(a) Bank will promptly furnish Buyer with copies of the minutes of each meeting of the shareholder or directors (including committees) of Bank or the Bank Subsidiaries held after the date of this Agreement and any Material Contract entered into after the date of this Agreement.

(b) Bank will promptly provide Buyer with copies of all regularly prepared monthly board reports substantially in the same form as prepared at the date of this Agreement and quarterly financial statements of Bank and the Bank Subsidiaries for each month and quarterly period ending between the date of this Agreement and the Closing Date. Such financial statements shall be verified by the chief financial officer of Bank and will be prepared in accordance with GAAP or applicable regulatory accounting principles, except for the omission of normal recurring year-end audit adjustments (if any) and notes thereto.

6.8 Delivery of Records at Closing. At or prior to the Closing, to the extent not otherwise located at any Branch or Operating Site, Sellers shall deliver to Buyer all Records (other than corporate minutes and organizational documents) of the Bank and Bank Subsidiaries.

6.9 Shareholder Approval. Parent shall call a meeting of its shareholders in conformance with California law to be held as soon as practicable, but in any event prior to July 17, 1996, for the purpose of voting on the approval of this Agreement and the transactions contemplated hereby and shall direct that this Agreement and Purchase and Assumption be submitted to a vote at that meeting. The board of directors of Parent shall recommend shareholder approval of this Agreement and such transactions and use its best efforts to solicit from Parent's shareholders proxies in favor thereof, except to the extent, based upon the advice of counsel, the board of directors of Parent determines in good faith that to do so would or is likely to violate its fiduciary duties under applicable law. Neither Parent, nor any director, officer, representative or agent thereof, will directly or indirectly, solicit, authorize the solicitation of or, except to the extent based on the advice of counsel the board of directors of Parent determines in good faith that failure to do so would or is likely to violate its fiduciary duties under applicable law, enter into any discussions with any corporation, partnership, person or other entity or group (other than Buyer) concerning any offer or possible offer (an "Acquisition Proposal") (i) to purchase any shares of common stock, any option or warrant to purchase any shares of common stock, any securities convertible into any shares of such common stock, or any other equity security of Bank (ii) to purchase, lease or otherwise acquire the assets of Bank or any Bank Subsidiary except in the ordinary course of business, or (iii) to merge, consolidate or otherwise combine with Bank or any Bank Subsidiary (an "Acquisition Event"). If any corporation, partnership, person or other entity or group makes an offer or inquiry to Sellers or Bank or any Bank Subsidiary concerning any of the foregoing, Sellers, Bank or such Bank Subsidiary will promptly disclose such offer or inquiry, including the terms thereof, to Buyer.

6.10 Resignations. Sellers shall obtain the resignations, to be effective at the Closing, of the directors of the Bank Subsidiaries.

6.11 Taxes. Immediately prior to the Closing Date, Sellers shall make a cash payment to Bank which shall constitute a Purchased Asset, in an amount equal to the amount set forth on Schedule 6.11 ("Deferred Tax Amount"). It is agreed that for purposes of Schedule 6.11, that the contingent tax liability related to real estate shall not exceed the total contingent tax liability recorded on the books of Bank and the Bank Subsidiaries. Sellers will, upon filing of their consolidated Tax Return for the year including the Closing Date, disclose to Buyer the actual Deferred Tax Amount claimed on said return ("Claimed Amount"). If the Claimed Amount is more than 10% greater or less than the Deferred Tax Amount shown on Schedule 6.11, then, within 30 days after filing such return (i) Sellers shall pay to Buyer such amount if greater than the amount shown on Schedule 6.11 and (ii) Buyer shall pay to Sellers such amount if less than the amount shown on Schedule 6.11, said payments to be in immediately available funds.

6.12 Termination and Amendment of Certain Employee Benefit Plans. At the request of Buyer, Sellers and the Bank shall use their reasonable efforts, at the sole cost and expense of Buyer, with respect to the following Employee Benefit Plans, to terminate the following plans and to the extent necessary under the terms of the Plans, obtain consent of participants in each for lump sum distributions:

(i) The Executive Deferral Plan;

(ii) The Director Deferral Plan;

(iii) The Supplemental Executive Retirement Plan, I;

(iv) The Supplemental Executive Retirement Plan II;

(v) Long-Term Incentive Compensation Plan; and

(vi) Severance Agreement for Sherman Miller.

Notwithstanding the foregoing, it shall not be a condition of Buyer's obligation to consummate the Purchase and Assumption that the above-referenced Employee Benefit Plans are terminated or that the consents of participants for lump sum distributions are obtained. Sellers shall obtain the consent of Buyer before incurring any expense in connection with the foregoing terminations.

6.13 Amendment of Contracts. Sellers and Bank shall their reasonable efforts to take such actions as may be necessary to (i) amend the Agent Bank Agreement between Bank and National City Bank dated January 3, 1994, as of the Closing Date, on terms acceptable to the Buyer, to clarify that the non-competition and/or termination provisions of such contract will not prevent any of Buyer's Affiliates from issuing credit cards in any state, and (ii) to terminate as of the Closing Date the contracts listed on Schedule 6.13. Notwithstanding the foregoing, it shall not be a condition of Buyer's obligation to consummate the Purchase and Assumption that the Agent Bank Agreement be amended or the Contacts set forth on Schedule 6.13 be terminated as of the Closing Date. Sellers shall obtain the consent of Buyer before incurring any expense in connection with the foregoing terminations.

6.14 Employees. As of the Closing Date, Buyer shall cause Purchaser to employ each Employee who is employed by the Bank on the day before the Closing Date. The Assumed Liabilities shall include, among other things, all obligations of Bank and the Bank Subsidiaries for compensation, wages, bonuses, severance pay, vacation time, pay in lieu of vacation, sickness and accident benefits, leaves of absence and similar employee benefits provided by Bank or the Bank Subsidiaries to the Employees prior to the Closing Date and any obligations relating to the termination of employment of any such Employee as of the Closing Date or thereafter.

ARTICLE 7.

CONDITIONS TO CLOSING

7.1 Reciprocal Conditions. The obligations of each of the Sellers, Bank, Buyer and Purchaser to effect the Closing shall be subject to the following conditions which, to the extent permitted by Applicable Law, may be waived in writing by such party as a condition to its own obligations:

(a) No legal administrative, arbitration, investigatory or other proceedings by any Governmental Entity shall have been instituted and, on what otherwise would have been the Closing Date, remain pending, to restrain or prohibit in any material respect the transactions contemplated by this Agreement, nor shall there be in effect on such date an injunctive order or decree of a court of competent jurisdiction restraining or prohibiting in any material respect the transactions contemplated by this Agreement.

(b) All Requisite Regulatory Approvals shall have been obtained or made and shall remain in full force and effect, and all necessary waiting periods under Applicable Law shall have

expired; except in any case for matters not material to the transactions contemplated by this Agreement. All other material statutory or regulatory requirements for the valid consummation of the transactions contemplated by this Agreement shall have been satisfied, including any filings required to be made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the expiration of any waiting periods thereunder or under the Bank Holding Company Act of 1956, as amended, or the Savings and Loan Holding Company Act or otherwise.

(c) All approvals or consents of any other third party required in order to consummate the transactions contemplated by this Agreement shall have been obtained and remain in full force and effect, except in any case for matters not material to the transactions contemplated by this Agreement and except to the extent otherwise provided in Section 6.3(c).

(d) This Agreement and the transactions contemplated hereby shall have been approved by the affirmative vote of the holders of the percentage of the outstanding shares of Parent required for approval of this Agreement in accordance with the provisions of Parent's Articles of Incorporation and the California General Corporations Law.

7.2 Conditions to Buyer's Obligations. The obligations of Buyer and Purchaser to effect the Closing shall be subject to the following additional conditions which may be waived in writing by Buyer:

(a) The representations and warranties of Sellers contained in this Agreement shall be true in all material respects as of the date of this Agreement and on the Closing Date with the same effect as though made at such time; Sellers and Bank shall have performed all obligations and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by them at or prior to the Closing Date; and Sellers and Bank shall have delivered to Buyer and Purchaser a certificate dated the Closing Date and signed in their respective names and on their respective behalf by their respective chief executive officer and principal financial officer to the foregoing effect to the best knowledge of such officers;

(b) Opinions of O'Melveny & Myers, counsel to Sellers and Bank, and of Sellers' in-house counsel, covering the matters contemplated by Exhibit C-1 and C-2, respectively, shall have been delivered to Buyer;

(c) During the period from the date of this Agreement to the Closing Date, there shall not have been any material adverse change in Bank and the Bank Subsidiaries taken as a whole, or any injunctions, orders, judgments or decrees which are material to Bank and the Bank Subsidiaries taken as a whole and Buyer shall have received a certificate dated the Closing Date signed by the chief executive officer and the chief financial officer of Bank attesting to such fact to the best knowledge of such officers;

(d) In connection with any Requisite Regulatory Approvals, no Buyer's Burdensome Conditions shall be imposed.

(e) Bank shall have duly authorized, executed, and delivered to the Purchaser the Bill of Sale dated as of the Closing Date.

7.3 Conditions to Sellers' Obligations. The obligation of Sellers and Bank to effect the Closing shall be subject to the following additional conditions which may be waived in writing by Sellers:

(a) The representations and warranties of Buyer contained in this Agreement shall be true in all material respects as of the date of this Agreement and on the Closing Date with the same effect as though made at such time; Buyer and Purchaser shall have performed all obligations and complied with all material covenants and conditions required by this Agreement to be performed or complied with by them at or prior to the Closing Date; and Buyer shall have delivered to Sellers a certificate, dated the Closing Date and signed in its name and on its behalf

by its chief executive and principal financial officer to the foregoing effect to the best knowledge of such officers;

(b) Opinion of Buyer's General Counsel or Senior Counsel, covering the matters contemplated by Exhibit D, shall have been delivered to Sellers; and

(c) In connection with any Requisite Regulatory Approvals, no Sellers' Burdensome Conditions shall be imposed.

(d) The Purchaser shall have duly authorized, executed and delivered to the Bank the Assumption Agreement dated as of the Closing Date.

ARTICLE 8.

TAX MATTERS

8.1 Liability for Taxes.

(a) Liability of Sellers. SC and, to the extent permitted by Applicable Law, Parent and Bank shall be liable for and indemnify Buyer and Purchaser against all Taxes imposed with respect to the Purchased Assets (i) for any taxable year or period that ends on or before the Closing Date or (ii) with respect to any taxable year or period beginning before and ending after the Closing Date, the portion of such taxable year or period ending on and including the Closing Date, except to the extent such Taxes are accrued on the balance sheet of the Bank and the Bank Subsidiaries contained in the Financial Statements as of October 31, 1995, adjusted to reflect (1) payments or refunds made or received by Bank or the Bank Subsidiaries after October 31, 1995 and prior to the Closing Date, (2) payments under Section 6.11, (3) previous payments or refunds under this Article 8, and (4) accruals for Taxes related to operations subsequent to October 31, 1995 and prior to the Closing Date.

(b) Liability of Buyer. Buyer shall be liable for and indemnify the Sellers and Bank against all Taxes imposed with respect to the Purchased Assets for (i) any taxable year or period that begins after the Closing Date and (ii) with respect to any taxable year or period beginning before and ending after the Closing Date, the portion of such taxable year beginning on the day after the Closing Date.

(c) Accrued Refunds. Buyer shall be entitled to receive any Tax refunds related to Bank or the Bank Subsidiaries which constitute Tax receivables accrued on the balance sheet of the Bank and the Bank Subsidiaries contained in the Financial Statements as of October 31, 1995, adjusted to reflect (1) refunds received by Bank or the Bank Subsidiaries after October 31, 1995 and prior to the Closing Date, (2) payments under Section 6.11, and (3) previous payments or refunds under this Article 8.

(d) Accrued Payments. To the extent that Taxes are accrued on the balance sheet of the Bank and the Bank Subsidiaries contained in the Financial Statements as of October 31, 1995, adjusted to reflect (1) payments or refunds made or received by Bank or the Bank Subsidiaries after October 31, 1995 and prior to the Closing Date, (2) payments under Section 6.11, (3) previous payments or refunds under this Article 8, and (4) accruals for Taxes related to operations subsequent to October 31, 1995 and prior to the Closing Date, Buyer shall be obligated to make payments for such Taxes.

8.2 Survival. The obligations of the parties under this Article 8 shall survive until expiration of the applicable statute of limitations (or any extension).

8.3 Transfer Taxes. All stamp, transfer, documentary, sales, use, registration and other such taxes and fees (including any penalties and interest) incurred in connection with the Purchase and Assumption Option (collectively, the "Transfer Taxes") shall be paid by Purchaser and Bank shall

properly file on a timely basis all necessary tax returns and other documentation with respect to any Transfer Tax.

8.4 Tax Cooperation. Buyer and Purchaser shall: (a) cooperate fully in preparing for any audits of or disputes with taxing authorities regarding, any Taxes imposed on Bank or the Bank Subsidiaries with respect to matters arising prior to the Closing Date or Taxes imposed on Sellers or Bank as a result of the consummation of the transactions contemplated hereby; (b) make available to the other and to any taxing authority, as reasonably requested by Sellers and Bank, all information, records and documents relating to Taxes imposed on Bank or the Bank Subsidiaries with respect to matters arising prior to the Closing Date or Taxes imposed on Sellers or Bank as a result of the consummation of the transactions contemplated hereby; and (c) provide timely notice to Parent in writing of any pending or threatened audits or assessments relating to Taxes imposed on the Bank or the Bank Subsidiaries with respect to matters arising prior to the Closing Date. Sellers, Bank, Purchaser and Buyer shall each (y) cooperate in the preparation of any Tax Returns which the other is responsible for preparing and filing; and (z) furnish the other with copies of all correspondence received from any taxing authority in connection with any audit or information request with respect to Taxes imposed on the Bank or the Bank Subsidiaries with respect to matters prior to the Closing Date.

ARTICLE 9.

TERMINATION/SURVIVAL/INDEMNIFICATION/TERMINATION FEE

9.1 Termination. This Agreement may be terminated by either of the parties, if the Closing has not yet occurred, on the Final Termination Date (unless the failure of such occurrence shall be due to the failure of the party seeking to terminate this Agreement to perform or observe all of the agreements contained herein required to be performed or observed prior to the Closing), unless extended by the written consent of Sellers and Buyer, and this Agreement may be terminated at any other time prior to the Closing Date as follows and in no other manner:

(a) by consent of the parties evidenced by their written agreement;

(b) by Sellers and Bank or by Buyer, as the case may be, upon written notice to the other, if the Bank Regulators, or any other Governmental Entity having jurisdiction over the transactions contemplated by this Agreement, shall notify Buyer or Sellers in writing that by its final determination it will refuse to grant an approval or consent to any material aspect of the transactions necessary to the consummation thereof, unless within 30 days after receipt of notice of such action, the party against whom the action was taken shall agree to submit or resubmit an application to, or appeal the decision of the Bank Regulator or Governmental Entity which denied or refused to grant approval thereof;

(c) by Sellers and Bank upon written notice of termination to Buyer if Buyer shall not have filed applications with the Bank Regulators, for approval of the Purchase and Assumption by March 22, 1996, unless Buyer's failure to file such applications shall be primarily the result of a breach of Sellers' covenants under Section 6.3 hereof;

(d) by Sellers and Bank upon written notice of termination to Buyer if any event occurs which makes it impossible to satisfy, by the Final Termination Date, one or more of the conditions to the obligations of Sellers set forth in Section 7.1 or 7.3, and such failure is not waived by Sellers;

(e) by Buyer upon written notice of termination to Sellers and Bank if any event occurs which makes it impossible to satisfy, by the Final Termination Date, one or more of the conditions to the obligations of Buyer set forth in Section 7.1 or 7.2, and such failure is not waived by Buyer;

(f) by Buyer pursuant to Section 9.7; and

(g) by Buyer upon written notice of termination to Sellers and Bank if Bank shall not have filed or attempted to file in good faith applications with the Bank Regulators set forth on Schedule 9.1(g) by March 22, 1996.

Any such termination shall be without liability to either party, provided that no such termination shall relieve a party of liability for default in the performance of any of its obligations or breach of any of its representations and warranties. Notwithstanding the foregoing, if this Agreement is terminated for any reason other than as set forth in clause (e) above or Section 9.7, Buyer shall reimburse Bank for all expense incurred by Bank pursuant to Section 6.12 and 6.13.

9.2 Survival of Representations and Warranties. Except for covenants with respect to obligations to be performed post-Closing, the respective representations and warranties and covenants of Sellers, Bank and Buyer contained herein shall survive for a period of one year after the Closing Date; provided, however, that any representations and warranties contained in Section 4.11, the covenants of SC and Bank set forth in Section 9.3(c), the covenants set forth in Section 9.5 and Section 9.6 and the covenants of the parties set forth in Section 6.14 and Article 8 shall survive the Closing or until the expiration of any applicable statutes of limitation (as extended). Following such termination of such representations and warranties and covenants, no party shall have any liability whatsoever with respect thereto.

9.3 Indemnification.

(a) From and after the Closing Date, each Seller and Bank shall indemnify Buyer and Purchaser and hold Buyer and Purchaser harmless from and against any and all Loss that Buyer may suffer, incur or sustain to the extent arising out of (i) any breach of any representation or warranty made by such Sellers pursuant to Article 4 of this Agreement, and (ii) any breach of any agreement to be performed by Sellers or Bank pursuant to this Agreement.

(b) From and after the Closing Date, Buyer and Purchaser shall indemnify Sellers and Bank and hold them harmless from and against any and all Loss that either Sellers or Bank may suffer, incur or sustain to the extent arising out of (i) any representation or warranty made by Buyer pursuant to Article 5 of this Agreement, (ii) any breach of any agreement to be performed by Buyer or Purchaser pursuant to this Agreement, and (iii) the Assumed Liabilities (except to the extent such Loss is as a result of a breach of any representation or warranty made by Sellers pursuant to Article 4 of this Agreement or any breach of any Agreement to be performed by Sellers or Bank pursuant to this Agreement).

(c) From and after the Closing Date, SC and Bank shall indemnify Buyer and Purchaser and hold them harmless against any and all Losses relating to or arising out of the Retained Liabilities. In no event shall SC's or Bank's obligations hereunder in the aggregate exceed $175,000,000.

(d) To exercise its indemnification rights under Section 9.3 as the result of the assertion against it of any claim or potential liability for which indemnification is provided, the indemnified party shall promptly notify the indemnifying party of the assertion of such claim, discovery of any such potential liability or the commencement of any action or proceeding in respect of which indemnity may be sought hereunder. The indemnified party shall afford the indemnifying party the opportunity, at the indemnifying party's sole cost and expense, to defend against such claims for liability. In any such action or proceeding, the indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at its own expense unless (i) the indemnifying party and the indemnified party mutually agree to the retention of such counsel or (ii) the named parties to any such suit action, or proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party, and in the reasonable judgment of the indemnified party, based upon a written opinion of counsel, representation of the indemnifying party and the indemnified party by the same counsel would be inadvisable due to conflicts of interests between them.

(e) The indemnified party shall have the right to settle or compromise any claim or liability subject to indemnification under Section 9.3, and to be indemnified from and against all Loss

resulting therefrom, unless the indemnifying party, within 30 calendar days after receiving written notice of the claim or liability in accordance with Section 9.3(d) above, notifies the indemnified party that it intends to defend against such claim or liability and undertakes such defense, or, if required in a shorter time than 30 calendar days, the indemnifying party makes the requisite response to such claim or liability asserted. Notwithstanding the foregoing, neither Buyer nor Bank shall be entitled to settle or compromise any claim or liability arising out of the Real Estate Liabilities without the written consent of SC, which shall not be unreasonably withheld or delayed.

(f) The indemnified party shall at all times use its reasonable efforts (at the indemnifying party's expense) to mitigate the Loss for which the indemnifying party may be liable pursuant to this Agreement. With respect to any matter for which the indemnifying party may be liable pursuant to the provisions of this Agreement, the indemnified party shall (at the indemnifying party's expense) diligently pursue (including, without limitation, the commencement and pursuit of litigation) any and all rights and remedies under agreements and contracts, including, without limitation, insurance policies, with third parties pursuant to which the indemnified party has rights of recourse or is indemnified or the beneficiary of a guaranty.

(g) Sellers and Bank shall not be required to indemnify Buyer or Purchaser under Section 9.3(a) unless the aggregate of all amounts for which indemnity would otherwise be payable thereunder by Sellers exceed $1,000,000, and in such event Sellers shall be responsible only for the amount in excess of such $1,000,000. In no event shall Sellers' obligations under Section 9.3(a) exceed $5,000,000.

(h) Buyer and Purchaser shall not be required to indemnify Sellers or Bank under Section 9.3(b) (i) or (ii) unless the aggregate of all amounts for which indemnity would otherwise be payable thereunder by Buyer exceed $1,000,000, and in such event Buyer shall be responsible only for the amount in excess of such $1,000,000. In no event shall Buyer's and Purchaser's obligations under Sections 9.3(b) (i) and 9.3(b)(ii) exceed $5,000,000 and in no event shall Buyer's obligations under Section 9.3(b) (iii) exceed $175,000,000 less any amounts paid by Purchaser or any of its successors and assigns with respect thereto.

(i) Any amounts payable by an indemnifying party hereunder shall be net of the dollar amount of any insurance proceeds recovered by the indemnified party with respect to such Loss.

(j) The remedies provided in Article 8 and in this Article 9 shall constitute the sole and exclusive remedy with respect to the matters set forth in Section 9.3.

9.4 Confidentiality Agreement. The Confidentiality Agreement shall terminate on the Closing Date, other than with respect to any Evaluation Material (as defined in the Confidentiality Agreement) concerning Parent, SC or the Real Estate Subsidiaries.

9.5 Limitations on Dividends from SC, Etc. SC and Bank shall not, and Parent shall not permit SC or Bank (i) to pay a dividend to Parent or loan the proceeds of this transaction to Parent in any manner that would cause SC or Bank to be unable to satisfy its obligations under Sections 8.1(a) or 9.3(c), (ii) sell SC or otherwise transfer, merge, consolidate or dissolve SC (other than to or with Bank) or (iii) sell or subject to Encumbrance or otherwise dispose of any of SC's or Bank's assets other than to SC or Bank unless the proceeds of such sale, Encumbrance or disposition are retained by SC or Bank or used by SC or Bank to satisfy its obligations under Sections 8.1(a) or 9.3(c). In the event that, notwithstanding the foregoing, SC or Bank is unable to satisfy its obligations under Sections 8.1(a) and 9.3(c) as a result of the payment of a dividend or loan to Parent or the actions taken in subclauses (ii) or (iii), Parent shall promptly repay to Bank and SC the amount which Bank or SC are unable to pay as a result of the payment of such dividends or loan or the actions taken in subsection (i) or (ii).

9.6 Insurance Claims.

(a) To the extent that any policies of insurance of Sellers provide defense and/or indemnity for claims or losses which occurred with respect to Bank prior to the Closing Date, Buyer and

Purchaser will have the right to manage such claims/losses and receive any protection afforded thereunder. Buyer shall promptly notify Parent, SC and Bank of all material events which have occurred in connection with the prosecution of such claims.

(b) At the request of Buyer, Sellers shall use their reasonable efforts to amend any of Sellers' insurance policies in effect on the date hereof which provide for coverage only on a "claims made" basis to an "occurrence" basis or to provide for an extended discovery period thereunder (in either case for a period not less than seven years following the Closing Date) for Bank liabilities that are based on acts or omissions occurring on or prior to the Closing Date, the cost of which shall be the responsibility of Purchaser and Buyer. In addition, Parent shall provide to Buyer a certified copy of each such policy. Sellers shall advise Buyer before incurring any out of pocket expense related to any such amendment.

(c) Nothing in this Article 9 shall be deemed to limit or supercede any insurance coverage available to or provided on behalf of any party hereto.

(d) Buyer shall cause each Bank Subsidiary to make all claims for Losses which any Bank Subsidiary may suffer, incur or sustain with respect to matters covered by insurance policies for which Bank is the insured and which are disclosed on Schedule 4.13 of which a Bank Subsidiary is aware and in effect on or prior to the Closing Date and shall do all such things as may be reasonably requested in connection with the prosecution of such claims. Buyer shall promptly notify Parent and SC of any such claims which have been filed and of all material events which occur in connection with the prosecution of such claims.

9.7 Termination Fee. If (a) an Acquisition Proposal is made, (b) the board of directors of the Parent fails to recommend shareholder approval of this Agreement or withdraws or modifies such recommendation in a manner adverse to Buyer, and (c) either (i) this Agreement is not approved by the affirmative vote of the holders of the percentage of the outstanding shares of Parent required for approval of this Agreement in accordance with the provisions of Parent's Articles of Incorporation and the California General Corporations Law, or (ii) the meeting of shareholders of the Parent at which approval of this Agreement and the transactions contemplated hereby is sought does not occur on or before August 16, 1996, or (d) an Acquisition Event occurs prior to termination of this Agreement, then Buyer may terminate this Agreement by written notice of termination to Sellers and Bank, whereupon no party shall have any liability to any other party except that Sellers shall pay to Buyer, within ten Business Days after receipt by Sellers of Buyer's written notice of termination or the occurrence of an Acquisition Event, the amount of $5,250,000, plus documented expenses incurred by Buyer in connection with this Agreement and the transactions contemplated herein, including reasonable accounting and legal fees (for a total of all expenses not to exceed $1,250,000) such payments to be in immediately available funds to an account or accounts specified in writing by Buyer to Seller.

ARTICLE 10

EMPLOYEE BENEFIT PLANS

Each person who is an employee of Bank as of the Closing Date ("Bank Employees") shall be eligible for participation in the employee welfare and retirement plans of Buyer, as in effect from time to time, as follows:

(a) Employee Welfare Benefit Plans. Each Bank Employee shall be eligible for participation in the employee welfare benefit plans of Buyer listed below subject to any eligibility requirements applicable to such plans (but not subject to any pre-existing conditions or exclusions except for the Norwest Long Term Care Plan) and shall enter each plan not later than the first day of the calendar quarter which begins at least 32 days after the Closing Date, provided, however, that until the effective date of coverage for Bank Employees under the Buyers' employee welfare benefit plans listed below, the employee welfare benefit plans of Bank, as in effect prior to the Closing Date, shall

be maintained for the benefit of Bank Employees on the terms and conditions previously in effect, including with respect to employer contributions, to ensure that no gap in coverage occurs:

Medical Plan
Dental Plan
Vision Plan
Short Term Disability Plan
Long Term Disability Plan
Long Term Care Plan
Flexible Benefits Plan
Basic Group Life Insurance Plan
Group Universal Life Insurance Plan
Dependent Group Life Insurance Plan
Business Travel Accident Insurance Plan
Accidental Death and Dismemberment Plan
Severance Pay Plan
Vacation Program

For the purpose of determining each Bank Employee's benefits for the year in which the Closing occurs under Buyer's vacation program, vacation taken by a Bank Employee in the year in which the Purchase and Assumption occurs will be deducted from the total Buyer's benefit. After the Closing Date, Bank Employees will be subject to Buyer's Vacation Program in accordance with the terms of that Program, with full credit for years of past service to Bank and the Bank's Subsidiaries. For purposes of the Short Term Disability Plan and Severance Policy, Bank Employees will receive full credit for years of past service with Bank and the Bank Subsidiaries. Each Bank Employee whose employment is terminated on or after the Closing Date shall be eligible to receive benefits under Buyer's Severance Pay Plan on the terms and conditions stated therein with full credit for years of past service with Bank and the Bank Subsidiaries.

Bank Employees shall not be entitled to past service credit with regard to retiree medical benefits.

(b) Employee Retirement Benefit Plans.

Each Bank Employee shall be eligible for participation in the Norwest Savings Investment Plan (the "SIP"), subject to any eligibility requirements applicable to the SIP (with full credit for years of past service to Bank to the extent such service was credited in the Bank 401(k) for the purpose of satisfying any eligibility and vesting periods applicable to SIP), and shall enter the SIP not later than the first day of the calendar quarter which begins at least 32 days after the Closing Date.

Each Bank Employee shall be eligible for participation in the Norwest Pension Plan under the terms thereof with full credit for years of past service to Bank and the Bank Subsidiaries to the extent such service was credited in the Bank Pension Plan for the purpose of satisfying any eligibility and vesting periods applicable to the Norwest Pension Plan (but not for benefit purposes).

ARTICLE 11.

MISCELLANEOUS

11.1 Expenses; Attorneys' Fees. Except as otherwise expressly provided herein, each party shall bear its own expenses and all fees and out-of-pocket expenses of outside counsel, independent public accountants, investment bankers, brokers, finders and other consultants shall be paid or provided for by the party employing such person; provided that Buyer shall be responsible for any additional costs incurred in connection with any transaction contemplated by Buyer after the Purchase and Assumption and Sellers shall be responsible for the out-of-pocket expenses of outside counsel, independent public accountants, investment bankers, brokers, finders and other

consultants incurred prior to the Closing Date by Bank in connection with this Agreement, except as otherwise provided in this Agreement; provided further Buyer shall reimburse Sellers for any and all documented out-of-pocket expenses incurred by Sellers or Bank, including reasonable legal and accounting fees and expenses, in connection with (i) Sellers' or Bank's efforts to obtain the regulatory approvals set forth in Schedule 1.1(k) required to be obtained by Sellers or Bank and the approvals, waivers and/or consents of third parties required to consummate the transactions contemplated by this Agreement but not the Acquisition Agreement and (ii) the Bank ceasing to be regulated as an insured depository institution or savings and loan association. Sellers shall use their reasonable efforts to consult with Buyer before incurring any expenses referred to in the last proviso.

11.2 Amendments. The provisions of this Agreement and any Exhibit or Schedule attached hereto (or agreement entered into concurrently herewith) may be amended or waived only in writing by agreement of the parties hereto except as otherwise provided by law.

11.3 Schedules; Exhibits. Each Schedule and Exhibit delivered in connection with or pursuant to this Agreement shall be in writing and shall constitute a part of this Agreement, although such Schedule or Exhibit need not be attached to each copy of this Agreement. Disclosure of any fact or item in any Schedule referenced by a particular section of this Agreement shall be deemed to have been disclosed for any and all purposes under this Agreement. The specification of any dollar amount in the representations and warranties contained in this Agreement or the inclusion of any specific items in any Schedules hereto is not intended to imply that such amounts, or higher or lower amounts, or the items so included or other items, are or are not material, and neither party shall use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in a Schedule, or otherwise, is or is not material for purposes of this Agreement. Unless otherwise specified, definitions given to terms in this Agreement or the Exhibits and Schedules shall apply to all parts of this Agreement including the Exhibits and Schedules.

11.4 Integration. To the extent provided in Section 9.4, this Agreement supersedes any and all prior agreements or understandings of the parties in connection herewith or with respect to the subject matter hereof.

11.5 Governing Law. This Agreement, the legal relations between the parties and the adjudication and the enforcement thereof shall be governed by and interpreted and construed in accordance with the substantive laws of the State of California, and, to the extent applicable, federal law.

11.6 Notices. All notices hereunder shall be in writing, and shall be deemed given when (a) delivered in person, (b) transmitted by telecopy, provided that any notice so given is also mailed as provided in clause (c), or (c) mailed by certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

If to Buyer:

Norwest Corporation
Norwest Center
Sixth and Marquette
Minneapolis, MN 55479-1026
Attention: Secretary

If to Sellers:

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89102
Attention: Chief Financial Officer

With a copy to:

O'Melveny & Myers
400 South Hope Street
Los Angeles, California 90071-2899
Telecopy: (213) 669-6407
Attention: Frances E. Lossing, Esq.

11.7 No Assignment. Neither this Agreement nor any rights hereunder may be assigned by any party without the written consent of the other parties hereto; provided, however, that the Buyer and the Purchaser may assign their respective rights and obligations (other than Buyer's obligation to pay or cause to be paid the Purchase and Assumption Purchase Price) hereunder to each other or any of Buyer's direct or indirect subsidiaries; provided, however, that Buyer shall guarantee, in a form reasonably satisfactory to Sellers, the performance of the obligations of any of its assignees under this Agreement or any of the Related Documents.

11.8 Headings. The descriptive headings of the sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.9 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same agreement.

11.10 Severability. If any provision of this Agreement is determined to be invalid, illegal or unenforceable by any Governmental Entity, the remaining provisions of this Agreement shall remain in full force and effect, provided that the essential terms and conditions of this Agreement for both parties remain valid, binding and enforceable.

11.11 Alternative Dispute Resolution. If a dispute arises between the parties relating to this Agreement, the following procedure shall be implemented before either party pursues other available remedies, except that either party may seek injunctive relief from a court, where appropriate, in order to maintain the status quo while this procedure is being followed:

(a) The parties shall meet within ten days after either party notifies the other party in writing of the existence of a dispute to attempt in good faith to negotiate a resolution of the dispute. The meeting shall be attended by persons with authority to settle the dispute; provided, however, that no such meeting shall be deemed to vitiate or reduce the obligations and liabilities of the parties or be deemed a waiver by either party of any remedies to which such party otherwise would be entitled.

(b) If within 15 days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, the dispute shall be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code) and under the Commercial Rules of the American Arbitration Association; provided, however, that with respect to Section 30, failure of any party to appear or respond in the arbitration proceeding shall result in a default award against such party. The arbitrator(s) shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator(s). The award rendered by the arbitrator(s) shall set forth findings of the facts and conclusions of law and shall be final, and the judgment may be entered in any court having jurisdiction thereof. A failure by the arbitrator(s) to make findings of fact and conclusions of law shall be grounds for overturning the award.

(c) In any arbitration proceeding, the arbitrator(s) is (are) authorized to apportion costs and expenses, including investigation, legal and other expense, which will include, if applicable, a reasonable estimate of allocated costs and expense or in-house legal counsel and legal staff. Such costs and expenses are to be awarded only after the conclusion of the arbitration and will not be advanced during the course of such arbitration.

(d) Any arbitration hereunder shall take place in the City of Las Vegas, Nevada, unless otherwise agreed by the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

SOUTHWEST GAS CORPORATION:

/s/ MICHAEL O. MAFFIE
Name: Michael O. Maffie
Title: President and CEO

/s/ FAYE J. RINGLER
Name: Faye J. Ringler
Title: Assistant Corporate Secretary

THE SOUTHWEST COMPANIES:

/s/ MICHAEL O. MAFFIE
Name: Michael O. Maffie
Title: President and CEO

/s/ FAYE J. RINGLER
Name: Faye J. Ringler
Title: Assistant Corporate Secretary

PRIMERIT BANK, FEDERAL SAVINGS BANK:

/s/ DAN J. CHEEVER
Name: Dan J. Cheever
Title: President and CEO

/s/ HARRY E. HINDERLITER
Name: Harry E. Hinderliter
Title: Executive Vice President, Chief Administrative Office & General Counsel

NORWEST CORPORATION:

/s/ LES BILLER
Name: Les Biller
Title: Executive Vice President

EXHIBIT A

ASSUMPTION AGREEMENT

ASSUMPTION AGREEMENT made as of , 19 by , an corporation (the "Purchaser").

WHEREAS, Norwest Corporation has entered into an Agreement dated as of , 1996 (the "Purchase Agreement"), among PriMerit Bank, Federal Savings Bank, a federal savings bank (the "Bank"), The Southwest Companies, a Nevada corporation, and Southwest Gas Corporation, a California corporation, which Purchase Agreement provides, inter alia, for the sale to the Purchaser of the Purchased Assets (as defined in the Purchase Agreement) and the due execution and delivery of this Assumption Agreement by the Purchaser at the Closing (as defined in the Purchase Agreement);

NOW, THEREFORE, the Purchaser hereby agrees as follows:

1. Definitions. Any capitalized term used herein which is not defined herein but is defined in the Purchase Agreement shall have the meaning specified in the Purchase Agreement.

2. Assumption. The Purchaser hereby assumes and agrees to pay and discharge in accordance with their terms the Assumed Liabilities. With respect to any legal, administrative, arbitral or other proceeding, claim, action or governmental or regulatory investigation of any nature against or affecting Bank, or any of the Bank Subsidiaries or any of their respective properties or assets existing on the date of this Assumption Agreement or subsequently brought or threatened with respect to or arising out of, or alleged to be with respect to or arising out of, actions taken or not taken prior to the date of this Assumption Agreement, other than with respect to the Retained Liabilities, the Purchaser shall defend and hold Bank and Sellers harmless.

3. Further Assurances. The Purchaser shall, from time to time after the delivery of this Agreement, at the Bank's request and without further consideration, take all steps reasonably necessary to assume the Assumed Liabilities, and shall execute and deliver such other instruments of assumption and take such action as the Bank or any applicable third party may reasonably require more effectively to assume the Assumed Liabilities.

4. Notices. Any notice, request or other document to be given with respect hereto shall be given in the manner specified in Section 11.6 of the Purchase Agreement.

5. Severability. If any provision of this Assumption Agreement shall be declared by any court of competent jurisdiction to be illegal or unenforceable, the other provisions shall not be affected, but shall remain in full force and effect.

6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada.

IN WITNESS WHEREOF, the Purchaser has caused this Assumption Agreement to be executed by its duly authorized officer as of the day and year first above written.

By:

Its:

EXHIBIT B

BILL OF SALE

BILL OF SALE made as of , 19 by PriMerit Bank, Federal Savings Bank, a federal savings bank (the "Bank").

WHEREAS, the Bank has entered into an Agreement, dated as of , 1996 (the "Purchase Agreement"), among the Bank, Norwest Corporation ("Norwest") and others, which Purchase Agreement provides, inter alia for the sale by the Bank to , a wholly-owned bank or thrift subsidiary of Norwest (the "Purchaser") of the Purchased Assets (as defined in the Purchase Agreement) and the due execution and delivery of this Bill of Sale by the Bank to the Purchaser at the Closing (as defined in the Purchase Agreement);

NOW, THEREFORE, the Bank hereby agrees as follows:

1. Definitions. Any capitalized term used herein which is not defined herein but is defined in the Purchase Agreement shall have the meaning specified in the Purchase Agreement.

2. Transfer of the Purchased Assets. The Bank hereby sells, conveys, assigns, transfers and delivers to the Purchaser, its successors and assigns, all of the Bank's right, title and interest in and to the Purchased Assets, to have and to hold, and all of the Purchased Assets are hereby sold, conveyed, assigned, transferred and delivered to the Purchaser, its successors and assigns, forever. The only representations and warranties made in connection with this Bill of Sale are those expressly set forth in and subject to the terms of, the Purchase Agreement.

3. Further Assurances. The Bank shall, from time to time after the delivery of this Bill of Sale, at the Purchaser's request and without further consideration, take all steps reasonably necessary to put the Purchaser, or its successors or assigns, in actual possession and control of the Purchased Assets, and shall execute and deliver such other instruments of conveyance and transfer, consents, bills of sale, assignments, releases, powers of attorney and assurances and take such action as the Purchaser may reasonably require more effectively to sell, convey, assign, transfer and deliver the Purchased Assets.

4. Notices. Any notice, request or other document to be given with respect hereto shall be given in the manner specified in Section 11.6 of the Purchase Agreement.

5. Severability. If any provision of this Bill of Sale shall be declared by any court of competent jurisdiction to be illegal or unenforceable, the other provisions shall not be affected, but shall remain in full force and effect.

6. Governing Law. This Bill of Sale shall be governed by and construed in accordance with the laws of the State of Nevada.

IN WITNESS WHEREOF, the Bank has caused this Bill of Sale to be executed by its duly authorized officer as of the day and year first above written.

PriMerit Bank, Federal Savings Bank

By:

Its:

EXHIBIT C-1

MATTERS TO BE COVERED IN OPINION OF O'MELVENY & MYERS
(SUBJECT TO CUSTOMARY QUALIFICATIONS)

a. The Agreement and Related Documents have been duly authorized by all necessary corporate action on the part of Parent, SC and Bank and have been duly executed and delivered by Parent, SC and Bank. The Agreement constitutes a legally valid and binding obligation of each of Parent, SC and Bank, enforceable against each of them in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting purchasers' or creditors' rights generally (including rights of purchasers or creditors of depository or insured institutions), and except that the enforceability of the Agreement is subject to the effect of 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.

b. The execution and delivery by Parent, SC and Bank of, and performance on or before the date of the opinion of their respective obligations under, the Agreement and Related Documents do not (i) violate the articles of incorporation or bylaws of Parent or SC or the charter or bylaws of Bank, (ii) violate any California or federal statute, rule or regulation that such counsel would, in its experience, reasonably recognize as directly applicable to Parent, SC or Bank or to transactions of the type contemplated by the Agreement and Related Documents, (iii) violate, breach or result in a default under, result in the creation or imposition of any Encumbrance upon any of the assets of Parent, SC or Bank or result in the ability to accelerate, any Material Contract (after receipt of all consents referred to in Schedule 4.3), or (iv) breach or otherwise violate any existing obligation of Parent, SC or Bank under any order, judgment or decree of any court or governmental authority binding on Parent, SC or Bank and identified to such counsel by Parent in a certificate, a copy of which will be delivered with the opinion. Such counsel need express no opinion with respect to the effect of the performance by Parent or SC or its obligations in the Agreement on Parent's, SC's or Bank's compliance with financial covenants contained in any of the Material Contracts referred to above.

c. All Requisite Regulatory Approvals required to be obtained by Parent, SC and Bank in order to permit the consummation of the Purchase and Assumption have been obtained and are in full force and effect, and no other orders, consents, permits or approvals of any California or federal governmental authority that such counsel would, in its experience, reasonably recognize as directly applicable to Parent, SC or Bank or to transactions of the type contemplated by the Agreement and related Documents are required to be obtained by Parent, SC or Bank for the execution and delivery by Parent, SC and Bank of, and performance on or before the date of the opinion of their respective obligations under, the Agreement and Related Documents.

Except for the matters set forth in Schedule 4.7 or in such counsel's opinion letter, such counsel has not, since January 1, 1995, given substantive attention on behalf of Bank or any of the Subsidiaries to, or represented Bank or any of the Subsidiaries in connection with, any actions, suits or proceedings pending or threatened against Bank or any of the Subsidiaries before any court, arbitrator or governmental agency. Such counsel may state that its engagement is limited to specific matters as to which it is consulted by Bank or the Subsidiaries.

EXHIBIT C-2

MATTERS TO BE COVERED IN OPINION OF COUNSEL TO SELLERS
(SUBJECT TO CUSTOMARY QUALIFICATIONS)

a. Each of Parent and SC has been duly incorporated and is validly existing in good standing under the laws of the State of California and Nevada, respectively, with corporate power and corporate authority to enter into and consummate the transactions contemplated by the Agreement.

b. Bank has been duly incorporated and is validly existing 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 bank; Bank has the corporate power and corporate authority to enter into and consummate the transactions contemplated by the Agreement and the Purchase and Assumption; Bank is a member in good standing of the Federal Home Loan Bank of San Francisco and the savings accounts of the depositors in the Bank are insured by the Savings Association Insurance Fund of the FDIC in accordance with the rules and regulations of the FDIC.

c. Each of the Subsidiaries has been duly incorporated and is validly existing in good standing under the laws of the jurisdiction of its incorporation.

EXHIBIT D

MATTERS TO BE COVERED BY OPINION OF COUNSEL TO BUYER
(SUBJECT TO CUSTOMARY QUALIFICATIONS)

a. Buyer has been duly incorporated and is validly existing under the laws of the State of Delaware, with corporate power and corporate authority to enter into and consummate the transactions contemplated by the Agreement. Purchaser has been duly incorporated and is validly existing under the laws of the United States with corporate authority to consummate the transaction contemplated by the Agreement.

b. The Agreement and the Related Documents have been duly authorized by all necessary corporate action on the part of Buyer and Purchaser and have been duly executed and delivered by Buyer and Purchaser. The Agreement constitutes a legally valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting purchasers' or creditors' rights generally and except that the enforceability of the Agreement is subject to the effect of 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 law.

c. The execution and delivery by Buyer and Purchaser of, and performance on or before the date hereof of their obligations under, the Agreement and Related Documents do not (i) violate the respective certificate of incorporation or charter or bylaws of Buyer and Purchaser, (ii) violate any state or federal statute, rule or regulation that such counsel would, in its experience, reasonably recognize as directly applicable to Buyer and Purchaser or to transactions of the type contemplated by the Agreement and Related Documents, or (iii) breach or otherwise violate any existing obligation of Buyer and Purchaser under any order, judgment or decree of any court or governmental authority binding on Buyer and Purchaser and known to such counsel upon due inquiry of appropriate officers of Buyer and Purchaser.

d. All Requisite Regulatory Approvals required to be obtained by Buyer and Purchaser in order to permit the consummation of the Purchase and Assumption have been obtained and are in full force and effect, and no other orders, consents, permits or approvals of any state or federal governmental authority that such counsel would, in its experience, reasonably recognize as directly applicable to Buyer and Purchaser or to transactions of the type contemplated by the Agreement and Related Documents are required to be obtained by Buyer and Purchaser for the execution and delivery by Buyer and Purchaser of, and performance on or before the date of the opinion of its obligations under the Agreement and Related Documents.

APPENDIX B

OPINION OF FINANCIAL ADVISOR

[MERRILL LYNCH LETTERHEAD]

May 30, 1996

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

Attention: Mr. Michael O. Maffie
President and Chief Executive Officer

Member of the Board:

Southwest Gas Corporation (the "Company") and its wholly-owned subsidiary The Southwest Companies and PriMerit Bank, Federal Savings Bank (the "Bank"), a wholly owned subsidiary of The Southwest Companies, have entered into an agreement dated January 8, 1996 (the "Agreement") with Norwest Corporation (the "Acquiror") pursuant to which the Acquiror, at its option, agreed to (i) acquire all of the outstanding capital stock of the Bank (the "Sale of Stock") in exchange for $175 million in cash (subject to adjustment pursuant to the Agreement) or (ii) through a wholly-owned subsidiary, acquire certain assets and assume certain liabilities of the Bank (the "Sale of Assets") in exchange for $190.7 million in cash (subject to adjustment pursuant to the Agreement) (the alternative structures, individually and collectively, referred to herein as the "Transaction"). The cash to be received by the Company in the Transaction is referred to herein as the "Consideration". On April 10, 1996, the Acquiror elected to consummate the Transaction as a Sale of Assets. The transaction is expected to be considered by the shareholders of the Company at a shareholders meeting to be held prior to July 17, 1996.

You have asked us whether, in our opinion, the proposed Consideration is fair to the Company from a financial point of view.

In arriving at the opinion set forth below, we have, among other things:

1. Reviewed the Company's Annual Reports, the Company's Annual Reports on Forms 10-K and related audited financial information for the three fiscal years ended December 31, 1995 and the Company's quarterly reports on Form 10-Q and related unaudited financial information for three months ended March 31, 1996;

2. Reviewed the Bank's Annual Reports and related audited financial information for the three fiscal years ended December 31, 1995 and unaudited financial information for the three months ended March 31, 1996;

3. Reviewed certain information, including financial forecasts, relating to the business, earnings, assets and prospects of the Bank furnished to us by the Bank;

4. Conducted discussions with members of senior management of the Bank concerning the business and prospects of the Bank;

5. Compared the results of operations of the Bank with those of certain companies which we deemed to be relevant;

6. Compared the proposed financial terms of the transaction contemplated by the Agreement with the financial terms of certain other mergers and acquisitions which we deemed to be relevant;

7. Reviewed the Agreement dated January 8, 1996;

8. Reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters as we deemed necessary.

In preparing our opinion, we have assumed and relied upon the accuracy and completeness of all financial and other information supplied or otherwise made available to us for purposes of this opinion, and we have not independently verified such information or undertaken an independent evaluation or appraisal of the assets or liabilities of the Bank, and we have not been furnished any such evaluation or appraisal. We are not experts in the evaluation of allowances for loan losses, and we have not made an independent evaluation of the adequacy of the allowance for loan losses of the Bank nor have we reviewed any individual credit files, and we have assumed that the aggregate allowance for loan losses of the Bank is adequate to cover such losses. We have assumed and relied upon the senior management of the Bank referred to above as to the reasonableness and achievability of the financial and operating forecasts furnished by the Bank (and the assumptions and bases therefore). Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We have assumed that the Consideration for the Sale of Assets alternative is the after tax economic equivalent of the Consideration for the Sale of Stock alternative based upon the estimate of the Company and Norwest that the Company will be required to pay an additional $15.7 million in income taxes if the transaction is consummated as a Sale of Assets.

Our opinion has been rendered without regard to the necessity for, or level of, any restrictions, obligations, undertakings or divestitures which may be imposed or required in the course of obtaining regulatory approvals for the Transaction.

We have been retained by the Board of Directors of the Company as an independent contractor to act as financial advisor to the Company with respect to the Transaction and will receive a fee for our services. We have within the past two years provided financial advisory, investment banking and other services to the Company and the Acquiror and have received customary fees for the rendering of such services. In addition, in the ordinary course of our securities business, we may actively trade debt and/or equity securities of the Company and the Acquiror and their respective affiliates for our own account and the accounts of our customers, and we therefore may, from time to time, hold a long or short position in such securities. Our opinion is directed to the Board of Directors of the Company and does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote at any shareholders meeting of the Company held in connection with the Transaction. Our opinion is directed only to the fairness of the proposed Consideration to the Company and does not take into account the use of the proposed Consideration by the Company or the pro forma financial effect the Transaction would

have on the Company. In addition, our opinion does not address the relative merits of the Transaction and alternative business strategies.

On the basis of, and subject to the foregoing, we are of the opinion that, as of the date hereof, the proposed Consideration is fair to the Company from a financial point of view.

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: /s/ MICHAEL F. BARRY

Director - Merrill Lynch & Co.
Investment Banking Group

APPENDIX C

SOUTHWEST GAS CORPORATION

1996 STOCK INCENTIVE PLAN

SOUTHWEST GAS CORPORATION

1996 STOCK INCENTIVE PLAN

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SOUTHWEST GAS CORPORATION

1996 STOCK INCENTIVE PLAN

1. THE PLAN

1.1 Purpose.

The purpose of this Plan is to promote the success of the Company by providing an additional means through the grant of Options to attract, motivate, retain and reward key employees, including officers, whether or not directors, of the Company with awards and incentives for high levels of individual performance and improved financial performance of the Company and to attract, motivate and retain experienced and knowledgeable independent directors through the benefits provided under Article 5. "Corporation" means Southwest Gas Corporation and "Company" means the Corporation and its Subsidiaries, collectively. These terms and other capitalized terms are defined in Article 4.

1.2 Administration and Authorization; Power and Procedure.

(a) Committee. This Plan shall be administered by and all Options to Eligible Employees shall be authorized by the Committee. Action of the Committee with respect to the administration of this Plan shall be taken pursuant to a majority vote or by written consent of its members.

(b) Plan Awards; Interpretation; Powers of Committee. Subject to the express provisions of this Plan, the Committee shall have the authority:

(i) to determine from among those persons eligible the particular Eligible Employees who will receive any Options;

(ii) to grant Options to Eligible Employees, determine the price at which securities will be offered and the amount of securities to be offered to any of such persons, and determine the other specific terms and conditions of such Options consistent with the express limits of this Plan, and establish the installments (if any) in which such Options shall become exercisable or shall vest, or determine that no delayed exercisability or vesting is required, and establish the events of termination of such Options;

(iii) to approve the forms of Option Agreements (which need not be identical either as to type of award or among Participants);

(iv) to construe and interpret this Plan and any agreements defining the rights and obligations of the Company and Participants who are granted Options under Article 2 of this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan;

(v) to cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Options held by Eligible Employees, subject to any required consent under Section 3.6;

(vi) to accelerate or extend the exercisability or extend the term of any or all such outstanding Options within the maximum ten-year term of Options under Section 1.6; and

(vii) to make all other determinations and take such other action as contemplated by this Plan or as may be necessary or advisable for the administration of this Plan and the effectuation of its purposes.

Notwithstanding the foregoing, the provisions of Article 5 relating to Non-Employee Director Options shall be automatic and, to the maximum extent possible, self-effectuating, and the discretion of the Committee shall not extend to such Options in any manner that would be impermissible under Rule 16b-3(c)(2).

(c) Binding Determinations. Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. No member of the Board or Committee, or officer of the Corporation or any Subsidiary, shall be liable for any such action or inaction of the entity or body, of another person or, except in circumstances involving bad faith, of himself or herself. Subject only to compliance with the express provisions hereof, the Board and Committee may act in their absolute discretion in matters within their authority related to this Plan.

(d) Reliance on Experts. In making any determination or in taking or not taking any action under this Plan, the Committee or the Board, as the case may be, may obtain and may rely upon the advice of experts, including professional advisors to the Corporation. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith.

(e) Delegation. The Committee may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company.

1.3 Participation.

Options may be granted by the Committee only to those persons that the Committee determines to be Eligible Employees. An Eligible Employee who has been granted an Option may, if otherwise eligible, be granted additional Options if the Committee shall so determine. Non-Employee Directors shall only be eligible to receive NonQualified Stock Options granted automatically without action of the Committee under the provisions of Article 5.

1.4 Shares Available for Options; Share Limits.

(a) Shares Available. Subject to the provisions of Section 3.2, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. The shares may be delivered for any lawful consideration.

(b) Share Limits. The maximum number of shares of Common Stock that may be delivered pursuant to all Options (including both Nonqualified Stock Options and Incentive Stock Options) granted under this Plan shall not exceed 1,500,000 shares (the "Share Limit"). The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as Incentive Stock Options granted under this Plan is 1,500,000 shares. The maximum number of shares of Common Stock that may be delivered to Non-Employee Directors under the provisions of Article 5 shall not exceed 350,000 shares. The maximum number of shares subject to those options that are granted during any calendar year to any Eligible Employee shall be limited to 100,000. Each of the four foregoing numerical limits shall be subject to adjustment as contemplated by this Section 1.4 and Section 3.2.

(c) Share Reservation; Replenishment and Reissue of Unvested Options. No Option may be granted under this Plan unless, on the date of grant, the sum of (i) the maximum number of shares issuable at any time pursuant to such Option, plus (ii) the number of shares that have previously been issued pursuant to Options granted under this Plan, other than reacquired shares available for reissue consistent with any applicable limitations under Rule 16b-3, plus (iii) the maximum number of shares that may be issued at any time after such date of grant pursuant to Options that are outstanding on such date, does not exceed the Share Limit. Shares that are subject to or underlie Options which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan, as well as reacquired shares, shall again, except to the extent prohibited by Rule 16b-3, be available for subsequent Options under the Plan. Except as limited by Rule 16b-3, if an Option is settled only in cash and satisfies the requirements for exemption under Rule 16b-3 or for exclusion from the definition of derivative security under Rule 16a-1(c)(3)(ii), such Option need not be counted against any of the limits under this Section 1.4.

1.5 Grant of Option.

Subject to the express provisions of this Plan, the Committee shall determine the number of shares of Common Stock subject to each Option and the price to be paid for the shares. Each Option shall be evidenced by an Option Agreement signed by the Corporation and, if required by the Committee, by the Participant.

1.6 Option Period.

Each Option and all executory rights or obligations under the related Option Agreement shall expire on such date (if any) as shall be determined by the Committee, but not later than ten (10) years after the Option Date.

1.7 Limitations on Exercise and Vesting of Options.

(a) Provisions for Exercise. Unless the Committee otherwise expressly provides, no Option shall be exercisable or shall vest until at least six months after the initial Option Date, and once exercisable an Option shall remain exercisable until the expiration or earlier termination of the Option.

(b) Procedure. Any exercisable Option shall be deemed to be exercised when the Secretary of the Corporation receives written notice of such exercise from the Participant, together with any required payment made in accordance with Section 2.2(a) or 5.3, as the case may be.

(c) Fractional Shares/Minimum Issue. Fractional share interests shall be disregarded, but may be accumulated. The Committee, however, may determine in the case of Eligible Employees that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests. No fewer than 100 shares may be purchased on exercise of any Option at one time unless the number purchased is the total number at the time available for purchase under the Option.

1.8 No Transferability.

(a) Limit On Exercise. Unless otherwise expressly permitted by the Committee and by applicable law (including (if applicable) Rule 16b-3) and the express terms of an Option Agreement, Options may be exercised only by, and shares issuable pursuant to an Option shall be paid only to (or for the account of), the Participant or, if the Participant has died, the Participant's Beneficiary or, if the Participant has suffered a Total Disability, the Participant's Personal Representative, if any, or if there is none, the Participant. The Committee may permit Options to be exercised by certain persons or entities related to the Participant who are transferees of the Participant without consideration pursuant to such conditions and procedures as the Committee may establish and (for Options intended to satisfy the conditions of Rule 16b-3) as may be permitted under Rule 16b-3.

(b) Limit On Transfer. No right or similar benefit granted under this Plan or any Option, shall be transferrable by the Participant or shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge (other than to the Corporation), except (i) by will or the laws of descent and distribution, or (ii) pursuant to a QDRO or pursuant to any other exception to transfer restrictions expressly permitted by the Committee and set forth in the Option Agreement (or an amendment thereto) and, in the case of Options intended to satisfy the conditions of Rule 16b-3, to the extent permitted by Rule 16b-3 (or, in the case of Options not intended to satisfy Rule 16b-3, as may be not inconsistent with the issue of Options under this Plan that do satisfy the Rule), or (iii) in the case of Incentive Stock Options, as permitted by the Code. Any attempted transfer in violation of these provisions shall be void and the Corporation shall disregard any attempt at transfer, assignment or other alienation prohibited hereby.

(c) Designation of Beneficiary. The designation of a Beneficiary hereunder shall not constitute a transfer prohibited by the foregoing provisions.

(d) Exceptions. The restrictions on exercise and transfer above shall not be deemed to prohibit the authorization by the Committee of "cashless exercise" procedures with unaffiliated third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of Options consistent with applicable legal restrictions and Rule 16b-3, nor, to the extent permitted by the Committee, transfers for estate and financial planning purposes, notwithstanding that the inclusion of such features may render the particular Options ineligible for the benefits of Rule 16b-3, nor, in the case of Participants who are not Section 16 Persons, transfers to such other persons or in such other circumstances as the Committee may in the Option Agreement or other writing signed by the Corporation expressly permit.

2. EMPLOYEE OPTIONS.

2.1 Grants.

One or more Options may be granted under this Article to any Eligible Employee. Each Option granted may be either an Option intended to be an Incentive Stock Option, or not so intended, and such intent shall be indicated in the applicable Option Agreement.

2.2 Option Price.

(a) Pricing Limits. The purchase price per share of the Common Stock covered by each Option shall be determined by the Committee at the time of the grant, but in the case of Incentive Stock Options shall not be less than 100% (110% in the case of a Participant who owns or is deemed to own under Section 424(d) of the Code more than 10% of the total combined voting power of all classes of stock of the Corporation) of the Fair Market Value of the Common Stock on the date of grant.

(b) Payment Provisions. The purchase price of any shares purchased on exercise of an Option granted under this Article shall be paid in full at the time of each purchase in one or a combination of the following methods: (i) in cash or by electronic funds transfer; (ii) by check payable to the order of the Corporation; (iii) by notice and third party payment in such manner as may be authorized by the Committee; or (iv) by the delivery of shares of Common Stock of the Corporation already owned by the Participant, provided, however, that the Committee may in its absolute discretion limit the Participant's ability to exercise an Option by delivering such shares. Shares of Common Stock used to satisfy the exercise price of an Option shall be valued at their Fair Market Value on the date of exercise.

2.3 Limitations on Grant and Terms of Incentive Stock Options.

(a) $100,000 Limit. To the extent that the aggregate "fair market value" of stock with respect to which incentive stock options first become exercisable by a Participant in any calendar year exceeds $100,000, taking into account both Common Stock subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Company or any parent corporation, such options shall be treated as nonqualified stock options. For this purpose, the "fair market value" of the stock subject to options shall be determined as of the date the options were awarded. In reducing the number of options treated as incentive stock options to meet the $100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the $100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.

(b) Option Period. Each Option and all rights thereunder shall expire no later than ten years after the Option Date.

(c) Other Code Limits. There shall be imposed in any Option Agreement relating to Incentive Stock Options such terms and conditions as from time to time are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

2.4 Limits on 10% Holders.

No Incentive Stock Option may be granted to any person who, at the time the Option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such Option is at least 110% of the Fair Market Value of the stock subject to the Option and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

2.5 Cancellation and Regrant/Waiver of Restrictions.

Subject to Section 1.4 and Section 3.6 and the specific limitations on Options contained in this Plan, the Committee from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Employee any adjustment in the number of shares subject to, the restrictions upon or the term of, an Option granted under this Article by cancellation of an outstanding Option and a subsequent regranting of an Option, by amendment, by substitution of an outstanding Option, by waiver or by other legally valid means. Such amendment or other action may provide for a greater or lesser number of shares subject to the Option, or provide for a longer or shorter vesting or exercise period.

3. OTHER PROVISIONS.

3.1 Rights of Eligible Employees, Participants and Beneficiaries.

(a) Employment Status. Status as an Eligible Employee shall not be construed as a commitment that any Option will be made under this Plan to an Eligible Employee or to Eligible Employees generally.

(b) No Employment Contract. Nothing contained in this Plan (or in any other documents related to this Plan or to any Option) shall confer upon any Eligible Employee or other Participant any right to continue in the employ or other service of the Company or constitute any contract or agreement of employment or other service, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person, with or without cause, but nothing contained in this Plan or any document related hereto shall adversely affect any independent contractual right of such person without his or her consent thereto.

(c) Plan Not Funded. Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and (except as provided in Section 1.4(c)) no special or separate reserve, fund or deposit shall be made to assure payment of such Awards. No Participant, Beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Company by reason of any Option hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Option hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

3.2 Adjustments; Acceleration.

(a) Adjustments. If there shall occur any extraordinary dividend or other extraordinary distribution in respect of the Common Stock (whether in the form of cash, Common Stock, other securities, or other property), or any recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, reorganization, merger, combination, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Corporation, or there shall occur any other like corporate transaction or event in respect of the Common Stock or a sale of substantially all the assets of the Corporation as an entirety, then the Committee shall, in such manner and to such extent (if any) as it deems appropriate and equitable (1) proportionately adjust any or all of (a) the number and type of shares of Common Stock (or other securities) which thereafter may be made the subject of Options (including the specific numbers of shares set forth elsewhere in this Plan), (b) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding Options, (c) the exercise price of any or all outstanding Options, or (d) the securities, cash or other property deliverable upon exercise of any outstanding Options, or (2) in the case of an extraordinary dividend or other distribution, merger, reorganization, consolidation, combination, sale of assets, split up, exchange, or spin off, make provision for a cash payment or for the substitution or exchange of any or all outstanding Options or the cash, securities or property deliverable to the holder of any or all outstanding Options based upon the distribution or consideration payable to holders of the Common Stock of the Corporation upon or in respect of such event; provided, however, in each case, that with respect to Incentive Stock Options, no such adjustment shall be made which would cause the Plan to violate Section 424(a) of the Code or any successor provisions thereto without the written consent of holders materially adversely affected thereby. In any of such events, the Committee may take such action sufficiently prior to such event if necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is available to shareholders generally.

(b) Acceleration of Options Upon Change in Control. As to any Participant who has been granted an Option pursuant to Article 2, unless prior to a Change in Control Event the Committee determines that, upon its occurrence, there shall be no acceleration of benefits under Options or determines that only certain or limited benefits under Options shall be accelerated and the extent to which they shall be accelerated, and/or establishes a different time in respect of such Change in Control Event for such acceleration, then upon the occurrence of a Change in Control Event each Option shall become immediately exercisable provided, however, that in no event shall any Option be accelerated as to any Section 16 Person to a date less than six months after the Option Date of such Award. The Committee may override the limitations on acceleration in this Section 3.2(b) by express provision in the Option Agreement and may accord any Eligible Employee a right to refuse any acceleration, whether pursuant to the Option Agreement or otherwise, in such circumstances as the Committee may approve. Any acceleration of Options shall comply with applicable regulatory requirements, including without limitation Section 422 of the Code.

(c) Possible Early Termination of Accelerated Awards. If any Option under this Plan (other than an Option granted under Article 5) has been fully accelerated as permitted by Section 3.2(b) but is not exercised prior to (i) a dissolution of the Corporation, or (ii) a reorganization event described in Section 3.2(a) that the Corporation does not survive, or (iii) the consummation of reorganization event described in Section 3.2(a) that results in a Change in Control Event approved by the Board, and no provision has been made for the survival, substitution, exchange or other settlement of such Option, such Option shall thereupon terminate.

3.3 Effect of Termination of Employment.

The Committee shall establish in respect of each Option granted to an Eligible Employee the effect of a termination of employment on the rights and benefits thereunder and in so doing may make distinctions based upon the cause of termination.

3.4 Compliance with Laws.

This Plan, the granting and vesting of Options under this Plan and the issuance and delivery of shares of Common Stock and/or the payment of money under this Plan or under Options granted hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Corporation, provide such assurances and representations to the Corporation as the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

3.5 Tax Withholding.

(a) Cash or Shares. Upon any exercise of any Option or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company shall have the right at its option to (i) require the Participant (or Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of the amount of any taxes which the Company may be required to withhold with respect to such Option event or payment or (ii) deduct from any amount payable in cash the amount of any taxes which the Company may be required to withhold with respect to such cash payment. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Committee may in its sole discretion grant (either at the time of the Option or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares valued at their then Fair Market Value, to satisfy such withholding obligation.

(b) Tax Loans. The Company may, in its discretion, authorize a loan to an Eligible Employee in the amount of any taxes which the Company may be required to withhold with respect to shares of Common Stock received (or disposed of, as the case may be) pursuant to a transaction described in subsection (a) above. Such a loan shall be for a term, at a rate of interest and pursuant to such other terms and conditions as the Company, under applicable law may establish.

3.6 Plan Amendment, Termination and Suspension.

(a) Board Authorization. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Options may be granted during any suspension of this Plan or after termination of this Plan, but the Committee shall retain jurisdiction as to Options then outstanding in accordance with the terms of this Plan.

(b) Shareholder Approval. If any amendment would (i) materially increase the benefits accruing to Participants under this Plan, (ii) materially increase the aggregate number of securities that may be issued under this Plan, or (iii) materially modify the requirements as to eligibility for participation in this Plan, then to the extent then required by Rule 16b-3 to secure benefits thereunder or to avoid liability under Section 16 of the Exchange Act (and Rules thereunder) or required under Section 425 of the Code or any other applicable law, or deemed necessary or advisable by the Board, such amendment shall be subject to shareholder approval.

(c) Amendments to Options. Without limiting any other express authority of the Committee under but subject to the express limits of this Plan, the Committee by agreement or resolution may waive conditions of or limitations on Options to Eligible Employees that the Committee in the prior exercise of its discretion has imposed, without the consent of a Participant, and may make other changes to the terms and conditions of Options that do not affect in any manner materially adverse to the Participant, his or her rights and benefits under an Option. Notwithstanding anything else

contained herein to the contrary, the Committee shall not, without prior shareholder approval (i) authorize the amendment of outstanding Options to reduce the exercise price, as applicable, except as contemplated by Section 3.2, or (ii) cancel and replace outstanding Options with similar Options having an exercise or base price which is lower, except as contemplated by Section 3.2.

(d) Limitations on Amendments to Plan and Options. No amendment, suspension or termination of the Plan or change of or affecting any outstanding Option shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Corporation under any Option granted under this Plan prior to the effective date of such change. Changes contemplated by Section 3.2 shall not be deemed to constitute changes or amendments for purposes of this Section 3.6.

3.7 Privileges of Stock Ownership.

Except as otherwise expressly authorized by the Committee or this Plan, a Participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by him or her. No adjustment will be made for dividends or other rights as a shareholder for which a record date is prior to such date of delivery.

3.8 Effective Date of the Plan.

This Plan shall be effective as of March 5, 1996, the date of Board approval, subject to shareholder approval within 12 months thereafter.

3.9 Term of the Plan.

No Option shall be granted more than ten years after the effective date of this Plan (the "termination date"). Unless otherwise expressly provided in this Plan or in an applicable Option Agreement, any Option theretofore granted may extend beyond such date, and all authority of the Committee with respect to Options hereunder shall continue during any suspension of this Plan and in respect of outstanding Options on such termination date.

3.10 Governing Law/Construction/Severability.

(a) Choice of Law. This Plan, the Options, all documents evidencing Options and all other related documents shall be governed by, and construed in accordance with the laws of the State of California.

(b) Severability. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(c) Plan Construction.

(1) Rule 16b-3. It is the intent of the Corporation that this Plan and Options hereunder satisfy and be interpreted in a manner that in the case of Participants who are or may be subject to Section 16 of the Exchange Act satisfies the applicable requirements of Rule 16b-3 so that such persons (unless they otherwise agree) will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. If any provision of this Plan or of any Award would otherwise frustrate or conflict with the intent expressed above, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict, but to the extent of any remaining irreconcilable conflict with such intent as to such persons in the circumstances, such provision shall be disregarded.

(2) Section 162(m). It is the further intent of the Company that Options with an exercise price not less than Fair Market Value on the date of grant shall qualify as performance-based compensation under Section 162(m) of the Code, and this Plan shall be interpreted consistent with such intent.

(d) Transition Period Provisions. During the transition period under new Rule 16b-3, any derivative security the grant of which is intended to be exempt form Rule 16b-3 shall not be transferable other than as permitted by former Rule 16b-3(d)(ii), and the consideration for any grant or award shall conform to any additional limitations under former Rule 16b-3.

3.11 Captions.

Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

3.12 Effect of Change of Subsidiary Status.

For purposes of this Plan and any Option hereunder, if an entity ceases to be a Subsidiary a termination of employment shall be deemed to have occurred with respect to each employee of such Subsidiary who does not continue as an employee of another entity within the Company.

3.13 Non-Exclusivity of Plan.

Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

4. DEFINITIONS.

4.1 Definitions.

(a) "Beneficiary" shall mean the person, persons, trust or trusts designated by a Participant or, in the absence of a designation, entitled by will or the laws of descent and distribution, to receive the benefits specified in the Option Agreement and under this Plan in the event of a Participant's death, and shall mean the Participant's executor or administrator if no other Beneficiary is designated and able to act under the circumstances.

(b) "Board" shall mean the Board of Directors of the Corporation.

(c) "Change in Control Event" shall mean any of the following:

(1) Approval by the shareholders of the Corporation of the dissolution or liquidation of the Corporation;

(2) Approval by the shareholders of the Corporation of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities that are not wholly owned by the Corporation, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after the reorganization are, or will be, owned by shareholders of the Corporation immediately before such reorganization (assuming for purposes of such determination that there is no change in the record ownership of the Corporation's securities from the record date for such approval until such reorganization and that such record owners hold no securities of the other parties to such reorganization);

(3) Approval by the shareholders of the Corporation of the sale of substantially all of the Corporation's business and/or assets to a person or entity which is not a Subsidiary;

(4) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing more than 50% of the combined voting power of the Corporation's then outstanding securities entitled to then vote generally in the election of directors of the Corporation; or

(5) A majority of the Board not being comprised of Continuing Directors.

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

(e) "Commission" shall mean the Securities and Exchange Commission.

(f) "Committee" shall mean a subcommittee of the Nominating and Compensation Committee appointed by the Board to administer this Plan, which committee shall be comprised only of three [or, effective September 1, 1996 (or such other date as the Committee may determine or the Commission may designate as the expiration of the transition period with respect to former Rule 16b-3 under the Exchange Act), two] or more directors or such greater number of directors as may be required under applicable law, each of whom, during such time as one or more Participants may be subject to Section 16 of the Exchange Act, shall be Disinterested and "outside" within the meaning of Section 162(m) of the Code.

(g) "Common Stock" shall mean the Common Stock of the Corporation and such other securities or property as may become the subject of Options, or become subject to Options, pursuant to an adjustment made under Section 3.2 of this Plan.

(h) "Company" shall mean, collectively, the Corporation and its Subsidiaries.

(i) "Continuing Directors" shall mean persons who are members of the Board on March 5, 1996 or nominated for election or elected to the Board with the affirmative vote of at least three-fourths of the directors who were Continuing Directors at the time of such nomination or election.

(j) "Corporation" shall mean Southwest Gas Corporation, a California corporation and its successors.

(k) "Disinterested" shall mean disinterested within the meaning of any applicable regulatory requirements, including Rule 16b-3.

(l) "Eligible Employee" shall mean an officer (whether or not a director) or other key employee of the Company.

(m) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(n) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(o) "Fair Market Value" shall mean (i) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock on the Composite Tape, as published in the Western Edition of The Wall Street Journal, of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such Composite Tape on the next preceding date on which there was trading in such shares; (ii) if the stock is not listed or admitted to trade on a national securities exchange, the last price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information; (iii) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD or a similar organization; or (iv) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

(p) "Incentive Stock Option" shall mean an Option which is designated as an incentive stock option within the meaning of Section 422 of the Code, the award of which contains such provisions (including but not limited to the receipt of shareholder approval of this Plan, if the award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

(q) "Nominating and Compensation Committee" shall mean the standing committee of the Board charged, among other things, with the responsibility to advise the Board on all benefit and compensation program for Directors, Officers and all Company employees.

(r) "Nonqualified Stock Option" shall mean an Option that is designated as a Nonqualified Stock Option and shall include any Option intended as an Incentive Stock Option that fails to meet the applicable legal requirements thereof. Any Option granted hereunder that is not designated as an incentive stock option shall be deemed to be designated a nonqualified stock option under this Plan and not an incentive stock option under the Code.

(s) "Non-Employee Director" shall mean a member of the Board of Directors of the Corporation who is not an officer or employee of the Company.

(t) "Option" shall mean an option to purchase Common Stock granted under this Plan. The Committee shall designate any Option granted to an Eligible Employee as a Nonqualified Stock Option or an Incentive Stock Option. Options granted under Article 5 shall be Nonqualified Stock Options.

(u) "Option Agreement" shall mean any writing setting forth the terms of an Option that has been authorized by the Committee.

(v) "Option Date" shall mean the date upon which the Committee took the action granting an Option or such later date as the Committee designates as the Option Date at the time of the Option or, in the case of Options under Article 5, the applicable dates set forth therein.

(w) "Option Period" shall mean the period beginning on an Option Date and ending on the expiration date of such Option.

(x) "Participant" shall mean an Eligible Employee who has been granted an Option under this Plan and a Non-Employee Director who has been granted an Option under Article 5 of this Plan.

(y) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of a Participant, shall have acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan and who shall have become the legal representative of the Participant.

(z) "Plan" shall mean this 1996 Stock Incentive Plan.

(aa) "QDRO" shall mean a qualified domestic relations order as defined in Section 414(p) of the Code or Title I, Section 206(d)(3) of ERISA (to the same extent as if this Plan were subject thereto), or the applicable rules thereunder.

(bb) "Rule" shall mean any Rule promulgated by the Commission pursuant to the Exchange Act, as amended from time to time.

(cc) "Section 16 Person" shall mean a person subject to Section 16(a) of the Exchange Act.

(dd) "Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

(ee) "Subsidiary" shall mean any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation.

(ff) "Total Disability" shall mean a "permanent and total disability" within the meaning of Section 22(e)(3) of the Code and (except in the case of a Non-Employee Director) such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include.

5. NON-EMPLOYEE DIRECTOR OPTIONS.

5.1 Participation.

Options under this Article 5 shall be made only to Non-Employee Directors and shall be evidenced by Option Agreements substantially in the form of Exhibit A hereto.

5.2 Annual Option Grants.

(a) Time of Initial Option. Persons who are Non-Employee Directors in office at the time this Plan is first approved by the shareholders of the Corporation shall be granted without further action an Option to purchase 3,000 shares of Common Stock (the Option Date of which shall be the date of shareholder approval of this Plan). After approval of this Plan by the shareholders of the Corporation, if any person who is not then an officer or employee of the Company shall become a director of the Corporation, there shall be granted automatically to such person (without any action by the Board or Committee) a Nonqualified Stock Option (the Option Date of which shall be the date such person takes office) to purchase that number of shares of Common Stock determined by multiplying 2,000 by a fraction, the numerator of which is the number of days between the Option Date and the next annual shareholders meeting, and the denominator of which is 365.

(b) Subsequent Annual Options. On the date of each annual shareholders meeting in each year during the term of the Plan, commencing with the annual meeting occurring in 1997, there shall be granted automatically (without any action by the Committee or the Board) a Nonqualified Stock Option (the Option Date of which shall be such date) to each Non-Employee Director then continuing in office to purchase 2,000 shares of Common Stock.

(c) Maximum Number of Shares. Annual grants that would otherwise exceed the maximum number of shares under Section 1.4(a) shall be prorated within such limitation. A Non-Employee Director shall not receive more than one Nonqualified Stock Option under this Section 5.2 in any calendar year.

5.3 Option Price.

The purchase price per share of the Common Stock covered by each Option granted pursuant to Section 5.2 hereof shall be 100 percent of the Fair Market Value of the Common Stock on the Option Date. The exercise price of any Option granted under this Article shall be paid in full at the time of each purchase in cash or by check or in shares of Common Stock valued at their Fair Market Value on the date of exercise of the Option, or partly in such shares and partly in cash, provided that any such shares used in payment shall have been owned by the Participant at least six months prior to the date of exercise.

5.4 Option Period and Exercisability.

Each Option granted under this Article 5 and all rights or obligations thereunder shall expire ten years after the Option Date and shall be subject to earlier termination as provided below. Each Option granted under Section 5.2 shall become exercisable in three installments as follows: (i) 40% on the first anniversary of the Option Date, (ii) 30% on the second anniversary of the Option Date, and (iii) 30% on the third anniversary of the Option Date.

5.5 Termination of Directorship.

If a Non-Employee Director's service as a member of the Board of Directors terminate for any reason other than retirement, any portion of an Option granted pursuant to this Article which is not then exercisable shall terminate and any portion of such Option which is then exercisable may be exercised for two years after the date of such termination or until the expiration of the stated term, whichever first occurs. If a Non-Employee Director retires (terminates service on or after age 65 and after ten years of service as a Director), all Options granted pursuant to this Article shall become exercisable and may be exercised for two years after the date of retirement or until the expiration of the stated term, whichever first occurs.

5.6 Adjustments.

Options granted under this Article 5 shall be subject to adjustment as provided in Section 5.2, but only to the extent that (a) such adjustment and the Committee's actions in respect thereof satisfy applicable criteria under Rule 16b-3, (b) such adjustment in the case of a Change in Control

Event is effected pursuant to the terms of a reorganization agreement approved by shareholders of the Corporation, and (c) such adjustment is consistent with adjustments to Options held by persons other than executive officers or directors of the Corporation.

5.7 Acceleration Upon a Change in Control Event

Upon the occurrence of a Change in Control Event, each Option granted under Section 5.2 hereof shall become immediately exercisable in full; provided, however, that none of the Options granted under Section 5.2 shall be accelerated to a date less than six months after the Award Date of such Option. To the extent that any Option granted under this Article 5 is not exercised prior to (i) a dissolution of the Corporation or (ii) a merger or other corporate event that the Corporation does not survive, and no provision is (or consistent with the provisions of Section 5.7 can be) made for the assumption, conversion, substitution or exchange of the Option, the Option shall terminate upon the occurrence of such event.

5.8 Limitation on Amendments.

The provisions of this Article 5 shall not be amended more than once every six months (other than as may be necessary to conform to any applicable changes in the Code or the rules thereunder), unless such amendment would be consistent with the provisions of Rule 16b3(c)(2)(ii)(or any successor provision).

SOUTHWEST GAS CORPORATION

By
Michael O. Maffie
President and
Chief Executive Officer

EXHIBIT A

SOUTHWEST GAS CORPORATION

ELIGIBLE DIRECTOR

NONQUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT dated as of the _____ day of _____, 19___, between Southwest Gas Corporation, a California corporation (the "Corporation"), and _____ (the "Director").

W I T N E S S E T H

WHEREAS, the Corporation has adopted and the shareholders of the Corporation have approved the Southwest Gas Corporation 1996 Stock Incentive Plan (the "Plan"); and

WHEREAS, pursuant to Article 5 of the Plan, the Corporation has granted an option (the "Option") to the Director upon the terms and conditions evidenced hereby, as required by the Plan, which Option is not intended as and shall not be deemed to be an incentive stock option within the meaning of Section 422 of the Code;

NOW, THEREFORE, in consideration of the services rendered and to be rendered by the Director, the Corporation and the Director agree to the terms and conditions set forth herein as required by the terms of the Plan.

1. Option Grant. This Agreement evidences the grant to the Director, as of _____, _____ (the "Option Date"), of an Option to purchase an aggregate of _____ shares of Common Stock, $1.00 par value, under Article 5 of the Plan, subject to the terms and conditions and to adjustment as set forth herein or in pursuant to the Plan.

2. Exercise Price. The Option entitles the Director to purchase (subject to the terms of Sections 3 through 5 below) all or any part of the Option shares at a price per share of $_____, which amount represents the Fair Market Value of the shares on the Option Date.

3. Option Exercisability and Term. The Option shall first become and remain exercisable as to _____ of the shares on _____ and as to an additional _____ shares on each of the following dates: _____, 199___, _____, 199___ and _____, 199___, in each case subject to adjustments under Section 5.6 of the Plan and acceleration under Section 5.7 of the Plan. The Option shall terminate on , 19 ,** unless earlier terminated in accordance with the terms of Sections of the Plan.

4. Service and Effect of Termination of Service. The Director agrees to serve as a director in accordance with the provisions of the Corporation's Articles of Incorporation, bylaws and applicable law. If the Director's services as a member of the Board shall terminate, this Option shall terminate at the times and to the extent set forth in Section 5.5 of the Plan.

5. General Terms. The Option and this Agreement are subject to, and the Corporation and the Director agree to be bound by, the provisions of the Plan that apply to the Option. Such provisions are incorporated herein by this reference. The Director acknowledges receiving a copy of the Plan and reading its applicable provisions. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

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*insert day before tenth anniversary of date of grant.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

SOUTHWEST GAS CORPORATION
(a California corporation)

By

Title

DIRECTOR

(Signature)

(Print Name)

(Address)

(City, State, Zip Code)

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Nonqualified Stock Option Agreement by Southwest Gas Corporation, I, _____, the spouse of the Director therein named, do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

DATED: _____, 19___.

Signature of Spouse

APPENDIX D

PROPOSED AMENDMENTS TO ARTICLE IV OF
THE RESTATED ARTICLES OF INCORPORATION

PROPOSED AMENDMENTS TO ARTICLE IV
OF THE RESTATED ARTICLES OF INCORPORATION

If proposals 4 and 5 are approved, Article IV of the Company's Restated Articles of Incorporation will read as follows:

"ARTICLE IV

This corporation is authorized to issue three classes of shares of stock, to be designated respectively, as "Preferred Stock"; "Preference Stock"; and "Common Stock." The total number of shares which this corporation shall have authority to issue is 52,000,000 and the aggregate par value of all shares that are to have a par value shall be $85,000,000. The number of shares of Preferred Stock shall be 5,000,000 and without par value; the number of shares of Preference Stock shall be 2,000,000 and shall have a par value of each share of said class of $20; the number of shares of Common Stock shall be 45,000,000 and shall have a par value of each share of said class of $1.

1. PREFERRED STOCK:

Except as otherwise provided by law, shares of Preferred Stock, in preference to the holders of the Preference Stock and the Common Stock, may be issued from time to time, in one or more series, and the Board of Directors of the corporation is authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any such series.

2. PREFERENCE STOCK:

Except as otherwise provided by law, shares of Preference Stock, in preference to the holders of the Common Stock, may be issued from time to time, in one or more series, and the Board of Directors of the corporation is authorized to fix or alter the dividend rights, dividend rates, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, or the liquidation preferences of any wholly unissued series, together with the designation of any such series and the number of shares which shall constitute any such unissued series, and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of that series.

3. COMMON STOCK:

Except as otherwise provided by law, shares of Common Stock may be issued from time to time, in one or more series, and the Board of Directors of the corporation is authorized to fix the initial dividend rate of any wholly unissued series together with the designation of any such series and the number of shares which shall constitute any unissued series, and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any such series subsequent to the issuance of that series.

Dividends on all series of Common Stock shall have the same record and payment dates, and no dividends may be paid on any series unless dividends at the rates required hereby are paid concurrently on all series. No series of Common Stock shall have preference over any other series as to the payment of dividends, but the amount of dividends paid may vary among the series outstanding.

Subject to the voting rights and other rights, preferences and privileges above provided in this Article IV with respect to the Preferred Stock and the Preference Stock, and except as otherwise provided by law, shares of all series of Common Stock and/or the holders thereof shall have full voting rights and powers for the election of directors and for all other purposes, voting together as a single class irrespective of series, and, subject to the provisions specified hereinabove, shall be entitled to receive dividends as and when they are declared by the Board of Directors. Upon liquidation, distribution or winding up of the corporation, the assets of the corporation available for distribution to the holders of the Common Stock shall be distributed ratably among the holders of all shares of the Common Stock at the time outstanding irrespective of and without reference to series. The Common Stock shall have no conversion, subscription or preemptive rights, nor shall it be subject to redemption, call or assessment."

PROXY SOUTHWEST GAS CORPORATION PROXY
P.O. Box 98510, Las Vegas, Nevada 89193-8510

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Kenny C. Guinn and Lloyd T. Dyer as Proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote as designated below, all the shares of common stock of the undersigned at the annual meeting of shareholders to be held on July 16, 1996, at the Company's Headquarters at 5241 Spring Mountain Road, Las Vegas, Nevada, and any adjournments thereof; and at their discretion, with authorization to vote such shares on any other matters as may properly come before the meeting or any adjournments thereof.

1. ELECTION OF DIRECTORS

Ralph C. Batastini	Kenny C. Guinn	Leonard R. Judd	Carolyn M. Sparks
Manuel J. Cortez	Thomas Y. Hartley	James R. Lincicome	Robert S. Sundt
Lloyd T. Dyer	Michael B. Jager	Michael O. Maffie	

/ / FOR ALL / / FOR ALL EXCEPT*_____ / / WITHHOLD AUTHORITY FOR ALL

*NOTE: TO WITHHOLD AUTHORITY TO VOTE FOR A PARTICULAR NOMINEE, MARK THE "FOR ALL EXCEPT" BOX AND ENTER THE NAME(S) OF THE EXCEPTIONS IN THE SPACE PROVIDED. UNLESS AUTHORITY TO VOTE FOR ALL THE FOREGOING NOMINEES IS WITHHELD, THIS PROXY WILL BE DEEMED TO CONFER AUTHORITY TO VOTE FOR EVERY NOMINEE WHOSE NAME IS NOT LISTED.

2. APPROVE THE PRINCIPAL TERMS OF THE SALE OF PRIMERIT BANK

/ / FOR / / AGAINST / / ABSTAIN

3. APPROVE 1996 STOCK INCENTIVE PLAN

/ / FOR / / AGAINST / / ABSTAIN

4.APPROVE AMENDMENT TO THE RESTATED ARTICLES OF INCORPORATION TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK

/ / FOR / / AGAINST / / ABSTAIN

(IMPORTANT--SIGNATURE REQUIRED ON REVERSE SIDE)

5. APPROVE AMENDMENT TO THE RESTATED ARTICLES OF INCORPORATION TO AUTHORIZE A NEW CLASS OF PREFERRED STOCK AND TO ELIMINATE AUTHORITY TO ISSUE SHARES OF PREFERRED STOCK ($50 Par Value), CUMULATIVE PREFERRED STOCK ($100 Par Value), SECOND PREFERENCE STOCK ($100 Par Value) AND SPECIAL COMMON STOCK

/ / FOR / / AGAINST / / ABSTAIN

6. TO APPROVE THE APPOINTMENT OF ARTHUR ANDERSEN LLP as the independent public accountants of the corporation

/ / FOR / / AGAINST / / ABSTAIN

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDERS. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, 3, 4, 5 AND 6. FURTHER, IF CUMULATIVE VOTING RIGHTS FOR THE ELECTION OF DIRECTORS (PROPOSAL 1) ARE EXERCISED AT THE MEETING, THE PROXIES WILL CUMULATIVELY VOTE THEIR SHARES AS PROVIDED FOR IN THE PROXY STATEMENT.

Dated: , 1996

(Signature)

(Signature if held jointly)

Please sign exactly as name appears on this proxy card. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.