

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

88-0085720
(I.R.S. Employer
Identification No.)

5241 Spring Mountain Road
Post Office Box 98510
Las Vegas, Nevada
(Address of principal executive offices)

89193-8510
(Zip Code)

Registrant's telephone number, including area code: (702) 876-7237

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes No
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Indicate the number of shares outstanding of each of the issuer's classes of
common stock as of the latest practicable date.

Common Stock, \$1 Par Value, 24,320,288 shares as of November 1, 1995

ITEM 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by Southwest Gas Corporation (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments, consisting of normal recurring items necessary for a fair presentation of the results for the interim periods, have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1994 Annual Report on Form 10-K, and 1995 quarterly reports on Form 10-Q.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Thousands of dollars)
(Unaudited)

	SEPTEMBER 30, 1995	DECEMBER 31, 1994
ASSETS	-----	-----
Cash and cash equivalents	\$ 126,949	\$ 129,998
Debt securities available for sale	462,669	529,400
Debt securities held to maturity (fair value of \$87,491 and \$99,403)	88,325	101,880
Loans receivable, net of allowance for estimated losses of \$16,035 and \$17,659	1,044,479	936,037
Loans receivable held for sale (fair value of \$4,262 and \$2,135)	4,193	2,114
Receivables, less reserves for uncollectibles	38,860	105,438
Gas utility property, net of accumulated depreciation	1,103,282	1,035,916
Other property, net of accumulated depreciation	36,386	35,605
Excess of cost over net assets acquired	62,744	65,640
Other assets	117,076	147,965
	-----	-----
	\$ 3,084,963	\$ 3,089,993
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Deposits	\$ 1,246,856	\$ 1,239,949
Securities sold under agreements to repurchase	221,683	281,935
Deferred income taxes and tax credits, net	122,606	133,531
Accounts payable and other accrued liabilities	208,108	208,691
Short-term debt	56,000	92,000
Long-term debt, including current maturities	858,475	790,798
	-----	-----
	2,713,728	2,746,904
	-----	-----
Preferred stock, including current maturities	4,000	4,000
	-----	-----
Common stock		
Authorized - 30,000,000 shares;		
Issued and outstanding - 24,229,734 shares and 21,281,717 shares	25,860	22,912
Additional paid-in capital	310,853	273,217
Unrealized gain (loss), net of tax, on debt securities available for sale	694	(9,467)
Retained earnings	29,828	52,427
	-----	-----
	367,235	339,089
	-----	-----
	\$ 3,084,963	\$ 3,089,993
	=====	=====

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	1995	1994	1995	1994	1995	1994
Operating revenues:						
Gas operating revenues	\$ 91,433	\$ 92,245	\$ 417,143	\$ 408,021	\$ 608,604	\$ 580,080
Financial services interest income	33,394	29,894	99,406	87,063	130,777	116,534
Other	2,608	2,156	8,277	8,543	9,916	12,078
	127,435	124,295	524,826	503,627	749,297	708,692
Operating expenses:						
Net cost of gas purchased	30,973	34,411	184,639	179,846	254,716	235,934
Financial services interest expense, net	18,503	14,867	55,279	43,116	71,953	57,779
Operating expense	43,962	43,006	132,863	125,988	176,712	167,268
Maintenance expense	8,272	8,125	24,433	22,188	32,443	29,588
Provision for estimated credit losses	1,588	1,498	5,355	5,254	7,494	6,936
Depreciation, depletion and amortization	18,244	16,191	52,982	48,593	69,441	64,330
Taxes other than income taxes	6,889	6,314	20,576	19,055	27,270	25,324
Other	4,579	4,582	13,437	13,159	17,682	17,806
	133,010	128,994	489,564	457,199	657,711	604,965
Operating income (loss)	(5,575)	(4,699)	35,262	46,428	91,586	103,727
Other income and (expenses):						
Net interest deductions	(15,705)	(14,677)	(46,883)	(42,087)	(62,131)	(55,238)
Other income (deductions), net	(272)	386	(403)	(994)	(803)	(15,105)
	(15,977)	(14,291)	(47,286)	(43,081)	(62,934)	(70,343)
Income (loss) before income taxes	(21,552)	(18,990)	(12,024)	3,347	28,652	33,384
Income tax expense (benefit)	(8,721)	(7,825)	(4,497)	1,583	11,642	12,923
Net income (loss)	(12,831)	(11,165)	(7,527)	1,764	17,010	20,461
Preferred/preference stock dividend requirements	95	138	285	415	380	554
Net income (loss) applicable to common stock	\$ (12,926)	\$ (11,303)	\$ (7,812)	\$ 1,349	\$ 16,630	\$ 19,907
Earnings (loss) per share of common stock	\$ (0.54)	\$ (0.54)	\$ (0.34)	\$ 0.06	\$ 0.74	\$ 0.95
Dividends paid per share of common stock	\$ 0.205	\$ 0.205	\$ 0.615	\$ 0.595	\$ 0.82	\$ 0.79
Average number of common shares outstanding	24,062	21,067	22,768	21,040	22,370	21,008

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	1995	1994	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income (loss)	\$ (7,527)	\$ 1,764	\$ 17,010	\$ 20,461
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation, depletion and amortization	52,982	48,593	69,441	64,330
Provision for estimated losses	5,355	5,254	7,494	6,936
Change in unrecovered purchased gas costs	50,971	11,000	48,985	(13,250)
Change in deferred income taxes	(15,296)	(14,568)	(8,940)	(10,868)
Change in deferred charges and credits	5,710	7,929	(3,190)	12,013
Change in noncash working capital	30,462	42,794	820	28,502
Other	(1,159)	1,112	(1,068)	13,953
Net cash provided by operating activities	121,498	103,878	130,552	122,077
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures	(119,193)	(99,873)	(163,946)	(136,645)
Loan originations, net of repayments	(136,824)	(113,370)	(178,478)	(160,879)
Sales of loans and loan servicing rights	25,427	40,786	30,731	63,105
Purchases of debt securities	--	(205,351)	(90,998)	(251,239)
Proceeds from sale of debt securities	7,538	5,074	7,538	10,172
Maturities and repayment of debt securities	84,938	226,961	149,724	311,268
Proceeds from sales of real estate acquired through foreclosure	5,424	3,713	5,759	16,066
Other	4,766	(915)	9,051	(1,935)
Net cash used in investing activities	(127,924)	(142,975)	(230,619)	(150,087)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock	40,584	2,299	43,058	4,734
Dividends paid	(14,468)	(12,932)	(18,946)	(17,204)
Issuance of long-term debt	122,107	36,400	190,607	53,309
Retirement of long-term debt	(54,430)	(3,255)	(58,142)	(3,178)
Issuance (repayment) of short-term debt	(36,000)	1,000	(31,000)	26,000
Change in deposit accounts	6,907	43,698	(4,694)	53,539
Proceeds from repurchase agreements/other borrowings	600,055	354,860	526,528	564,860
Repayment of repurchase agreements/other borrowings	(660,307)	(388,421)	(530,325)	(644,821)
Other	(1,071)	(686)	(5,278)	(7,050)
Net cash provided by financing activities	3,377	32,963	111,808	30,189
Net change in cash and cash equivalents	(3,049)	(6,134)	11,741	2,179
Balance at beginning of period	129,998	121,342	115,208	113,029
Balance at end of period	\$ 126,949	\$ 115,208	\$ 126,949	\$ 115,208
Supplemental disclosures of cash flow information				
Cash paid during the period for:				
Interest, net of amounts capitalized	\$ 66,705	\$ 54,071	\$ 82,322	\$ 66,377
Income taxes, net of refunds	26,143	2,425	25,850	(2,713)

The accompanying notes are an integral part of these statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summarized Consolidated Financial Statement Data

Summarized consolidated financial statement data for PriMerit Bank is presented below:

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Thousands of dollars)
(Unaudited)

	SEPTEMBER 30, 1995	DECEMBER 31, 1994
	-----	-----
ASSETS		
Cash and due from banks	\$ 34,096	\$ 35,262
Cash equivalents	85,634	88,660
Debt securities available for sale	462,669	529,400
Debt securities held to maturity, net of allowance for estimated losses of \$1,000 at September 30, 1995 (fair value of \$87,491 and \$99,403)	88,325	101,880
Loans receivable, net of allowance for estimated credit losses of \$16,035 and \$17,659	1,044,479	936,037
Loans receivable held for sale (fair value of \$4,262 and \$2,135)	4,193	2,114
Real estate acquired through foreclosure, net of allowance for estimated losses of \$208 at September 30, 1995	2,745	7,631
Real estate held for sale or development, net of allowance for estimated losses of \$719 and \$476	409	771
FHLB stock, at cost	10,912	17,277
Excess of cost over net assets acquired	62,744	65,640
Other assets	28,326	31,649
	-----	-----
	\$ 1,824,532	\$ 1,816,321
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
Deposits	\$ 1,246,856	\$ 1,239,949
Securities sold under agreements to repurchase	221,683	281,935
Advances from FHLB	139,400	99,400
Notes payable	8,065	8,135
Other liabilities	26,684	20,514
	-----	-----
	1,642,688	1,649,933
	-----	-----
Stockholder's equity		
Common stock	57	57
Additional paid-in capital	160,442	160,442
Unrealized gain (loss), net of tax, on debt securities available for sale	694	(9,467)
Retained earnings	20,651	15,356
	-----	-----
	181,844	166,388
	-----	-----
	\$ 1,824,532	\$ 1,816,321
	=====	=====

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Thousands of dollars)
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	1995	1994	1995	1994	1995	1994
Interest income	\$ 33,394	\$ 29,894	\$ 99,406	\$ 87,063	\$ 130,777	\$ 116,534
Interest expense	18,503	14,867	55,279	43,116	71,953	57,779
Net interest income	14,891	15,027	44,127	43,947	58,824	58,755
Provision for estimated credit losses	(1,604)	(1,493)	(5,003)	(5,202)	(7,031)	(6,369)
Net interest income after provision for credit losses	13,287	13,534	39,124	38,745	51,793	52,386
Net income (loss) from real estate operations	1	(108)	(316)	2	(930)	(596)
Gain on sale of loans	433	179	736	543	791	857
Loss on sale of loans	(62)	(20)	(63)	(289)	(125)	(324)
Net gain on sale of debt securities	--	1	970	34	970	134
Gain (loss) on secondary marketing hedging activities	(18)	(6)	(48)	316	25	328
Loan-related fees	356	133	907	799	1,273	932
Deposit-related fees	1,886	1,923	5,616	5,154	7,250	6,855
Gain on sale of credit cards	--	--	--	1,690	(1)	1,690
Gain on sale - Arizona branches	--	--	--	--	--	538
Other income	28	49	123	242	200	1,635
Total noninterest income	2,623	2,259	8,241	8,489	10,383	12,645
General and administrative expenses	11,306	11,116	33,632	32,877	44,263	44,978
Amortization of cost in excess of net assets acquired	965	965	2,896	2,896	3,861	3,861
Total noninterest expense	12,271	12,081	36,528	35,773	48,124	48,839
Income before income taxes	3,640	3,604	10,521	11,463	13,122	15,596
Income tax expense	1,625	1,627	4,726	5,121	5,996	6,936
Net income	\$ 2,015	\$ 1,977	\$ 5,795	\$ 6,342	\$ 7,126	\$ 8,660
Contribution to consolidated net income (loss) (a)	\$ 522	\$ 746	\$ 1,328	\$ 2,676	\$ 1,429	\$ 3,763

(a) Includes after-tax allocation of costs from parent.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company is comprised of two business segments: natural gas operations and financial services. The gas segment purchases, transports and distributes natural gas to residential, commercial and industrial customers in geographically diverse portions of Arizona, Nevada and California. The financial services segment consists of PriMerit Bank (the Bank), a wholly owned subsidiary, which is engaged in retail and commercial banking. The Bank's principal business is to attract deposits from the general public and make consumer and commercial loans secured by real estate and other collateral. For the twelve months ended September 30, 1995, the natural gas operations segment contributed \$15.6 million and the financial services segment contributed \$1.4 million, resulting in consolidated net income of \$17 million.

CONSOLIDATED CAPITAL RESOURCES AND LIQUIDITY

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and financial services segments. Each segment is generally responsible for securing its own financing sources.

In February 1995, Standard and Poor's (S&P) reaffirmed the Company's unsecured long-term debt rating at BBB-. S&P debt ratings range from AAA (highest rating possible) to D (obligation is in default). According to S&P, the BBB- rating indicates the debt is regarded as having an adequate capacity to pay interest and repay principal.

In November 1994, Moody's upgraded the Company's unsecured long-term debt rating from Ba1 to Baa3. Moody's debt ratings range from Aaa (best quality) to C (lowest quality). Moody's applies a Baa3 rating to obligations which are considered medium grade obligations, i.e., they are neither highly protected nor poorly secured.

In September 1995, Duff & Phelps upgraded the Company's long-term unsecured debt from BB+ to BBB-. Duff & Phelps debt ratings range from AAA (highest credit quality) to DD (defaulted debt obligation). The Duff & Phelps rating of BBB- indicates that the Company's credit quality is considered sufficient for prudent investment.

A security rating is not a recommendation to buy, sell or hold a security, and it is subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

See separate discussions of the capital resources and liquidity for each segment.

RESULTS OF CONSOLIDATED OPERATIONS

Quarterly Analysis

	Contribution to Consolidated Net Loss Three Months Ended September 30, ----- (Thousands of dollars)	
	1995	1994
Natural gas operations segment	\$ (13,353)	\$ (11,911)
Financial services segment	522	746
Consolidated net loss	\$ (12,831)	\$ (11,165)
	=====	=====

Loss per share during the quarter ended September 30, 1995 was \$0.54, compared to a net loss of \$0.54 per share recorded for the quarter ended September 30, 1994. Average common shares outstanding increased by approximately three million shares from the prior period, primarily as a result of a common stock offering completed in May 1995. See separate discussions of each business segment for an analysis of these changes.

Nine-Month Analysis

	Contribution to Consolidated Net Income (Loss) Nine Months Ended September 30,	
	(Thousands of dollars)	
	1995	1994
Natural gas operations segment	\$ (8,855)	\$ (912)
Financial services segment	1,328	2,676
Consolidated net income (loss)	\$ (7,527)	\$ 1,764

Loss per share during the nine months ended September 30, 1995, was \$0.34, a \$0.40 decrease from the earnings per share of \$0.06 recorded for the nine months ended September 30, 1994. Average shares outstanding increased 1.7 million shares between periods. See separate discussions of each business segment for an analysis of these changes.

Twelve-Month Analysis

	Contribution to Consolidated Net Income Twelve Months Ended September 30,	
	(Thousands of dollars)	
	1995	1994
Natural gas operations segment	\$ 15,581	\$ 16,698
Financial services segment	1,429	3,763
Consolidated net income	\$ 17,010	\$ 20,461

Earnings per share for the twelve months ended September 30, 1995 were \$0.74, a \$0.21 decrease from earnings per share of \$0.95 recorded for the twelve months ended September 30, 1994. Average shares outstanding increased 1.4 million shares between periods. See separate discussions of each business segment for an analysis of these changes.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets and certain intangible assets to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This statement is effective for financial statements for fiscal years beginning after December 15, 1995. The Company does not anticipate any material effect on its financial position or results of operations upon implementation of this statement.

NATURAL GAS OPERATIONS SEGMENT

The Company is engaged in the business of purchasing, transporting, and distributing natural gas in portions of Arizona, Nevada and California. Its service areas are geographically as well as economically diverse. The Company is the largest distributor in Arizona, selling and transporting natural gas in most of southern, central, and northwestern Arizona, including the Phoenix and Tucson metropolitan areas. The Company is also the largest distributor and transporter of natural gas in Nevada, and serves the Las Vegas metropolitan area and northern Nevada. In addition, the Company distributes and transports gas in portions of California, including the Lake Tahoe area in northern California and high desert and mountain areas in San Bernardino County.

The Company purchases, transports and distributes natural gas to approximately 998,000 residential, commercial and industrial customers within its three-state service territory, of which 59 percent are in Arizona, 30 percent are in Nevada, and 11 percent are in California. During the twelve months ended September 30, 1995, the Company earned 60 percent of its operating margin from residential customers, 24 percent from commercial customers, and 16 percent from industrial and other customers. During this same period, 58 percent of operating margin was earned in Arizona, 31 percent in Nevada and 11 percent in California. These patterns are consistent with prior years and are expected to continue.

For the twelve months ended September 30, 1995, the Company's natural gas construction expenditures totaled \$160 million, a 19 percent increase when compared to \$134 million of construction expenditures for the same period ended a year ago. The increase is attributed to the investment in new transmission and distribution plant in Arizona, Nevada, and California to meet the demand from the Company's growing customer base.

CAPITAL RESOURCES AND LIQUIDITY

The Company currently estimates that the total financing requirements for the gas segment for the three-year period ending December 31, 1997, will be approximately \$425 million. Of this amount, construction expenditures will approximate \$410 million, and debt maturities and repayments and other cash requirements will approximate \$15 million. It is currently estimated that cash flows from operating activities (net of dividends) will generate approximately one-half of the gas segment's total financing requirements during the three-year period ending December 31, 1997. A portion of the remaining financing requirements will be provided by \$83 million of funds held in trust at December 31, 1994, from the issuance of 1993 Clark County, Nevada, Series A and 1993 City of Big Bear Lake, California, Series A industrial development revenue bonds (IDRB). At September 30, 1995, \$53 million of IDRB funds remain in trust.

The remaining cash requirements are expected to be provided by external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, and growth factors in the Company's service areas. These external financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

In May 1995, the Company completed an offering of 2.1 million primary shares of common stock. The net proceeds from this offering were \$28.5 million after deducting underwriting discounts, commissions, and expenses. The proceeds were used to repay a portion of short-term borrowings incurred to finance utility construction, and to finance construction, completion, extension or improvement of the Company's facilities.

In October 1995, the Securities and Exchange Commission declared effective a \$270 million shelf registration statement filed by the Company. This registration statement replaced a \$300 million shelf registration statement which became effective in October 1994. Under the new registration statement, the Company may offer, up to the registered amount, any combination of debt securities, preferred stock, depository shares, common stock, and preferred securities. Subsequently, Southwest Gas Capital I (the Trust), a subsidiary of the Company, completed an offering of 2.4 million 9.125% preferred securities. The Trust was formed for the sole purpose of issuing preferred securities and investing the proceeds thereof in an equivalent amount of subordinated debt of the Company. The net proceeds from the offering were \$57.8 million after deducting underwriting discounts, commissions, and expenses. The proceeds were used to repay short-term borrowings incurred to finance utility construction.

RESULTS OF NATURAL GAS OPERATIONS

Quarterly Analysis

	Three Months Ended September 30,	
	(Thousands of dollars)	
	1995	1994
Gas operating revenues	\$ 91,433	\$ 92,245
Net cost of gas	30,973	34,411
Operating margin	60,460	57,834
Operations and maintenance expense	46,565	45,624
Depreciation and amortization	16,326	14,293
Taxes other than income taxes	6,784	6,220
Operating loss	(9,215)	(8,303)
Other income (expense), net	(272)	386
Loss before interest and income taxes	(9,487)	(7,917)
Net interest deductions	15,705	14,677
Income tax expense (benefit)	(10,346)	(9,452)
Net loss before allocation to the Bank	(14,846)	(13,142)
Carrying costs allocated to the Bank, net of tax	1,493	1,231
Contribution to consolidated net loss	\$ (13,353)	\$ (11,911)

Contribution to consolidated net loss increased \$1.4 million compared to the third quarter of 1994. Costs incurred as a result of customer growth continue to outpace the growth in margin. These costs include higher operating expenses and net interest deductions. Operating margin increased \$2.6 million, or five percent, when compared to the same period ended a year ago. The increase is attributed to customer growth in all service areas and rate relief in the California rate jurisdictions.

Operations and maintenance expenses increased \$941,000, or two percent, reflecting increases in labor and maintenance costs, including the incremental expenses associated with meeting the needs of the Company's growing customer base.

Depreciation expense and general taxes increased \$2.6 million, or 13 percent, primarily due to an increase in average gas plant in service of \$137 million, or ten percent, compared to the third quarter of 1994. This increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth.

Net interest deductions increased \$1 million, or seven percent, over the third quarter of 1994. Average debt outstanding during the current quarter increased five percent, and consisted of a \$77 million increase in average long-term debt, net of funds held in trust, partially offset by a \$40 million decrease in average short-term debt. The increase in debt is attributed primarily to borrowings for construction expenditures, including the drawdown of a portion of IDR funds previously held in trust. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

Nine-Month Analysis

	Nine Months Ended	
	September 30,	
	(Thousands of dollars)	
	1995	1994
Gas operating revenues	\$ 417,143	\$ 408,021
Net cost of gas	184,639	179,846
Operating margin	232,504	228,175
Operations and maintenance expense	140,287	131,732
Depreciation and amortization	47,204	42,722
Taxes other than income taxes	20,272	18,756
Operating income	24,741	34,965
Other income (expense), net	(403)	(994)
Income before interest and income taxes	24,338	33,971
Net interest deductions	46,883	42,087
Income tax expense (benefit)	(9,223)	(3,538)
Net income before allocation to the Bank	(13,322)	(4,578)
Carrying costs allocated to the Bank, net of tax	4,467	3,666
Contribution to consolidated net income (loss)	\$ (8,855)	\$ (912)

Contribution to consolidated net loss increased \$7.9 million, compared to the nine months ended September 1994. This was the result of unseasonably warm weather during the first quarter and increased operating costs and net interest deductions incurred due to the continued expansion and upgrading of the gas system to accommodate the Company's growth.

Operating margin increased two percent during the nine months ended September 1995, compared to the same period in 1994. Margin increases from continued customer growth and authorized rate relief in California and southern Arizona were offset by the effects of unseasonably warm weather during the first quarter of 1995 in the Company's three largest operating areas: Phoenix, Las Vegas and Tucson.

Operations and maintenance expenses increased \$8.6 million, or six percent, reflecting increases in labor and maintenance costs along with incremental operating expenses associated with meeting the needs of the Company's growing customer base.

Depreciation expense and general taxes increased \$6 million, or ten percent, primarily due to an increase in average gas plant in service of \$124 million, or nine percent. This increase reflects capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth within the Company's service area.

Net interest deductions increased \$4.8 million, or 11 percent, over the prior period. Average debt outstanding during the period increased ten percent compared to the corresponding period in 1994, and consisted of a \$76 million increase in average long-term debt, net of funds held in trust, partially offset by a \$12 million decrease in average short-term debt. The increase in debt is attributed primarily to borrowings for construction expenditures, including the drawdown of IDR funds previously held in trust. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

Twelve-Month Analysis

	Twelve Months Ended September 30,	
	1995	1994
Gas operating revenues	\$ 608,604	\$ 580,080
Net cost of gas	254,716	235,934
Operating margin	353,888	344,146
Operations and maintenance expense	186,808	174,715
Depreciation and amortization	61,755	56,439
Taxes other than income taxes	26,861	24,862
Operating income	78,464	88,130
Other income (expense), net	(803)	(15,105)
Income before interest and income taxes	77,661	73,025
Net interest deductions	62,131	55,238
Income tax expense	5,646	5,986
Net income before allocation to the Bank	9,884	11,801
Carrying costs allocated to the Bank, net of tax	5,697	4,897
Contribution to consolidated net income	\$ 15,581	\$ 16,698

Contribution to consolidated net income decreased \$1.1 million, or seven percent, compared to the twelve months ended September 1994. Increases in operating expenses and net interest deductions offset an increase in operating margin during the current twelve-month period. However, the recognition of the Arizona pipe replacement program disallowances had a significant negative impact on net income for the twelve months ended September 1994 (see discussion below).

Operating margin increased \$9.7 million, or three percent, during the twelve months ended September 1995. This increase was due to continued customer growth in the Company's service areas combined with rate relief in the Company's southern Arizona and California rate jurisdictions.

Operations and maintenance expenses increased \$12.1 million, or seven percent, reflecting increases in labor and maintenance costs along with incremental operating expenses associated with meeting the needs of the Company's growing customer base.

Depreciation expense and general taxes increased \$7.3 million, or nine percent, primarily due to an increase in average gas plant in service of \$113 million, or eight percent. This increase reflects the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth.

Other expenses for the twelve months ended September 1994 include a cumulative \$19.1 million write-off in gross plant related to the central and southern Arizona pipe replacement programs, the result of a regulatory mandate. The impact of these disallowances, net of accumulated depreciation, tax benefits and other related items, was a noncash reduction to net income of \$9.6 million.

Net interest deductions increased \$6.9 million, or 12 percent, over the prior period. Average total debt outstanding during the period increased 10 percent compared to the corresponding period in 1994, and consisted of a \$67 million increase in average long-term debt, net of funds held in trust, partially offset by a \$2 million decrease in average short-term debt. The increase in debt is attributed primarily to borrowings for construction expenditures and operating activities as well as the drawdown of IDR funds previously held in trust. Higher interest rates on variable-rate debt also contributed to the increase in net interest deductions.

FINANCIAL SERVICES SEGMENT

PriMerit Bank (the Bank) is a federally chartered stock savings bank conducting business through branch offices in Nevada. The Bank's deposit accounts are insured to the maximum extent permitted by law by the Federal Deposit Insurance Corporation (FDIC) through the Savings Association Insurance Fund (SAIF). The Bank is regulated by the Office of Thrift Supervision (OTS) and the FDIC, and is a member of the Federal Home Loan Bank (FHLB) system.

The Bank's principal business is to attract deposits from the general public and make loans secured by real estate and other collateral to enable borrowers to purchase, refinance, construct or improve such property. Revenues are derived from interest on real estate loans and debt securities and, to a lesser extent, from interest on nonmortgage loans, gains on sales of loans and debt securities, and fees received in connection with loans and deposits. The Bank's major expense is the interest paid on deposits and borrowings.

CAPITAL RESOURCES AND LIQUIDITY

In accordance with OTS regulations, the Bank is required to maintain an average daily balance of liquid assets equal to at least five percent of its liquidity base (as defined in the OTS regulations) during the preceding calendar month. The liquidity ratio was 14 percent for the month of September 1995. The Bank maintains a ratio substantially higher than the requirement due to its higher level of transaction accounts relative to a traditional thrift. Management considers the Bank's liquidity position to be adequate. At September 30, 1995, the Bank maintained in excess of \$430 million of unencumbered assets which could be borrowed against or sold to increase liquidity levels.

The Bank's deposits decreased \$6.4 million during the quarter while increasing \$6.9 million year to date. The decrease in the third quarter of 1995 is principally due to a \$4.8 million decrease in longer term certificate of deposit accounts, and a \$1.6 million decrease in transaction and other accounts. The net increase for the first nine months of 1995 is due primarily to a \$16.7 million increase in transaction and other retail accounts partially offset by a \$9.8 million decrease in certificates of deposit. The Bank began offering a new money market product at the beginning of the year which was the primary product accounting for the increase in transaction accounts.

FINANCIAL AND REGULATORY CAPITAL

At September 30, 1995, the Bank exceeded all three capital ratios for a "well-capitalized" institution as defined by the FDIC Improvement Act of 1991 (FDICIA), and all three fully phased-in FDICIA capital requirements which will be applicable at July 1, 1996 under current FDICIA capital standards. As required by the OTS, effective January 1995, all supervisory goodwill was excluded from regulatory capital, contributing to a decline in two of the Bank's regulatory risk-based capital ratios. The higher risk weighting of loans versus investments, as the loan portfolio has increased, also caused a reduction in these two regulatory capital ratios from year end. This reduction was offset partially by the Bank's year-to-date net income and goodwill amortization. The Bank continues to be classified as "well-capitalized" under FDICIA.

A reconciliation of stockholder's equity to the three FDICIA regulatory capital standards and the Bank's resulting ratios are set forth in the table below (thousands of dollars):

	September 30, 1995			December 31, 1994		
	Total Risk-Based	Tier 1 Risk-Based	Tier 1 Leverage	Total Risk-Based	Tier 1 Risk-Based	Tier 1 Leverage
Stockholder's equity	\$ 181,844	\$ 181,844	\$ 181,844	\$ 166,388	\$ 166,388	\$ 166,388
Nonsupervisory goodwill	(38,810)	(38,810)	(38,810)	(40,376)	(40,376)	(40,376)
Supervisory goodwill	(23,934)	(23,934)	(23,934)	(18,661)	(18,661)	(18,661)
Real estate investments	(609)	--	--	(1,325)	(194)	(194)
Unrealized loss (gain), net of tax, on debt securities available for sale	(694)	(694)	(694)	9,467	9,467	9,467
Mortgage servicing rights adjustment	(23)	(23)	(23)	--	--	--
General loan loss reserves	12,466	--	--	11,512	--	--
Regulatory capital	\$ 130,240	\$ 118,383	\$ 118,383	\$ 127,005	\$ 116,624	\$ 116,624
Regulatory capital ratio	13.11%	11.91%	6.72%	13.88%	12.75%	6.62%
Adequately capitalized ratio	8.00	4.00	4.00	8.00	4.00	4.00
Excess	5.11%	7.91%	2.72%	5.88%	8.75%	2.62%
Asset base	\$ 993,681	\$ 993,681	\$1,761,673	\$ 914,812	\$ 914,812	\$1,760,801

At September 30, 1995, under fully phased-in FDICIA capital rules applicable at July 1, 1996, the Bank would have exceeded its fully phased-in, adequately capitalized, total risk-based, tier 1 risk-based, and tier 1 leverage capital requirements by \$50.5 million, \$78.6 million and \$47.9 million, respectively.

The Company, at the time that it acquired the Bank, stipulated in an agreement with the Federal Home Loan Bank Board (predecessor to the OTS) that it would assist the Bank in maintaining levels of regulatory capital required by the regulations in effect at the time or as they were amended thereafter, so long as it controlled the Bank. The Company also stipulated in connection with the acquisition, that dividends paid by the Bank to the Company would not exceed 50 percent of the Bank's cumulative net income after the date of acquisition, without prior approval by the regulators. In addition, the Company agreed that the Bank would not at any time declare a dividend that would reduce the Bank's regulatory capital below minimum regulatory requirements in effect at the time of the acquisition or thereafter. In June 1995, the Company and the Bank requested that the OTS lift these stipulations since laws and regulations have been enacted since the Company's acquisition of the Bank, in conjunction with FIRREA and FDICIA, which govern capital distributions and prompt corrective action measures when the capitalization of a thrift is deficient. In July 1995, the OTS terminated these stipulations, such that capital distributions by the Bank and capitalization of the Bank are now governed by the laws and regulations governing all other thrifts.

In June 1995, the Bank declared a \$250,000 cash dividend paid to the Company in September 1995. In August 1995, the Bank declared a \$250,000 cash dividend payable to the Company in December 1995.

The Bank enters into various interest rate swaps in managing its interest rate risk (IRR). In these swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated on an agreed-upon notional principal amount. Because the Bank's interest-earning assets tend to be long-term fixed-rate instruments while the Bank's interest-bearing liabilities tend to be shorter term or floating-rate obligations, interest rate swaps reduce the impact of market fluctuations on the Bank's net interest income.

The Bank only enters into interest rate swaps to hedge specific assets or liabilities, and not for speculative or trading purposes. Therefore, the Bank accounts for the swaps by accruing for the cash flows which are contractually receivable and payable under the agreements. These net costs are included as cost of hedging activities in the consolidated statements of income.

The Bank mitigates the credit risk associated with interest rate swaps by limiting itself to transactions with counterparties who are U.S. Government Securities dealers registered with the Securities and Exchange Commission (SEC) and are in full compliance with the SEC's Net Capital Rule for Brokers and Dealers. Additionally, the Bank's policy limits the maximum notional amount outstanding per dealer and in total.

The following table summarizes the terms of the Bank's outstanding interest rate swaps as of the dates indicated (thousands of dollars):

	September 30, 1995	December 31, 1994
	-----	-----
Notional principal	\$ 85,500	\$ 72,450
Weighted average remaining term (months)	58	59
Weighted average fixed-rate payable	6.97%	6.95%
Weighted average variable-rate receivable	6.11%	5.66%
Unrealized gains	\$ 306	\$ 2,991
Unrealized losses	\$ (2,696)	\$ (5)

The increase in unrealized losses affiliated with the interest rate swaps is due entirely to the general decline in interest rates since year end. The assets hedged by these interest rate swaps have experienced corresponding increases in their fair values during this same time period.

RESULTS OF FINANCIAL SERVICES OPERATIONS

Adoption of SFAS No. 122

In May 1995, the FASB issued SFAS No. 122, "Accounting for Mortgage Servicing Rights." The statement eliminates the previous distinction between purchased and originated mortgage servicing rights. The statement requires an allocation of the cost basis of a mortgage loan between the mortgage servicing rights and the loan when mortgage loans are sold or securitized and the servicing is retained. The Bank adopted SFAS No. 122 effective April 1, 1995. As a result of the implementation, year-to-date earnings before taxes and net income increased \$214,000 and \$139,000, respectively.

Quarterly Analysis

The Bank recorded net income of \$2 million for the three months ended September 30, 1995, compared to net income of \$2 million for the same period in 1994. After-tax components of the Bank's 1995 third quarter net income were comprised of \$3 million from core banking operations, offset by \$965,000 in goodwill amortization. After-tax components of the Bank's 1994 third quarter net income were comprised of \$3.2 million from core banking operations, offset partially by \$965,000 in goodwill amortization expense, \$71,000 in real estate losses, and \$170,000 from credit card charge-offs.

The following table sets forth information with respect to interest rate spread for the periods shown (thousands of dollars):

	Three Months Ended September 30,					
	1995			1994		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Interest-earning assets:						
Cash equivalents	\$ 32,103	\$ 479	5.97%	\$ 44,297	\$ 514	4.64%
Debt securities held to maturity	89,154	1,725	7.74	74,775	1,286	6.88
Debt securities available for sale	480,334	8,048	6.70	533,065	8,547	6.41
Loans receivable	1,031,755	22,988	8.91	892,465	19,275	8.64
FHLB stock	10,872	154	5.67	17,020	272	6.39
Total interest-earning assets	\$ 1,644,218	33,394	8.12	\$ 1,561,622	29,894	7.66
Interest-bearing liabilities:						
Deposits	\$ 1,246,344	13,217	4.21	\$ 1,240,284	11,252	3.60
Securities sold under agreements to repurchase	165,055	2,517	6.05	185,897	2,406	5.13
Advances from FHLB	144,239	2,476	6.81	74,144	899	4.81
Notes payable	8,065	166	8.17	8,200	165	7.98
Total interest-bearing liabilities	\$ 1,563,703	18,376	4.66	\$ 1,508,525	14,722	3.87
Cost of hedging activities		127	0.03		147	0.04
Cost of funds		18,503	4.69		14,869	3.91
Capitalized and transferred interest		--	--		(2)	--
Net interest income		\$ 14,891	3.43%		\$ 15,027	3.75%
Net yield on interest-earning assets			3.62%			3.85%

Despite a flattening of the yield curve between periods, caused by increased short-term rates and decreased long-term rates, the Bank's net interest margin has remained strong. Increases in the costs of interest-bearing liabilities have largely been offset by increases in loan and security yields as a result of the adjustable-rate features of a large portion of the asset portfolios and by new originations at higher rates.

The yield on interest-earning assets has also been maintained by an increase in construction and consumer loans which have shorter terms and higher rates. The increase in yield on loans receivable is partially attributable to a \$333,000 receipt of delinquent interest on a Nevada construction loan which was paid off during the third quarter. In order to take advantage of the relatively attractive long-term rates and to improve the Bank's interest rate risk posture, the Bank paid off \$39.5 million of borrowings on securities under agreements to repurchase and increased the amount of its advances from the FHLB by \$50 million.

Noninterest income increased \$364,000 in the third quarter of 1995 compared to 1994, principally due to an increase of \$223,000 in loan fee income. Additionally, a \$212,000 increase in net gains on sale of loans from secondary marketing activities resulted from declining interest rates, as the value of such loans increased during the period between origination and sale.

General and administrative expenses were higher during the third quarter of 1995 compared to the same period in 1994, due primarily to increased expenses associated with the opening of a new branch and normal incremental salary increases.

Nine-Month Analysis

Net income of \$5.8 million was recorded for the first nine months of 1995 compared to net income of \$6.3 million for the nine months ended September 30, 1994. After-tax components of net income for the first nine months of 1995 were comprised of \$9 million from core banking operations, partially offset by \$80,000 of credit card charge-offs, a \$205,000 loss from real estate operations, and \$2.9 million of goodwill amortization. After-tax components

of the Bank's 1994 year-to-date net income were \$8.5 million from core banking operations, and a gain of \$742,000 from the sale of the Bank's credit card portfolio sale, net of charge-offs. These were partially offset by \$2.9 million in goodwill amortization expense.

The following table sets forth information with respect to interest rate spread for the periods shown (thousands of dollars):

	Nine Months Ended September 30,					
	1995			1994		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Interest-earning assets:						
Cash equivalents	\$ 47,635	\$ 2,163	6.05%	\$ 54,847	\$ 1,579	3.84%
Debt securities held to maturity	95,597	5,395	7.52	69,701	3,448	6.60
Debt securities available for sale	499,319	25,156	6.72	560,444	25,351	6.03
Loans receivable	996,393	66,180	8.86	877,048	56,072	8.52
FHLB stock	13,606	512	5.02	16,812	613	4.86
Total interest-earning assets	\$ 1,652,550	99,406	8.02	\$ 1,578,852	87,063	7.35
Interest-bearing liabilities:						
Deposits	\$ 1,244,838	38,804	4.17	\$ 1,224,978	32,275	3.52
Securities sold under agreements to repurchase	192,081	8,961	6.24	218,790	7,582	4.63
Advances from FHLB	139,027	6,590	6.34	72,048	2,553	4.74
Notes payable	8,089	499	8.25	8,222	479	7.79
Total interest-bearing liabilities	\$ 1,584,035	54,854	4.63	\$ 1,524,038	42,889	3.76
Cost of hedging activities		425	0.04		240	0.02
Cost of funds		55,279	4.67		43,129	3.78
Capitalized and transferred interest		--	--		(13)	--
Net interest income		\$ 44,127	3.35%		\$ 43,947	3.57%
Net yield on interest-earning assets			3.56%			3.71%

During the first nine months of 1995, average interest-earning assets increased by \$73.7 million compared to the first nine months of 1994. The increase was primarily due to increased loan originations and a decrease in prepayments. The loan originations were funded by paydowns on and sales of investment securities, increased deposits, and borrowings from the FHLB. The Bank's net interest margin remained relatively strong despite the increased interest rate environment. Increased costs in interest-bearing liabilities have been partially offset by increased loan and security yields as a result of a large portion of the asset portfolio's adjustable-rate attributes as well as by new originations at higher rates.

Noninterest income decreased \$248,000 for year-to-date 1995 as compared to year-to-date 1994 primarily due to the gain of \$1.7 million on the sale of the Bank's credit card portfolio in 1994, while no similar activity occurred in 1995. This was partially offset by a gain of \$970,000 on the sale of debt securities during the second quarter of 1995.

General and administrative expenses were \$755,000 higher during the first nine months of 1995 than for the same period in 1994 primarily due to normal incremental salary increases, increased marketing expenses, and the opening of a new branch.

Twelve-Month Analysis

The Bank recorded net income of \$7.1 million for the twelve months ended September 30, 1995, compared to net income of \$8.7 million for the twelve months ended September 30, 1994. After-tax components of the Bank's net income for the twelve months ended September 30, 1995 were comprised of \$11.8 million from core banking operations, offset partially by \$193,000 from expenses and charge-offs related to the sale of the credit card portfolio, \$605,000 from real estate operations, and \$3.9 million of goodwill amortization. After-tax components of the Bank's net income for the twelve months ended September 30, 1994 were comprised of \$11 million from core banking operations, a gain of \$348,000 from the sale of debt securities used to fund the sale of the Bank's Arizona branches, a gain of \$742,000 on the

sale of the Bank's credit card portfolio, and a \$780,000 gain from a legal settlement, partially offset by a \$387,000 loss from real estate operations and \$3.8 million in goodwill amortization expense.

The following table sets forth information with respect to interest rate spread for the periods shown (thousands of dollars):

	Twelve Months Ended September 30,					
	1995			1994		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
Interest-earning assets:						
Cash equivalents	\$ 50,971	\$ 3,016	5.92%	\$ 60,664	\$ 2,120	3.49%
Debt securities held to maturity	92,941	6,866	7.39	68,775	4,677	6.80
Debt securities available for sale	510,937	33,970	6.65	568,451	34,195	6.02
Loans receivable	976,210	86,188	8.83	865,402	74,783	8.64
FHLB stock	14,512	737	5.08	16,729	759	4.54
Total interest-earning assets	\$ 1,645,571	130,777	7.95	\$ 1,580,021	116,534	7.38
Interest-bearing liabilities:						
Deposits	\$ 1,244,410	50,645	4.07	\$ 1,217,331	42,923	3.53
Securities sold under agreements to repurchase	202,589	12,403	6.12	234,092	10,588	4.52
Advances from FHLB	123,744	7,580	6.13	71,786	3,394	4.73
Notes payable	8,104	655	8.08	8,233	636	7.73
Unsecured senior notes	--	--	--	--	(1)	--
Total interest-bearing liabilities	\$ 1,578,847	71,283	4.51	\$ 1,531,442	57,540	3.76
Cost of hedging activities		670	0.04		264	0.02
Cost of funds		71,953	4.55		57,804	3.78
Capitalized and transferred interest		--	--		(25)	--
Net interest income		\$ 58,824	3.40%		\$ 58,755	3.60%
Net yield on interest-earning assets			3.57%			3.72%

Average interest-earning assets increased by \$63.7 million due to the increased loan production and decreased payoff activity. Average interest-bearing liabilities increased due to additional FHLB advances and deposit growth.

Noninterest income decreased by \$2.3 million for the twelve months ending September 1995 versus 1994 primarily due to a \$1.7 million gain on the sale of the credit card portfolio which occurred in the first quarter of 1994, while no similar sale occurred in 1995. General and administrative expense declined \$715,000 for the twelve months ended September 30, 1995 compared to the same period in 1994 due primarily to the sale of the Bank's Arizona branch network.

ASSET QUALITY

Loan Impairment. On January 1, 1995, the Bank adopted SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosures." SFAS No. 114 requires the measurement of loan impairment to be based on the present value of expected future cash flows discounted at the loan's original effective interest rate or the fair value of the underlying collateral on collateral-dependent loans. SFAS No. 118 allows a creditor to use existing methods for recognizing interest income on impaired loans.

Upon adoption of SFAS No. 114 in the first quarter of 1995, \$2.9 million of in-substance foreclosed assets were reclassified on the Bank's consolidated statement of financial condition from real estate acquired through foreclosure (REO-F) to loans receivable as SFAS No. 114 eliminated the in-substance designation. No other financial statement impact resulted from the Bank's adoption of SFAS No. 114.

In general, under SFAS No. 114, interest income on impaired loans will continue to be recognized by the Bank on the accrual basis of accounting, unless the loan is greater than 90 days delinquent with respect to principal or interest, or the loan has been partially or fully charged-off. Interest on loans greater than 90 days delinquent is generally recognized on a cash basis.

Interest income on loans which have been fully or partially charged-off is generally recognized on a cost-recovery basis; that is, all proceeds from the loan payments are first applied as a reduction to principal before any income is recorded.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, in which case, payments received are recorded as reductions of principal. Interest income recognized and balances of impaired loans are as follows (thousands of dollars):

	Three Months Ended September 30, 1995	Nine Months Ended September 30, 1995
	-----	-----
Interest income recognized:		
Accrual basis	\$ 1,083	\$ 2,159
Cash basis	\$ 7	\$ 15
Average balance outstanding on impaired loans*	\$ 17,505	\$ 20,817

*The outstanding balance of impaired loans at September 30, 1995 was \$26,801.

NONPERFORMING ASSETS. Nonperforming assets are comprised of nonaccrual assets, restructured loans and foreclosed real estate (REO-F). Nonaccrual assets are those on which management believes the timely collection of interest or principal is doubtful. Assets are transferred to nonaccrual status when payments of interest or principal are 90 days past due, or if, in management's opinion, the accrual of interest should be ceased sooner. There were no loans on accrual status which were over 90 days delinquent or past maturity as of September 30, 1995.

The following table summarizes nonperforming assets as of the dates indicated (thousands of dollars):

	September 30, 1995	December 31, 1994
	-----	-----
Nonaccrual loans past due 90 days or more:		
Mortgage loans:		
Construction and land	\$ 1,807	\$ 576
Permanent single-family residences	4,267	5,517
Other mortgage loans	4,024	5,696
Total mortgage loans	10,098	11,789
Nonmortgage loans	1,008	904
Restructured loans	9,777	16,768
Total nonperforming loans	20,883	29,461
Real estate acquired through foreclosure	2,954	7,631
Total nonperforming assets	\$ 23,837	\$ 37,092
Allowance for estimated credit losses	\$ 16,243	\$ 17,659
Allowance for estimated credit losses as a percentage of nonperforming loans	77.78%	59.94%
Allowance for estimated credit losses as a percentage of nonperforming assets	68.14%	47.61%

Restructured loans, at September 30, 1995, include \$4 million of single-family residential loan modifications made to borrowers with earthquake-related damage in California. Federal agencies encouraged financial institutions to modify loan terms for certain borrowers who were affected by the earthquake which occurred in January 1994. The terms of these modifications were generally three- to six-month payment extensions with no negative credit reporting regarding the borrower. The reduction of \$7 million in restructured loans was primarily due to a change in OTS regulations allowing for the

removal of loans from the restructured loan designation that have been performing for the prior twelve months and were not modified below a normal market rate.

CLASSIFIED ASSETS. OTS regulations require the Bank to classify certain assets and establish prudent valuation allowances. Classified assets are categorized as "substandard," "doubtful," and "loss." In addition, the Bank can designate an asset as "special mention." Impaired loans, as defined by SFAS No. 114, are included in substandard assets.

The following table sets forth the amounts of the Bank's classified assets and ratio of classified assets to total assets, net of allowances and charge-offs, as of the dates indicated (thousands of dollars):

	September 30, 1995		December 31, 1994	
	Balance	% of Total Assets	Balance	% of Total Assets
Substandard assets:				
Loans:				
Single-family residential	\$ 5,780	0.32%	\$ 6,882	0.38%
Consumer	1,216	0.07	1,297	0.07
Commercial and multi-family mortgage	18,809	1.03	20,797	1.14
Construction and land	3,250	0.18	615	0.03
Commercial loans	3,121	0.17	--	--
REO-F (net)	2,954	0.16	7,631	0.42
Real estate held for investment	1,128	0.06	1,191	0.07
Investment securities	--	--	21,972	1.21
Total	\$ 36,258	1.99%	\$60,385	3.32%

Classified assets decreased \$24.1 million from December 31, 1994 to September 30, 1995, primarily as a result of a \$20.2 million investment security which was upgraded from substandard to special mention during the second quarter, a \$2.7 million decrease in foreclosed real estate due to sales, an \$821,000 decrease in major real estate loans due to payoffs and paydowns, and \$759,000 of paydowns in residential loans. These decreases were partially offset by \$3.1 million of downgrades related to two commercial loans in Nevada secured by accounts receivable and inventory. Construction and land loans increased \$2.6 million due primarily to a downgrade of a \$3 million Nevada construction loan.

The upgrade of the privately issued \$20.2 million investment security from "substandard" to "special mention" was the result of the stabilization of delinquencies of the security's underlying loans and the market values of collateral supporting such loans, and management's analysis of the credit enhancement of the security versus loss estimates on the underlying loans. The Bank continues to receive scheduled monthly payments of principal and interest on this security.

Special mention assets increased from \$32.2 million at December 31, 1994 to \$45.2 million at September 30, 1995. This increase was caused primarily by the upgrade of the \$20.2 million investment security from substandard and the downgrade of a \$2.3 million residential construction loan, partially offset by a \$3 million reclassification to substandard of a construction loan and paydowns of California residential loans, commercial real estate loans, and commercial loans.

The largest substandard loan at September 30, 1995 was an \$8.2 million apartment complex loan in Nevada. The Bank had four additional substandard loans in excess of \$1 million at September 30, 1995: two hotel loans, a construction loan, and an apartment complex loan, all located in Nevada. The largest foreclosed real estate asset held by the Bank at September 30, 1995 was a \$500,000 single-family residential loan in California.

The Bank's largest investment in real estate classified as substandard at September 30, 1995, was a former bank branch in Arizona with a current book value of \$798,000. The Bank's two remaining real estate development projects classified as substandard have current book values of \$195,000 and \$135,000.

The geographic concentration of the Bank's classified assets at September 30, 1995 was 79 percent in Nevada, 16 percent in California, and 5 percent in Arizona.

It is the Bank's practice to charge off all assets or portions thereof which it considers to be "loss." As a result, none of the Bank's assets, net of charge-offs, were classified as "loss" at September 30, 1995 and December 31, 1994. Also, none were classified as "doubtful" at either date.

The following tables set forth the Bank's charge-off experience for loans receivable and REO-F, by loan type, as well as real estate held for investment and debt securities (thousands of dollars):

	Charge-Offs	Recoveries	Net Charge-Offs
Nine Months Ended September 30, 1995:			
Loans and REO-F:			
Single-family residential	\$ 736	\$ (270)	\$ 466
Commercial and multi-family mortgage	132	--	132
Construction/land	450	(172)	278
Nonmortgage	2,853	(586)	2,267
Commercial	199	--	199
Real estate held for investment	108	--	108
Debt securities	2,077	--	2,077
Total net charge-offs	\$ 6,555	\$ (1,028)	\$ 5,527

Nine Months Ended September 30, 1994:			
Loans and REO-F:			
Single-family residential	\$ 1,337	\$ (692)	\$ 645
Commercial and multi-family mortgage	661	(101)	560
Construction/land	1,263	(115)	1,148
Nonmortgage	2,845	(740)	2,105
Commercial	--	--	--
Real estate held for investment	579	(498)	81
Total net charge-offs	\$ 6,685	\$ (2,146)	\$ 4,539

PROVISIONS AND ALLOWANCES FOR CREDIT LOSSES. On a regular basis, management evaluates the adequacy of the allowances for estimated losses on loans, debt securities, and real estate and establishes additions to the allowances through provisions to expense. The Bank utilizes a comprehensive internal asset review system and general valuation allowance methodology. General valuation allowances are established for unforeseen losses for each of the loan, debt securities, and real estate portfolios. Factors taken into account in determining the adequacy of allowances include review of existing risks in the portfolios, prevailing and anticipated economic conditions, actual loss experience and delinquencies. Reviews of the quality of the Bank's loan, debt securities, and real estate portfolios by the Risk Management Committee, and examinations by regulatory authorities, are performed periodically.

Charge-offs are recorded on particular assets when it is determined that the present value of expected cash flows or fair value of the underlying collateral of an asset is below its carrying value. When a loan is foreclosed, the asset is written down to fair value based on a current appraisal of the subject property.

Activity in the allowances for losses on loans, debt securities, investments in real estate, and foreclosed real estate is summarized as follows (thousands of dollars):

	Debt Securities	Impaired Loans	Nonimpaired Loans	Foreclosed Real Estate	Investments in Real Estate	Total
Balance at December 31, 1994*	\$ --	\$ 3,038	\$ 14,621	\$ --	\$ 476	\$ 18,135
Transfer	3,077	--	(5,471)	2,394	--	--
Provisions for estimated losses	--	(465)	5,468	--	351	5,354
Charge-offs, net of recoveries	(2,077)	52	(1,208)	(2,186)	(108)	(5,527)
Balance at September 30, 1995	\$ 1,000	\$ 2,625	\$ 13,410	\$ 208	\$ 719	\$ 17,962
Balance at June 30, 1995	\$ 1,000	\$ 2,267	\$ 13,207	\$ 473	\$ 736	\$ 17,683
Transfer	--	--	(576)	576	--	--
Provisions for estimated losses	--	226	1,378	--	(17)	1,587
Charge-offs, net of recoveries	--	132	(599)	(841)	--	(1,308)
Balance at September 30, 1995	\$ 1,000	\$ 2,625	\$ 13,410	\$ 208	\$ 719	\$ 17,962

	Debt Securities	Impaired Loans	Total Loans	Foreclosed Real Estate	Investments in Real Estate	Total
Balance at December 31, 1993	\$ --	\$ N/A	\$ 16,251	\$ --	\$ 935	\$ 17,186
Transfer	--	N/A	(2,612)	2,612	--	--
Provisions for estimated losses	--	N/A	5,202	--	52	5,254
Charge-offs, net of recoveries	--	N/A	(1,846)	(2,612)	(81)	(4,539)
Balance at September 30, 1994	\$ --	\$ N/A	\$ 16,995	\$ --	\$ 906	\$ 17,901
Balance at June 30, 1994	\$ --	\$ N/A	\$ 16,443	\$ --	\$ 485	\$ 16,928
Transfer	--	N/A	(490)	490	--	--
Provisions for estimated losses	--	N/A	1,493	--	5	1,498
Charge-offs, net of recoveries	--	N/A	(451)	(490)	416	(525)
Balance at September 30, 1994	\$ --	\$ N/A	\$ 16,995	\$ --	\$ 906	\$ 17,901

* Balances for impaired loans and foreclosed real estate and nonimpaired loans at December 31, 1994, have been reclassified to reflect adoption of SFAS No. 114.

During the second quarter of 1995, the Bank transferred \$4.4 million of its allowance for estimated credit losses affiliated with loans to separate allowances for credit losses affiliated with REO-F and debt securities. Of this amount, \$1.3 million was transferred to the REO-F allowance for losses and \$3.1 million was transferred to the allowance for losses on debt securities. Prior to the second quarter, the evaluation of the adequacy of the Bank's allowance for estimated credit losses affiliated with loans receivable incorporated estimates for losses in the foreclosed real estate and debt security portfolios, but were not deemed material enough to be segregated as separate allowances. Additionally, prior to the second quarter, no credit losses had been experienced in the debt security portfolio. Losses in the foreclosed real estate portfolio subsequent to foreclosure had been accounted for as loan losses.

In 1991, the Bank purchased \$10 million of adjustable-rate mortgage-backed securities (MBS) issued by the Resolution Trust Corporation (RTC). The securities were rated AA by Standard & Poor's (S&P) and Aa2 by Moody's on the date of issuance and purchase. When the Bank implemented SFAS No. 115 on December 31, 1993, these securities were designated as held to maturity. The securities still were rated AA and Aa2 at that time. At December 31, 1994 and March 31, 1995, the securities were performing according to their contractual terms, and all realized losses from the disposition of REO-F were being absorbed by a credit enhancement feature. In April 1995, Moody's and S&P lowered their ratings on the securities to below investment grade rating of Ba3 and BB, respectively. As a result of this deterioration, the Bank determined that the securities should be considered "other than temporarily" impaired under the provisions of SFAS No. 115. A pretax loss of \$1.9 million was recorded as a credit-related charge-off through the general valuation

allowance for debt securities in the second quarter. In June 1995, the Bank sold these securities. No additional loss was recorded at the time of sale.

Also during the second quarter, the Bank sold a \$1.5 million security from its available for sale portfolio at a loss of \$181,000. The security was a privately issued MBS whose credit rating was downgraded to Baa3 during April 1995. As a result of the downgrade, the Bank sold the security and recorded the loss as a credit related charge-off to the general valuation allowance for debt securities.

The loan and foreclosed real estate charge-offs were primarily attributable to consumer loan charge-offs of \$2.3 million and \$466,000 in single-family residential loan charge-offs. The Bank's quarterly analysis required no significant change in the allowance for estimated credit losses at September 30, 1995 from December 31, 1994.

Regulatory Matters

The deposit accounts of savings associations, including those of PriMerit, are insured to the maximum extent permitted by law by the FDIC through the SAIF. The deposit accounts of commercial banks are separately insured by the FDIC through the bank insurance fund (BIF). Commercial banks and savings associations are separately assessed annual deposit insurance premiums. For savings associations, the deposit premiums range from 23 to 31 cents per \$100 of deposits and, under current requirements, will remain at that level until the SAIF is capitalized at 1.25 percent of insured deposits. The SAIF is not expected to reach this level of capitalization for several years. The BIF has reached the 1.25 percent capitalization level. As a result, in August 1995, the FDIC reduced the deposit insurance premiums paid by most commercial banks insured by BIF to four cents per \$100 of deposits. This regulatory change will give commercial banks a competitive advantage over savings associations and place additional pressure on the SAIF.

A number of plans have been proposed in Congress to deal with the undercapitalization of the SAIF. Several proposals provide for a one-time special assessment on SAIF-insured deposits to fully capitalize the SAIF to 1.25 percent of insured deposits and require federally chartered thrifts, like the Bank, to change to a bank charter. These proposals would subsequently reduce annual premiums to levels similar to those of BIF-insured commercial banks and eventually merge the BIF and SAIF insurance funds. A change to a bank charter, under current law, would require recapture of the Bank's tax bad debt reserve. Proposals to deal with this issue include a "fresh start" approach, whereby thrifts would not need to recapture reserves established prior to December 31, 1987. The Bank is unable to predict if these proposals, or other proposals, will ultimately be approved by Congress.

Assuming a one-time special assessment and change in charter requirement was approved by Congress and became law in 1995, and was immediately charged against results of operations, the one-time assessment and tax bad debt recapture would, most likely, have a material impact on the Bank's 1995 results of operations. However, management believes the Bank would continue to be classified as "well-capitalized" under fully phased-in FDICIA capital rules. In addition, the Bank would not face any liquidity issues as a result of a one-time assessment.

ITEM 1 None

ITEM 2 Changes in Securities

(a) None

(b) In October 1995, Southwest Gas Capital I (the Trust), a wholly owned subsidiary of the Company, completed an issuance of 2.4 million 9.125 percent preferred securities, the proceeds of which were used to purchase an equivalent amount of subordinated debt securities of the Company. The payment of distributions out of moneys held by the Trust and payments on liquidation of the Trust or the redemption of the preferred securities are guaranteed by the Company. The obligations of the Company under this guarantee are subordinate and junior in right of payment to all other liabilities of the Company and pari passu with the most senior preferred stock issued by the Company. The Company has the right to defer interest payments on the subordinated debt securities. However, should interest payments be deferred, the Company can not (i) declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, or (ii) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Company that rank pari passu with or junior to the subordinated debt securities. The Company has previously filed the following documents defining the rights of securities holders: Amendment No. 1 to Form S-3 Registration Statement (No. 33-62143) which was declared effective October 24, 1995; prospectus supplement, dated October 26, 1995, and prospectus, dated October 24, 1995, filed pursuant to Rule 424(b)(2) with the Securities and Exchange Commission (the Commission) on October 27, 1995; Form 8-K Current Report dated October 26, 1995, and filed with the Commission on October 31, 1995.

Items 3-5 None

Item 6 Exhibits and Reports on Form 8-K

(a) The following documents are filed as part of this report on Form 10-Q:

- Exhibit 4.01 - Southwest Gas Capital I Preferred Securities Guarantee by the Company and Harris Trust and Savings Bank, dated as of October 31, 1995.
- Exhibit 4.07 - Subordinated Debt Securities Indenture between the Company and Harris Trust and Savings Bank, dated as of October 31, 1995.
- Exhibit 4.08 - First Supplemental Indenture Between the Company and Harris Trust and Savings Bank, dated as of October 31, 1995, supplementing and amending the Indenture dated as of October 31, 1995, with respect to the 9.125% Subordinated Debt Securities.
- Exhibit 27 - Financial Data Schedule (filed electronically only)
- Exhibit 99 - Financial Analyst Report - Third Quarter 1995

(b) Reports on Form 8-K

The Company filed a Form 8-K, dated October 26, 1995, containing exhibits relating to the issuance of 2.4 million preferred securities by Southwest Gas Capital I, a wholly owned subsidiary of the Company.

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

Southwest Gas Corporation

(Registrant)

Date: November 8, 1995

/s/ Edward A. Janov

Edward A. Janov
Controller and Chief Accounting Officer

26

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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99	Financial Analyst Report - Third Quarter 1995

PREFERRED SECURITIES GUARANTEE AGREEMENT
SOUTHWEST GAS CAPITAL I

Dated as of October 31, 1995

TABLE OF CONTENTS

Section	Page
ARTICLE I	
Definitions and Interpretation	
Section 1.1. Definitions and Interpretation	2
ARTICLE II	
Trust Indenture Act	
Section 2.1. Trust Indenture Act; Application	5
Section 2.2. Lists of Holders of Trust Securities	5
Section 2.3. Reports by the Preferred Guarantee Trustee	6
Section 2.4. Periodic Reports to Preferred Guarantee Trustee	6
Section 2.5. Evidence of Compliance with Conditions Precedent	6
Section 2.6. Events of Default; Waiver	6
Section 2.7. Event of Default; Notice	7
Section 2.8. Conflicting Interests	7
ARTICLE III	
Power, Duties and Rights of Preferred Guarantee Trustee	
Section 3.1. Powers and Duties of the Preferred Guarantee Trustee	7
Section 3.2. Certain Rights of Preferred Guarantee Trustee	10
Section 3.3. Not Responsible for Recitals or Issuance of Guarantee	12
ARTICLE IV	
Preferred Guarantee Trustee	
Section 4.1. Preferred Guarantee Trustee; Eligibility	12
Section 4.2. Appointment, Removal and Resignation of Preferred Guarantee Trustees	13

ARTICLE V

Guarantee

Section 5.1.	Guarantee.	14
Section 5.2.	Subordination.	14
Section 5.3.	Waiver of Notice and Demand.	14
Section 5.4.	Obligations Not Affected	15
Section 5.5.	Rights of Holders.	16
Section 5.6.	Guarantee of Payment	16
Section 5.7.	Subrogation.	16
Section 5.8.	Independent Obligations.	17

ARTICLE VI

Limitation of Transactions; Subordination

Section 6.1.	Limitation of Transactions	17
Section 6.2.	Ranking.	17

ARTICLE VII

Termination

Section 7.1.	Termination.	18
--------------	----------------------	----

ARTICLE VIII

Indemnification

Section 8.1.	Exculpation.	18
Section 8.2.	Indemnification.	19

ARTICLE IX

Miscellaneous

Section 9.1.	Successors and Assigns.	19
Section 9.2.	Amendments.	19
Section 9.3.	Notices.	20
Section 9.4.	Benefit.	21
Section 9.5.	Governing Law.	21

This GUARANTEE AGREEMENT ("Guarantee Agreement"), dated as of October 31, 1995, is executed and delivered by Southwest Gas Corporation, a California corporation (the "Guarantor"), and Harris Trust and Savings Bank, an Illinois banking corporation, as trustee (the "Preferred Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of Southwest Gas Capital I, a Delaware statutory business trust (the "Issuer").

RECITALS

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of October 26, 1995, among the trustees of the Issuer named therein, the Guarantor as sponsor and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof \$60,000,000 aggregate stated liquidation amount of Preferred Securities designated the 9.125% Trust Originated Preferred Securities (the "Preferred Securities");

WHEREAS, as incentive for the Holders (as hereinafter defined) to purchase the Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Guarantee Agreement, to pay to the Holders of the Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein; and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Common Securities Guarantee Agreement") with substantially identical terms to this Guarantee Agreement for the benefit of the holders of the Common Securities (as defined herein) except that if an Event of Default (as defined in the Indenture (as defined herein)), has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments under the Common Securities Guarantee Agreement are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments under this Guarantee Agreement.

NOW, THEREFORE, in consideration of the purchase by each Holder of Preferred Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders.

ARTICLE I

Definitions and Interpretation

Section 1.1. Definitions and Interpretation.

In this Guarantee Agreement, unless the context otherwise requires:

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

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

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

"Common Securities" means the common securities representing undivided beneficial interests in the assets of the Issuer.

"Covered Person" means any Holder or beneficial owner of Preferred Securities.

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

- (a) if the Person is a natural person by that Person; or

(b) in any other case, in the name of such Person by one or more Authorized Officers of that Person.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Guarantee Agreement.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions (as defined in the Declaration) that are required to be paid on such Preferred Securities to the extent the Issuer shall have received a payment of interest or principal on the Notes therefor from the Guarantor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price") to the extent the Issuer has received a payment of interest or principal on the Notes from the Guarantor with respect to any Preferred Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Notes to the Holders in exchange for Preferred Securities as provided in the Declaration or the redemption of all of the Preferred Securities upon the maturity or redemption of the Notes), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Preferred Securities to the date of payment, and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Holder" shall mean any holder, as registered on the books and records of the Issuer of any Preferred Securities; provided, that, in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Preferred Guarantee Trustee, any Affiliate of the Preferred Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives or agents of the Preferred Guarantee Trustee.

"Indenture" means the Indenture dated as of October 31, 1995, among the Note Issuer and Harris Trust and Savings Bank, as trustee, and any indenture supplemental thereto pursuant to which certain Notes are to be issued.

"Majority in liquidation amount of the Trust Securities" means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Preferred Securities, voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to

7
the date upon which the voting percentages are determined) of all Preferred Securities.

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

"Notes" means the subordinated debt securities of the Note Issuer issued pursuant to the Indenture and acquired by the Issuer.

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

- (a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definition relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;
- (c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

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

"Preferred Guarantee Trustee" means Harris Trust and Savings Bank, until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement, and thereafter means each such Successor Preferred Guarantee Trustee.

"Responsible Officer" means, when used with respect to the Preferred Guarantee Trustee, an officer of the Trustee in the Corporate Trust Office, including the president, any vice-president, any assistant vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer,

any trust officer or assistant trust officer or any other officer customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

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

"Successor Preferred Guarantee Trustee" means a successor Preferred Guarantee Trustee possessing the qualifications to act as Preferred Guarantee Trustee under Section 4.1.

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

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

ARTICLE II

Trust Indenture Act

Section 2.1. Trust Indenture Act; Application.

- (a) This Guarantee Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Guarantee Agreement and shall, to the extent applicable, be governed by such provisions; and
- (b) if and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such duties imposed by the Trust Indenture Act shall control.

Section 2.2. Lists of Holders of Trust Securities.

- (a) The Guarantor shall provide the Preferred Guarantee Trustee with a list, in such form as the Preferred Guarantee Trustee may reasonably require, of the names and addresses of the Holders of the Preferred Securities ("List of Holders") as of such date, (i) within 14 days after each record date for payment of distributions, and (ii) at any

other time within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Preferred Guarantee Trustee provided that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Preferred Guarantee Trustee by the Guarantor. The Preferred Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

- (b) The Preferred Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

Section 2.3. Reports by the Preferred Guarantee Trustee.

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

Section 2.4. Periodic Reports to Preferred Guarantee Trustee.

The Guarantor shall provide to the Preferred Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5. Evidence of Compliance with Conditions Precedent.

The Guarantor shall provide to the Preferred Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6. Events of Default; Waiver.

The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred

10
Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 2.7. Event of Default; Notice.

(a) The Preferred Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Preferred Securities, notices of all Events of Default known to the Preferred Guarantee Trustee, unless such defaults have been cured before the giving of such notice, provided, that, the Preferred Guarantee Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Preferred Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Preferred Securities.

(b) The Preferred Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Preferred Guarantee Trustee shall have received written notice as provided in Section 9.3, or a Responsible Officer shall have obtained actual notice, of such Event of Default.

Section 2.8. Conflicting Interests.

The Declaration shall be deemed to be specifically described in this Guarantee Agreement for the purposes of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

Power, Duties and Rights of
Preferred Guarantee Trustee

Section 3.1. Powers and Duties of the Preferred Guarantee Trustee.

(a) This Guarantee Agreement shall be held by the Preferred Guarantee Trustee for the benefit of the Holders of the Preferred Securities, and the Preferred Guarantee Trustee shall not transfer this Guarantee Agreement to any Person except a Holder of Preferred Securities exercising his or her rights pursuant to Section 5.5(b) or to a Successor Preferred Guarantee Trustee on acceptance by such

Successor Preferred Guarantee Trustee of its appointment to act as Successor Preferred Guarantee Trustee. The right, title and interest of the Preferred Guarantee Trustee shall automatically vest in any Successor Preferred Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Preferred Guarantee Trustee.

- (b) If an Event of Default has occurred and is continuing, the Preferred Guarantee Trustee shall enforce this Guarantee Agreement for the benefit of the Holders of the Preferred Securities.
- (c) The Preferred Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Guarantee Agreement, and no implied covenants shall be read into this Guarantee Agreement against the Preferred Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6), the Preferred Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.
- (d) No provision of this Guarantee Agreement shall be construed to relieve the Preferred Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:
 - (i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:
 - (A) the duties and obligations of the Preferred Guarantee Trustee shall be determined solely by the express provisions of this Guarantee Agreement, and the Preferred Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement, and no implied covenants or obligations shall be read into this Guarantee Agreement against the Preferred Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Preferred Guarantee Trustee, the Preferred Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Preferred Guarantee Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Preferred Guarantee Trustee, the Preferred Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

- (ii) the Preferred Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Preferred Guarantee Trustee, unless it shall be proved that the Preferred Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;
- (iii) the Preferred Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Preferred Guarantee Trustee, or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Guarantee Agreement; and
- (iv) no provision of this Guarantee Agreement shall require the Preferred Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Preferred Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Guarantee Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(a) Subject to the provisions of Section 3.1:

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

- (vi) The Preferred Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Preferred Guarantee Trustee such security and indemnity acceptable to the Preferred Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Preferred Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Preferred Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Guarantee Agreement.
- (vii) The Preferred Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Preferred Guarantee Trustee, in its discretion may make such further inquiry or investigation into such facts or matters as it may see fit.
- (viii) The Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Preferred Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.
- (ix) Any action taken by the Preferred Guarantee Trustee or its agents hereunder shall bind the Holders of the Preferred Securities, and the signature of the Preferred Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Preferred Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Guarantee Agreement, both of which shall be conclusively evidenced by the Preferred Guarantee Trustee's or its agent's taking such action.

(x) Whenever in the administration of this Guarantee Agreement the Preferred Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Preferred Guarantee Trustee (i) may request instructions from the Holders of the Preferred Securities, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions.

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

Section 3.3. Not Responsible for Recitals or Issuance of Guarantee.

The recitals contained in this Guarantee shall be taken as the statements of the Guarantor, and the Preferred Guarantee Trustee does not assume any responsibility for their correctness. The Preferred Guarantee Trustee makes no representation as to the validity or sufficiency of this Guarantee Agreement.

ARTICLE IV

Preferred Guarantee Trustee

Section 4.1. Preferred Guarantee Trustee; Eligibility.

(a) There shall at all times be a Preferred Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act

as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

- (b) If at any time the Preferred Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Preferred Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).
- (c) If the Preferred Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Preferred Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

Section 4.2. Appointment, Removal and Resignation of Preferred Guarantee Trustees.

- (a) Subject to Section 4.2(b), the Preferred Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.
- (b) The Preferred Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor and the resigning Preferred Guarantee Trustee.
- (c) The Preferred Guarantee Trustee appointed to office shall hold office until a Successor Preferred Guarantee Trustee shall have been appointed or until its removal or resignation. The Preferred Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Preferred Guarantee Trustee and delivered to the Guarantor, which

resignation shall not take effect until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor and the resigning Preferred Guarantee Trustee.

- (d) If no Successor Preferred Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Preferred Guarantee Trustee may petition any court of competent jurisdiction for appointment of a Successor Preferred Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Preferred Guarantee Trustee.

ARTICLE V

Guarantee

Section 5.1. Guarantee.

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

Section 5.2. Subordination.

If an event of default under the Indenture has occurred and is continuing, the rights of holders of the Common Securities to receive payments under the Common Securities Guarantee Agreement are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments.

Section 5.3. Waiver of Notice and Demand.

The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice

18
of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 5.4. Obligations Not Affected.

The obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer;
- (b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sums payable that results from the extension of any interest payment period on the Notes or any extension of the maturity date of the Notes permitted by the Indenture);
- (c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;
- (d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;
- (e) any invalidity of, or defect or deficiency in the Preferred Securities;
- (f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or
- (g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the

intent of this Section 5.4 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

Section 5.5. Rights of Holders.

- (a) The Holders of a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting of any proceeding for any remedy available to the Preferred Guarantee Trustee in respect of this Guarantee Agreement or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Guarantee Agreement.
- (b) If the Preferred Guarantee Trustee fails to enforce this Guarantee Agreement, any Holder of Preferred Securities may institute a legal proceeding directly against the Guarantor to enforce its rights under this Guarantee Agreement, without first instituting a legal proceeding against the Issuer, the Preferred Guarantee Trustee or any other Person.

Section 5.6. Guarantee of Payment.

This Guarantee Agreement creates a guarantee of payment and not of collection.

Section 5.7. Subrogation.

The Guarantor shall be subrogated to all (if any) rights of the Holders of Preferred Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Guarantee Agreement; PROVIDED, HOWEVER, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

Section 5.8. Independent Obligations.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.4 hereof.

ARTICLE VI

Limitation of Transactions; Subordination

Section 6.1. Limitation of Transactions.

So long as any Preferred Securities remain outstanding, if there shall have occurred an Event of Default or an event of default under the Declaration, then (a) the Guarantor shall not declare or pay any dividend on, or make any distribution with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock and (b) the Guarantor shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Guarantor which rank pari passu with or junior to the Notes, provided, that, the foregoing restriction in this Section 6.1(a) shall not apply to any stock dividends paid by the Guarantor, where the dividend stock is the same stock as that on which the dividend is being paid.

Section 6.2. Ranking.

This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor (other than the Common Securities Guarantee or any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any Affiliate of the Guarantor), (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any Affiliate of the Guarantor, and (iii) senior to the Guarantor's common stock.

ARTICLE VII

Termination

Section 7.1. Termination.

This Guarantee Agreement shall terminate upon (i) full payment of the Redemption Price of all Preferred Securities, (ii) the distribution of the Notes to the Holders of all Preferred Securities or (iii) full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Preferred Securities must restore payment of any sums paid under the Preferred Securities or under this Preferred Securities Guarantee. Notwithstanding anything contained herein to the contrary, the obligations of the Guarantor set forth in Article VIII hereof shall survive termination of this Guarantee Agreement or the earlier resignation or removal of the Preferred Guarantee Trustee.

ARTICLE VIII

Indemnification

Section 8.1. Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Guarantee Agreement and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Guarantee Agreement or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

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

assets from which Distributions to Holders of Preferred Securities might properly be paid.

Section 8.2. Indemnification.

(a) To the fullest extent permitted by applicable law, the Guarantor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage or claim incurred by such Indemnified Person in connection with this Guarantee Agreement including without limitation by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Guarantee Agreement and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Guarantee Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions.

(b) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Guarantor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Guarantor of any undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 8.2(a).

ARTICLE IX

Miscellaneous

Section 9.1. Successors and Assigns.

All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding.

Section 9.2. Amendments.

Except with respect to any changes that do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Holders of at least 66-2/3% in liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid

Distributions to the date upon which the voting percentages are determined) of all the outstanding Preferred Securities (as defined in the Declaration). The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Trust Securities apply to the giving of such approval. The Preferred Guarantee Trustee may, but shall have no obligation to, execute and deliver any amendment to this Guarantee Agreement which affects the Preferred Guarantee Trustee's rights, duties or immunities hereunder or otherwise.

Section 9.3. Notices.

All notices provided for in this Guarantee Agreement shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail as follows:

- (a) If given to the Preferred Guarantee Trustee, at the Preferred Guarantee Trustee's mailing address set forth below (or such other address as the Preferred Guarantee Trustee may give notice of to the Holders of the Preferred Securities):

Harris Trust and Savings Bank
311 West Monroe Street, 12th Floor
Chicago, Illinois 60606
Attention: Indenture Trust Administration
Telecopy Number: (312) 461-3525

- (b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Preferred Securities):

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89102
Telecopy Number: (702) 876-7037

- (c) If given to any Holder of Preferred Securities, at the address set forth in the books and records of the Issuer.

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

Section 9.4. Benefit.

This Guarantee Agreement is solely for the benefit of the Holders of the Preferred Securities and, subject to Section 3.1(a), is not separately transferable from the Preferred Securities.

Section 9.5. Governing Law.

THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee Agreement to be executed by their respective officers thereunto duly authorized, as of the day and year first above written.

SOUTHWEST GAS CORPORATION

By: /s/ THOMAS J. TRIMBLE

Name: THOMAS J. TRIMBLE
Title: Senior Vice President

HARRIS TRUST AND SAVINGS BANK,
as Preferred Guarantee Trustee

By: /s/ E. KAY LIEDERMAN

Name: E. KAY LIEDERMAN
Title: Vice President

SOUTHWEST GAS CORPORATION

TO

HARRIS TRUST AND SAVINGS BANK
Trustee

INDENTURE
Dated as of October 31, 1995

SUBORDINATED DEBT SECURITIES

SOUTHWEST GAS CORPORATION
 Certain Sections of this Indenture relating to
 Sections 310 through 318, inclusive, of the
 Trust Indenture Act of 1939:

Trust Indenture Act Section	Indenture Section
Section 310(a)(1)	609
(a)(2)	609
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	608 610
Section 311(a)	613
(b)	613
Section 311(a)	701
(b)	702
(c)	702
Section 313(a)	703
(b)	703
(c)	703
(d)	703
Section 314(a)	704
(a)(4)	101 1004
(b)	Not Applicable
(c)(1)	102
(c)(2)	102
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	102
Section 315(a)	601
(b)	602
(c)	601
(d)	601
(e)	514
Section 316(a)	101
(a)(1)(A)	502 512
(a)(1)(B)	513
(a)(2)	Not Applicable
(b)	508
(c)	104 501 502 512

2	
Section 317(a)(1)	503
(a)(2)	504
(b)	1003
Section 318(a)	107

NOTE: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

	Page

PARTIES	1
RECITALS OF THE COMPANY	1
ARTICLE ONE	
Definitions and Other Provisions	
of General Application	1
Section 101. DEFINITIONS	1
"Act"	2
"Affiliate"	2
"Authenticating Agent"	2
"Authorized Newspaper"	2
"Bearer Security"	2
"Board of Directors"	2
"Board Resolution"	2
"Business Day"	2
"Commission"	3
"Common Securities"	3
"Common Securities Guarantee"	3
"Company"	3
"Company Request" or "Company Order"	3
"Corporate Trust Office"	3
"Corporation"	3
"Coupon"	3
"Covenant Defeasance"	3
"Declaration"	4
"Defaulted Interest"	4
"Defeasance"	4
"Defeasible Series"	4
"Depositary"	4
"Event of Default"	4
"Exchange Act"	4
"Global Security"	4
"Holder"	4
"Indenture"	4
"Interest"	4
"Interest Payment Date"	5
"Maturity"	5

* NOTE: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

"Officers' Certificate"	5
"Opinion of Counsel"	5
"Original Issue Discount Security"	5
"Outstanding"	5
"Paying Agent"	6
"Person"	6
"Place of Payment"	7
"Predecessor Security"	7
"Preferred Securities"	7
"Preferred Securities Guarantee"	7
"Preferred Stock"	7
"Redemption Date"	7
"Redemption Price"	7
"Registered Security"	7
"Regular Record Date"	7
"Responsible Officer"	7
"Securities"	8
"Security Register" and "Security Registrar"	8
"Senior Indebtedness"	8
"Special Record Date"	8
"Stated Maturity"	8
"Subsidiary"	8
"Trust"	8
"Trustee"	8
"Trust Indenture Act"	9
"Trust Securities"	9
"U.S. Government Obligations"	9
"Vice President"	9

Section 102.	COMPLIANCE CERTIFICATES AND OPINIONS.	9
Section 103.	FORM OF DOCUMENTS DELIVERED TO TRUSTEE	10
Section 104.	ACTS OF HOLDERS; RECORD DATES.	10
Section 105.	NOTICES, ETC., TO TRUSTEE AND COMPANY.	13
Section 106.	NOTICE TO HOLDERS; WAIVER.	13
Section 107.	CONFLICT WITH TRUST INDENTURE ACT.	15
Section 108.	EFFECT OF HEADINGS AND TABLE OF CONTENTS	15
Section 109.	SUCCESSORS AND ASSIGNS	15
Section 110.	SEPARABILITY CLAUSE.	15
Section 111.	BENEFITS OF INDENTURE.	15

5

Section 112. GOVERNING LAW. 15

Section 113. LEGAL HOLIDAYS 15

ARTICLE TWO

Security Forms 16

Section 201. FORMS GENERALLY. 16

Section 202. FORM OF LEGEND FOR GLOBAL SECURITIES . . . 17

Section 203. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION. 18

ARTICLE THREE

The Securities 18

Section 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES . . . 18

Section 302. DENOMINATIONS. 21

Section 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING. 21

Section 304. TEMPORARY SECURITIES 23

Section 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE 24

Section 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED 28

Section 308. PERSONS DEEMED OWNERS. 30

Section 309. CANCELLATION 31

Section 310. COMPUTATION OF INTEREST. 31

ARTICLE FOUR

Satisfaction and Discharge 32

Section 401. SATISFACTION AND DISCHARGE OF INDENTURE. . 32

Section 402. APPLICATION OF TRUST MONEY 33

ARTICLE FIVE

Remedies 33

Section 501.	EVENTS OF DEFAULT	33
Section 502.	ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT	37
Section 503.	COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE	38
Section 504.	TRUSTEE MAY FILE PROOFS OF CLAIM	39
Section 505.	TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES	40
Section 506.	APPLICATION OF MONEY COLLECTED	40
Section 507.	LIMITATION ON SUITS	41
Section 508.	UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST	41
Section 509.	RESTORATION OF RIGHTS AND REMEDIES	42
Section 510.	RIGHTS AND REMEDIES CUMULATIVE	42
Section 511.	DELAY OR OMISSION NOT WAIVER	42
Section 512.	CONTROL BY HOLDERS	42
Section 513.	WAIVER OF PAST DEFAULTS	43
Section 514.	UNDERTAKING FOR COSTS	44
Section 515.	WAIVER OF USURY, STAY OR EXTENSION LAWS	44

ARTICLE SIX

The Trustee 44

Section 601.	CERTAIN DUTIES AND RESPONSIBILITIES	44
Section 602.	NOTICE OF DEFAULTS	45
Section 603.	CERTAIN RIGHTS OF TRUSTEE	45
Section 604.	NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES	46

7

Section 605. MAY HOLD SECURITIES OR COUPONS 46

Section 606. MONEY HELD IN TRUST. 47

Section 607. COMPENSATION AND REIMBURSEMENT 47

Section 608. DISQUALIFICATION; CONFLICTING INTERESTS. . 48

Section 609. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY. . 48

Section 610. RESIGNATION AND REMOVAL;
APPOINTMENT OF SUCCESSOR. 48

Section 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR . . 50

Section 612. MERGER, CONVERSION, CONSOLIDATION
OR SUCCESSION TO BUSINESS 52

Section 613. PREFERENTIAL COLLECTION
OF CLAIMS AGAINST COMPANY 52

Section 614. APPOINTMENT OF AUTHENTICATING AGENT. . . . 52

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company . 54

Section 701. COMPANY TO FURNISH TRUSTEE
NAMES AND ADDRESSES OF HOLDERS. . . . 54

Section 702. PRESERVATION OF INFORMATION;
COMMUNICATIONS TO HOLDERS 55

Section 703. REPORTS BY TRUSTEE 55

Section 704. REPORTS BY COMPANY 55

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease 56

Section 801. COMPANY MAY CONSOLIDATE,
ETC., ONLY ON CERTAIN TERMS 56

Section 802. SUCCESSOR SUBSTITUTED. 57

ARTICLE NINE

Supplemental Indentures. 57

8		
Section 901.	SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.	57
Section 902.	SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS	58
Section 903.	EXECUTION OF SUPPLEMENTAL INDENTURES	60
Section 904.	EFFECT OF SUPPLEMENTAL INDENTURES.	60
Section 905.	CONFORMITY WITH TRUST INDENTURE ACT.	60
Section 906.	REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.	61
	ARTICLE TEN	
	Covenants.	61
Section 1001.	PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.	61
Section 1002.	MAINTENANCE OF OFFICE OR AGENCY.	61
Section 1003.	MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.	62
Section 1004.	STATEMENT BY OFFICERS AS TO DEFAULT.	64
Section 1005.	EXISTENCE.	64
Section 1006.	MAINTENANCE OF PROPERTIES.	64
Section 1007.	PAYMENT OF TAXES AND OTHER CLAIMS.	64
Section 1008.	LIMITATION ON DIVIDENDS; TRANSACTIONS WITH AFFILIATES	65
Section 1009.	COVENANTS AS TO THE TRUST.	66
	ARTICLE ELEVEN	
	Redemption of Securities.	66
Section 1101.	APPLICABILITY OF ARTICLE	66
Section 1102.	ELECTION TO REDEEM; NOTICE TO TRUSTEE.	66
Section 1103.	SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED	67

9		
Section 1104.	NOTICE OF REDEMPTION	67
Section 1105.	DEPOSIT REDEMPTION PRICE	68
Section 1106.	SECURITIES PAYABLE ON REDEMPTION DATE.	69
Section 1107.	SECURITIES REDEEMED IN PART.	70
	ARTICLE TWELVE	
	Sinking Funds	70
Section 1201.	APPLICABILITY OF ARTICLE	70
Section 1202.	SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES	70
Section 1203.	REDEMPTION OF SECURITIES FOR SINKING FUND	71
	ARTICLE THIRTEEN	
	Defeasance and Covenant Defeasance.	71
Section 1301.	COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE	71
Section 1302.	DEFEASANCE AND DISCHARGE.	72
Section 1303.	COVENANT DEFEASANCE.	72
Section 1304.	CONDITIONS TO DEFEASANCE OR COVENANT DEFEASANCE.	73
Section 1305.	DEPOSITED MONEY AND U.S. GOVERNMENT OBLIGATIONS TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.	75
Section 1306.	REINSTATEMENT.	76
	ARTICLE FOURTEEN	
	Meetings of Holders of Securities.	77
Section 1401.	PURPOSE FOR WHICH MEETINGS MAY BE CALLED	77
Section 1402.	CALL, NOTICE AND PLACE OF MEETINGS	77
Section 1403.	PERSONS ENTITLED TO VOTE AT MEETINGS	78

10
Section 1404. QUORUM; ACTION 78
Section 1405. DETERMINATION OF VOTING RIGHTS;
CONDUCT AND ADJOURNMENT OF MEETINGS . 79
Section 1406. COUNTING VOTES AND RECORDING ACTION OF
MEETINGS. 80

INDENTURE, dated as of October 31, 1995, between Southwest Gas Corporation, a corporation duly organized and existing under the laws of the State of California (herein called the "Company"), having its principal office at 5241 Spring Mountain Road, P. O. Box 98510, Las Vegas, Nevada 89193-98510, and Harris Trust and Savings Bank, an Illinois banking corporation, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured and subordinated debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

Section 101. DEFINITIONS.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any

computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation;

(4) the words "Article" and "Section" refer to an Article and Section, respectively, of this Indenture; and

(5) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

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

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 614 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper, in an official language of the place of publication or in the English language, customarily published on each day that is a Business Day in the place of publication, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any day that is a Business Day in the place of publication.

"Bearer Security" means any Security in the form established pursuant to Section 201 which is payable to bearer.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment, means any day other than a day on which banking institutions in New York, New York, Los Angeles, California or Chicago, Illinois are authorized or required

12
by law to close or such other day as provided in or pursuant to an Officers' Certificate or supplemental indenture referred to in Section 301.

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

"Common Securities" means common securities representing undivided beneficial interests in the assets of the Trust.

"Common Securities Guarantee" means any guarantee that the Company enters into that operates directly or for the benefit of Holders of Common Securities of the Trust.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

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

"Corporation" means a corporation, association, company, joint-stock company or business trust.

"Coupon" means any interest coupon appertaining to a Bearer Security.

"Covenant Defeasance" has the meaning specified in Section 1303.

"Declaration" means in respect of the Trust, the amended and restated declaration of trust of the Trust or any other governing instrument of the Trust.

"Defaulted Interest" has the meaning specified in Section 307.

"Defeasance" has the meaning specified in Section 1302.

"Defeasible Series" has the meaning specified in Section 1301.

"Depository" means, with respect to Securities of any series issuable in whole or in part in the form of one or more Global Securities, a clearing agency registered under the Exchange Act that is designated to act as Depository for such Securities as contemplated by Section 301.

"Event of Default" has the meaning specified in Section 501.

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

"Global Security" means a Security that evidences all or part of the Securities of any series and is authenticated and delivered to, and registered in the name of, the Depository for such Securities or a nominee thereof.

"Holder", in the case of any Registered Security, means a Person in whose name such Security is registered in the Security Register and, in the case of any Bearer Security, means the bearer thereof and, in the case of any Coupon, means the bearer thereof.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument, and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively. The term "Indenture" shall also include the terms of particular series of Securities established as contemplated by Section 301.

"Interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an instalment of interest on such Security.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security or an instalment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officers' Certificate" means a certificate signed by the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall, and which opinion shall, be acceptable to the Trustee (which acceptance shall not unreasonably be withheld).

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, EXCEPT:

(1) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any Coupons appertaining thereto; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(3) Securities as to which Defeasance has been effected pursuant to Section 1302; and

(4) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser

in whose hands such Securities are valid obligations of the Company;

PROVIDED, HOWEVER, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (A) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof to such date pursuant to Section 502, (B) the principal amount of a Security denominated in one or more foreign currencies or currency units shall be the U.S. dollar equivalent, determined in the manner provided as contemplated by Section 301 on the date of original issuance of such Security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the date of original issuance of such Security of the amount determined as provided in Clause (A) above) of such Security, and (C) Securities owned by the Company or any other obligor upon the Securities or any Subsidiary of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Coupon appertaining thereto or any Subsidiary of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of or any premium or interest on any Securities or any Coupon on behalf of the Company.

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

"Place of Payment", when used with respect to the Securities of any series, means the place or places where the principal of and any premium and interest on the Securities of that series are payable as specified as contemplated by Section 301.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that

evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security or any Security to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same debt as the lost, destroyed, mutilated or stolen Security or the Security to which a mutilated, destroyed, lost or stolen Coupon appertains.

"Preferred Securities" means the preferred securities representing undivided beneficial interests in the assets of the Trust.

"Preferred Securities Guarantee" means any guarantee that operates directly or indirectly for the benefit of Holders of Preferred Securities of the Trust.

"Preferred Stock" means capital stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of capital stock of any other class of such corporation.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security established pursuant to Section 201 which is registered in the Security Register.

"Regular Record Date" for the interest payable on any Registered Security on any Interest Payment Date means the date specified for that purpose as contemplated by Section 301.

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

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

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

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Senior Indebtedness" when used with respect to any Security means indebtedness of the Company which is designated as senior to other indebtedness of the Company in the terms of the particular series of Securities established as contemplated by Section 301.

"Special Record Date" for the payment of any Defaulted Interest on any Registered Security means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any instalment of principal thereof or interest thereon, means the date specified in such Security as the fixed date on which the principal of such Security or such instalment of principal or interest is due and payable.

"Subsidiary" means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Trust" means Southwest Gas Capital I, a Delaware statutory business trust.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean exclusively the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; PROVIDED, HOWEVER, that in the event the Trust Indenture Act of 1939 is amended after such date,

"Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Securities" means Common Securities and Preferred Securities.

"U.S. Government Obligations" has the meaning specified in Section 1304.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

Section 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirements set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

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

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 104. ACTS OF HOLDERS; RECORD DATES.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. If, but only if, Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of Securities of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Fourteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and,

where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company and any agent of the Trustee or the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1406.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

The ownership, principal amount and serial number of Registered Securities shall be proved by the Security Register.

The ownership, principal amount and serial number of Bearer Securities held by any person may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary reasonably acceptable to the Company, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The ownership of Bearer Securities held by the Person so executing such instrument or writing and the date of the commencement and the date of the termination of holding the same may also be proved in any other manner which the Trustee deems sufficient.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

The Company may, in the circumstances permitted by the Trust Indenture Act, set any day as the record date for the purpose of determining the Holders of Outstanding Registered Securities of any series entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action or permitted by this Indenture to be given or taken by Holders of Securities of such series. With regard to any record date set pursuant to this paragraph, the Holders of Outstanding Registered Securities of the relevant series on such record date (or their duly appointed agents), and only such Persons, shall be entitled to give or take the relevant action, whether or not such Holders remain Holders after such record date. With regard to any action that may be given or taken hereunder only by Holders of a requisite principal amount of Outstanding Securities of any series (or their duly appointed agents) and for which a record date is set pursuant to this paragraph, the Company may, at its option, set an expiration date after which no such action purported to be given or taken by any Holder shall be effective hereunder unless given or taken on or prior to such expiration date by Holders of the requisite principal amount of Outstanding Registered Securities of such series on such record date (or their duly appointed agents). On or prior to any expiration date set pursuant to this paragraph, the Company may, on one or more occasions at its option, extend such date to any later date. Nothing in this paragraph shall prevent any Holder (or any duly appointed agent thereof) from giving or taking, after any expiration date, any action identical to, or, at any time, contrary to or different from, any action given or taken, or purported to have been given or taken, hereunder by a Holder on or prior to such date, in which event the Company may set a record date in respect thereof pursuant to this paragraph. Notwithstanding the foregoing or the Trust Indenture Act, the Company shall not set a record date for, and the provisions of this paragraph shall not apply with respect to, any action to be given or taken by Holders pursuant to Sections 501, 502 or 512.

Without limiting the foregoing, a Holder entitled hereunder to give or take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by

one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any different part of such principal amount.

Section 105. NOTICES, ETC., TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office or sent by telefacsimile to the Trustee at (312) 461-3525 or at any other number previously furnished in writing to the Company by the Trustee, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it to the attention of its Treasurer at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company or if sent to the Company by telefacsimile addressed to it to the attention of its Treasurer at (702) 876-7037.

Section 106. NOTICE TO HOLDERS; WAIVER.

Except as otherwise expressly provided in or pursuant to this Indenture, where this Indenture provides for notice to Holders of Securities of any event,

(1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such Notice; and

(2) such notice shall be sufficiently given to Holders of Bearer Securities, if any, if published in an Authorized Newspaper in The City of New York and, if such Securities are then listed on any stock exchange outside the United States, in an Authorized Newspaper in such city as the Company shall advise the Trustee that such stock exchange so requires, on a Business Day at least twice, the first such publication to be not earlier than the earliest date and not later than the latest date prescribed for the giving of such notice.

In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given or provided. In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice mailed to Holders of Registered Securities as provided above.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture, any Security or any Coupon shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 111. BENEFITS OF INDENTURE.

Nothing in this Indenture, the Securities or any Coupon, express or implied, shall give to any Person (including any Paying Agent or Authenticating Agent appointed pursuant to Section 614), other than the parties hereto and holders of Senior Indebtedness and their successors hereunder and the Holders of Securities or Coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 112. GOVERNING LAW.

This Indenture, the Securities and any Coupons shall be governed by and construed in accordance with the law of the State of New York, but without regard to principles of conflicts of laws.

Section 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date, Repurchase Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture, any Security or any Coupon other than a provision of the Security or Coupon which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, Redemption Date, Repurchase Date, or at the Stated Maturity, provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Repurchase Date or Stated Maturity, as the case may be.

ARTICLE TWO

SECURITY FORMS

Section 201. FORMS GENERALLY.

Each Registered Security, Bearer Security, Coupon and Global Security issued pursuant to this Indenture shall be in substantially the form established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, shall have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by or pursuant to this Indenture or any indenture supplemental hereto and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistent herewith, be determined by the officers executing such Security or Coupon as evidenced by their execution of such Security or Coupon. If the form of Securities of any series or Coupons is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities. If all of the Securities of any series and Coupons established by action taken pursuant to a Board Resolution are not to be issued at one time, it shall not be necessary to deliver a record of such action at the time of issuance of each Security of such series, but an appropriate record of such action shall be delivered at or before the time of issuance of the first Security of such series.

Unless otherwise provided in or pursuant to this Indenture, the Securities shall be issuable in registered form without Coupons.

Definitive Securities and definitive Coupons shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner, all as determined by the officers of the Company executing such Securities or Coupons, as evidenced by their execution of such Securities or Coupons.

Section 202. FORM OF LEGEND FOR GLOBAL SECURITIES.

Every Global Security authenticated and delivered hereunder shall bear a legend in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS GLOBAL SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE

DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN SUCH LIMITED CIRCUMSTANCES. EVERY SECURITY DELIVERED UPON REGISTRATION OF TRANSFER OF, OR IN EXCHANGE FOR, OR IN LIEU OF, THIS GLOBAL SECURITY SHALL BE A GLOBAL SECURITY SUBJECT TO THE FOREGOING, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED ABOVE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS TO BE MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Section 203. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificates of authentication shall be in substantially the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

As Trustee

By.....
Authorized Officer

ARTICLE THREE
THE SECURITIES

Section 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution and, subject to Section 303, set forth, or determined in the manner provided, in an Officers' Certificate,

or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series,

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from Securities of any other series);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906 or 1107 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(3) the Person to whom any interest on a Registered Security of the series shall be payable, if other than the Person in whose name that Registered Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(4) the date or dates on which the principal of the Securities of the series is payable;

(5) the rate or rates at which the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, the Interest Payment Dates on which any such interest shall be payable and the Regular Record Date for any interest payable on any Interest Payment Date;

(6) the place or places where the principal of and any premium and interest on Securities of the series shall be payable;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company;

(8) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) if other than denominations of \$1,000 and any integral multiple thereof, the denominations in which Securities of the series shall be issuable;

(10) the currency, currencies or currency units in which payment of the principal of and any premium and interest on any Securities of the series shall be payable if other than the currency of the United States of America and the manner of determining the equivalent thereof in the currency of the United States of America for purposes of the definition of "Outstanding" in Section 101;

(11) if the amount of payments of principal of or any premium or interest on any Securities of the series may be determined with reference to an index, the manner in which such amounts shall be determined;

(12) if the principal of or any premium or interest on any Securities of the series is to be payable, at the election of the Company or a Holder thereof, in one or more currencies or currency units other than that or those in which the Securities are stated to be payable, the currency, currencies or currency units in which payment of the principal of and any premium and interest on Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(13) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(14) if applicable, that the Securities of the series shall be defeasible as provided in Article Thirteen;

(15) if and as applicable, that the Securities of the series shall be issuable in whole or in part in the form of one or more Global Securities and, in such case, the Depositary or Depositaries for such Global Security or Global Securities and any circumstances other than those set forth in Section 305 in which any such Global Security may be transferred to, and registered and exchanged for Securities registered in the name of, a Person other than the Depositary for such Global Security or a nominee thereof and in which any such transfer may be registered;

(16) the provisions, if any, relating to the conversion or exchange of the Securities of any series into Securities of another series or into any other debt or equity securities;

(17) if such Securities are to be issuable other than solely as Registered Securities (whether as Bearer Securities or alternatively as Bearer Securities or Registered Securities), and if such Securities are to be issued as Bearer Securities, whether the Bearer Securities are to be issuable with Coupons, without Coupons or both, and any restrictions applicable to the offer, sale or delivery of the Bearer Securities and the terms, if any, upon which Bearer Securities may be exchanged for Registered Securities and vice versa and the date as of which any such Bearer Security shall be dated (if other than its date of authentication);

(18) any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to Securities of any series, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(19) the identity of the Trustee for the Securities of the series, and the identity of each Paying Agent and Securities Registrar for the Securities of the series;

(20) the subordination terms of the Securities of the series;

(21) the rights, if any, to defer payments of interest on the Securities by extending the interest payment periods and the duration of such extension; and

(22) any other terms of the series (which terms shall not be inconsistent with the provisions of this indenture, except as permitted by Section 901(5)).

All Securities of any one series and all Coupons, if any, appertaining to Bearer Securities of such series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 303) set forth, or determined in the manner provided, in the Officers' Certificate referred to above or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

Section 302. DENOMINATIONS.

In the absence of any specified denomination with respect to the Securities of any series, the Securities of such series shall be issuable in denominations of \$1,000 and any integral multiple thereof.

Section 303. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. Coupons shall be executed on behalf of the Company by its Treasurer or any Assistant Treasurer. The signature of any of these officers on the Securities or any Coupon may be manual or facsimile.

Securities and any Coupons appertaining thereto bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series, together with Coupons appertaining thereto, executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities. The Trustee shall be entitled to receive and (subject to Section 601) shall be fully protected in relying upon an Opinion of Counsel stating that such Securities and Coupons, if any, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute the legally valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief regardless of whether considered in a proceeding in equity or at law.

If the form or terms of the Securities of the series and any Coupons appertaining thereto have been established in or pursuant to one or more Board Resolutions as permitted by Sections 201 and 301, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities and any Coupons appertaining thereto, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) if the form of such Securities and Coupons, if any, have been established by or pursuant to Board Resolution as permitted by Section 201, that such form or forms have been established in conformity with the provisions of this Indenture; and

(2) if the terms of such Securities and Coupons, if any, have been established by or pursuant to Board Resolution as permitted by Section 301, that such terms have been established in conformity with the provisions of this Indenture.

If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Notwithstanding the provisions of Section 301 and of the preceding paragraph, if all Securities of a series are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to such preceding paragraph at or prior to the time of authentication of each Security of such series if such documents are delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security shall be dated as of the date specified pursuant to Section 301.

No Security or Coupon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Except as permitted by Section 306 or 307, the Trustee shall not

authenticate and deliver any Bearer Security unless all Coupons appertaining thereto then matured have been detached and cancelled. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 309, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized in or pursuant to this Indenture, in bearer form with one or more Coupons or without Coupons and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

Every temporary Security shall be executed by the Company and authenticated by the Trustee and registered by the Security Registrar, upon the same conditions, and with like effect, as a definitive Security.

If temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured Coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor; PROVIDED, HOWEVER, that no definitive Bearer Security, except as provided in or pursuant to this Indenture, shall be delivered in exchange for a temporary Registered Security; and PROVIDED FURTHER that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in or pursuant to this Indenture. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this

33
Indenture as definitive Securities of such series and tenor.

Section 305. REGISTRATION, REGISTRATION OF
TRANSFER AND EXCHANGE.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency of the Company in a Place of Payment being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Registered Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive.

If provided in or pursuant to this Indenture, with respect to Securities of any series, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities of such series containing identical terms, denominated as authorized in or pursuant to this Indenture and in the same aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any office or agency in a Place of Payment for such series, with all unmatured Coupons and all matured Coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there is furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If

thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; PROVIDED, HOWEVER, that, except as otherwise provided in Section 1002, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency in a Place of Payment for such series located outside the United States. Notwithstanding the foregoing, in case a Bearer Security is surrendered at any such office or agency in a Place of Payment for such series in exchange for a Registered Security of such series and like tenor after the close of business at such office or agency on (i) any Regular Record Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such Coupon is so surrendered with such Bearer Security, such Coupon shall be returned to the Person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, shall not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

If provided in or pursuant to this Indenture with respect to Securities of any series, at the option of the Holder, Registered Securities of such series may be exchanged for Bearer Securities upon such terms and conditions as may be provided in or pursuant to this Indenture with respect to such series.

Whenever any Securities are surrendered for exchange as contemplated by the immediately preceding two paragraphs, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

The Company shall not be required (1) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities of that series selected for redemption under Section 1103 and ending at the close of business on the day of such mailing, or (2) to register the transfer or exchange of any Registered Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part or (3) to exchange any Bearer Security so selected for redemption except, to the extent provided with respect to such Bearer Security, that such Bearer Security may be exchanged for a Registered Security of like tenor and the same series, provided that such Registered Security shall be immediately surrendered for redemption with written instructions for payment consistent with the provisions of this Indenture.

Notwithstanding any other provision in this Indenture, no Global Security may be transferred to, or registered or exchanged for Securities registered in the name of, any Person other than the Depository for such Global Security or any nominee thereof, and no such transfer may be registered, unless (1) such Depository (A) notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or (B) ceases to be a clearing agency registered under the Exchange Act, (2) the Company executes and delivers to the Trustee a Company Order that such Global Security shall be so transferable, registrable and exchangeable, and such transfers shall be registrable, (3) there shall have occurred and be continuing an Event of Default with respect to the Securities evidenced by such Global Security or (4) there shall exist such other circumstances, if any, as have been specified for this purpose as contemplated by Section 301. Notwithstanding any other provision in this Indenture, a Global Security to which the restriction set forth in the preceding sentence shall have ceased to apply may be transferred only to, and may be registered and exchanged for Securities registered only in the name or names of, such Person or Persons as the Depository for such Global Security shall have directed and no transfer thereof other than such a transfer may be registered.

Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security to which the

36
restriction set forth in the first sentence of the preceding paragraph shall apply, whether pursuant to this Section, Section 304, 306, 906 or 1107 or otherwise, shall be authenticated, registered and delivered in the form of, and shall be, a Global Security.

Section 306. MUTILATED, DESTROYED,
LOST AND STOLEN SECURITIES.

If any mutilated Security or a Security with a mutilated Coupon appertaining to it is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with Coupons appertaining thereto corresponding to the Coupons, if any, appertaining to the surrendered Security.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or Coupon has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen Coupon appertains with all appurtenant Coupons not destroyed, lost or stolen, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen Coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or Coupon.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series, with any Coupons appertaining thereto, issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen Coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Security or Coupon shall be at any time enforceable

by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series and any Coupons duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

Section 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Except as otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Registered Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. Except as otherwise provided as contemplated by Section 301 with respect to any series of Securities, in case a Bearer Security is surrendered in exchange for a Registered Security after the close of business (at an office or agency at a Place of Payment for such Security) on any Regular Record Date therefor and before the opening of business (at such office or agency) on the next succeeding Interest Payment Date therefor, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date and interest shall not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security of such series and the date of the proposed payment, and at the same time the Company

shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities of such series at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2). In case a Bearer Security is surrendered at the office or agency at a Place of Payment for such Security in exchange for a Registered Security after the close of business at such office or agency on any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such proposed date of payment and Defaulted Interest shall not be payable on such proposed date of payment in respect of the Registered Security issued in exchange for such Bearer Security, but shall be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice is given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in

exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. PERSONS DEEMED OWNERS.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Security for the purpose of receiving payment of principal of and any premium and (except as contemplated by Section 301(3) and subject to Section 307) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security or the bearer of any Coupon as the absolute owner of such Security or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not any payment with respect to such Security or Coupon shall be overdue, and neither the Company, nor the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

In the event the Securities are issued in book-entry form with the Depository, the Trustee may deal with the Depository as the authorized representative of the Holders and the Depository may be treated by the Trustee and its agents, employees, officers and directors as the Holder of the Securities for all purposes hereunder.

Section 309. CANCELLATION.

All Securities and Coupons surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities

previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section, except as expressly permitted by this Indenture. All canceled Securities and Coupons held by the Trustee shall be disposed of as directed by a Company Order.

Section 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

Section 401. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities of such series and maturing after such exchange whose surrender is not required or has been waived as provided in Section 305, (ii) Securities or Coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, (iii) Coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date whose surrender has been waived as provided in this Indenture, and (iv) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Securities and, in the case of (i) and (ii) below, any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities and any Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation, for principal and any premium and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

Section 402. APPLICATION OF TRUST MONEY.

Subject to provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee

42
may determine, to the Persons entitled thereto, of the principal and any premium and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

Section 501. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article Fourteen or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; provided, however, that a valid extension of the interest payment provided by the Company for any Security in accordance with the terms of any indenture supplement hereto shall not constitute a default in the payment of interest and, provided further, that if Securities are issued to the Trust or a trustee of the Trust in connection with the issuance of Trust Securities by the Trust, such 30 day period will be replaced by a 10 day period; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of that series at its Maturity; provided, however, that a valid extension of the maturity of such Securities in accordance with the terms of any indenture supplemental hereto shall not constitute a default in the payment of principal or premium, if any; or

(3) default in the payment of any sinking fund payment, when and as due by the terms of a Security of that series; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of series of Securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the

Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) a default under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company (including a default with respect to Securities of any series other than that series) in an individual principal amount outstanding of at least \$15,000,000 or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company in an individual principal amount outstanding of at least \$5,000,000, whether such indebtedness now exists or shall hereafter be created, which default shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such acceleration having been rescinded or annulled, within a period of 10 Business Days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default and requiring the Company to cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder; PROVIDED, HOWEVER, that, subject to the provisions of Sections 601 and 602, the Trustee shall not be deemed to have knowledge of such default unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such mortgage, indenture or other instrument; or

(6) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance

of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(7) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action;

(8) in the event Securities are issued and sold to a Trust or a trustee of the Trust in connection with the issuance of Trust Securities by the Trust, the Trust shall have voluntarily or involuntarily dissolved, wound up its business or otherwise terminated its existence except in connection with (i) the distribution of Securities to holders of Trust Securities in liquidation or redemption of their interests in the Trust, (ii) the redemption of all of the outstanding Trust Securities of the Trust, or (iii) certain mergers, consolidations or amalgamations, each as permitted by the Declaration of the Trust; or

(9) any other Event of Default provided with respect to Securities of that series; PROVIDED, HOWEVER, that a valid extension of the interest payment provided by the Company for the Subordinated Debt Securities shall not constitute a default in the payment of interest for this purpose.

Upon receipt by the Trustee of any Notice of Default pursuant to this Section 501 with respect to Securities of any series, a record date shall automatically and without any other action by any Person be set for the purpose of determining the Holders of Outstanding Securities of such series entitled to join in such Notice of Default, which record date shall be the close of business on the day the Trustee receives such Notice of Default.

The Holders of Outstanding Securities of such series on such record date (or their duly appointed agents), and only such Persons, shall be entitled to join in such Notice of Default, whether or not such Holders remain Holders after such record date; provided that, unless such Notice of Default shall have become effective by virtue of Holders of the requisite principal amount of Outstanding Securities of such series on such record date (or their duly appointed agents) having joined therein on or prior to the 90th day after such record date, such Notice of Default shall automatically and without any action by any Person be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder (or a duly appointed agent thereof) from giving, before or after the expiration of such 90-day period, a Notice of Default contrary to or different from, or, after the expiration of such period, identical to, a Notice of Default that has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date in respect thereof shall be set pursuant to this paragraph.

Section 502. ACCELERATION OF MATURITY;
RESCISSION AND ANNULMENT.

If an Event of Default with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if any of the Securities of that series are Original Issue Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof) of all of the Securities of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

- (1) the Company has paid or deposited with the Trustee a sum sufficient to pay
 - (A) all overdue interest on all Securities of that series and any Coupons appertaining thereto,
 - (B) the principal of (and premium, if any, on) any Securities of that series which have become due otherwise than by such

declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Trustee of any declaration of acceleration, or any rescission and annulment of any such declaration, pursuant to this Section 502 with respect to Securities of any series, a record date shall automatically and without any other action by any Person be set for the purpose of determining the Holders of Outstanding Securities of such series entitled to join in such declaration, or rescission and annulment, as the case may be, which record date shall be the close of business on the day the Trustee receives such declaration, or rescission and annulment, as the case may be. The Holders of Outstanding Securities of such series on such record date (or their duly appointed agents), and only such Persons, shall be entitled to join in such declaration, or rescission and annulment, as the case may be, whether or not such Holders remain Holders after such record date; provided that, unless such declaration, or rescission and annulment, as the case may be, shall have become effective by virtue of Holders of the requisite principal amount of Outstanding Securities of such series on such record date (or their duly appointed agents) having joined therein on or prior to the 90th day after such record date, such declaration, or rescission and annulment, as the case may be, shall automatically and without any action by any Person be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder (or a duly appointed agent thereof) from giving, before or after the expiration of such 90-day period, a declaration of acceleration, or a rescission and annulment of any such declaration, contrary to or different from, or, after the expiration of such period, identical to, a declaration, or

rescission and annulment, as the case may be, that has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date in respect thereof shall be set pursuant to this paragraph.

Section 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if

(1) default is made in the payment of any interest on any Security or any Coupon appertaining thereto when such interest becomes due and payable and such default continues for a period of 30 days or 10 days in the case of Securities issued to a Trust or a trustee of the Trust, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities and any Coupons appertaining thereto, the whole amount then due and payable on such Securities and any Coupons appertaining thereto for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series and any Coupons appertaining thereto by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities or any Coupons appertaining thereto), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the

Holder and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or any Coupon or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; PROVIDED, HOWEVER, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

Section 505. TRUSTEE MAY ENFORCE CLAIMS
WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Indenture or the Securities or Coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or Coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities or Coupons in respect of which such judgment has been recovered.

Section 506. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Securities or Coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the Securities and any Coupon in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities and Coupons for principal and any premium and interest, respectively.

Section 507. LIMITATION ON SUITS.

No Holder of any Security of any series or any Coupons appertaining thereto shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request in such amount as shall be reasonably acceptable to the Trustee;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

50
Section 508. UNCONDITIONAL RIGHT OF HOLDERS TO
RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security or Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (except as contemplated by Section 301(3) and subject to Section 307) interest on such Security or payment of such Coupon, as the case may be, on the respective Stated Maturities expressed in such Security or Coupon (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 510. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder of any Securities or Coupons to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 512. CONTROL BY HOLDERS.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Upon receipt by the Trustee of any such direction with respect to Securities of any series, a record date shall automatically and without any other action by any Person be set for determining the Holders of Outstanding Securities of such series entitled to join in such direction, which record date shall be the close of business on the day the Trustee receives such direction. The Holders of Outstanding Securities of such series on such record date (or their duly appointed agents), and only such Persons, shall be entitled to join in such direction, whether or not such Holders remain Holders after such record date; provided that, unless such direction shall have become effective by virtue of Holders of the requisite principal amount of Outstanding Securities of such series on such record date (or their duly appointed agents having joined therein on or prior to the 90th day after such record date, such direction shall automatically and without any action by any Person be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder (or a duly appointed agent thereof) from giving, before or after the expiration of such 90-day period, a direction contrary to or different from, or, after the expiration of such period, identical to, a direction that has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date in respect thereof shall be set pursuant to this paragraph.

Section 513. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of or any premium or interest on any Security of such series or any Coupons appertaining thereto, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 514. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

Section 515. WAIVER OF USURY, STAY OR EXTENSION LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

Section 601. CERTAIN DUTIES AND RESPONSIBILITIES.

The duties, responsibilities, rights, immunities and protection of the Trustee shall be as provided by the Trust Indenture Act. Prior to any Event of Default the Trustee shall not be liable except for the performance of such duties as are specifically set out herein and in the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require

the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 602. NOTICE OF DEFAULTS.

The Trustee shall give notice of any default known to a Responsible Officer of the Trustee with respect to the Securities of any series when, as and to the extent provided by the Trust Indenture Act and in the manner provided by Section 106 hereof; PROVIDED, HOWEVER, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the default is known to a Responsible Officer of the Trustee. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 603. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 601:

- (1) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;
- (2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;
- (3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(4) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including legal fees and expenses) which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney upon 10 Business Days advance written notice and during regular business hours; and

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 604. NOT RESPONSIBLE FOR RECITALS
OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities and Coupons, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or Coupons. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. MAY HOLD SECURITIES OR COUPONS.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities or Coupons and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

Section 606. MONEY HELD IN TRUST.

Money held by the Trustee, or by any Paying Agent (other than the Company if the Company shall act as Paying Agent), in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 607. COMPENSATION AND REIMBURSEMENT.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or performance of its duties hereunder, including the costs and expenses (including legal fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a claim prior to the Securities upon all property and funds held or collected by the Trustee as such, except

56
funds held in trust for the payment of principal of (and premium, if any) or interest on particular Securities or any coupons.

When the Trustee renders services or incurs expenses after the occurrence of an Event of Default specified in Sections 501(6) or 501(7) hereof, the compensation for services and expenses are intended to constitute expenses of administration under any applicable bankruptcy or insolvency law or law applicable to creditors' rights to the extent permitted by applicable law.

Section 608. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture and the Company shall take prompt action to have a successor Trustee appointed in the manner provided herein.

Section 609. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be one or more Trustees hereunder with respect to the Securities of each series, at least one of which shall be a Person that (i) is eligible pursuant to the Trust Indenture Act to act as such, and (ii) has a combined capital and surplus of at least \$50,000,000; PROVIDED, HOWEVER, that if the Trustee shall be a member of a bank holding company group, such bank holding company group shall have combined capital and surplus of at least \$50,000,000 and the Trustee shall have a combined capital and surplus of at least \$10,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 610. RESIGNATION AND REMOVAL;
APPOINTMENT OF SUCCESSOR.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

The Trustee may be removed at any time with respect to the Securities of any series by Act of the Company or the Holders of a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and to the Company.

If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (A) the Company by a Board Resolution may remove the Trustee with respect to all securities, or (B) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year

after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 611, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series to all Holders of Securities of such series in the manner provided in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

No resignation or removal pursuant to this Section 610 shall be effective unless and until any and all amounts due to such Trustee pursuant to Section 607 shall have been paid. The obligations of the Company provided for in Section 607 hereof shall survive such resignation or removal.

Section 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee, provided, however, that no Trustee under this Indenture shall be liable for any act or omission of any successor Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign,

transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) and (b) of this Section, as the case may be.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 612. MERGER, CONVERSION, CONSOLIDATION
OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities. In the event any Securities shall not have been authenticated by such predecessor Trustee, any such successor Trustee may authenticate and deliver such Securities, in either its own name or that of its predecessor Trustee, with the full force and effect which this Indenture provides for the certificate of authentication of the Trustee.

Section 613. PREFERENTIAL COLLECTION
OF CLAIMS AGAINST COMPANY.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities or any Coupons), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

Section 614. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall

at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall provide notice of such appointment to the Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided in Section 106. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

.....,
AS TRUSTEE

By.....,
AS AUTHENTICATING AGENT

By.....
AUTHORIZED OFFICER

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

Section 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee

(1) semi-annually, not more than 15 days after each Regular Record Date, a list for each series of Securities, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Securities of such series as of such Regular Record Date, and

(2) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

EXCLUDING from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 702. PRESERVATION OF INFORMATION;
COMMUNICATIONS TO HOLDERS.

The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

The rights of the Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities or Coupons, and the corresponding rights and privileges of the Trustee, shall be as provided by the Trust Indenture Act.

Every Holder of Securities or Coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

Section 703. REPORTS BY TRUSTEE.

The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto.

A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which any Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when any Securities are listed on any stock exchange.

Section 704. REPORTS BY COMPANY.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed

64
with the Trustee within 15 days after the same is so required to be filed with
the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 801. COMPANY MAY CONSOLIDATE,
ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other
Person or convey, transfer or lease its properties and assets substantially as
an entirety to any Person, and the Company shall not permit any Person to
consolidate with or merge into the Company or convey, transfer or lease its
properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into
another Person or convey, transfer or lease its properties and assets
substantially as an entirety to any Person, the Person formed by such
consolidation or into which the Company is merged or the Person which
acquires by conveyance or transfer, or which leases, the properties and
assets of the Company substantially as an entirety shall be a cor-
poration, partnership, limited liability company or trust, shall be
organized and validly existing under the laws of the United States of
America, any State thereof or the District of Columbia and shall
expressly assume, by an indenture supplemental hereto, executed and
delivered to the Trustee, in form satisfactory to the Trustee, the due
and punctual payment of the principal of and any premium and interest on
all the Securities and Coupons and the performance or observance of every
covenant of this Indenture on the part of the Company to be performed or
observed;

(2) immediately after giving effect to such transaction and
treating any indebtedness which becomes an obligation of the Company as a
result of such transaction as having been incurred by the Company at the
time of such transaction, no Event of Default, and no event which, after
notice or lapse of time or both, would become an Event of Default, shall
have happened and be continuing;

(3) if, as a result of any such consolidation or merger or such
conveyance, transfer or lease, properties or assets of the Company would
become subject to a mortgage, pledge, lien, security interest or other
encumbrance which would not be permitted by this Indenture, the Company
or such successor Person, as the case may be, shall take such steps as

shall be necessary effectively to secure the Securities equally and ratably with (or prior to) all indebtedness secured thereby; and

(4) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 802. SUCCESSOR SUBSTITUTED.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture, the Securities and the Coupons.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

Section 901. SUPPLEMENTAL INDENTURES
WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of

such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of, any premium or interest on Securities, to permit Registered Securities to be exchanged for Bearer Securities, to permit Bearer Securities to be exchanged for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form, provided any such action shall not adversely affect the interests of the Holders of Securities of any series or any Coupons appertaining thereto in any material respect; or

(5) to add to, change or eliminate any of the provisions of this Indenture in respect of one or more series of Securities, provided that any such addition, change or elimination (A) shall neither (i) apply to any Security of any series or Coupon appertaining thereto created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (ii) modify the rights of the Holder of any such Security or Coupon with respect to such provision or (B) shall become effective only when there is no such Security or Coupon Outstanding; or

(6) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611; or

(8) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture, provided that such action pursuant to this clause (8) shall not adversely affect the interests of the Holders of Securities of any series (except a series consenting pursuant to Section 902) in any material respect.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series and any Coupons under this Indenture; PROVIDED, HOWEVER, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or any instalment of principal of or interest on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or change the coin or currency in which any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this Indenture with respect to the conversion or exchange of the Securities into Securities of another series or into any other debt or equity securities in a manner adverse to the Holders, or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Indenture relating to the subordination of the Securities in a manner adverse to Holders of Securities, or

(4) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby,

68 PROVIDED, HOWEVER, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 611 and 901(8).

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 903. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 904. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 905. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

Section 906. REFERENCE IN SECURITIES
TO SUPPLEMENTAL INDENTURES.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

ARTICLE TEN

COVENANTS

Section 1001. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of and any premium and interest on the Securities of that series in accordance with the terms of the Securities or any Coupons appertaining thereto and this Indenture. Any interest due on any Bearer Security or before the maturity thereof shall be payable only upon presentation and surrender of the Coupons appertaining thereto for such interest as they severally mature.

Section 1002. MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series (but not Bearer Securities, except as otherwise provided below, unless such Place of Payment is located outside the United States) may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company shall maintain, subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for such series which is located outside the United States where Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee,

except that Bearer Securities of such series and any Coupons appertaining thereto may be presented and surrendered for payment at the place specified for the purpose with respect to such Securities as provided in or pursuant to this Indenture, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Except as otherwise provided in or pursuant to this Indenture, no payment of principal, premium or interest with respect to Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States by transfer to an account maintained with a bank located in the United States; PROVIDED, HOWEVER, if amounts owing with respect to any Bearer Securities shall be payable in United States Dollars, payment of principal of and any premium or interest on any such Security may be made at the Corporate Trust Office of the Trustee or any office or agency designated by the Company in the United States, but only if payment of the full amount of such principal, premium or interest at all offices outside the United States maintained for such purpose by the Company in accordance with the Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 1003. MONEY FOR SECURITIES
PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of or any premium or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and any premium and interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Securities and any Coupons appertaining thereto, it will, prior to

71
each due date of the principal of or any premium or interest on any Securities of that series, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (1) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (2) during the continuance of any default by the Company (or any other obligor upon the Securities of that series) in the making of any payment in respect of the Securities of that series, and upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent for payment in respect of the Securities of that series.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or any premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium or interest has become due and payable shall be paid to the Company on Company Request (including interest income accrued on said funds to which the Company is otherwise entitled), or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security or any Coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper in each Place of Payment for such series, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

Section 1005. EXISTENCE.

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; PROVIDED, HOWEVER, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 1006. Maintenance of Properties.

The Company will cause all properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this Section shall prevent the Company from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the Holders.

Section 1007. PAYMENT OF TAXES AND OTHER CLAIMS.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or upon the income, profits or property of the Company, and (2) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Company; PROVIDED, HOWEVER, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax,

73
assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

Section 1008. LIMITATION ON DIVIDENDS; TRANSACTIONS WITH AFFILIATES.

(a) If Securities are issued to the Trust or a trustee of the Trust in connection with the issuance of Trust Securities by the Trust and (i) there shall have occurred any event that would constitute an Event of Default or (ii) the Company shall be in default with respect to its payment of any other obligations under the Preferred Securities Guarantee or Common Securities Guarantee relating to the Trust, then (A) the Company shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock and (B) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Company which rank pari passu with or junior to such Securities, provided that the foregoing restriction in paragraph (A) does not apply to any stock dividends paid by the Company where the dividend stock is the same stock as that on which the dividend is being paid.

(b) If Securities are issued to the Trust or a trustee of the Trust in connection with the issuance of Trust Securities by the Trust and the Company shall have given notice of its election to defer payments of interest on such Securities by extending the interest payment period as provided in the Indenture and such period, or any extension thereof, shall be continuing, then (A) the Company shall not declare or pay any dividend on, make any distributions with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock and (B) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Company which rank pari passu with or junior to such Securities, provided that the foregoing restriction in paragraph (A) does not apply to any stock dividends paid by the Company where the dividend stock is the same as that on which the dividend is being paid.

Section 1009. COVENANTS AS TO THE TRUST.

In the event Securities are issued and sold to the Trust or a trustee of the Trust in connection with the issuance of Trust Securities by the Trust, for so long as such Trust Securities remain outstanding, the Company will (i) maintain 100% direct or indirect ownership of the Common Securities of the Trust; provided, however, that any permitted successor of

the Company under the Indenture may succeed to the Company's ownership of the Common Securities, and (ii) use its reasonable efforts to cause the Trust (a) to remain a statutory business trust, except in connection with a distribution of Securities as provided in the Declaration of the Trust, the redemption of all of the Trust Securities and in connection with certain mergers, consolidations or amalgamations permitted by the Declaration of the Trust, and (b) otherwise continue to be treated as a grantor trust for United States federal income tax purposes.

ARTICLE ELEVEN

REDEMPTION OF SECURITIES

Section 1101. APPLICABILITY OF ARTICLE.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

Section 1102. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of less than all the Securities of any series, the Company shall, at least 45 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

Section 1103. SELECTION BY TRUSTEE OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series are to be redeemed (unless all of the Securities of such series and of a specified tenor are to be redeemed), the particular Securities to be redeemed shall be selected not more than 45 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Registered Securities of that series or any integral multiple thereof) of the principal amount of Registered Securities of

such series of a denomination larger than the minimum authorized denomination for Registered Securities of that series. If less than all of the Securities of such series and of a specified tenor are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series and specified tenor not previously called for redemption in accordance with the preceding sentence.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

Section 1104. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106, not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the Redemption Price,
- (3) if less than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption of any Securities, the principal amounts) of the particular Securities to be redeemed,
- (4) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,
- (5) the place or places where such Securities, together (in the case of Bearer Securities) with all Coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price,
- (6) that the redemption is for a sinking fund, if such is the case,

(7) if applicable, the conversion price and the date on which the right to convert the Securities to be redeemed will terminate,

(8) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all Coupons maturing subsequent to the date fixed for redemption or the amount of any such missing Coupon or Coupons will be deducted from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished,

(9) if Bearer Securities of any series are to be redeemed and any Registered Securities of such series are not being redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on the Redemption Date pursuant to Section 305 or otherwise, the last date, as determined by the Company, on which such exchanges may be made, and

(10) the CUSIP numbers of the Securities to be redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company and shall be irrevocable.

Section 1105. DEPOSIT OF REDEMPTION PRICE.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Securities which are to be redeemed on that date.

Section 1106. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities to be redeemed, except as provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall

be paid by the Company at the Redemption Price, together with accrued interest on Registered Securities to the Redemption Date; PROVIDED, HOWEVER, that, unless otherwise specified as contemplated by Section 301, installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307 and PROVIDED, FURTHER, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only upon presentation and surrender of Coupons for such interest at an office or agency located outside of the United States except as otherwise provided in Section 1002.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or any Paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; PROVIDED, HOWEVER, that any interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency for such Security located outside of the United States except as otherwise provided in Section 1002.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal and any premium shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 1107. SECURITIES REDEEMED IN PART.

Any Registered Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Registered Security without service charge, a new Registered Security or Securities of the same series and of like tenor, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE TWELVE

SINKING FUNDS

Section 1201. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

Section 1202. SATISFACTION OF SINKING FUND PAYMENTS WITH SECURITIES.

The Company (1) may deliver Outstanding Securities of a series (other than any previously called for redemption), together in the case of any Bearer Securities of such series with all unmatured Coupons appertaining thereto, and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

Section 1203. REDEMPTION OF SECURITIES FOR SINKING FUND.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any,

79
which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 1202 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

DEFEASANCE AND COVENANT DEFEASANCE

Section 1301. COMPANY'S OPTION TO EFFECT DEFEASANCE OR COVENANT DEFEASANCE.

The Company may elect, at its option by Board Resolution at any time, to have either Section 1302 or Section 1303 applied to the Outstanding Securities of any series and any Coupons appertaining thereto designated pursuant to Section 301 as being defeasible pursuant to this Article Thirteen (hereinafter called a "Defeasible Series"), upon compliance with the conditions set forth below in this Article Thirteen; provided, that the Company shall not effect any such defeasance under Section 1302 or Section 1303 in respect of any Securities of which the Trust or a trustee of the Trust is a Holder.

Section 1302. DEFEASANCE AND DISCHARGE.

Upon the Company's exercise of the option provided in Section 1301 to have this Section 1302 applied to the Outstanding Securities and any Coupons appertaining thereto of any Defeasible Series, the Company shall be deemed to have been discharged from its obligations with respect to the Outstanding Securities of such series and any Coupons appertaining thereto as provided in this Section on and after the date the conditions set forth in Section 1304 are satisfied (hereinafter called "Defeasance"). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Securities of such series and any Coupons appertaining thereto and to have satisfied all its other obligations under the Securities of such series and any Coupons appertaining thereto and this Indenture insofar as the Securities of such series and any Coupons appertaining thereto are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), subject to the following which shall survive until

otherwise terminated or discharged hereunder: (1) the rights of Holders of Securities of such series and any Coupons appertaining thereto to receive, solely from the trust fund described in Section 1304 and as more fully set forth in such Section, payments in respect of the principal of and any premium and interest on such Securities of such series and any Coupons appertaining thereto when payments are due, (2) the Company's obligations with respect to the Securities of such series and any Coupons appertaining thereto under Sections 304, 305, 306, 1002 and 1003, (3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (4) this Article Thirteen. Subject to compliance with this Article Thirteen, the Company may exercise its option provided in Section 1301 to have this Section 1302 applied to the Outstanding Securities and any Coupons appertaining thereto of any Defeasible Series notwithstanding the prior exercise of its option provided in Section 1301 to have Section 1303 applied to the Outstanding Securities of such series and any Coupons appertaining thereto.

Section 1303. COVENANT DEFEASANCE.

Upon the Company's exercise of the option provided in Section 1301 to have this Section 1303 applied to the Outstanding Securities and any Coupons appertaining thereto of any Defeasible Series, (1) the Company shall be released from its obligations under Sections 1005 through 1007, inclusive, and any other covenants specified in or pursuant to this Indenture, and (2) the occurrence of any event specified in Sections 501(4) (with respect to any of Sections 1005 through 1007, inclusive, and any other covenants specified in or pursuant to this Indenture), 501(5) and 501(9) shall be deemed not to be or result in an Event of Default, in each case with respect to the Outstanding Securities of such series and any Coupons appertaining thereto as provided in this Section on and after the date the conditions set forth in Section 1304 are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified Section (to the extent so specified in the case of Section 501(4)), whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document, but the remainder of this Indenture and the Securities of such series and any Coupons appertaining thereto shall be unaffected thereby.

Section 1304. CONDITIONS TO DEFEASANCE
OR COVENANT DEFEASANCE.

The following shall be the conditions to application of either Section 1302 or Section 1303 to the Outstanding Securities and any Coupons appertaining thereto of any Defeasible Series:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee that satisfies the requirements contemplated by Section 609 and agrees to comply with the provisions of this Article Thirteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of Outstanding Securities of such series and any Coupons appertaining thereto, (A) money in an amount, or (B) U.S. Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of and any premium and interest on the Securities of such series and any Coupons appertaining thereto on the respective Stated Maturities, in accordance with the terms of this Indenture and the Securities of such series and any Coupons appertaining thereto. As used herein, "U.S. Government Obligation" means (x) any security that is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933, as amended) as custodian with respect to any U.S. Government Obligation specified in Clause (x) and held by such custodian for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such U.S. Government Obligation, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

(2) In the case of an election under Section 1302, the Company shall have delivered to the Trustee an Opinion of Counsel stating that

(A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date first set forth hereinabove, there has been a change in the applicable Federal income tax law, in either case (A) or (B) to the effect that, and based thereon such opinion shall confirm that, the Holders of the Outstanding Securities of such series and any Coupons appertaining thereto will not recognize gain or loss for Federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to the Securities of such series and any Coupons appertaining thereto and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur.

(3) In the case of an election under Section 1303, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Outstanding Securities of such series and any Coupons appertaining thereto will not recognize gain or loss for Federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to the Securities of such series and any Coupons appertaining thereto and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur.

(4) The Company shall have delivered to the Trustee an Officer's Certificate to the effect that the Securities of such series, if then listed on any securities exchange, will not be delisted as a result of such deposit.

(5) No Event of Default or event that (after notice or lapse of time or both) would become an Event of Default shall have occurred and be continuing at the time of such deposit or, with regard to any Event of Default or any such event specified in Sections 501(6), (7) and (8), at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(6) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Securities are in default within the meaning of the Trust Indenture Act).

(7) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound.

(8) The Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

(9) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless such trust shall be qualified under such Act or exempt from regulation thereunder.

Section 1305. DEPOSITED MONEY AND U.S. GOVERNMENT
OBLIGATIONS TO BE HELD IN TRUST;
OTHER MISCELLANEOUS PROVISIONS.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee or other qualifying trustee (solely for purposes of this Section and Section 1306, the Trustee and any such other trustee are referred to collectively as the "Trustee") pursuant to Section 1304 in respect of the Securities and any Coupons appertaining thereto of any Defeasible Series shall be held in trust and applied by the Trustee, in accordance with the provisions of the Securities of such series and any Coupons appertaining thereto and this Indenture, to the payment, either directly or through any such Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of Securities of such series and any Coupons appertaining thereto, of all sums due and to become due thereon in respect of principal and any premium and interest, but money so held in trust need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 1304 or the principal and interest received in respect thereof other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Securities and any Coupons appertaining thereto.

Anything in this Article Thirteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1304 with respect to Securities and any Coupons appertaining thereto of any Defeasible Series that, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Defeasance or Covenant

84
Defeasance with respect to the Securities of such series and any Coupons appertaining thereto.

Section 1306. REINSTATEMENT.

If the Trustee or the Paying Agent is unable to apply any money in accordance with this Article Thirteen with respect to the Securities of any series and any Coupons appertaining thereto by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities of such series and any Coupons appertaining thereto shall be revived and reinstated as though no deposit had occurred pursuant to this Article Thirteen with respect to Securities of such series or any Coupons appertaining thereto until such time as the Trustee or Paying Agent is permitted to apply all money held in trust pursuant to Section 1305 with respect to Securities of such series and any Coupons appertaining thereto in accordance with this Article Thirteen; PROVIDED, HOWEVER, that if the Company makes any payment of principal of or any premium or interest on any Security of such series or any Coupons appertaining thereto following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of Securities of such series and any Coupons appertaining thereto to receive such payment from the money so held in trust.

ARTICLE FOURTEEN

MEETINGS OF HOLDERS OF SECURITIES

Section 1401. PURPOSE FOR WHICH MEETINGS MAY BE CALLED.

A meeting of Holders of Securities of any series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

Section 1402. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1401, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or, if Securities of such series are to be issued as Bearer Securities, in London, as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 nor

more than 180 days prior to the date fixed for the meeting. The Trustee or the Company may fix, in advance of the giving of such notice, a date as the record date for determining the Holders entitled to notice or to vote at any such meeting not more than 15 days prior to the date fixed for the giving of such notice.

(b) In case at any time the Company or the Holders of at least 10% in principal amount of the Outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of any series for any purpose specified in Section 1401, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of the Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or, if Securities of such series are to be issued as Bearer Securities, in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

Section 1403. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 1404. QUORUM; ACTION.

The Persons entitled to vote a majority in principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series. In the absence of a quorum within 30 minutes after the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment

of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1402(a), except that such notice need be given only once not less than five days prior the date on which the meeting is scheduled to be reconvened.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Securities of that series, PROVIDED, HOWEVER, that, except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of such series and the Coupons appertaining thereto, whether or not present or represented at the meeting.

Section 1405. DETERMINATION OF VOTING RIGHTS;
CONDUCT AND ADJOURNMENT OF MEETINGS.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of such series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meetings as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1402(b), in which case the Company or the Holders of Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series or proxy shall be entitled to one vote for each \$1,000 principal amount of Securities of such series held or represented by him; PROVIDED, HOWEVER, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1402 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 1406. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1402 and, if applicable, Section 1404. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots

88
voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

SOUTHWEST GAS CORPORATION

By: /s/ MICHAEL O. MAFFIE

Attest:

/s/ THOMAS J. TRIMBLE

HARRIS TRUST AND SAVINGS BANK,
as Trustee

By: /s/ E. KAY LIEDERMAN

SOUTHWEST GAS CORPORATION

TO

HARRIS TRUST AND SAVINGS BANK, as Trustee

FIRST SUPPLEMENTAL INDENTURE

dated as of October 31, 1995

9.125% Subordinated Deferrable
Interest Notes Due 2025

Table of Contents

	PAGE
ARTICLE I	
Definitions	2
Section 1.1. Definition of Terms.	2
ARTICLE II	
General Terms and Conditions of the Notes.	4
Section 2.1. Designation and Principal Amount	4
Section 2.2. Maturity	4
Section 2.3. Form and Payment	5
Section 2.4. Global Note.	5
Section 2.5. Interest	7
ARTICLE III	
Redemption of the Notes	8
Section 3.1. Special Event Redemption.. . . .	8
Section 3.2. Optional Redemption by Company	9
Section 3.3. No Sinking Fund.	10
ARTICLE IV	
Extension of Interest Payment Period.	10
Section 4.1. Extension of Interest Payment Period	10
Section 4.2. Notice of Extension.	10
ARTICLE V	
Expenses.	11
Section 5.1. Payment of Expenses.	11
ARTICLE VI	
Subordination.	12
Section 6.1. Agreement to Subordinate	12
Section 6.2. Default on Senior Indebtedness	12
Section 6.3. Liquidation; Dissolution; Bankruptcy	13

3

Section 6.4. Subrogation. 14

Section 6.5. Trustee to Effectuate Subordination. 15

Section 6.6. Notice by the Company. 15

Section 6.7. Rights of the Trustee; Holders of Senior
Indebtedness. 16

Section 6.8. Subordination May Not Be Impaired. 17

ARTICLE VII
Covenants. 17

Section 7.1. Listing on an Exchange 17

Section 7.2. Equal and Ratable Security 18

ARTICLE VIII
Form of Note. 19

Section 8.1. Form of Note 19

ARTICLE IX
Original Issue of Notes 26

Section 9.1. Original Issue of Notes. 26

Section 9.2. Reports by the Trustee 26

ARTICLE X
Miscellaneous. 26

Section 10.1. Ratification of Indenture 26

Section 10.2. Trustee Not Responsible for Recitals. 26

Section 10.3. Governing Law 26

Section 10.4. Separability. 26

Section 10.5. Counterparts. 27

Section 10.6. Third Party Beneficiaries 27

FIRST SUPPLEMENTAL INDENTURE, dated as of October 31, 1995 (the "First Supplemental Indenture"), between Southwest Gas Corporation, a California corporation (the "Company"), Harris Trust and Savings Bank, as trustee (the "Trustee") under the Indenture dated as of October 31, 1995 between the Company and the Trustee (the "Indenture").

WHEREAS, the Company executed and delivered the Indenture to the Trustee to provide for the future issuance of the Company's unsecured subordinated debt securities to be issued from time to time in one or more series as might be determined by the Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered as provided in the Indenture;

WHEREAS, pursuant to the terms of the Indenture, the Company desires to provide for the establishment of a new series of its Securities to be known as its 9.125% Subordinated Deferrable Interest Notes due 2025 (the "Notes"), the form and substance of such Notes and the terms, provisions and conditions thereof to be set forth as provided in the Indenture and this First Supplemental Indenture;

WHEREAS, Southwest Gas Capital I, a Delaware statutory business trust (the "Trust"), has offered to the public \$60,000,000 aggregate liquidation amount of its 9.125% Trust Originated Preferred Securities (the "Preferred Securities"), representing undivided beneficial interests in the assets of the Trust and proposes to invest the proceeds from such offering in \$60,000,000 aggregate principal amount of the Notes; and

WHEREAS, the Company has requested that the Trustee execute and deliver this First Supplemental Indenture and all requirements necessary to make this First Supplemental Indenture a valid instrument in accordance with its terms and to make the Notes, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company have been performed, and the execution and delivery of this First Supplemental Indenture has been duly authorized in all respects;

NOW THEREFORE, in consideration of the purchase and acceptance of the Notes by the Holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Notes and the terms, provisions and conditions thereof, the Company covenants and agrees with the Trustee as follows:

ARTICLE I
Definitions

Section 1.1. Definition of Terms.

Unless the context otherwise requires:

- (a) a term defined in the Indenture has the same meaning when used in this First Supplemental Indenture;
- (b) a term defined anywhere in this First Supplemental Indenture has the same meaning throughout;
- (c) the singular includes the plural and vice versa;
- (d) a reference to a Section or Article is to a Section or Article of this First Supplemental Indenture;
- (e) headings are for convenience of reference only and do not affect interpretation;
- (f) the following terms have the meanings given to them in the Declaration: (i) Business Day; (ii) Common Securities; (iii) Delaware Trustee; (iv) Depositary; (v) Dissolution Tax Opinion; (vi) Ministerial Action; (vii) No Recognition Opinion; (viii) Preferred Securities Guarantee; (ix) Property Trustee; (x) Redemption Tax Opinion; (xi) Regular Trustees; and (xii) Tax Event; and
- (g) the following terms have the meanings given to them in this Section 1.1(g):

"Additional Interest" has the meaning given such term in Section 2.5(c).

"Compounded Interest" has the meaning given such term in Section 4.1.

"Coupon Rate" has the meaning given such term in Section 2.5(a).

"Debt" means, in respect of the Company, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of the Company for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by the Company, (ii) all capital lease obligations of the Company, (iii) all obligations of the Company issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Company and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of the Company for the reimbursement of any letter of credit, banker's acceptance, security purchase

6
facility or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company).

"Deferred Interest" means Additional Interest and Compounded Interest.

"Dissolution Event" means that as a result of the occurrence and continuation of a Tax Event, the Trust is to be dissolved in accordance with the Declaration, and the Notes held by the Property Trustee are to be distributed to the holders of the Trust Securities issued by the Trust pro rata in accordance with the Declaration.

"Extended Maturity Date" means, if the Company elects to extend the Maturity Date in accordance with Section 2.2(b), the date selected by the Company which is after the Stated Maturity Date but before December 31, 2044.

"Extended Interest Payment Period" has the meaning given such term in Section 4.1.

"Global Note" has the meaning given such term in Section 2.4(a)(i).

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes as set forth in Section 2.5(a).

"Lien" means any lien, mortgage, pledge, security interest, charge or other encumbrance of any kind.

"Maturity Date" means the date on which the Notes mature and on which the principal shall be due and payable together with all accrued and unpaid interest thereon, including Deferred Interest, if any.

"Non Book-Entry Preferred Securities" has the meaning given such term in Section 2.4(a)(ii).

"Optional Redemption Price" has the meaning given such term in Section 3.2.

"Reporting Date" means that date that is one year from the date first written herein and each one year anniversary of such date thereafter.

"Restricted Securities" means, shares of capital stock of a Subsidiary.

"Senior Indebtedness" means in respect of the Company, Debt of the Company, except for (1) any such Debt that is by its terms subordinated to or pari passu with the Notes and (2) any Debt (including all other debt securities and guarantees in respect of those debt securities) initially issued to any other trust, or a trustee of such trust, partnership, or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company in connection with the issuance by such entity of preferred securities or other similar securities.

"Stated Maturity Date" means December 31, 2025.

ARTICLE II
General Terms and Conditions of the Notes

Section 2.1. Designation and Principal Amount.

There is hereby authorized a series of Securities designated the "9.125% Subordinated Deferrable Interest Notes due 2025", limited in aggregate principal amount to \$61.8 million, which amount shall be as set forth in any written Company Order for the authentication and delivery of Notes pursuant to Section 2.4 of the Indenture.

Section 2.2. Maturity.

(a) The Maturity Date will be either:

(i) the Stated Maturity Date; or

(ii) if the Company elects to extend the Maturity Date beyond the Stated Maturity Date in accordance with Section 2.2(b), the Extended Maturity Date;

(b) the Company may at any time before the day which is 90 days before the Stated Maturity Date, elect to extend the Maturity Date only once to the Extended Maturity Date, PROVIDED THAT the following conditions in this Section 2.2(b) are satisfied both at the date the Company gives notice in accordance with Section 2.2(c) of its election to extend the Maturity Date and at the Stated Maturity Date:

(i) the Company is not in bankruptcy or otherwise insolvent;

(ii) the Company is not in default on any Notes issued to the Trust or any trustee of the Trust or to any trust or trustee of the Trust in connection with the issuance of Trust Securities by the Trust;

- (iii) the Company has made timely payments on the Notes for the immediately preceding 18 months without deferrals;
 - (iv) the Trust is not in arrears on payments of Distributions on the Trust Securities issued by it; and
 - (v) the Notes are rated in one of the four highest rating categories by any one of Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., Moody's Investors Service, Inc., Fitch Investor Services, Duff & Phelps Credit Rating Company or any other nationally recognized statistical rating organization; and
- (c) if the Company elects to extend the Maturity Date in accordance with Section 2.2(b), the Company shall give notice to Holders of the Notes, the Property Trustee, the Trust and the Trustee of the extension of the Maturity Date and the Extended Maturity Date at least 90 days before the Stated Maturity Date.

Section 2.3. Form and Payment.

Except as provided in Section 2.4, the Notes shall be issued as Registered Securities in fully registered certificated form without interest coupons. Principal and interest on the Notes issued in certificated form will be payable, the transfer of such Notes will be registrable and such Notes will be exchangeable for Notes bearing identical terms and provisions at the office or agency of the Trustee; provided, however, that payment of interest may be made at the option of the Company by check mailed to the Holder at such address as shall appear in the Security Register. Notwithstanding the foregoing, so long as the Holder of any Notes is the Property Trustee, the payment of the principal of and interest, including Deferred Interest, if any, on such Notes held by the Property Trustee will be made at such place and to such account as may be designated by the Property Trustee.

Section 2.4. Global Note.

- (a) In connection with a Dissolution Event:
- (i) the Notes in certificated form may be presented to the Trustee by the Property Trustee in exchange for a global Note in an aggregate principal amount equal to all Outstanding Notes (a "Global Note") to be registered in the name of the Depository, or its nominee, and delivered by the Trustee to the Depository for crediting to the accounts of its participants pursuant to the instructions of the Regular Trustees. The Company upon any

such presentation shall execute a Global Note in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery in accordance with the Indenture and this First Supplemental Indenture. Payments on the Notes issued as a Global Note will be made to the Depositary; and

- (ii) if any Preferred Securities are held in non book-entry certificated form, the Notes in certificated form may be presented to the Trustee by the Property Trustee and any Preferred Security Certificate which represents Preferred Securities other than Preferred Securities held by the Depositary or its nominee ("Non Book-Entry Preferred Securities") will be deemed to represent beneficial interests in Notes presented to the Trustee by the Property Trustee having an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Preferred Securities until such Preferred Security Certificates are presented to the Security Registrar for transfer or reissuance at which time such Preferred Security Certificates will be cancelled, and a Note registered in the name of the holder of the Preferred Security Certificate or the transferee of the holder of such Preferred Security Certificate, as the case may be, with an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Security Certificate cancelled will be executed by the Company and delivered to the Trustee together with a Company Order for authentication and delivery in accordance with the Indenture and this First Supplemental Indenture. On issue of such Notes, Notes with an equivalent aggregate principal amount that were presented by the Property Trustee to the Trustee will be deemed to have been cancelled.
- (b) A Global Note may be transferred, in whole but not in part only to another nominee of the Depositary, or to a successor Depositary selected or approved by the Company or to a nominee of such successor Depositary.
- (c) If at any time the Depositary notifies the Company that it is unwilling or unable to continue as Depositary or if at any time the Depositary for such series shall no longer be registered or in good standing under the Exchange Act or other applicable statute or regulation, and a successor Depositary for such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, the Company will execute, and, subject to Article Two of the

Indenture, the Trustee will authenticate and deliver the Notes in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note in exchange for such Global Note. In addition, the Company may at any time determine that the Notes shall no longer be represented by a Global Note. In such event the Company will execute and, subject to Article Two of the Indenture, the Trustee will authenticate and deliver the Notes in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note in exchange for such Global Note. Upon the exchange of the Global Note for such Notes in definitive registered form without coupons, in authorized denominations, the Global Note shall be cancelled by the Trustee. Such Notes in definitive registered form issued in exchange for the Global Note shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee in writing. The Trustee shall deliver such Notes to the Depositary for delivery to the Persons in whose names such Notes are so registered.

Section 2.5. Interest.

- (a) Each Note will bear interest at the rate of 9.125% per annum (the "Coupon Rate") from the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the Coupon Rate, compounded quarterly, payable (subject to the provisions of Article Four) quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date", commencing on December 31, 1995), to the Person in whose name such Note or any predecessor Note is registered, at the close of business on the regular record date for such interest installment, which, in respect of any Notes of which the Property Trustee is the Holder of or a Global Note, shall be the close of business on the Business Day next preceding that Interest Payment Date. Notwithstanding the foregoing sentence, if the Preferred Securities are no longer in book-entry only form or if pursuant to the Indenture the Notes are not represented by a Global Note, the Company may select a regular record date for such interest installment which shall be any date at least one Business Day before an Interest Payment Date.

- (b) The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed in such a 30-day month. In the event that any date on which interest is payable on the Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, notwithstanding the provisions of Section 113 of the Indenture, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.
- (c) If at any time while the Property Trustee is the Holder of any Notes, the Trust or the Property Trustee, on behalf of the Trust, is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any case, the Company will pay as additional interest ("Additional Interest") on the Notes held by the Property Trustee, on behalf of the Trust, such additional amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee, on behalf of the Trust, after paying such taxes, duties, assessments or other governmental charges will be equal to the amounts the Trust and the Property Trustee, on behalf of the Trust, would have received had no such taxes, duties, assessments or other governmental charges been imposed.

ARTICLE III
Redemption of the Notes

Section 3.1. Special Event Redemption.

If a Tax Event has occurred and is continuing and:

- (a) the Company has received a Redemption Tax Opinion; or
- (b) after receiving a Dissolution Tax Opinion, the Regular Trustees shall have been informed by tax counsel rendering the Dissolution Tax Opinion that a No Recognition Opinion cannot be delivered to the Trust, then, notwithstanding Section 3.2(a) but subject to Section 3.2(b), the Company shall have the right upon not less than 30 days nor more than 60 days notice to the Holders of the Notes to redeem

the Notes in whole or in part for cash within 90 days following the occurrence of such Tax Event (the "90 Day Period"), provided that, if at the time there is available to the Company the opportunity to eliminate within the 90 Day Period, the Tax Event by taking some Ministerial Action, the Company shall pursue such Ministerial Action in lieu of redemption, and provided, further, that the Company shall have no right to redeem the Notes while the Trust is pursuing any Ministerial Action pursuant to its obligations under the Declaration. The Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or such earlier time as the Company determines provided that the Company shall deposit with the Trustee an amount sufficient to pay the Redemption Price by 10:00 a.m., New York time, on the date such Redemption Price is to be paid.

Section 3.2. Optional Redemption by Company.

- (a) Subject to the provisions of Section 3.2(b) and to the provisions of Article Eleven of the Indenture, except as otherwise may be specified in this First Supplemental Indenture, the Company shall have the right to redeem the Notes, in whole or in part, from time to time, on or after December 31, 2000, at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest thereon to the date of such redemption (the "Optional Redemption Price"). Any redemption pursuant to this paragraph will be made upon not less than 30 nor more than 60 days' notice to the Holder of the Notes, at the Optional Redemption Price. If the Notes are only partially redeemed pursuant to this Section 3.2, the Notes will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided that, if at the time of redemption the Notes are registered as a Global Note, the Depository shall determine by lot the principal amount of such Notes held by each Holder of Notes to be redeemed. The Optional Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or at such earlier time as the Company determines provided that the Company shall deposit with the Trustee an amount sufficient to pay the Optional Redemption Price by 10:00 a.m., New York time, on the date such Optional Redemption Price is to be paid.
- (b) If a partial redemption of the Notes would result in the delisting of the Preferred Securities issued by the Trust from any national securities exchange or other organization on which the Preferred Securities are then listed, the Company shall not be permitted to

effect such partial redemption and may only redeem the Notes in whole.

Section 3.3. No Sinking Fund.

The Notes are not entitled to the benefit of any sinking fund.

ARTICLE IV
Extension of Interest Payment Period

Section 4.1. Extension of Interest Payment Period.

The Company shall have the right, at any time during the term of the Notes, from time to time, to defer payments of interest by extending the interest payment period of such Notes for up to 20 consecutive quarters (the "Extended Interest Payment Period"). To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to this Section 4.1, will bear interest thereon at the Coupon Rate compounded quarterly for each quarter of the Extended Interest Payment Period ("Compounded Interest"). At the end of the Extended Interest Payment Period the Company shall pay all interest accrued and unpaid on the Notes, including any Deferred Interest that shall be payable, to the Holders of the Notes in whose names the Notes are registered in the Security Register on the first record date after the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any Extended Interest Payment Period and upon the payment of all Deferred Interest then due, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof.

Section 4.2. Notice of Extension.

- (a) If the Property Trustee is the only registered Holder of the Notes at the time the Company selects an Extended Interest Payment Period, the Company shall give written notice to the Regular Trustees, the Property Trustee and the Trustee of its selection of such Extended Interest Payment Period one Business Day before the earlier of (a) the next succeeding date on which Distributions on the Trust Securities issued by the Trust are payable, or (b) the date the Trust is required to give notice of the record date or the date such Distributions are payable to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the

Preferred Securities issued by the Trust, but in any event at least one Business Day before such record date.

- (b) If the Property Trustee is not the only Holder of the Notes at the time the Company selects an Extended Interest Payment Period, the Company shall give the Holders of the Notes and the Trustee written notice of its selection of such Extended Interest Payment Period 10 Business Days before the earlier of (i) the next succeeding Interest Payment Date, or (ii) the date the Company is required to give notice of the record or payment date of such interest payment to the New York Stock Exchange or other applicable self-regulatory organization or to Holders of the Notes.
- (c) The quarter in which any notice is given pursuant to paragraphs (a) or (b) of this Section 4.2 shall be counted as one of the 20 quarters permitted in the maximum Extended Interest Payment Period permitted under Section 4.1.

ARTICLE V
Expenses

Section 5.1. Payment of Expenses.

In connection with the offering, sale and issuance of the Notes to the Property Trustee in connection with the sale of the Trust Securities by the Trust, the Company shall:

- (a) pay all costs and expenses relating to the offering, sale and issuance of the Notes, including compensation of the Trustee under the Indenture in accordance with the provisions of Section 607 of the Indenture;
- (b) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust; and
- (c) pay all other debts and obligations of the Trust (other than with respect to the Trust Securities) and all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the fees and expenses of the Property Trustee, the trustee under the Preferred Securities Guarantee and the guarantee of the Common Securities and the Delaware Trustee, the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses of printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone

and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets).

ARTICLE VI
Subordination

Section 6.1. Agreement to Subordinate.

The Company covenants and agrees, and each Holder of Notes issued hereunder by such Holder's acceptance thereof likewise covenants and agrees, that all Notes shall be issued subject to the provisions of this Article VI; and each Holder of a Note, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

The payment by the Company of the principal of, premium, if any, and interest on all Notes issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full of all Senior Indebtedness of the Company, whether outstanding at the date of this Indenture or thereafter incurred.

No provision of this Article VI shall prevent the occurrence of any default or Event of Default hereunder.

Section 6.2. Default on Senior Indebtedness.

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Senior Indebtedness of the Company, as the case may be, or in the event that the maturity of any Senior Indebtedness of the Company, as the case may be, has been accelerated because of a default, then, in either case, no payment shall be made by the Company with respect to the principal (including redemption and sinking fund payments) of, or premium, if any, or interest on the Notes.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraph of this Section 6.2, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee in writing within 90 days of such payment of the amounts then due and owing on the Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Indebtedness.

Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness of the Company shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made by the Company on account of the principal (and premium, if any) or interest on the Notes; and upon any such dissolution or winding-up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Note or the Trustee would be entitled to receive from the Company, except for the provisions of this Article VI, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Notes or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders of Notes or to the Trustee.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee before all Senior Indebtedness of the Company is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of such Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, and their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness of the Company, as the case may be, remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

For purposes of this Article VI, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article VI with respect to the Notes to the payment of all Senior Indebtedness of the Company, as the case may be, that may at the time be outstanding provided that (i) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of such Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Eight of the Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 6.3 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Eight of the Indenture. Nothing in Section 6.2 or in this Section 6.3 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607 of the Indenture.

Section 6.4. Subrogation.

Subject to the payment in full of all Senior Indebtedness of the Company, the rights of the Holders of the Notes shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company, as the case may be, applicable to such Senior Indebtedness until the principal of (and premium, if any) and interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the Holders of the Notes or the Trustee would be entitled except for the provisions of this Article VI to or for the benefit of the holders of such Senior Indebtedness by Holders of the Notes or the Trustee, shall, as between the Company, its creditors other than Holders of Senior Indebtedness of the Company, and the holders of the Notes shall be deemed to be a payment by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article VI are and are intended solely for the purposes of defining the relative rights of the Holders of the Notes, on the one hand, and the holders of such Senior Indebtedness of the other hand.

Nothing contained in this Article VI or elsewhere in this Indenture or in the Notes is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness of the Company, and

the Holders of the Notes, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Notes the principal of (and premium, if any) and interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Notes and creditors of the Company, as the case may be, other than the holders of Senior Indebtedness of the Company, as the case may be, nor shall anything herein or therein prevent the Trustee or the Holder of any Note from exercising all remedies otherwise permitted by applicable law upon default under the Indenture, subject to the rights, if any, under this Article VI of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company, as the case may be, received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article VI, the Trustee, subject to the provisions of Section 603 of the Indenture, and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Notes, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company, as the case may be, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article VI.

Section 6.5. Trustee to Effectuate Subordination.

Each Holder of Notes by such Holder's acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article VI and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

Section 6.6. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article VI. Notwithstanding the provisions of this Article VI or any other provision of the Indenture and this First Supplemental Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article VI, unless and until a Responsible Officer of the Trustee shall have received

written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 603 of the Indenture, shall be entitled in all respects to assume that no such facts exist; PROVIDED, HOWEVER, that, if the Trustee shall not have received the notice provided for in this Section 6.6 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (or premium, if any) or interest on any Note), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Section 603 of the Indenture, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness of the Company, as the case may be (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of such Senior Indebtedness to participate in any payment or distribution pursuant to this Article VI, the Trustee may require such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article VI, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 6.7. Rights of the Trustee; Holders of Senior Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article VI in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article VI, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such

Senior Indebtedness and, subject to the provisions of Section 603 of the Indenture, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Holders of Notes, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article VI or otherwise.

Section 6.8. Subordination May Not Be Impaired.

No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company, as the case may be, or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company, as the case may be, with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Notes, without incurring responsibility to the Holders of the Notes and without impairing or releasing the subordination provided in this Article VI or the obligations hereunder of the Holders of the Notes to the holders of such Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection of such Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company, as the case may be, and any other Person.

ARTICLE VII
Covenant to List on Exchange

Section 7.1. Listing on an Exchange.

If the Notes are to be issued as a Global Note in connection with the distribution of the Notes to the holders of the Preferred Securities issued by the Trust upon a Dissolution Event, the Company will use its best efforts to list such Notes on the New York Stock Exchange or on such other exchange as the Preferred Securities are then listed.

Section 7.2. Equal and Ratable Security.

The Company will not create, incur, issue or assume any Debt secured by any Lien on any property or assets owned by the Company, and the Company will not create, incur, issue or assume any Debt secured by any Lien on any Restricted Securities, unless (a) in the case of Debt which is expressly by its terms subordinate or junior in right of payment to the Subordinated Debt Securities, the Subordinated Debt Securities are secured by a Lien on such property, assets or Restricted Securities that is senior to such other Lien, or (b) in the case of Liens securing Debt that is ranked pari passu with the subordinated Debt Securities, the Subordinated Debt Securities are secured by a Lien on such property, assets or Restricted Securities that is equal and ratable with such other Lien; PROVIDED, HOWEVER, that nothing contained in this Section 7.2 shall apply to or prevent the creation of:

- (i) existing Liens on any property or indebtedness of any entity which is merged with or into or consolidated with the Company;
- (ii) Liens in favor of the United States of America, any state or any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payment pursuant to any contract or statute, or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt of the pollution control or industrial revenue bond type;
- (iii) Liens to secure loans to the Company which mature within twelve months from the creation thereof and which are made in the ordinary course of business;
- (iv) Liens on any property (including any natural gas, oil or other mineral property) to secure all or part of the cost of exploration or drilling for, or development of, oil or gas reserves or laying a pipeline or to provide funds for any such purpose;
- (v) Liens on money or U.S. Government Obligations deposited with the Trustee pursuant to the Indenture; and
- (vi) Liens for the sole purposes of extending, renewing or replacing, in whole or in part, Liens securing Debt of the type referred to in the foregoing clauses (i) through (iv), inclusive, or this clause (vi); provided, however, that the

principal amount of Debt so secured at the time of such extension, renewal or replacement shall not be increased, and that such extension, renewal or replacement shall be limited to all or part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property).

ARTICLE VIII
Form of Note

Section 8.1. Form of Note.

The Notes and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following forms:

(FORM OF FACE OF NOTE)

(IF THE NOTE IS TO BE A GLOBAL NOTE, INSERT - This Note is a Global Note within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Note is exchangeable for Global Notes registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Note (other than a transfer of this Note as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances. Every Note delivered upon registration of transfer of, or in exchange for, or in lieu of, this Global Security shall be a Global Security, subject to the foregoing, except in the limited circumstances described above.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as requested by an authorized representative of DTC (or to such other entity as is requested by an authorized representative of DTC) and any payment is made to Cede & Co. (or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.)

23
No. _____
\$ _____

CUSIP No. _____

9.125% SUBORDINATED DEFERRABLE INTEREST NOTE
DUE 2025

Southwest Gas Corporation, a California corporation (the "Company"), which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on December 31, 2025, (or on such later date before December 31, 2044, if the Company elects to extend the maturity date as further described herein), and to pay interest on said principal sum from December 31, 1995, or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on March 31, June 30, September 30 and December 31 of each year commencing December 31, 1995, at the rate of 9.125% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded quarterly. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. [IF PURSUANT TO THE PROVISIONS OF THE INDENTURE THE NOTES ARE NO LONGER REPRESENTED BY A GLOBAL NOTE -- which shall be the close of business of the _____ Business Day next preceding such Interest Payment Date.] Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on such regular record date and may be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of

this series of Notes not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Note shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered Holder at such address as shall appear in the Security Register. Notwithstanding the foregoing, so long as the Holder of this Note is the Property Trustee, the payment of the principal of (and premium, if any) and interest on this Note will be made at such place and to such account as may be designated by the Property Trustee.

The indebtedness evidenced by this Note is, to the extent provided in the Indenture, subordinate and junior in right of payment to the prior payment in full of all Senior Indebtedness, and this Note is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

Unless the Certificate of Authentication hereon has been executed by the Trustee referred to on the reverse side hereof, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

The provisions of this Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed.

Dated:

SOUTHWEST GAS CORPORATION

By _____

Attest:

By _____
Secretary

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Notes of the series of Notes described in the within-mentioned Indenture.

_____ as Trustee

or

_____ as Authentication Agent

By _____
Authorized Signatory

By _____
Authorized Signatory

(FORM OF REVERSE OF NOTE)

This Note is one of a duly authorized series of Notes of the Company (herein sometimes referred to as the "Notes"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of October 31, 1995, duly executed and delivered between the Company and Harris Trust and Savings Bank, as Trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of October 31, 1995, between the Company and the Trustee (the Indenture as so supplemented, the "Indenture"), to which Indenture and all indentures supplemental thereto

reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. By the terms of the Indenture, the Notes are issuable in series that may vary as to amount, date of maturity, rate of interest and in other respects as provided in the Indenture. This series of Notes is limited in aggregate principal amount as specified in said First Supplemental Indenture.

Because of the occurrence and continuation of a Tax Event, in certain circumstances, this Note will become due and payable at the principal amount together with any interest accrued thereon (the "Redemption Price"). The Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or at such earlier time as the Company determines. The Company shall have the right to redeem this Note at the option of the Company, without premium or penalty, in whole or in part at any time on or after December 31, 2000 (an "Optional Redemption") or at any time in certain circumstances upon the occurrence of a Tax Event, at a redemption price equal to 100% of the principal amount plus any accrued but unpaid interest, to the date of such redemption (the "Optional Redemption Price"). Any redemption pursuant to this paragraph will be made upon not less than 30 nor more than 60 days' notice, at the Optional Redemption Price. If the Notes are only partially redeemed by the Company pursuant to an Optional Redemption, the Notes will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided that if, at the time of redemption, the Notes are registered as a Global Note, the Depositary shall determine by lot the principal amount of such Notes held by each Holder of Notes to be redeemed.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Notes may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes; PROVIDED, HOWEVER, that no such supplemental indenture shall (i) extend the fixed maturity of any Notes of any series, or reduce the principal amount thereof,

or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Note so affected, or (ii) reduce the aforesaid percentage of Notes, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of each Note then outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes of any series at the time outstanding affected thereby, on behalf of all of the Holders of the Notes of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Notes of such series. Any such consent or waiver by the registered Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and of any Note issued in exchange herefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the time and place and at the rate and in the money herein prescribed.

The Company shall have the right at any time during the term of the Notes from time to time to extend the interest payment period of such Notes to up to 20 consecutive quarters (an "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate specified for the Notes to the extent that payment of such interest is enforceable under applicable law). Before the termination of any such Extended Interest Payment Period, the Company may further extend such Extended Interest Payment Period, provided that such Extended Interest Payment Period together with all such further extensions thereof shall not exceed 20 consecutive quarters. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest and any additional amounts then due, the Company may commence a new Extended Interest Payment Period.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered Holder hereof on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company in the City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the

registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee, any paying agent and any Security Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Notes of this series are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof. This Global Note is exchangeable for Notes in definitive form only under certain limited circumstances set forth in the Indenture. Notes of this series so issued are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof as provided in the Indenture and subject to certain limitations herein and therein set forth. Notes of this series so issued are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

ARTICLE IX
Original Issue of Notes

Section 9.1. Original Issue of Notes.

Notes in the aggregate principal amount of \$61,800,000 may, upon execution of this First Supplemental Indenture, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company, signed by its Chairman, its President, or any Vice President and its Treasurer or an Assistant Treasurer, without any further action by the Company.

Section 9.2. Reports by the Trustee.

Up until and including the Maturity Date the Trustee shall, in respect of each Reporting Date, make such reports, and within such time periods, as are required to be made by the Trustee under the Trust Indenture Act.

ARTICLE X
Miscellaneous

Section 10.1. Ratification of Indenture.

The Indenture, as supplemented by this First Supplemental Indenture, is in all respects ratified and confirmed, and this First Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 10.2. Trustee Not Responsible for Recitals.

The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this First Supplemental Indenture.

Section 10.3. Governing Law.

This First Supplemental Indenture and each Note shall be deemed to be a contract made under the internal laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State.

Section 10.4. Separability.

In case any one or more of the provisions contained in this First Supplemental Indenture or in the Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this First

Supplemental Indenture or of the Notes, but this First Supplemental Indenture and the Notes shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

Section 10.5. Counterparts.

This First Supplemental Indenture may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 10.6. Third Party Beneficiaries.

The Property Trustee, the trustee under the Preferred Securities Guarantee and the Delaware Trustee are each a third party beneficiary of, and shall be entitled to, enforce, and to exercise all rights and remedies with respect to, the provisions of Section 5.1. The terms "Property Trustee", "Preferred Securities Guarantee" and "Delaware Trustee" have the meaning given such terms in the Declaration.

31 IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, on the date or dates indicated in the acknowledgements and as of the day and year first above written.

SOUTHWEST GAS CORPORATION

By /s/ MICHAEL O. MAFFIE

Attest:

/s/ THOMAS J. TRIMBLE

HARRIS TRUST AND SAVINGS BANK,
as Trustee

By /s/ E. KAY LIEDERMAN

Attest:

/s/ MARK E. ZIMKIND

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SOUTHWEST GAS CORPORATION'S FORM 10-Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS	DEC-31-1995	
	SEP-30-1995	34,096
	85,634	0
		0
462,669	88,325	1,064,707
	87,491	16,035
		3,084,963
		1,246,856
		221,683
	330,714	858,475
		25,860
4,000		0
		341,375
3,084,963		66,180
		30,551
		2,675
		99,406
		38,804
		55,279
	44,127	5,003
		970
		36,844
(7,527)	(12,024)	0
		0
		(7,527)
		(0.34)
		(0.34)
		3.56
		11,106
		0
		9,777
		45,200
		17,659
		4,370
		1,028
		16,243
	16,243	0
		0

Balance specific to financial services segment.

Consolidated financial statement balance.

Includes gas utility property, net \$1,103,282.

Balance includes consolidated deferred income taxes, accounts payable and other accrued liabilities.

Bank specific items including general and administrative expenses, goodwill amortization and income from real estate operations.

Includes charge-offs and recoveries related to foreclosed real estate.

Bank transferred \$3.1 million of its allowance for estimated losses to a separate allowance for credit losses affiliated with debt securities.

SOUTHWEST GAS CORPORATION
SUMMARY STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

					NINE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
					1995	1994	1995	1994
GAS OPERATIONS SEGMENT:								
Operating revenues	\$417,143	\$407,808	\$608,604	\$579,158				
Net cost of gas purchased	184,639	179,846	254,716	235,934				
Operating margin	232,504	227,962	353,888	343,224				
Operations and maintenance expenses	140,287	131,662	186,808	174,629				
Depreciation, amortization, and general taxes	67,476	61,430	88,616	81,233				
Operating income	24,741	34,870	78,464	87,362				
Net interest deductions	39,657	36,187	52,936	47,408				
Pre-tax utility income (loss)	(14,916)	(1,317)	25,528	39,954				
Utility income tax expense (benefit)	(6,451)	(853)	9,226	13,969				
Net utility income (loss)	(8,465)	(464)	16,302	25,985				
Other income (expense), net	(390)	(165)	(721)	260				
Arizona pipe replacement disallowance, net	---	(283)	---	(9,547)				
Contribution to net income (loss) - gas operations segment	(8,855)	(912)	15,581	16,698				
FINANCIAL SERVICES SEGMENT:								
Net interest income after loan loss provision	39,124	38,745	51,793	52,386				
Net income (loss) from real estate operations	(316)	2	(930)	(596)				
Other income, net	8,241	8,489	10,383	12,645				
General and administrative expenses	36,528	35,773	48,124	48,839				
Pre-tax income	10,521	11,463	13,122	15,596				
Income tax expense	4,726	5,121	5,996	6,936				
Net income before carrying cost allocation	5,795	6,342	7,126	8,660				
Acquisition carrying costs, net of tax - NOTE 5	(4,467)	(3,666)	(5,697)	(4,897)				
Contribution to net income - financial services segment	1,328	2,676	1,429	3,763				
Net income (loss)	(7,527)	1,764	17,010	20,461				
Preferred & preference dividends	285	415	380	554				
Net income (loss) applicable to common stock	\$ (7,812)	\$ 1,349	\$ 16,630	\$ 19,907				
Earnings (loss) per share	\$ (0.34)	\$ 0.06	\$ 0.74	\$ 0.95				
Earnings (loss) per share excluding disallowances	---	\$ 0.07	---	\$ 1.40				
Average outstanding common shares	22,768	21,040	22,370	21,008				

See Notes to Summary Financial Statements.

SOUTHWEST GAS CORPORATION
BALANCE SHEET
AT SEPTEMBER 30, 1995
(In thousands)
(Unaudited)

ASSETS			
UTILITY PLANT			
Gas plant, net of accumulated depreciation	\$1,079,316		
Construction work in progress	23,966		
Net utility plant	1,103,282		-----
OTHER PROPERTY AND INVESTMENTS			
PriMerit Bank - NOTE 2	181,150		
Other	35,547		
Total other property and investments	216,697		-----
CURRENT AND ACCRUED ASSETS			
Cash, working funds and temporary cash investments	7,096		
Receivables - less reserve of \$1,025 for uncollectibles	19,132		
Accrued utility revenue	19,044		
Other	42,046		
Total current and accrued assets	87,318		-----
DEFERRED DEBITS			
Unamortized debt expense	13,779		
Other deferred debits	38,227		
Total deferred debits	52,006		-----
TOTAL ASSETS	\$1,459,303		=====
CAPITALIZATION, LIABILITIES AND DEFERRED CREDITS			
CAPITALIZATION			
Common stockholders' equity			
Common stock equity, \$1 par, 24,230 shares outstanding	\$ 336,713		
Retained earnings	29,828		
Total common stockholders' equity - NOTE 6	366,541	33.9%	-----
Preferred stock equity - NOTE 3	4,000	0.4	
Long-term debt - NOTE 4	711,010	65.7	
Total capitalization	1,081,551	100.0%	-----
CURRENT AND ACCRUED LIABILITIES			
Notes payable	56,000		
Accounts payable	20,720		
Customer deposits	21,208		
Taxes accrued (including income taxes)	31,464		
Deferred purchased gas costs	35,752		
Other	47,649		
Total current and accrued liabilities	212,793		-----
DEFERRED CREDITS			
Deferred investment tax credits	20,089		
Deferred income taxes	118,094		
Other	26,776		
Total deferred credits	164,959		-----
TOTAL CAPITALIZATION, LIABILITIES AND DEFERRED CREDITS	\$1,459,303		=====

See Notes to Summary Financial Statements.

SOUTHWEST GAS CORPORATION
STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 1995
(In thousands)
(Unaudited)

CASH FLOWS FROM OPERATIONS:		
Net income (loss)	\$	(7,527)
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	47,204	
Change in receivables and payables	34,410	
Change in accrued taxes	(36,119)	
Undistributed earnings from subsidiaries	(5,717)	
Change in gas cost related balancing items	56,745	
Allowance for funds used during construction	(918)	
Change in deferred taxes	7,808	
Other	6,793	
Net cash provided from operating activities	102,679	-----

CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in notes payable	(36,000)	
Dividends paid	(14,468)	
Net change in long-term debt	27,280	
Net proceeds from stock issuance	40,584	
Other	(604)	
Net cash provided from financing activities	16,792	-----

CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction expenditures	(116,596)	
Other	(1,648)	
Net cash used in investing activities	(118,244)	-----

Change in cash and temporary cash investments	1,227	
Cash at beginning of period	5,869	
Cash at end of period	\$ 7,096	-----
		=====
SUPPLEMENTAL INFORMATION:		
Interest paid, net of amount capitalized	\$	48,375
Income taxes, net of refunds	\$	26,143

See Notes to Summary Financial Statements.

SOUTHWEST GAS CORPORATION
 NOTES TO SUMMARY FINANCIAL STATEMENTS
 (In thousands, except par values)
 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION:

The financial statements have been prepared by Southwest Gas Corporation (the Company) using the equity method of accounting for PriMerit Bank (PriMerit). Segmented information is presented within the income statement. The Financial Services segment includes the net income of PriMerit and its subsidiaries on a stand-alone basis, reduced by allocated costs associated with the Company's investment in PriMerit (principally interest) net of taxes. This presentation is not in accordance with generally accepted accounting principles (GAAP), and certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted. The financial statement presentation in this report produces the same net income as the consolidated financial statements and, in management's opinion, is a fair representation of the operations and contributions to net income of the Company's two segments.

NOTE 2 - INVESTMENT IN PRIMERIT BANK:

The capital structure supports both the investment in PriMerit and the investment in the gas segment. Financing costs allocable to PriMerit are determined based on the investment in PriMerit under the equity method.

NOTE 3 - PREFERRED STOCK:

Cumulative preferred stock, \$100 par value, 9.5% series, 40 shares outstanding \$ 4,000

CURRENT REDEMPTION REQUIREMENTS \$ 800

NOTE 4 - LONG-TERM DEBT:

Commercial paper facility	\$ 200,000
Debentures:	
Debentures, 9% series A, due 2011	26,895
Debentures, 9% series B, due 2011	31,213
Debentures, 8.75% series C, due 2011	18,353
Debentures, 9.375% series D, due 2017	120,000
Debentures, 10% series E, due 2013	23,069
Debentures, 9.75% series F, due 2002	100,000
Industrial revenue bonds - net of funds held in trust	201,602
Unamortized discount on long-term debt	(10,122)
TOTAL LONG-TERM DEBT	\$ 711,010
CURRENT MATURITIES	\$ 5,000

NOTE 5 - ACQUISITION CARRYING COSTS, NET:

			NINE MONTHS ENDED		TWELVE MONTHS ENDED		
			SEPTEMBER 30,		SEPTEMBER 30,		
			1995	1994	1995	1994	
				-----	-----	-----	-----
Interest expense	\$ (7,227)	\$ (5,904)	\$ (9,195)	\$ (7,873)			
Other intercompany expenses	(218)	(206)	(301)	(289)			
Income taxes	2,978	2,444	3,799	3,265			
ACQUISITION CARRYING COSTS, NET	\$ (4,467)	\$ (3,666)	\$ (5,697)	\$ (4,897)	=====	=====	=====

NOTE 6 - COMMON STOCKHOLDERS' EQUITY:

For purposes of this report, common stockholders' equity excludes PriMerit's unrealized gain on debt securities available for sale since PriMerit is presented on the equity method of accounting.

/TABLE

SOUTHWEST GAS CORPORATION
SELECTED STATISTICAL DATA
SEPTEMBER 30, 1995

FINANCIAL STATISTICS

Book value per share at quarter end - NOTE 6	\$15.13	
Market value to book value per share at quarter end	103%	
Twelve months to date return on equity -- total company	4.6%	
-- gas segment		5.2%
Common stock dividend yield at quarter end	5.2%	

GAS OPERATIONS SEGMENT

Rate Jurisdiction	(In thousands)	Authorized		Return on Common	Authorized
		Return	Rate of Equity		
-----	-----	-----	-----		
Central Arizona	\$ 267,348	9.13%	10.75%		
Southern Arizona	157,620	9.12	11.00		
Southern Nevada	184,673	8.89	11.55		
Northern Nevada	47,695	9.16	11.55		
Southern California	69,486	9.94	11.35		
Northern California	8,357	10.02	11.35		
Paiute Pipeline Company	61,057	10.09	12.50		

SYSTEM THROUGHPUT BY CUSTOMER CLASS

(In dekatherms)	NINE MONTHS ENDED		TWELVE MONTHS ENDED		SEPTMBER 30,	SEPTMBER 30,
	1995	1994	1995	1994		
Residential	33,353,107	33,170,690	46,149,190	44,669,464		
Small commercial	17,499,110	17,142,799	23,928,594	23,036,438		
Large commercial	6,631,610	7,977,308	8,960,538	10,763,075		
Industrial / Other	5,464,247	6,097,028	7,708,746	7,784,681		
Transportation	78,567,084	69,115,417	100,930,733	88,210,595		
Total system throughput	141,515,158	133,503,242	187,677,801	174,464,253		
			=====	=====		
HEATING DEGREE DAY COMPARISON						
Actual	1,590	1,593	2,434	2,326		
Ten year average	1,645	1,681	2,351	2,387		