

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

Form 10-Q

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

For the quarterly period ended September 30, 2008

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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, 43,914,407 shares as of October 31, 2008.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except par value)

(Unaudited)

| | SEPTEMBER 30, 2008 | DECEMBER 31, 2007 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Utility plant: | | |
| Gas plant | \$ 4,230,427 | \$ 4,043,936 |
| Less: accumulated depreciation | (1,334,915) | (1,261,867) |
| Acquisition adjustments, net | 1,677 | 1,812 |
| Construction work in progress | 43,720 | 61,419 |
| Net utility plant | 2,940,909 | 2,845,300 |
| Other property and investments | 137,155 | 143,097 |
| Current assets: | | |
| Cash and cash equivalents | 13,165 | 31,991 |
| Accounts receivable, net of allowances | 119,224 | 203,660 |
| Accrued utility revenue | 32,600 | 74,900 |
| Income taxes receivable, net | 18,424 | 14,286 |
| Deferred income taxes | 7,952 | 6,965 |
| Deferred purchased gas costs | - | 33,946 |
| Prepays and other current assets | 79,069 | 136,711 |
| Total current assets | 270,434 | 502,459 |
| Deferred charges and other assets | 161,378 | 179,332 |
| Total assets | \$ 3,509,876 | \$ 3,670,188 |
| CAPITALIZATION AND LIABILITIES | | |
| Capitalization: | | |
| Common stock, \$1 par (authorized - 60,000,000 shares; issued and outstanding - 43,712,159 and 42,805,706 shares) | \$ 45,342 | \$ 44,436 |
| Additional paid-in capital | 757,779 | 732,319 |
| Accumulated other comprehensive income (loss), net | (12,242) | (12,850) |
| Retained earnings | 220,072 | 219,768 |
| Total equity | 1,010,951 | 983,673 |
| Subordinated debentures due to Southwest Gas Capital II | 100,000 | 100,000 |
| Long-term debt, less current maturities | 1,213,149 | 1,266,067 |
| Total capitalization | 2,324,100 | 2,349,740 |
| Current liabilities: | | |
| Current maturities of long-term debt | 12,455 | 38,079 |
| Short-term debt | - | 9,000 |
| Accounts payable | 79,689 | 220,731 |
| Customer deposits | 80,297 | 75,019 |
| Accrued general taxes | 41,994 | 44,637 |
| Accrued interest | 19,757 | 21,290 |
| Deferred purchased gas costs | 33,744 | 46,088 |
| Other current liabilities | 91,084 | 73,088 |
| Total current liabilities | 359,020 | 527,932 |
| Deferred income taxes and other credits: | | |
| Deferred income taxes and investment tax credits | 366,711 | 347,497 |
| Taxes payable | 3,993 | 4,387 |
| Accumulated removal costs | 163,000 | 146,000 |
| Other deferred credits | 293,052 | 294,632 |
| Total deferred income taxes and other credits | 826,756 | 792,516 |
| Total capitalization and liabilities | \$ 3,509,876 | \$ 3,670,188 |

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, | |
|--|-------------------------------------|-------------------|------------------------------------|------------------|--------------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Operating revenues: | | | | | | |
| Gas operating revenues | \$ 268,450 | \$ 274,748 | \$ 1,362,753 | \$ 1,345,996 | \$ 1,831,523 | \$ 1,838,039 |
| Construction revenues | 105,972 | 96,776 | 272,580 | 245,781 | 364,121 | 318,853 |
| Total operating revenues | <u>374,422</u> | <u>371,524</u> | <u>1,635,333</u> | <u>1,591,777</u> | <u>2,195,644</u> | <u>2,156,892</u> |
| Operating expenses: | | | | | | |
| Net cost of gas sold | 134,030 | 141,825 | 839,309 | 834,453 | 1,091,050 | 1,107,594 |
| Operations and maintenance | 87,489 | 83,222 | 256,298 | 250,847 | 336,659 | 336,934 |
| Depreciation and amortization | 48,650 | 46,271 | 144,128 | 136,348 | 190,294 | 179,967 |
| Taxes other than income taxes | 8,103 | 7,848 | 27,913 | 28,253 | 37,213 | 37,495 |
| Construction expenses | 93,679 | 83,902 | 243,946 | 214,887 | 323,091 | 276,489 |
| Total operating expenses | <u>371,951</u> | <u>363,068</u> | <u>1,511,594</u> | <u>1,464,788</u> | <u>1,978,307</u> | <u>1,938,479</u> |
| Operating income | <u>2,471</u> | <u>8,456</u> | <u>123,739</u> | <u>126,989</u> | <u>217,337</u> | <u>218,413</u> |
| Other income and (expenses): | | | | | | |
| Net interest deductions | (21,012) | (22,619) | (64,270) | (65,888) | (86,854) | (87,967) |
| Net interest deductions on subordinated debentures | (1,933) | (1,932) | (5,797) | (5,795) | (7,729) | (7,726) |
| Other income (deductions) | (4,163) | 597 | (4,572) | 6,870 | (4,806) | 11,351 |
| Total other income and (expenses) | <u>(27,108)</u> | <u>(23,954)</u> | <u>(74,639)</u> | <u>(64,813)</u> | <u>(99,389)</u> | <u>(84,342)</u> |
| Income (loss) before income taxes | <u>(24,637)</u> | <u>(15,498)</u> | <u>49,100</u> | <u>62,176</u> | <u>117,948</u> | <u>134,071</u> |
| Income tax expense (benefit) | (7,951) | (6,180) | 19,359 | 22,067 | 45,070 | 47,255 |
| Net income (loss) | <u>\$ (16,686)</u> | <u>\$ (9,318)</u> | <u>\$ 29,741</u> | <u>\$ 40,109</u> | <u>\$ 72,878</u> | <u>\$ 86,816</u> |
| Basic earnings (loss) per share | <u>\$ (0.38)</u> | <u>\$ (0.22)</u> | <u>\$ 0.69</u> | <u>\$ 0.95</u> | <u>\$ 1.69</u> | <u>\$ 2.06</u> |
| Diluted earnings (loss) per share | <u>\$ (0.38)</u> | <u>\$ (0.22)</u> | <u>\$ 0.68</u> | <u>\$ 0.94</u> | <u>\$ 1.68</u> | <u>\$ 2.04</u> |
| Dividends declared per share | <u>\$ 0.225</u> | <u>\$ 0.215</u> | <u>\$ 0.675</u> | <u>\$ 0.645</u> | <u>\$ 0.89</u> | <u>\$ 0.85</u> |
| Average number of common shares outstanding | 43,581 | 42,448 | 43,307 | 42,219 | 43,150 | 42,060 |
| Average shares outstanding (assuming dilution) | - | - | 43,610 | 42,607 | 43,464 | 42,469 |

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, | |
|---|------------------------------------|-----------|--------------------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| Net income | \$ 29,741 | \$ 40,109 | \$ 72,878 | \$ 86,816 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 144,128 | 136,348 | 190,294 | 179,967 |
| Deferred income taxes | 17,855 | (17,456) | 51,379 | (3,383) |
| Changes in current assets and liabilities: | | | | |
| Accounts receivable, net of allowances | 84,436 | 97,711 | 8,993 | (5,828) |
| Accrued utility revenue | 42,300 | 40,800 | (100) | 500 |
| Deferred purchased gas costs | 21,602 | 93,152 | 17,599 | 79,825 |
| Accounts payable | (141,042) | (173,942) | (12,108) | (10,615) |
| Accrued taxes | (7,175) | 6,236 | (29,948) | 2,804 |
| Other current assets and liabilities | 50,708 | 63,935 | 11,745 | 9,185 |
| Other | 4,787 | (5,844) | 3,370 | (7,486) |
| Net cash provided by operating activities | 247,340 | 281,049 | 314,102 | 331,785 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| Construction expenditures and property additions | (221,862) | (255,001) | (307,736) | (366,036) |
| Change in restricted cash | - | - | - | 19,332 |
| Change in customer advances | 4,822 | 21,341 | 7,889 | 27,088 |
| Miscellaneous inflows | 44,194 | 4,700 | 44,803 | 7,153 |
| Miscellaneous outflows | (2,762) | (2,053) | (21,486) | (5,862) |
| Net cash used in investing activities | (175,608) | (231,013) | (276,530) | (318,325) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | | |
| Issuance of common stock, net | 26,366 | 26,735 | 34,728 | 39,033 |
| Dividends paid | (28,804) | (26,814) | (38,261) | (35,612) |
| Issuance of long-term debt | 102,460 | 101,956 | 129,098 | 94,633 |
| Retirement of long-term debt | (132,504) | (105,869) | (168,726) | (108,271) |
| Change in long-term portion of credit facility | (49,076) | (46,000) | (76) | (16,000) |
| Change in short-term debt | (9,000) | - | - | - |
| Net cash used in financing activities | (90,558) | (49,992) | (43,237) | (26,217) |
| Change in cash and cash equivalents | (18,826) | 44 | (5,665) | (12,757) |
| Cash at beginning of period | 31,991 | 18,786 | 18,830 | 31,587 |
| Cash at end of period | \$ 13,165 | \$ 18,830 | \$ 13,165 | \$ 18,830 |
| Supplemental information: | | | | |
| Interest paid, net of amounts capitalized | \$ 69,309 | \$ 68,139 | \$ 94,505 | \$ 91,244 |
| Income taxes paid | 5,278 | 19,233 | 31,070 | 34,116 |

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Corporation and its subsidiaries (the “Company”) are composed of two segments: natural gas operations (“Southwest” or the “natural gas operations” segment) and construction services (Northern Pipeline Construction Co. “NPL” or the “construction services” segment). Southwest is engaged in the business of purchasing, distributing, and transporting natural gas to customers in portions of Arizona, Nevada, and California. The public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year. Variability in weather from normal temperatures can materially impact results of operations. Natural gas purchases and the timing of related recoveries can materially impact liquidity. NPL, a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

Basis of Presentation. The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for the interim periods, have been made. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the 2007 Annual Report to Shareholders, which is incorporated by reference into the 2007 Form 10-K, and the first and second quarter 2008 reports on Form 10-Q.

Intercompany Transactions. NPL recognizes revenues generated from contracts with Southwest (see **Note 3** below). Accounts receivable for these services were \$6.9 million at September 30, 2008 and \$6.1 million at December 31, 2007. The accounts receivable balance, revenues, and associated profits are included in the condensed consolidated financial statements of the Company and were not eliminated during consolidation in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 71, “Accounting for the Effects of Certain Types of Regulation.”

Reclassifications. Certain reclassifications have been made to the prior year’s financial information to present it on a basis comparable with the current year’s presentation.

Recently Issued Accounting Pronouncements. In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141 (revised 2007), “Business Combinations.” SFAS No. 141 (revised 2007) provides guidelines for the presentation and measurement of assets and liabilities acquired in a business combination and requires the disclosure of information necessary to evaluate the nature and financial effect of a business combination. The provisions of SFAS No. 141 (revised 2007) are effective for the Company for acquisitions that occur on or after January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51.” SFAS No. 160 requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements. The provisions of SFAS No. 160 are effective for the Company beginning January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - An Amendment of FASB Statement No. 133.” SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities. The provisions of SFAS No. 161 are effective for the Company beginning January 1, 2009. The Company is evaluating what impact this standard might have on its financial disclosures.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies (in accounting literature instead of auditing literature) the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). The provisions of SFAS No. 162 are effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The adoption of the standard is not expected to have a material impact on the financial position or results of operations of the Company.

Note 2 – Components of Net Periodic Benefit Cost

Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees and a separate unfunded supplemental retirement plan ("SERP") which is limited to officers. Southwest also provides postretirement benefits other than pensions ("PBOP") to its qualified retirees for health care, dental, and life insurance benefits.

| | Qualified Retirement Plan | | | | | |
|---|-----------------------------------|-----------------|--------------------|------------------|----------------------|------------------|
| | Period Ended September 30, | | | | | |
| | Three Months | | Nine Months | | Twelve Months | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (Thousands of dollars) | | | | | | |
| Service cost | \$ 4,027 | \$ 4,123 | \$ 12,081 | \$ 12,368 | \$ 16,204 | \$ 16,439 |
| Interest cost | 8,123 | 7,311 | 24,368 | 21,933 | 31,679 | 28,635 |
| Expected return on plan assets | (8,679) | (8,257) | (26,035) | (24,773) | (34,292) | (32,425) |
| Amortization of prior service costs (credits) | (3) | (3) | (8) | (8) | (11) | (10) |
| Amortization of net loss | 776 | 1,252 | 2,328 | 3,755 | 3,580 | 5,093 |
| Net periodic benefit cost | <u>\$ 4,244</u> | <u>\$ 4,426</u> | <u>\$ 12,734</u> | <u>\$ 13,275</u> | <u>\$ 17,160</u> | <u>\$ 17,732</u> |

| | SERP | | | | | |
|--------------------------------|-----------------------------------|---------------|--------------------|-----------------|----------------------|-----------------|
| | Period Ended September 30, | | | | | |
| | Three Months | | Nine Months | | Twelve Months | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (Thousands of dollars) | | | | | | |
| Service cost | \$ 24 | \$ 38 | \$ 73 | \$ 115 | \$ 111 | \$ 168 |
| Interest cost | 510 | 487 | 1,531 | 1,461 | 2,018 | 1,934 |
| Expected return on plan assets | - | - | - | - | - | 2 |
| Amortization of net loss | 250 | 283 | 748 | 848 | 1,031 | 1,159 |
| Net periodic benefit cost | <u>\$ 784</u> | <u>\$ 808</u> | <u>\$ 2,352</u> | <u>\$ 2,424</u> | <u>\$ 3,160</u> | <u>\$ 3,263</u> |

| | PBOP | | | | | |
|---------------------------------------|-----------------------------------|---------------|--------------------|-----------------|----------------------|-----------------|
| | Period Ended September 30, | | | | | |
| | Three Months | | Nine Months | | Twelve Months | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (Thousands of dollars) | | | | | | |
| Service cost | \$ 182 | \$ 203 | \$ 548 | \$ 608 | \$ 751 | \$ 821 |
| Interest cost | 581 | 576 | 1,743 | 1,728 | 2,319 | 2,257 |
| Expected return on plan assets | (534) | (536) | (1,604) | (1,608) | (2,140) | (2,063) |
| Amortization of transition obligation | 216 | 216 | 650 | 650 | 867 | 867 |
| Amortization of net loss | - | 14 | - | 43 | 14 | 85 |
| Net periodic benefit cost | <u>\$ 445</u> | <u>\$ 473</u> | <u>\$ 1,337</u> | <u>\$ 1,421</u> | <u>\$ 1,811</u> | <u>\$ 1,967</u> |

Note 3 – Segment Information

The following tables list revenues from external customers, intersegment revenues, and segment net income (thousands of dollars):

| | Natural Gas Operations | Construction Services | Total |
|---|---------------------------|--------------------------|---------------------|
| Three months ended September 30, 2008 | | | |
| Revenues from external customers | \$ 268,450 | \$ 88,034 | \$ 356,484 |
| Intersegment revenues | - | 17,938 | 17,938 |
| Total | <u>\$ 268,450</u> | <u>\$ 105,972</u> | <u>\$ 374,422</u> |
| Segment net income (loss) | <u>\$ (19,678)</u> | <u>\$ 2,992</u> | <u>\$ (16,686)</u> |
| Three months ended September 30, 2007 | | | |
| Revenues from external customers | \$ 274,748 | \$ 77,445 | \$ 352,193 |
| Intersegment revenues | - | 19,331 | 19,331 |
| Total | <u>\$ 274,748</u> | <u>\$ 96,776</u> | <u>\$ 371,524</u> |
| Segment net income (loss) | <u>\$ (12,863)</u> | <u>\$ 3,545</u> | <u>\$ (9,318)</u> |
| Nine months ended September 30, 2008 | | | |
| Revenues from external customers | \$ 1,362,753 | \$ 225,558 | \$ 1,588,311 |
| Intersegment revenues | - | 47,022 | 47,022 |
| Total | <u>\$ 1,362,753</u> | <u>\$ 272,580</u> | <u>\$ 1,635,333</u> |
| Segment net income | <u>\$ 24,748</u> | <u>\$ 4,993</u> | <u>\$ 29,741</u> |
| Nine months ended September 30, 2007 | | | |
| Revenues from external customers | \$ 1,345,996 | \$ 192,602 | \$ 1,538,598 |
| Intersegment revenues | - | 53,179 | 53,179 |
| Total | <u>\$ 1,345,996</u> | <u>\$ 245,781</u> | <u>\$ 1,591,777</u> |
| Segment net income | <u>\$ 32,910</u> | <u>\$ 7,199</u> | <u>\$ 40,109</u> |
| Twelve months ended September 30, 2008 | | | |
| Revenues from external customers | \$ 1,831,523 | \$ 298,893 | \$ 2,130,416 |
| Intersegment revenues | - | 65,228 | 65,228 |
| Total | <u>\$ 1,831,523</u> | <u>\$ 364,121</u> | <u>\$ 2,195,644</u> |
| Segment net income | <u>\$ 64,332</u> | <u>\$ 8,546</u> | <u>\$ 72,878</u> |
| Twelve months ended September 30, 2007 | | | |
| Revenues from external customers | \$ 1,838,039 | \$ 242,956 | \$ 2,080,995 |
| Intersegment revenues | - | 75,897 | 75,897 |
| Total | <u>\$ 1,838,039</u> | <u>\$ 318,853</u> | <u>\$ 2,156,892</u> |
| Segment net income | <u>\$ 76,077</u> | <u>\$ 10,739</u> | <u>\$ 86,816</u> |

Note 4 – Comprehensive Income

| | Three Months Ended September 30, | | Nine Months Ended September 30, | | Twelve Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|-----------|--------------------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | (Thousands of dollars) | | | | | |
| Net income (loss) | \$ (16,686) | \$ (9,318) | \$ 29,741 | \$ 40,109 | \$ 72,878 | \$ 86,816 |
| Additional minimum pension liability adjustment, net of \$20.3 million tax expense | | - | | - | | 33,047 |
| Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax | 203 | 246 | 608 | 735 | 689 | 735 |
| Comprehensive income (loss) | \$ (16,483) | \$ (9,072) | \$ 30,349 | \$ 40,844 | \$ 73,567 | \$ 120,598 |

Tax expense related to the net actuarial gain arising during the period, less amortization of unamortized benefit plan cost, for the three months, nine months, and twelve months ended September 30, 2008 was \$124,000, \$372,000, and \$422,000, respectively. Tax expense related to the net actuarial gain arising during the period, less amortization of unamortized benefit plan cost for the three months, nine months, and twelve months ended September 30, 2007 was \$150,000, \$450,000, and \$450,000, respectively. Total accumulated other comprehensive loss as of September 30, 2008 was \$12.2 million, net of \$7.6 million of tax, and was composed entirely of unamortized benefit plan costs.

Note 5 – Common Stock

During the nine months ended September 30, 2008, the Company issued approximately 906,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan (“DRSPP”), Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan. No shares have been issued through the Equity Shelf Program (“ESP”) in 2008.

Note 6 - Derivatives and Fair Value Measurements

In managing its natural gas supply portfolios, Southwest has historically entered into fixed and variable-price contracts, which qualify as derivatives under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended (“SFAS No. 133”). In 2008, Southwest also began utilizing fixed-for-floating swap contracts (“Swaps”) to supplement its fixed-price contracts. The fixed-price contracts, firm commitments to purchase a fixed amount of gas in the future at a fixed price, qualify for the normal purchases and normal sales exception that is allowed for contracts that are probable of delivery in the normal course of business under SFAS No. 133 and are exempt from its fair value provisions. The variable-price contracts have no significant market value and are likewise not affected by SFAS No. 133’s fair value provisions. Swaps are subject to the fair value provisions and must be recorded at fair value.

The fixed-price contracts and Swaps are utilized by Southwest under its volatility mitigation programs to effectively fix the price on approximately 50 percent of its natural gas portfolios. The maturities of the Swaps highly correlate to actual purchases of natural gas, during timeframes ranging from November 2008 through October 2009. Under such contracts, Southwest pays the counterparty at a fixed rate and receives from the counterparty a floating rate per MMBtu (“dekatherm”) of natural gas. Only the net differential is actually paid or received. The differential is calculated based on the notional amounts under the contracts (approximately 3.5 million dekatherms at September 30, 2008). Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

Pursuant to regulatory deferral accounting treatment under SFAS No. 71, Southwest records the unrealized gains and losses in fair value of the Swaps as a regulatory asset and/or liability. When the Swaps settle, Southwest reverses any prior positions held and records the settled position as an increase or decrease of purchased gas under the related purchased gas adjustment ("PGA") mechanism in determining its deferred PGA balances. In accordance with this described treatment, at September 30, 2008, Southwest recorded the fair values of the Swaps in Other current liabilities (\$10.9 million) and in Other deferred credits (\$204,000). Corresponding offsetting amounts were recorded in Prepays and other current assets (\$10.9 million) and Deferred charges and other assets (\$204,000). Due to the provisions of SFAS No. 71, neither changes in the fair value of the contracts nor settled amounts have a direct effect on earnings or other comprehensive income. The estimated fair values of the derivatives were determined using future natural gas index prices (as more fully described below).

In January 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 states that a fair value measurement should be based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy that ranks the inputs used to measure fair value by their reliability. The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for similar assets or liabilities, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The estimated fair values of Southwest's Swaps were determined at September 30, 2008 using NYMEX futures settlement prices for delivery of natural gas at Henry Hub adjusted by the price of NYMEX ClearPort basis Swaps, which reflect the difference between the price of natural gas at a given delivery basin and the Henry Hub pricing points. These Level 2 inputs are observable in the marketplace throughout the full term of the Swaps.

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value as of September 30, 2008.

| (Thousands of dollars) | Fair Value Measurements Using: | | | |
|---|--------------------------------|---|--|------------------------------------|
| | Total | Quoted Prices in Active Markets for Identical Financial Assets and Liabilities | Significant Other Observable Inputs | Significant Unobservable Inputs |
| | | Level 1 | Level 2 | Level 3 |
| Assets at fair value: | | | | |
| Prepays and other current assets - swaps | \$ - | \$ - | \$ - | \$ - |
| Deferred charges and other assets - swaps | - | - | - | - |
| Liabilities at fair value: | | | | |
| Other current liabilities - swaps | (10,935) | - | (10,935) | - |
| Other deferred credits - swaps | (204) | - | (204) | - |
| Net Assets (Liabilities) | \$ (11,139) | \$ - | \$ (11,139) | \$ - |

Note 7 – Long-Term Debt

In September 2008, the Company issued \$50 million in Clark County, Nevada variable-rate 2008 Series A Industrial Development Revenue Bonds (“IDRBs”), due 2038. The 2008 Series A IDRBs are supported by a letter of credit with JPMorgan Chase Bank. The proceeds from the 2008 Series A IDRBs were used by the Company to redeem the \$50 million 2003 Series B variable-rate IDRBs. The 2003 Series B IDRBs were redeemed at par, plus accrued interest, in September 2008.

Note 8 – Other Income (Deductions)

Southwest has company-owned life insurance (“COLI”) policies on members of management and other key employees to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. Other income (deductions) on the Company’s income statements includes expenses related to declines in the cash surrender value of these life insurance policies in the three, nine, and twelve months ended September 30, 2008, of \$3.7 million, \$6.3 million, and \$7.3 million, respectively. In contrast, Other income (deductions) on the Company’s income statements includes income related to increases in the cash surrender value of these life insurance policies in the three, nine, and twelve months ended September 30, 2007, of \$355,000, \$2.2 million, and \$3.5 million, respectively. Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, the changes in the cash surrender value components of COLI policies as they progress towards the ultimate death benefits are also recorded without tax consequences. Additionally, Other income (deductions) includes interest income in the three, nine, and twelve months ended September 30, 2008, of \$216,000, \$2 million and \$2.7 million, respectively. Other income (deductions) includes interest income in the three, nine, and twelve months ended September 30, 2007, of \$869,000, \$3.8 million and \$5.1 million, respectively.

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

Southwest Gas Corporation and its subsidiaries (the "Company") consist of two business segments: natural gas operations ("Southwest" or the "natural gas operations" segment) and construction services.

Southwest is engaged in the business of purchasing, distributing, and transporting natural gas in portions of Arizona, Nevada, and California. Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor of natural gas in Nevada, serving the Las Vegas metropolitan area and northern Nevada. In addition, Southwest distributes and transports natural gas in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.

As of September 30, 2008, Southwest had 1,819,000 residential, commercial, industrial, and other natural gas customers, of which 984,000 customers were located in Arizona, 657,000 in Nevada, and 178,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During the twelve months ended September 30, 2008, 55 percent of operating margin was earned in Arizona, 35 percent in Nevada, and 10 percent in California. During this same period, Southwest earned 86 percent of operating margin from residential and small commercial customers, 5 percent from other sales customers, and 9 percent from transportation customers. These general patterns are expected to continue.

Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Operating margin is the measure of gas operating revenues less the net cost of gas sold. Management uses operating margin as a main benchmark in comparing operating results from period to period. The three principal factors affecting operating margin are general rate relief, weather, and customer growth. Of these three, weather is the primary reason for volatility in margin. Variances in temperatures from normal levels, especially in Arizona where rates remain leveraged, have a significant impact on the margin and associated net income of the Company.

Northern Pipeline Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL currently operates in 20 major markets nationwide. Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including the housing market, interest rates, employment levels, job growth, the equipment resale market, and local and federal tax rates. Generally, revenues and profits are lowest during the first quarter of the year due to less favorable winter weather conditions. Operating results typically improve as more favorable weather conditions occur during the summer and fall months.

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and the notes thereto, as well as the MD&A, included in the 2007 Annual Report to Shareholders, which is incorporated by reference into the 2007 Form 10-K, and the first and second quarter 2008 reports on Form 10-Q.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's operations. As needed, certain items are covered in greater detail in later sections of management's discussion and analysis. As reflected in the table below, the natural gas operations segment accounted for an average of 88 percent of twelve-month-to-date consolidated net income over the past two years. As such, management's discussion and analysis is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year.

Summary Operating Results

| | Period Ended September 30, | | | | | |
|--|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Three Months | | Nine Months | | Twelve Months | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | (In thousands, except per share amounts) | | | | | |
| Contribution to net income (loss) | | | | | | |
| Natural gas operations | \$ (19,678) | \$ (12,863) | \$ 24,748 | \$ 32,910 | \$ 64,332 | \$ 76,077 |
| Construction services | 2,992 | 3,545 | 4,993 | 7,199 | 8,546 | 10,739 |
| Net income (loss) | <u>\$ (16,686)</u> | <u>\$ (9,318)</u> | <u>\$ 29,741</u> | <u>\$ 40,109</u> | <u>\$ 72,878</u> | <u>\$ 86,816</u> |
| Average number of common shares outstanding | | | | | | |
| | <u>43,581</u> | <u>42,448</u> | <u>43,307</u> | <u>42,219</u> | <u>43,150</u> | <u>42,060</u> |
| Basic earnings (loss) per share | | | | | | |
| Consolidated | <u>\$ (0.38)</u> | <u>\$ (0.22)</u> | <u>\$ 0.69</u> | <u>\$ 0.95</u> | <u>\$ 1.69</u> | <u>\$ 2.06</u> |
| Natural Gas Operations | | | | | | |
| Operating margin | <u>\$ 134,420</u> | <u>\$ 132,923</u> | <u>\$ 523,444</u> | <u>\$ 511,543</u> | <u>\$ 740,473</u> | <u>\$ 730,445</u> |

The gas segment recorded a loss of \$19.7 million during the third quarter of 2008 compared to a \$12.9 million loss in the same period of 2007. Other income decreased and operating expenses increased between the two periods. Other income (principally interest income, long-term investment returns, and non-utility expenses) declined primarily as a result of negative returns on long-term investments (company-owned life insurance) in the current quarter versus positive returns in the prior-year quarter. NPL's decline resulted primarily from less profitable work due to the general slow down in the housing industry and increased costs for fuel, fuel-related products, and subcontractors.

3rd Quarter 2008 Overview

Consolidated results for the third quarter of 2008 decreased compared to the third quarter of 2007, due to declines in both the gas and construction services segments. Basic loss per share was \$0.38 in the third quarter of 2008 compared to a per share loss of \$0.22 in the same period of 2007.

Gas operations highlights include the following:

- Operating margin increased \$1.5 million, or 1 percent, from the prior period as customer growth levels continue to moderate
- Net financing costs decreased \$1.5 million between periods
- Other income declined \$5 million between periods primarily due to negative returns on long-term investments (COLI)
- Southwest's project to expand its use of electronic meter reading technology is substantially complete
- Uncontested settlement reached in California rate cases (pending California Public Utilities Commission ("CPUC") approval)
- Southwest's liquidity position remains strong

Moderating Customer Growth. During the twelve months ended September 30, 2008, Southwest completed 39,000 first-time meter sets. These meter sets led to 19,000 additional active meters during the same time frame (11,000 in Arizona, 7,000 in Nevada, and 1,000 in California). The difference between first-time meter sets and incremental active meters indicates a significant inventory of unoccupied homes. The risks/costs of having non-performing assets associated with new homes are mitigated by Southwest's practice of taking construction advances from builders on most new construction. These advances are not returned until new homes are occupied. Once housing supply and demand come back into balance, Southwest expects to experience a correction in which customer additions exceed first-time meter sets. Although management cannot predict the timing of the turn around, it is likely to occur over an extended (multi-year) time horizon.

Company-Owned Life Insurance ("COLI"). Southwest has life insurance policies on members of management and other key employees to indemnify itself against the loss of talent, expertise, and knowledge, as well as to provide indirect funding for certain nonqualified benefit plans. The COLI policies have a combined net death benefit value of approximately \$138 million at September 30, 2008. The net cash surrender value of these policies (which is the cash amount the Company would receive if it voluntarily terminated the policies) is approximately \$52 million at September 30, 2008 and is included in the caption "Other property and investments" on the balance sheet. In the three, nine, and twelve months ended September 30, 2008, the Company recognized declines in the cash surrender values of the COLI policies, as compared to the same periods of 2007, of \$4.1 million, \$8.5 million, and \$10.8 million, respectively, which was reflected in Other income (deductions). Current tax regulations provide for tax-free treatment of life insurance (death benefit) proceeds. Therefore, the changes in the cash surrender value components of COLI policies as they progress towards the ultimate death benefits are also recorded without tax consequences. Currently, the Company intends to hold the COLI policies for their duration and purchase additional policies as necessary.

Meter Reading Project. In 2006, Southwest initiated a project to expand its use of electronic meter reading technology. The efficiencies to be gained from this project more than offset the investment in infrastructure. This technology eliminates the need to gain physical access to meters in order to obtain monthly meter readings, thereby reducing the time associated with each meter read while improving their accuracy. At September 30, 2008, the electronic meter reading project was substantially complete as over 99 percent of Southwest customers' meters were being read electronically.

Liquidity. Southwest has a \$300 million credit facility maturing in May 2012, \$150 million of which supports ongoing working capital needs. The facility is composed of eight major banking institutions. Historically, usage of the facility has been low and concentrated in the first half of the winter heating period when gas purchases require temporary financing. In addition, Southwest has no significant debt maturities prior to February 2011.

Results of Natural Gas Operations

Quarterly Analysis

| | Three Months Ended September 30, | |
|--|-------------------------------------|-------------|
| | 2008 | 2007 |
| | (Thousands of dollars) | |
| Gas operating revenues | \$ 268,450 | \$ 274,748 |
| Net cost of gas sold | 134,030 | 141,825 |
| Operating margin | 134,420 | 132,923 |
| Operations and maintenance expense | 87,489 | 83,222 |
| Depreciation and amortization | 41,623 | 39,774 |
| Taxes other than income taxes | 8,103 | 7,848 |
| Operating income (loss) | (2,795) | 2,079 |
| Other income (expense) | (4,548) | 478 |
| Net interest deductions | 20,521 | 22,003 |
| Net interest deductions on subordinated debentures | 1,933 | 1,932 |
| Income (loss) before income taxes | (29,797) | (21,378) |
| Income tax expense (benefit) | (10,119) | (8,515) |
| Contribution to consolidated net income (loss) | \$ (19,678) | \$ (12,863) |

Natural gas operations recorded a loss of \$19.7 million in the third quarter of 2008 compared to a loss of \$12.9 million in the same period of 2007. Other income declined and operating expenses increased between the periods, partially offset by a modest increase in operating margin and lower net financing costs.

Operating margin increased \$1.5 million, or one percent, in the third quarter of 2008 compared to the third quarter of 2007. Customer growth contributed \$1 million toward the operating margin increase as the Company added 19,000 customers during the last twelve months, an increase of one percent. Rate changes accounted for the remainder of the increase.

Operations and maintenance expense increased \$4.3 million, or five percent, primarily due to general cost increases.

Depreciation expense increased \$1.8 million, or five percent, as a result of construction activities. Average gas plant in service for the current period increased \$238 million, or six percent, compared to the corresponding period a year ago. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Other income (expense), which principally includes interest income, long-term investment returns, and non-utility expenses, decreased \$5 million between periods. This was primarily due to negative returns on long-term investments (COLI) in the current quarter (\$3.7 million) compared to positive returns in the prior year's quarter (\$355,000).

Net financing costs decreased \$1.5 million between periods primarily due to a reduction in outstanding debt.

Nine-Month Analysis

| | Nine Months Ended September 30, | |
|--|------------------------------------|--------------|
| | 2008 | 2007 |
| | (Thousands of dollars) | |
| Gas operating revenues | \$ 1,362,753 | \$ 1,345,996 |
| Net cost of gas sold | 839,309 | 834,453 |
| Operating margin | 523,444 | 511,543 |
| Operations and maintenance expense | 256,298 | 250,847 |
| Depreciation and amortization | 123,565 | 117,380 |
| Taxes other than income taxes | 27,913 | 28,253 |
| Operating income | 115,668 | 115,063 |
| Other income (expense) | (6,710) | 5,502 |
| Net interest deductions | 62,811 | 64,466 |
| Net interest deductions on subordinated debentures | 5,797 | 5,795 |
| Income before income taxes | 40,350 | 50,304 |
| Income tax expense | 15,602 | 17,394 |
| Contribution to consolidated net income | \$ 24,748 | \$ 32,910 |

Contribution from natural gas operations decreased \$8.2 million during the nine-month period of 2008 compared to the same period a year ago. The decrease in contribution was primarily caused by a decline in other income, which offset a slight improvement in operating income and lower financing costs.

Operating margin increased approximately \$12 million, or two percent, during the nine-month period of 2008 compared to the same period in 2007. New customers contributed an incremental \$5 million in operating margin during the current period. Rate relief in California resulted in a net \$2 million increase in operating margin. Differences in heating demand primarily caused by weather variations between periods resulted in a \$5 million margin increase as the current period experienced somewhat cooler temperatures while the prior period was slightly warmer-than-normal.

Operations and maintenance expense increased \$5.5 million, or two percent, principally due to the impact of general cost increases. Labor efficiencies, primarily from the conversion to electronic meter reading, mitigated the increase in operations and maintenance expense.

Depreciation expense increased \$6.2 million, or five percent, as a result of construction activities. Average gas plant in service increased \$247 million, or six percent, as compared to the same period of 2007. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Other income (expense), which principally includes interest income, long-term investment returns, and non-utility expenses, declined \$12.2 million during the nine-month period of 2008 compared to the same period in 2007. This was primarily due to negative returns on long-term investments (COLI) in the current period (\$6.3 million) compared to positive returns in the prior year's period (\$2.2 million) and a \$1.8 million reduction in interest income primarily due to the full recovery of previously deferred purchased gas cost receivables.

Net financing costs decreased \$1.7 million between periods primarily due to a reduction in outstanding debt.

Twelve-Month Analysis

| | Twelve Months Ended September 30, | |
|--|--------------------------------------|--------------|
| | 2008 | 2007 |
| | (Thousands of dollars) | |
| Gas operating revenues | \$ 1,831,523 | \$ 1,838,039 |
| Net cost of gas sold | 1,091,050 | 1,107,594 |
| Operating margin | 740,473 | 730,445 |
| Operations and maintenance expense | 336,659 | 336,934 |
| Depreciation and amortization | 163,275 | 155,022 |
| Taxes other than income taxes | 37,213 | 37,495 |
| Operating income | 203,326 | 200,994 |
| Other income (expense) | (7,362) | 8,984 |
| Net interest deductions | 84,781 | 86,018 |
| Net interest deductions on subordinated debentures | 7,729 | 7,726 |
| Income before income taxes | 103,454 | 116,234 |
| Income tax expense | 39,122 | 40,157 |
| Contribution to consolidated net income | \$ 64,332 | \$ 76,077 |

Contribution to consolidated net income from natural gas operations decreased \$11.7 million in the current twelve-month period compared to the same period a year ago. The decline in contribution was primarily caused by lower other income.

Operating margin increased \$10 million, or one percent, between periods. Customer growth contributed \$8 million while rate changes accounted for \$2 million of the increase. Warmer-than-normal temperatures were experienced during both twelve-month periods (each with estimated negative impacts to operating margin of approximately \$7 million), resulting in no incremental impact between the periods.

Operations and maintenance expense was essentially unchanged between periods. Labor efficiencies, primarily from the conversion to electronic meter reading, mitigated general cost increases.

Depreciation expense increased \$8.3 million, or five percent, as a result of additional plant in service. Average gas plant in service for the current twelve-month period increased \$257 million, or seven percent, compared to the corresponding period a year ago. This was attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Other income decreased \$16.3 million between periods. This was primarily due to negative returns on long-term investments (COLI) in the current twelve-month period (\$7.3 million) compared to positive returns in the prior year's twelve-month period (\$3.5 million) and lower interest income (\$2.4 million) primarily due to the full recovery of previously deferred purchased gas cost receivables.

Net financing costs decreased \$1.2 million between periods primarily due to lower average debt outstanding.

Results of Construction Services

Contribution to consolidated net income for the three, nine, and twelve months ended September 30, 2008 decreased \$553,000, \$2.2 million, and \$2.2 million, respectively, compared to the corresponding periods in 2007. Quarterly results declined primarily due to lower profit margins on new construction work in the majority of NPL's operating areas and increased costs for fuel, fuel-related products and services, and subcontractors. While revenues increased as a result of several large replacement projects, operating results decreased in the nine-month period of 2008 as compared to the same period in 2007 primarily due to lower profit margins on new construction work, unfavorable weather conditions in the first quarter of 2008, increased costs for fuel and fuel-related products and services, and a reduction in the volume of work with existing customers. The decrease in the current twelve-month period when compared to the same period in the prior year was due primarily to unfavorable weather conditions during the first quarter of 2008 and a reduction in the volume of new construction work resulting from the general slow down in the new housing market. Increased costs for fuel and fuel-related products and services also contributed to the decrease.

Rates and Regulatory Proceedings

Arizona General Rate Case. Southwest filed a general rate application with the Arizona Corporation Commission ("ACC") in the third quarter of 2007 requesting an increase in authorized operating revenues of \$50.2 million. The request is due to increases in Southwest's operating costs (including inflationary increases to labor and benefits), investments in infrastructure, and increased costs of capital. Southwest is requesting a return on rate base of 9.45 percent and a return on equity of 11.25 percent.

In addition, declining average residential usage has hindered Southwest's ability to earn the returns previously authorized by the ACC. A rate structure that would encourage energy efficiency and also shield Southwest and its customers from weather-related volatility has also been proposed. Included in the new rate design proposal are a revenue decoupling mechanism that would separate the recovery of fixed costs from volumetric usage and a weather normalization mechanism that would protect customers from higher bills in extreme cold weather and protect Southwest from cost under-recoveries in unseasonably warm weather. Southwest requested an increase of \$3.10 in the monthly residential basic service charge.

In April 2008, the two primary intervening parties in the case, the ACC Staff and the Residential Utility Consumer Office, filed testimony in the case. Both parties have separately advocated revenue increases which approximate 60 percent of the filed for amount, primarily through increases in basic service charges, although their positions on a number of matters differ. In addition, neither party supports all of Southwest's proposed rate design changes or the revenue decoupling/weather normalization mechanisms, both of which Southwest deems important components of its rate filing if greater margin stability (for both Southwest and its customers) is to be achieved. Hearings concluded in June 2008, with a decision expected in the fourth quarter of 2008. Management cannot predict the amount or timing of rate relief ultimately granted, or whether the ACC will adopt any of the new rate design proposals. The last general rate increase received in Arizona was effective in March 2006.

California Attrition Filing. In October 2007, Southwest made its 2008 annual attrition filing with the CPUC requesting a \$2 million increase in operating margin. The increase in customer rates was approved and became effective January 2008.

California General Rate Cases. Southwest filed general rate applications with the CPUC in December 2007 requesting an increase in authorized operating revenues of \$9.1 million in its southern California, northern California, and South Lake Tahoe rate jurisdictions with a proposed effective date of January 2009. The request was made due to increases in Southwest's operating costs, investments in infrastructure, and the increased costs of capital. As part of the filing, Southwest also requested that the authorized levels of margin revert to being recognized on a seasonally adjusted basis rather than in equal monthly amounts throughout the year to better reflect the seasonal nature of Southwest's revenue stream. In addition to the margin balancing mechanism that has been in place since the last general rate case, this filing proposed a Post Test Year ("PTY") ratemaking mechanism for the period 2010 through 2013. The PTY mechanism was designed to recognize the effects of inflation and certain capital expenditures between general rate cases.

In October 2008, after resolving all issues in the proceeding with intervening parties, Southwest filed an uncontested settlement with the CPUC. If approved by the CPUC, the Company will realize an increase in operating margin of \$2.8 million for 2009, with an additional \$9.7 million in PTY increases for the period 2010 through 2013. In addition, lower approved depreciation rates will result in depreciation expense reductions of approximately \$3 million in 2009 as compared to current depreciation levels. Under the settlement, the return on common equity would be 10.5 percent. Southwest expects a final decision during the fourth quarter of 2008, with new rates effective January 2009.

PGA Filings

All of Southwest's state regulatory commissions have regulations that permit Southwest to track and recover its actual costs of purchased gas. Deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Timing differences between changes in PGA rates and the recovery/payment of PGA balances result in over- and under-collections. At September 30, 2008, over-collections in Arizona, Nevada, and California resulted in a liability of \$33.7 million on the Company's balance sheet. In May 2008, a temporary surcharge that had been in place in Arizona since February 2006 to help accelerate the recovery of an under-collected balance was removed. PGA filings are subject to audit by state regulatory commissions. PGA rate changes impact cash flows but have no direct impact on profit margin.

As of September 30, 2008, December 31, 2007, and September 30, 2007, Southwest had the following outstanding PGA balances receivable/(payable) (millions of dollars):

| | <u>September 30, 2008</u> | <u>December 31, 2007</u> | <u>September 30, 2007</u> |
|-----------------|---------------------------|--------------------------|---------------------------|
| Arizona | \$ (6.9) | \$ 33.9 | \$ 31.2 |
| Northern Nevada | (5.4) | (9.2) | (10.1) |
| Southern Nevada | (17.0) | (36.7) | (31.9) |
| California | (4.4) | (0.1) | (5.3) |
| | <u>\$ (33.7)</u> | <u>\$ (12.1)</u> | <u>\$ (16.1)</u> |

Capital Resources and Liquidity

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and construction services segments. Each business activity is generally responsible for securing its own financing sources. The capital requirements and resources of NPL are not material to the overall capital requirements and resources of the Company.

Gas Segment Construction Expenditures and Financing

Southwest continues to experience customer growth, albeit at a slower pace than in the recent past. This growth has required significant capital outlays primarily to extend and reinforce its distribution systems. During the twelve-month period ended September 30, 2008, construction expenditures for the natural gas operations segment were \$282 million. Approximately 70 percent of these current-period expenditures represented new construction and the balance represented costs associated with routine replacement of existing transmission, distribution, and general plant. During the twelve months ended September 30, 2008, cash flows from operating activities of Southwest were \$273 million and provided approximately 85 percent of construction expenditures and dividend requirements. Other necessary funding was provided by external financing activities, existing credit facilities, and refundable construction advances. During the three, nine, and twelve months ended September 30, 2008, Southwest partially offset capital outlays by collecting approximately \$6 million, \$20 million, and \$27 million, respectively, in net advances and contributions from customers and third-party contractors. At September 30, 2008, the balance of refundable construction advances was \$91 million.

At December 31, 2007, Southwest initially estimated that construction expenditures during the three-year period ending December 31, 2010 would be approximately \$850 million. Based on current economic and growth indicators, the actual amount will likely be five to eight percent less than originally estimated. During the three-year period ended December 31, 2010, cash flows from operating activities are still estimated to fund over 80 percent of the gas operations total construction expenditures and dividend requirements. Southwest also had \$25 million in long-term debt maturities over the three-year period (related to debt that matured in September 2008 and was redeemed as planned). During this time frame, the Company initially expected to raise \$70 million to \$80 million from its various common stock programs; however, these issuances will also likely decline based on the expected reduction in construction expenditures. Any remaining cash requirements are expected to be provided by existing credit facilities and/or other 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, growth levels in Southwest service areas, and earnings. These external sources may include the issuance of both debt and equity securities, bank and other short-term borrowings, customer contributions and advances, and other forms of financing.

During the nine months ended September 30, 2008, the Company issued approximately 906,000 additional shares of common stock through the DRSP, Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan, raising approximately \$26 million. No shares have been issued through the ESP in 2008 and the Company does not anticipate issuing additional shares under this plan. The \$16.7 million of remaining capacity under the ESP is expected to expire unused in March 2009.

In February 2008, the Economic Stimulus Act of 2008 ("Act") was signed into law. This Act provides a 50 percent bonus tax depreciation deduction for qualified property acquired or constructed and placed in service in 2008. Based on forecasted qualifying construction expenditures, Southwest estimates the bonus depreciation deduction will defer the payment of approximately \$30 million of federal income taxes during 2008.

Dividend Policy

The Company has a common stock dividend policy which states that common stock dividends will be paid at a prudent level that is within the normal dividend payout range for its respective businesses, and that the dividend will be established at a level considered sustainable in order to minimize business risk and maintain a strong capital structure throughout all economic cycles. In February 2008, the Board of Directors increased the quarterly dividend payout from 21.5 cents to 22.5 cents per share, effective with the June 2008 payment.

Liquidity

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to meet its cash requirements. Several general factors that could significantly affect liquidity in future years include inflation, growth in Southwest's service territories, changes in the ratemaking policies of regulatory commissions, interest rates, variability of natural gas prices, ability to access the capital markets, changes in income tax laws, and the level of Company earnings. Of these factors natural gas prices and related gas cost recovery rates have historically had the most significant impact on Company liquidity.

The rate schedules in Southwest's service territories contain PGA clauses which permit adjustments to rates as the cost of purchased gas changes. The PGA mechanism allows Southwest to request to change the gas cost component of the rates charged to its customers to reflect increases or decreases in the price expected to be paid to its suppliers and companies providing interstate pipeline transportation service.

On an interim basis, Southwest generally defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At September 30, 2008, the balances in PGA accounts totaled an over-collection of \$33.7 million versus an over-collection of \$16.1 million at September 30, 2007. Southwest anticipates remaining in an over-collected position on a total Company basis through year end.

To balance daily working capital needs, including temporarily financing natural gas purchases, Southwest has the ability to draw on its \$300 million credit facility. Southwest has designated \$150 million of the facility as long-term debt and the remaining \$150 million for working capital purposes. Southwest currently believes the \$150 million designated for working capital purposes is adequate to meet liquidity needs. At September 30, 2008, \$101 million was outstanding on the long-term portion and no borrowings were outstanding on the short-term portion of the credit facility. The credit facility is supported by eight major banking institutions and matures in May 2012.

The following table sets forth the ratios of earnings to fixed charges for the Company. Due to the seasonal nature of the Company's business, these ratios are computed on a twelve-month basis:

| | For the Twelve Months Ended | |
|------------------------------------|-----------------------------|----------------------|
| | September 30, 2008 | December 31, 2007 |
| Ratio of earnings to fixed charges | 2.14 | 2.25 |

Earnings are defined as the sum of pretax income plus fixed charges. Fixed charges consist of all interest expense including capitalized interest, one-third of rent expense (which approximates the interest component of such expense), and amortized debt costs.

IDRB Supporting Credit Arrangements

In September 2008, the Company issued \$50 million in Clark County, Nevada variable-rate 2008 Series A Industrial Development Revenue Bonds ("IDRBs"), due 2038. The 2008 Series A IDRBs are supported by a letter of credit with JPMorgan Chase Bank. The proceeds from the 2008 Series A IDRBs were used by the Company to redeem its \$50 million 2003 Series B variable-rate IDRBs. From 2003 through September 2008, the Company had utilized an insurance policy from Ambac Assurance Corporation ("Ambac") to support its \$50 million 2003 Series B variable-rate IDRBs. The 2003 Series B were designed to be repriced weekly in an auction market. Since mid-February 2008, the 2003 Series B weekly auctions had failed amid the uncertainty surrounding bond insurers. In June 2008, Standard & Poor's and Moody's Investors Service, the two largest ratings companies, downgraded Ambac and assigned a "negative" outlook to the new rating. This resulted in the Company's 2003 Series B being downgraded from a AAA rating to a AA rating. As a result of the failed auctions and the ratings downgrade, the Company had been required to price the 2003 Series B at a predetermined maximum auction-rate (200 percent of the one-month LIBOR rate at the time of redemption).

Forward-Looking Statements

This quarterly report contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 ("Reform Act"). All statements other than statements of historical fact included or incorporated by reference in this quarterly report are forward-looking statements, including, without limitation, statements regarding the Company's plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions. The words "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "continue," and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding operating margin earned, customer growth, the composition of our customer base, the anticipated efficiencies from the use of electronic meter reading technology, risks and costs associated with having non-performing assets associated with new homes, timing of improvements in the housing market, timing for completion of estimated future construction expenditures, forecasted operating cash flows, funding sources of

cash requirements, sufficiency of working capital, ability to raise funds and receive external financing, the amount and form of any such financing, liquidity and statements regarding estimated bonus depreciation deductions, equity issuances related to our ESP and construction expenditures, the recovery of under recovered PGA balances, the impact of the application of certain accounting standards, certain tax benefits from the Economic Stimulus Act of 2008, the impact of certain legal proceedings, and the timing and results of future rate hearings and approvals are forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the impact of weather variations on customer usage, customer growth rates, conditions in the housing market, the effects of a possible U.S. economic recession, interest rates, our ability to recover costs through our PGA mechanisms, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding, the impact of conditions in the capital markets on the availability of financing and financing costs, the impact of stock market volatility, rating agency actions, changes in construction expenditures and financing, renewal of franchises, easements and rights-of-way, changes in operations and maintenance expenses, effects of accounting changes, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management's plans related thereto, competition, and our ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing, operations and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company's business, see **Item 1A. Risk Factors** in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

All forward-looking statements in this quarterly report are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update or revise any of its forward-looking statements even if experience or future changes show that the indicated results or events will not be realized. **We caution you not to unduly rely on any forward-looking statement(s).**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** in the Company's 2007 Annual Report on Form 10-K filed with the SEC. No material changes have occurred related to the Company's disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

The Company has established disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and benefits of controls must be considered relative to their costs. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the control. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Based on the most recent evaluation, as of September 30, 2008, management of the Company, including the Chief Executive Officer and Chief Financial Officer, believe the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

There have been no changes in the Company's internal controls over financial reporting during the third quarter of 2008 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting. Southwest implemented a new asset management accounting system related to its property, plant, and equipment records during the fourth quarter of 2008. Testing of the internal controls surrounding the system implementation process has been conducted by management. Operating effectiveness of related key controls will be evaluated in the fourth quarter of 2008.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is named as a defendant in various legal proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that none of this litigation individually or in the aggregate will have a material adverse impact on the Company's financial position or results of operations.

ITEMS 1A. through 5. None.

ITEM 6. EXHIBITS

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

- Exhibit 3(ii).01 - Amended Bylaws of Southwest Gas Corporation.
- Exhibit 3(ii).02 - Amended Bylaws of Southwest Gas Corporation.
- Exhibit 10.01 - IDR Series 2003 Clark County Indenture.
- Exhibit 10.02 - IDR Series 2008 Clark County Indenture.
- Exhibit 10.03 - IDR Series 2008 Clark County Financing Agreement.
- Exhibit 12.01 - Computation of Ratios of Earnings to Fixed Charges.
- Exhibit 31.01 - Section 302 Certifications.
- Exhibit 32.01 - Section 906 Certifications.

SIGNATURES

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

Southwest Gas Corporation

(Registrant)

Date: November 6, 2008

/s/ Roy R. Centrella

Roy R. Centrella
Vice President/Controller and Chief Accounting Officer

BYLAWS

OF

SOUTHWEST GAS CORPORATION

ARTICLE I

Section 1. Principal Office

The principal office for the transaction of the business of the Corporation is hereby fixed and located at 5241 Spring Mountain Road, in the City of Las Vegas, County of Clark, State of Nevada.

Section 2. Other Offices

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

Section 3. Terminology

All personal pronouns used herein are employed in a generic sense and are intended and deemed to be neutral in gender.

ARTICLE II

MEETING OF SHAREHOLDERS

Section 1. Regular Meeting

Commencing in May 2008, the regular annual meeting of shareholders shall be held at the principal office of the corporation, or at such other place within or without the State of California as the officers of the corporation may deem convenient and appropriate, at 10:00 a.m. on the second Thursday of May of each year, if not a legal holiday, and if a legal holiday, then at 10:00 a.m. on the next succeeding business day, for the purpose of electing a Board of Directors and transacting such other business as properly may come before the meeting; provided, however, that the Board of Directors may, by resolution, establish a different date not more than 120 days thereafter if, in its sole discretion, it deems such postponement appropriate.

Section 2. Special Meetings

Except in those instances where a particular manner of calling a meeting of the shareholders is prescribed by law or elsewhere in these Bylaws, a special meeting of the

shareholders may be called at any time by the Chief Executive Officer or other officers acting for him or by the Board of Directors, or by the holders of not less than one-third of the voting shares then issued and outstanding. Each call for a special meeting of the shareholders shall state the time, place, and the purpose of such meeting; if made by the Board of Directors, it shall be by resolution duly adopted by a majority vote and entered in the minutes; if made by an authorized officer or by the shareholders, it shall be in writing and signed by the person or persons making the same, and unless the office of Secretary be vacant, delivered to the Secretary. No business shall be transacted at a special meeting other than as is stated in the call and the notice based thereon.

Section 3. Notice of Regular and Special Meetings of the Shareholders

Notice of each regular and special meeting of the shareholders of the Corporation shall be given by mailing to each shareholder a notice of the time, place, and purpose of such meeting addressed to him at his address as it appears upon the books of the Corporation. Each such notice shall be deposited in the United States Mail with the postage thereon prepaid at least ten days prior to the time fixed for such meeting. If the address of any such shareholder does not appear on the books of the Corporation and his post office address is unknown to the person mailing such notices, the notice shall be addressed to him at the principal office of the Corporation.

Section 4. Quorum

At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business, except when it is otherwise provided by law. Any regular or special meeting of the shareholders may adjourn from day to day or from time to time if, for any reason, there are not present in person or by proxy the holders of a majority of the shares entitled to vote at said meeting. Such adjournment and the reasons therefor shall be recorded in the minutes of the proceedings.

Section 5. Waiver of Notice

When all the shareholders of the Corporation are present at any meeting, or when the shareholders not represented thereat give their written consent to the holding thereof at the time and place the meeting is held, and such written consent is made a part of the records of such meeting, the proceedings had at such meeting are valid, irrespective of the manner in which the meeting is called or the place where it is held.

Section 6. Proper Business for Shareholder Meetings

1. At a meeting of the shareholders, only such business shall be proper as shall be brought before the meeting: (i) pursuant to the Corporation's notice of meeting; (ii) by or at the direction of the Board of Directors of the Corporation; or (iii) by any shareholder of the Corporation who is a shareholder of record at the time of giving the notice provided for

herein, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth herein.

2. For business to be properly brought before a meeting by a shareholder pursuant to clause (iii) above, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely as to an annual meeting of shareholders, a shareholder's notice must be received at the principal executive office of the Corporation not less than 120 calendar days before the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided however, that if the date of the meeting is changed by more than 30 days from the date of the previous year's meeting, notice by shareholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting of shareholders, a shareholder notice must be received not later than the call of the meeting as provided for in Section 2 of this Article II. Such shareholder notice shall set forth as to each matter the shareholder proposes to bring before the meeting: (a) a brief description of and the reasons for proposing such matter at the meeting; (b) the name and address, as they appear on the Corporation's books, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (c) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder of record and by the beneficial owner, if any, on whose behalf the proposal is made; and (d) any material interest of such shareholder of record and the beneficial owner, if any, on whose behalf the proposal is made, in such proposal.

3. Notwithstanding anything in these Bylaws to the contrary, no business shall be proper at a meeting unless brought before it in accordance with the procedures set forth herein. Further, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth herein.

4. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures proscribed herein, and if the chairman should so determine, that any such business not properly brought before the meeting shall not be transacted.

5. Notwithstanding anything provided herein to the contrary, the procedures for submission of shareholder proposals have not expended, altered, or affected in any manner, whatever rights or limitations may exist regarding the ability of a shareholder of the Corporation to submit to a proposal for consideration by shareholders of the Corporation under California or federal law.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number--Quorum

The business of the Corporation shall be managed by a Board of Directors, whose number shall be not fewer than eleven (11) nor greater than fourteen (14), as the Board of Directors or the shareholders by amendment of these Bylaws may establish, provided, however, that a reduction in the authorized number of directors shall not remove any director prior to the expiration of his term of office, and provided further that the shareholders may, pursuant to law, establish a different and definite number of directors or different maximum and minimum numbers of directors by amendment of the Articles of Incorporation or by a duly adopted amendment to these Bylaws. A majority of the prescribed number of directors shall be necessary to constitute a quorum for the trans- action of business. At a meeting at which a quorum is present, every decision or act of a majority of the directors present made or done when duly assembled shall be valid as the act of the Board of Directors, provided that a minority of the directors, in the absence of a quorum, may adjourn from day to day but may transact no business.

Section 2. Exact Number of Directors

The number of Directors of the Corporation is hereby established, pursuant to the provisions of Section 1 of this Article III, as twelve (12).

Section 3. Director Nominating Procedure

1. Except for the filling of vacancies, as provided for in Section 6 of this Article III, only persons who are nominated in accordance with the procedures set forth herein shall be qualified to serve as directors. Nominations of persons for election to the Board may be made at a meeting of shareholders: (a) by or at the direction of the Board or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw.

2. Nominations by shareholders shall be made pursuant to timely notice in writing to the Secretary. To be timely as to an annual meeting, a shareholder's notice must be received at the principal executive offices of the Corporation not less than 20 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting at which directors are to be elected, a shareholder's notice must be received not later than the close of business on the 10th day following the earlier of the day

on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. Such shareholder's notice shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder and also which are owned of record by such shareholder; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in the shareholder's notice of nomination which pertains to the nominee.

3. Except for the filling of vacancies, as provided for in Section 6 of this Article III, no person shall be qualified to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Bylaw. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the chairman should so determine, that the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 4. Qualification of Directors

The majority of directors of the Board of Directors shall not be officers or employees of the Corporation or any of its subsidiaries and shall not have held such positions at any time during the three years prior to election or selection to the Board of Directors. Whether an individual, who is an officer or employee of the Corporation or any of its subsidiaries, satisfies this qualification requirement will be determined at the time of his or her election or selection.

Section 5. Election and Term of Office

The directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected and qualified.

Section 6. Vacancies

Vacancies on the Board of Directors may be filled by a majority of the remaining directors, though they be less than a quorum, and each director so elected shall hold office until his successor is qualified following the election at the next annual meeting of the shareholders or at any special meeting of shareholders duly called for that purpose prior to such annual meeting. A vacancy shall be deemed to exist in case the shareholders (or the Board of Directors, within the provisions of Section 1 of this Article III) shall increase the authorized number of directors, but shall fail, for a period of thirty days from the effective date of such increase, to elect the additional directors so provided for, or in case the shareholders fail at any time to elect the full number of authorized directors. When one or more of the directors shall give notice to the Board of Directors of his or their resignation from said Board, effective at a future date, the Board of Directors shall have the power to fill such vacancy or vacancies to take effect when such resignation or resignations become effective. Each director so appointed shall hold office during the remainder of the term of office of the resigning director or directors or until their successors are appointed and qualify.

Section 7. First Meeting of Directors

Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 8. Regular Meetings

Commencing in 2004, the time for other regular meetings of the Board of Directors, when held, shall be 8 a.m. on the third Tuesday of January, September, and November, the first Tuesday of March, the first Wednesday of May, and fourth Tuesday of July, unless a different schedule is established by a resolution of the Board. If any regular meeting date shall fall on a legal holiday, then the regular meeting date shall be the business day next following.

Section 9. Special Meetings

A special meeting of the Board of Directors shall be held whenever called by the Chief Executive Officer or other officer acting for him, or by three directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

Section 10. Notice of Regular and Special Meetings of the Directors

No notice shall be required to be given of any regular meeting of the Board of Directors, but each director shall take notice thereof. Notice of each special meeting of the Board of Directors shall be given to each of the directors by: (i) mailing to each of them a copy of

such notice at least five days; or (ii) delivering personally or by telephone, including voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means such notice at least 48 hours, prior to the time affixed for such meeting to the address of such director as shown on the books of the Corporation. If his address does not appear on the books of the Corporation, then such notice shall be addressed to him at the principal office of the Corporation.

Section 11. Waiver of Notice

When all the directors of the Corporation are present at any meeting of the Board of Directors, however called or noticed, and sign a written consent thereto on the record of such meeting, or if the majority of the directors are present, and if those not present sign in writing a waiver of notice of such meeting, whether prior to or after the holding of such meeting, which waiver shall be filed with the Secretary of the Corporation, the transactions of such meeting are as valid as if had at a meeting regularly called and noticed.

Section 12. Action by Unanimous Consent of Directors

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and such action by written consent shall have the same force and effect as if approved or taken at a regular meeting duly held. Any certificate or other document which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting, and that these Bylaws authorize the directors to so act.

Section 13. Telephonic Participation in Meetings

Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE IV

POWERS OF DIRECTORS

Section 1. The directors shall have power:

1. To call special meetings of the shareholders when they deem it necessary, and they shall call a meeting at any time upon the written request of shareholders holding one-third of all the voting shares;
2. To appoint and remove at pleasure all officers and agents of the Corporation, prescribe

their duties, fix their compensation, and require from them as necessary security for faithful service;

3. To create and appoint committees, offices, officers, and agents of the Corporation, and to prescribe and from time to time change their duties and compensation, but no committee shall be created and no member appointed thereto except upon approval of a majority of the whole Board of Directors; and

4. To conduct, manage, and control the affairs and business of the Corporation and to make rules and regulations not inconsistent with the laws of the State of California, or the Bylaws of the Corporation, for the guidance of the officers and management of the affairs of the Corporation.

ARTICLE V

DUTIES OF DIRECTORS

Section 1. It shall be the duty of the directors:

1. To cause to be kept a complete record of all their minutes and acts, and of the proceedings of the shareholders, and present a full statement at the regular annual meeting of the shareholders, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the shareholders when theretofore required by persons holding at least one-half of the voting shares of the Corporation;
2. To declare dividends out of the profits arising from the conduct of the business, whenever such profits shall, in the opinion of the directors, warrant the same;
3. To oversee the actions of all officers and agents of the Corporation, see that their duties are properly performed; and
4. To cause to be issued to the shareholders, in proportion to their several interests, certificates of stock.

ARTICLE VI

OFFICERS

Section 1. The officers shall include a Chairman of the Board of Directors, a Chief Executive Officer, who may be designated Chairman, a President, a Secretary, a Treasurer, a Controller, and may include one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers. All such officers shall be elected by and hold office at the pleasure of the Board of Directors, provided that the Chief Executive Officer shall have authority to

dismiss any other officer. Any director shall be eligible to be the Chairman of the Board of Directors and any two or more of such offices may be held by the same person, except that the Chief Executive Officer or President may not also hold the office of Secretary. Any officer may exercise any of the powers of any other officer in the manner specified in these Bylaws, as specified from time to time by the Board of Directors, and/or as specified from time to time by the Chief Executive Officer or senior officer acting in his or her absence or incapacity, and any such acting officer shall perform such duties as may be assigned to him or her.

ARTICLE VII

FEES AND COMPENSATION

Section 1. Directors shall be reimbursed for their expenses, and shall be compensated for their services as directors in such amounts as the Board may fix by resolution. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

ARTICLE VIII

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Corporation or otherwise and whether of a civil, criminal, administrative, or investigative nature (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another Corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity, or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permissible under California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, and losses (including attorneys' fees, judgments, fines, ERISA excise tax or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that: (a) the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the

Board of the Corporation, (b) the Corporation shall indemnify such person seeking indemnification in connection with a proceeding (or part thereof) other than a proceeding by or in the name of the Corporation to procure a judgment in its favor only if any settlement of such a proceeding is approved in writing by the Corporation, and (c) that no such person shall be indemnified (i) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state, or local statutory law; (ii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; (iii) for acts or omissions involving intentional misconduct or knowing and culpable violation of law; (iv) for acts or omissions that the director or officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of the director or officer; (v) for any transaction for which the director or officer derived an improper personal benefit; (vi) for acts or omissions that show a reckless disregard for the director's or officer's duty to the Corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the Corporation or its shareholders; (vii) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's or officer's duties to the Corporation or its shareholders; (viii) for costs, charges, expenses, liabilities, and losses arising under Section 310 or 316 of the General Corporation Law of California (the "Law"); and (ix) as to circumstances in which indemnity is expressly prohibited by Section 317 of the Law. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that if the Law requires the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, such advances shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts to the Corporation if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents

A person who was or is a party or is threatened to be made a party to or is involved in any proceedings by reason of the fact that he or she is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as an employee or agent of another enterprise, including service with respect to employee benefit plans, whether the basis of such action is an alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permitted by California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, losses (including

attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement), reasonably incurred or suffered by such person in connection therewith. The immediately preceding sentence is not intended to be and shall not be considered to confer a contract right on any employee or agent (other than directors and officers) of the Corporation.

Section 3. Right of Directors and Officers to Bring Suit

If a claim under Section 1 of this Article is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. Neither the failure of the Corporation (including its Board, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met the applicable standard of conduct, if any, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its shareholders) that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption for the purpose of an action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense

Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. Non-Exclusivity of Rights

The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders, disinterested directors, or otherwise.

Section 6. Insurance

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another Corporation, partnership, joint venture, trust, or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the law.

Section 7. Expenses as a Witness

To the extent that any director, officer, employee, or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit, or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 8. Indemnity Agreements

The Corporation may enter into agreements with any director, officer, employee, or agent of the Corporation providing for indemnification to the fullest extent permissible under the law and the Corporation's Articles of Incorporation.

Section 9. Separability

Each and every paragraph, sentence, term, and provision of this Article is separate and distinct so that if any paragraph, sentence, term, or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term, or provision hereof. To the extent required, any paragraph, sentence, term, or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Corporation and claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director or officer existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification."

ARTICLE IX

CHAIRMAN OF THE BOARD

Section 1. If there shall be a Chairman of the Board of Directors, he shall, when present, preside at all meetings of the stockholders and the Board of Directors, and perform such other duties as the Bylaws or the Board of Directors shall require of him.

ARTICLE X

CHIEF EXECUTIVE OFFICER; OTHER EXECUTIVE OFFICERS

Section 1. The Board of Directors shall, at their first regular meeting, elect such officers as are required by Article VI hereof and such additional officers authorized by Article VI hereof as the Board, in its discretion, may choose to elect. If at any time the Chief Executive Officer shall be unable to act, the President (if there shall be one who is not also the Chief Executive Officer) shall act in his place and perform his duties; if the President or next most senior officer is unable to perform such duties, then the vice presidents, in such sequence as the Board of Directors may specify, shall act. If all the foregoing shall be unable to act, the senior officer among them shall appoint some other person in whom shall be vested, for the time being, all the duties and functions of Chief Executive Officer, to act until the Board of Directors can be convened and elect appropriate officers. The Chief Executive Officer (or person acting as such) shall:

1. Preside (if there shall be no Chairman of the Board of Directors or in his absence) over all meetings of the shareholders and directors;
2. Sign on behalf of the Corporation contracts and other instruments in writing within the scope of his authority or if, when, and as directed to do so by the Board of Directors, but nothing herein shall limit the power of the Board of Directors to authorize such contracts and other instruments in writing to be signed by any other officer or person or limit the power of the Chief Executive Officer to delegate his authority in any such matter to another officer or other officers of the Corporation. The Chief Executive Officer or any other officer specified by the Board of Directors may sign certificates of stock as provided in Article XIII hereof;
3. Delegate duties and responsibilities to any other officers and/or employees of the Corporation in any manner not prohibited by these Bylaws or by the Board of Directors, and change such duties and responsibilities so delegated from time to time at will;
4. Call the directors together when he deems it necessary, and have, subject to the advice of the directors, direction of the affairs of the Corporation; and
5. Generally discharge such other duties as may be required of him by the Bylaws of the Corporation.

ARTICLE XI

SECRETARY

Section 1. The Board of Directors shall elect a Secretary:

1. It shall be the duty of the Secretary to keep a record of proceedings of the Board of Directors and of the shareholders, and to keep the corporate seal of the Corporation. He shall be responsible for maintaining proper records showing the number of shares of stock of all classes and series issued and transferred by any shareholder, and the dates of such issuance and transfer;
2. Whenever it is provided in these Bylaws that notice shall be given either of regular or special meetings of the shareholders, regular or special meetings of the directors, or otherwise, such notice shall be given by the Secretary or by the Chief Executive Officer or by any person designated by either of them, or by any authorized person who shall have signed the call for such meeting. Any notice which the Secretary may give or serve, or act required to be done by him, may with like effect be given or served or done by or under the direction of an Assistant Secretary;
3. The Secretary shall discharge such other duties as pertain to his office or which may be prescribed by the Board of Directors.

ARTICLE XII

TREASURER

Section 1. The Treasurer shall receive and keep all the funds of the Corporation and pay them out only on checks or otherwise, as directed by the Board of Directors; provided, however, that the Board of Directors may provide for a depository of the funds of the Corporation, and may by resolution prescribe the manner in which said funds shall be drawn from said depository.

ARTICLE XIII

CERTIFICATES OF STOCK

Section 1. Certificates of stock shall be of such form and device as the Board of Directors may lawfully direct, and shall be entitled to have a certificate signed by the genuine or facsimile signatures of the Chairman and Chief Executive Officer or the President or any authorized Vice President and the Secretary or an Assistant Secretary. Each certificate shall express on its face its number, date of issuance, the number of shares for which and the person to whom it is issued, the kind of shares represented by said certificate, and such other matters as may be required by law. Certificates of stock may be issued prior to full payment, in harmony with all permits issued by regulatory authorities having jurisdiction

in the premises, or as is otherwise allowed by law, but any certificate issued prior to full payment must show on its face what amount has been paid thereon.

ARTICLE XIV

TRANSFER OF STOCK

Section 1. Shares of stock of the Corporation may be transferred at any time by the holders, or by power of attorney, or by their legal representative, by endorsement on the certificate of stock, but no transfer is valid until the surrender of the endorsed certificate. A surrendered certificate shall be delivered up for cancellation before a new one is issued in lieu thereof, and the Secretary shall preserve the certificate so canceled or a suitable record thereof. If, however, a certificate is lost or destroyed, the Board of Directors may order a new certificate issued as is by law required or permitted.

ARTICLE XV

VOTING

Section 1. At all corporate meetings, each shareholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock; however, every shareholder entitled to vote at any election for directors shall have the right to cumulate his votes.

Section 2. Proxies

Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Corporation; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution.

ARTICLE XVI

INDEBTEDNESS

Section 1. The Board of Directors shall have power to incur indebtedness, and the terms and amount thereof shall be entered in the minutes. The Board of Directors shall have the power to secure said indebtedness, or any obligation or obligations of the Corporation, by pledge, mortgage, deed of trust, or other security given upon any property owned by it or in which it has any interest.

ARTICLE XVII

REGISTRAR AND/OR TRANSFER AGENT

Section 1. The Board of Directors may designate and appoint one or more registrars and/or transfer agents for the registration of the stock of the Corporation, and make such rules and regulations for the registrations of stock at the office of such registrars and/or transfer agents as may to the Board of Directors seem desirable. The Corporation may act as its own transfer agent, at the direction of the Board of Directors. The Board of Directors may, in its discretion, fix a transfer fee for transfer of stock certificates.

ARTICLE XVIII

MISCELLANEOUS

Section 1. Meetings. Notice. When Conclusive.

An entry made in the minutes of the directors or shareholders, pursuant to resolution or recital, to the effect that the notice of such meeting required by these Bylaws to be given has been given, shall be conclusive upon the Corporation, its directors, shareholders, and all other persons that such notice has been duly given in proper form and substance to the proper persons and for the requisite length of time.

ARTICLE XIX

SEAL

Section 1. The Board of Directors shall provide a suitable seal containing the name of the Corporation, the year of its creation, and other appropriate words, and may alter the same at pleasure.

ARTICLE XX

AMENDMENTS TO BYLAWS

Section 1. Power of Shareholders

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of shareholders entitled to exercise a majority of the voting power of the Corporation or by the written assent of such shareholders, except as otherwise provided by law or by the Articles of Incorporation.

Section 2. Power of Directors

Subject to the right of the shareholders as provided in Section 1 of this Article XX to adopt, amend, or repeal Bylaws, the Board of Directors may adopt, amend, or repeal any of the Bylaws of this Corporation, except that the powers of the Board of Directors to change, and/or establish the authorized number of directors of this Corporation shall be as set forth in Article III of these Bylaws.

I hereby certify that the foregoing is a full, true, and correct copy of the Bylaws of Southwest Gas Corporation, a California Corporation, as in effect on the date hereof.

WITNESS my hand this 29th day of July 2008.

/s/ GEORGE C. BIEHL
George C. Biehl
Executive Vice President/Chief Financial
Officer and Corporate Secretary

BYLAWS
OF
SOUTHWEST GAS CORPORATION
(As amended 07/29/08)

BYLAWS

OF

SOUTHWEST GAS CORPORATION

ARTICLE I

Section 1. Principal Office

The principal office for the transaction of the business of the Corporation is hereby fixed and located at 5241 Spring Mountain Road, in the City of Las Vegas, County of Clark, State of Nevada.

Section 2. Other Offices

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the Corporation is qualified to do business.

Section 3. Terminology

All personal pronouns used herein are employed in a generic sense and are intended and deemed to be neutral in gender.

ARTICLE II

MEETING OF SHAREHOLDERS

Section 1. Regular Meeting

Commencing in May 2008, the regular annual meeting of shareholders shall be held at the principal office of the corporation, or at such other place within or without the State of California as the officers of the corporation may deem convenient and appropriate, at 10:00 a.m. on the second Thursday of May of each year, if not a legal holiday, and if a legal holiday, then at 10:00 a.m. on the next succeeding business day, for the purpose of electing a Board of Directors and transacting such other business as properly may come before the meeting; provided, however, that the Board of Directors may, by resolution, establish a different date not more than 120 days thereafter if, in its sole discretion, it deems such postponement appropriate.

Section 2. Special Meetings

Except in those instances where a particular manner of calling a meeting of the shareholders is prescribed by law or elsewhere in these Bylaws, a special meeting of the

shareholders may be called at any time by the Chief Executive Officer or other officers acting for him or by the Board of Directors, or by the holders of not less than one-third of the voting shares then issued and outstanding. Each call for a special meeting of the shareholders shall state the time, place, and the purpose of such meeting; if made by the Board of Directors, it shall be by resolution duly adopted by a majority vote and entered in the minutes; if made by an authorized officer or by the shareholders, it shall be in writing and signed by the person or persons making the same, and unless the office of Secretary be vacant, delivered to the Secretary. No business shall be transacted at a special meeting other than as is stated in the call and the notice based thereon.

Section 3. Notice of Regular and Special Meetings of the Shareholders

Notice of each regular and special meeting of the shareholders of the Corporation shall be given by mailing to each shareholder a notice of the time, place, and purpose of such meeting addressed to him at his address as it appears upon the books of the Corporation. Each such notice shall be deposited in the United States Mail with the postage thereon prepaid at least ten days prior to the time fixed for such meeting. If the address of any such shareholder does not appear on the books of the Corporation and his post office address is unknown to the person mailing such notices, the notice shall be addressed to him at the principal office of the Corporation.

Section 4. Quorum

At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting shall constitute a quorum for the transaction of business, except when it is otherwise provided by law. Any regular or special meeting of the shareholders may adjourn from day to day or from time to time if, for any reason, there are not present in person or by proxy the holders of a majority of the shares entitled to vote at said meeting. Such adjournment and the reasons therefor shall be recorded in the minutes of the proceedings.

Section 5. Waiver of Notice

When all the shareholders of the Corporation are present at any meeting, or when the shareholders not represented thereat give their written consent to the holding thereof at the time and place the meeting is held, and such written consent is made a part of the records of such meeting, the proceedings had at such meeting are valid, irrespective of the manner in which the meeting is called or the place where it is held.

Section 6. Proper Business for Shareholder Meetings

1. At a meeting of the shareholders, only such business shall be proper as shall be brought before the meeting: (i) pursuant to the Corporation's notice of meeting; (ii) by or at the direction of the Board of Directors of the Corporation; or (iii) by any shareholder of the Corporation who is a shareholder of record at the time of giving the notice provided for

herein, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth herein.

2. For business to be properly brought before a meeting by a shareholder pursuant to clause (iii) above, the shareholder must have given timely notice thereof in writing to the Secretary. To be timely as to an annual meeting of shareholders, a shareholder's notice must be received at the principal executive office of the Corporation not less than 120 calendar days before the date of the Corporation's proxy statement released to shareholders in connection with the previous year's annual meeting; provided however, that if the date of the meeting is changed by more than 30 days from the date of the previous year's meeting, notice by shareholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting of shareholders, a shareholder notice must be received not later than the call of the meeting as provided for in Section 2 of this Article II. Such shareholder notice shall set forth as to each matter the shareholder proposes to bring before the meeting: (a) a brief description of and the reasons for proposing such matter at the meeting; (b) the name and address, as they appear on the Corporation's books, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (c) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder of record and by the beneficial owner, if any, on whose behalf the proposal is made; and (d) any material interest of such shareholder of record and the beneficial owner, if any, on whose behalf the proposal is made, in such proposal.

3. Notwithstanding anything in these Bylaws to the contrary, no business shall be proper at a meeting unless brought before it in accordance with the procedures set forth herein. Further, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth herein.

4. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures proscribed herein, and if the chairman should so determine, that any such business not properly brought before the meeting shall not be transacted.

5. Notwithstanding anything provided herein to the contrary, the procedures for submission of shareholder proposals have not expended, altered, or affected in any manner, whatever rights or limitations may exist regarding the ability of a shareholder of the Corporation to submit to a proposal for consideration by shareholders of the Corporation under California or federal law.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number--Quorum

The business of the Corporation shall be managed by a Board of Directors, whose number shall be not fewer than eleven (11) nor greater than fourteen (14), as the Board of Directors or the shareholders by amendment of these Bylaws may establish, provided, however, that a reduction in the authorized number of directors shall not remove any director prior to the expiration of his term of office, and provided further that the shareholders may, pursuant to law, establish a different and definite number of directors or different maximum and minimum numbers of directors by amendment of the Articles of Incorporation or by a duly adopted amendment to these Bylaws. A majority of the prescribed number of directors shall be necessary to constitute a quorum for the trans- action of business. At a meeting at which a quorum is present, every decision or act of a majority of the directors present made or done when duly assembled shall be valid as the act of the Board of Directors, provided that a minority of the directors, in the absence of a quorum, may adjourn from day to day but may transact no business.

Section 2. Exact Number of Directors

The number of Directors of the Corporation is hereby established, pursuant to the provisions of Section 1 of this Article III, as thirteen (13).

Section 3. Director Nominating Procedure

1. Except for the filling of vacancies, as provided for in Section 6 of this Article III, only persons who are nominated in accordance with the procedures set forth herein shall be qualified to serve as directors. Nominations of persons for election to the Board may be made at a meeting of shareholders: (a) by or at the direction of the Board or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw.

2. Nominations by shareholders shall be made pursuant to timely notice in writing to the Secretary. To be timely as to an annual meeting, a shareholder's notice must be received at the principal executive offices of the Corporation not less than 20 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. To be timely as to a special meeting at which directors are to be elected, a shareholder's notice must be received not later than the close of business on the 10th day following the earlier of the day

on which notice of the date of the meeting was mailed to shareholders or public disclosure of such date was made. Such shareholder's notice shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to the shareholder giving the notice, (i) the name and address, as they appear on the Corporation's books, of such shareholder and (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder and also which are owned of record by such shareholder; and (c) as to the beneficial owner, if any, on whose behalf the nomination is made, (i) the name and address of such person and (ii) the class and number of shares of the Corporation which are beneficially owned by such person. At the request of the Board, any person nominated by the Board for election as a director shall furnish to the Secretary that information required to be set forth in the shareholder's notice of nomination which pertains to the nominee.

3. Except for the filling of vacancies, as provided for in Section 6 of this Article III, no person shall be qualified to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Bylaw. The Chairman of the Board of Directors of the Corporation or the individual designated as chairman of the meeting shall, if the facts warrant, determine, and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if the chairman should so determine, that the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

Section 4. Qualification of Directors

The majority of directors of the Board of Directors shall not be officers or employees of the Corporation or any of its subsidiaries and shall not have held such positions at any time during the three years prior to election or selection to the Board of Directors. Whether an individual, who is an officer or employee of the Corporation or any of its subsidiaries, satisfies this qualification requirement will be determined at the time of his or her election or selection.

Section 5. Election and Term of Office

The directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected and qualified.

Section 6. Vacancies

Vacancies on the Board of Directors may be filled by a majority of the remaining directors, though they be less than a quorum, and each director so elected shall hold office until his successor is qualified following the election at the next annual meeting of the shareholders or at any special meeting of shareholders duly called for that purpose prior to such annual meeting. A vacancy shall be deemed to exist in case the shareholders (or the Board of Directors, within the provisions of Section 1 of this Article III) shall increase the authorized number of directors, but shall fail, for a period of thirty days from the effective date of such increase, to elect the additional directors so provided for, or in case the shareholders fail at any time to elect the full number of authorized directors. When one or more of the directors shall give notice to the Board of Directors of his or their resignation from said Board, effective at a future date, the Board of Directors shall have the power to fill such vacancy or vacancies to take effect when such resignation or resignations become effective. Each director so appointed shall hold office during the remainder of the term of office of the resigning director or directors or until their successors are appointed and qualify.

Section 7. First Meeting of Directors

Immediately following each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of such meeting is hereby dispensed with.

Section 8. Regular Meetings

Commencing in 2004, the time for other regular meetings of the Board of Directors, when held, shall be 8 a.m. on the third Tuesday of January, September, and November, the first Tuesday of March, the first Wednesday of May, and fourth Tuesday of July, unless a different schedule is established by a resolution of the Board. If any regular meeting date shall fall on a legal holiday, then the regular meeting date shall be the business day next following.

Section 9. Special Meetings

A special meeting of the Board of Directors shall be held whenever called by the Chief Executive Officer or other officer acting for him, or by three directors. Any and all business may be transacted at a special meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the Secretary, and shall state the time and place of such meeting.

Section 10. Notice of Regular and Special Meetings of the Directors

No notice shall be required to be given of any regular meeting of the Board of Directors, but each director shall take notice thereof. Notice of each special meeting of the Board of Directors shall be given to each of the directors by: (i) mailing to each of them a copy of

such notice at least five days; or (ii) delivering personally or by telephone, including voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means such notice at least 48 hours, prior to the time affixed for such meeting to the address of such director as shown on the books of the Corporation. If his address does not appear on the books of the Corporation, then such notice shall be addressed to him at the principal office of the Corporation.

Section 11. Waiver of Notice

When all the directors of the Corporation are present at any meeting of the Board of Directors, however called or noticed, and sign a written consent thereto on the record of such meeting, or if the majority of the directors are present, and if those not present sign in writing a waiver of notice of such meeting, whether prior to or after the holding of such meeting, which waiver shall be filed with the Secretary of the Corporation, the transactions of such meeting are as valid as if had at a meeting regularly called and noticed.

Section 12. Action by Unanimous Consent of Directors

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and such action by written consent shall have the same force and effect as if approved or taken at a regular meeting duly held. Any certificate or other document which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting, and that these Bylaws authorize the directors to so act.

Section 13. Telephonic Participation in Meetings

Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE IV

POWERS OF DIRECTORS

Section 1. The directors shall have power:

1. To call special meetings of the shareholders when they deem it necessary, and they shall call a meeting at any time upon the written request of shareholders holding one-third of all the voting shares;
2. To appoint and remove at pleasure all officers and agents of the Corporation, prescribe

their duties, fix their compensation, and require from them as necessary security for faithful service;

3. To create and appoint committees, offices, officers, and agents of the Corporation, and to prescribe and from time to time change their duties and compensation, but no committee shall be created and no member appointed thereto except upon approval of a majority of the whole Board of Directors; and

4. To conduct, manage, and control the affairs and business of the Corporation and to make rules and regulations not inconsistent with the laws of the State of California, or the Bylaws of the Corporation, for the guidance of the officers and management of the affairs of the Corporation.

ARTICLE V

DUTIES OF DIRECTORS

Section 1. It shall be the duty of the directors:

1. To cause to be kept a complete record of all their minutes and acts, and of the proceedings of the shareholders, and present a full statement at the regular annual meeting of the shareholders, showing in detail the assets and liabilities of the Corporation, and generally the condition of its affairs. A similar statement shall be presented at any other meeting of the shareholders when theretofore required by persons holding at least one-half of the voting shares of the Corporation;
2. To declare dividends out of the profits arising from the conduct of the business, whenever such profits shall, in the opinion of the directors, warrant the same;
3. To oversee the actions of all officers and agents of the Corporation, see that their duties are properly performed; and
4. To cause to be issued to the shareholders, in proportion to their several interests, certificates of stock.

ARTICLE VI

OFFICERS

Section 1. The officers shall include a Chairman of the Board of Directors, a Chief Executive Officer, who may be designated Chairman, a President, a Secretary, a Treasurer, a Controller, and may include one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, and Assistant Treasurers. All such officers shall be elected by and hold office at the pleasure of the Board of Directors, provided that the Chief Executive Officer shall have authority to

dismiss any other officer. Any director shall be eligible to be the Chairman of the Board of Directors and any two or more of such offices may be held by the same person, except that the Chief Executive Officer or President may not also hold the office of Secretary. Any officer may exercise any of the powers of any other officer in the manner specified in these Bylaws, as specified from time to time by the Board of Directors, and/or as specified from time to time by the Chief Executive Officer or senior officer acting in his or her absence or incapacity, and any such acting officer shall perform such duties as may be assigned to him or her.

ARTICLE VII

FEES AND COMPENSATION

Section 1. Directors shall be reimbursed for their expenses, and shall be compensated for their services as directors in such amounts as the Board may fix by resolution. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

ARTICLE VIII

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the Corporation or otherwise and whether of a civil, criminal, administrative, or investigative nature (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another Corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity, or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permissible under California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, and losses (including attorneys' fees, judgments, fines, ERISA excise tax or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that: (a) the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the

Board of the Corporation, (b) the Corporation shall indemnify such person seeking indemnification in connection with a proceeding (or part thereof) other than a proceeding by or in the name of the Corporation to procure a judgment in its favor only if any settlement of such a proceeding is approved in writing by the Corporation, and (c) that no such person shall be indemnified (i) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state, or local statutory law; (ii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; (iii) for acts or omissions involving intentional misconduct or knowing and culpable violation of law; (iv) for acts or omissions that the director or officer believes to be contrary to the best interests of the Corporation or its shareholders or that involve the absence of good faith on the part of the director or officer; (v) for any transaction for which the director or officer derived an improper personal benefit; (vi) for acts or omissions that show a reckless disregard for the director's or officer's duty to the Corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the Corporation or its shareholders; (vii) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's or officer's duties to the Corporation or its shareholders; (viii) for costs, charges, expenses, liabilities, and losses arising under Section 310 or 316 of the General Corporation Law of California (the "Law"); and (ix) as to circumstances in which indemnity is expressly prohibited by Section 317 of the Law. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that if the Law requires the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, such advances shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts to the Corporation if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents

A person who was or is a party or is threatened to be made a party to or is involved in any proceedings by reason of the fact that he or she is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as an employee or agent of another enterprise, including service with respect to employee benefit plans, whether the basis of such action is an alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, subject to the terms of any agreement between the Corporation and such person, be indemnified and held harmless by the Corporation to the fullest extent permitted by California law and the Corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities, losses (including

attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement), reasonably incurred or suffered by such person in connection therewith. The immediately preceding sentence is not intended to be and shall not be considered to confer a contract right on any employee or agent (other than directors and officers) of the Corporation.

Section 3. Right of Directors and Officers to Bring Suit

If a claim under Section 1 of this Article is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. Neither the failure of the Corporation (including its Board, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met the applicable standard of conduct, if any, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its shareholders) that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption for the purpose of an action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense

Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. Non-Exclusivity of Rights

The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders, disinterested directors, or otherwise.

Section 6. Insurance

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another Corporation, partnership, joint venture, trust, or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the law.

Section 7. Expenses as a Witness

To the extent that any director, officer, employee, or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit, or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 8. Indemnity Agreements

The Corporation may enter into agreements with any director, officer, employee, or agent of the Corporation providing for indemnification to the fullest extent permissible under the law and the Corporation's Articles of Incorporation.

Section 9. Separability

Each and every paragraph, sentence, term, and provision of this Article is separate and distinct so that if any paragraph, sentence, term, or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term, or provision hereof. To the extent required, any paragraph, sentence, term, or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the Corporation and claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director or officer existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification."

ARTICLE IX

CHAIRMAN OF THE BOARD

Section 1. If there shall be a Chairman of the Board of Directors, he shall, when present, preside at all meetings of the stockholders and the Board of Directors, and perform such other duties as the Bylaws or the Board of Directors shall require of him.

ARTICLE X

CHIEF EXECUTIVE OFFICER; OTHER EXECUTIVE OFFICERS

Section 1. The Board of Directors shall, at their first regular meeting, elect such officers as are required by Article VI hereof and such additional officers authorized by Article VI hereof as the Board, in its discretion, may choose to elect. If at any time the Chief Executive Officer shall be unable to act, the President (if there shall be one who is not also the Chief Executive Officer) shall act in his place and perform his duties; if the President or next most senior officer is unable to perform such duties, then the vice presidents, in such sequence as the Board of Directors may specify, shall act. If all the foregoing shall be unable to act, the senior officer among them shall appoint some other person in whom shall be vested, for the time being, all the duties and functions of Chief Executive Officer, to act until the Board of Directors can be convened and elect appropriate officers. The Chief Executive Officer (or person acting as such) shall:

1. Preside (if there shall be no Chairman of the Board of Directors or in his absence) over all meetings of the shareholders and directors;
2. Sign on behalf of the Corporation contracts and other instruments in writing within the scope of his authority or if, when, and as directed to do so by the Board of Directors, but nothing herein shall limit the power of the Board of Directors to authorize such contracts and other instruments in writing to be signed by any other officer or person or limit the power of the Chief Executive Officer to delegate his authority in any such matter to another officer or other officers of the Corporation. The Chief Executive Officer or any other officer specified by the Board of Directors may sign certificates of stock as provided in Article XIII hereof;
3. Delegate duties and responsibilities to any other officers and/or employees of the Corporation in any manner not prohibited by these Bylaws or by the Board of Directors, and change such duties and responsibilities so delegated from time to time at will;
4. Call the directors together when he deems it necessary, and have, subject to the advice of the directors, direction of the affairs of the Corporation; and
5. Generally discharge such other duties as may be required of him by the Bylaws of the Corporation.

ARTICLE XI

SECRETARY

Section 1. The Board of Directors shall elect a Secretary:

1. It shall be the duty of the Secretary to keep a record of proceedings of the Board of Directors and of the shareholders, and to keep the corporate seal of the Corporation. He shall be responsible for maintaining proper records showing the number of shares of stock of all classes and series issued and transferred by any shareholder, and the dates of such issuance and transfer;
2. Whenever it is provided in these Bylaws that notice shall be given either of regular or special meetings of the shareholders, regular or special meetings of the directors, or otherwise, such notice shall be given by the Secretary or by the Chief Executive Officer or by any person designated by either of them, or by any authorized person who shall have signed the call for such meeting. Any notice which the Secretary may give or serve, or act required to be done by him, may with like effect be given or served or done by or under the direction of an Assistant Secretary;
3. The Secretary shall discharge such other duties as pertain to his office or which may be prescribed by the Board of Directors.

ARTICLE XII

TREASURER

Section 1. The Treasurer shall receive and keep all the funds of the Corporation and pay them out only on checks or otherwise, as directed by the Board of Directors; provided, however, that the Board of Directors may provide for a depository of the funds of the Corporation, and may by resolution prescribe the manner in which said funds shall be drawn from said depository.

ARTICLE XIII

CERTIFICATES OF STOCK

Section 1. Certificates of stock shall be of such form and device as the Board of Directors may lawfully direct, and shall be entitled to have a certificate signed by the genuine or facsimile signatures of the Chairman and Chief Executive Officer or the President or any authorized Vice President and the Secretary or an Assistant Secretary. Each certificate shall express on its face its number, date of issuance, the number of shares for which and the person to whom it is issued, the kind of shares represented by said certificate, and such other matters as may be required by law. Certificates of stock may be issued prior to full payment, in harmony with all permits issued by regulatory authorities having jurisdiction

in the premises, or as is otherwise allowed by law, but any certificate issued prior to full payment must show on its face what amount has been paid thereon.

ARTICLE XIV

TRANSFER OF STOCK

Section 1. Shares of stock of the Corporation may be transferred at any time by the holders, or by power of attorney, or by their legal representative, by endorsement on the certificate of stock, but no transfer is valid until the surrender of the endorsed certificate. A surrendered certificate shall be delivered up for cancellation before a new one is issued in lieu thereof, and the Secretary shall preserve the certificate so canceled or a suitable record thereof. If, however, a certificate is lost or destroyed, the Board of Directors may order a new certificate issued as is by law required or permitted.

ARTICLE XV

VOTING

Section 1. At all corporate meetings, each shareholder, either in person or by proxy, shall be entitled to as many votes as he owns shares of stock; however, every shareholder entitled to vote at any election for directors shall have the right to cumulate his votes.

Section 2. Proxies

Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the Secretary of the Corporation; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless the person executing it specifies therein the length of time for which such proxy is to continue in force, which in no case shall exceed seven (7) years from the date of its execution.

ARTICLE XVI

INDEBTEDNESS

Section 1. The Board of Directors shall have power to incur indebtedness, and the terms and amount thereof shall be entered in the minutes. The Board of Directors shall have the power to secure said indebtedness, or any obligation or obligations of the Corporation, by pledge, mortgage, deed of trust, or other security given upon any property owned by it or in which it has any interest.

ARTICLE XVII

REGISTRAR AND/OR TRANSFER AGENT

Section 1. The Board of Directors may designate and appoint one or more registrars and/or transfer agents for the registration of the stock of the Corporation, and make such rules and regulations for the registrations of stock at the office of such registrars and/or transfer agents as may to the Board of Directors seem desirable. The Corporation may act as its own transfer agent, at the direction of the Board of Directors. The Board of Directors may, in its discretion, fix a transfer fee for transfer of stock certificates.

ARTICLE XVIII

MISCELLANEOUS

Section 1. Meetings. Notice. When Conclusive.

An entry made in the minutes of the directors or shareholders, pursuant to resolution or recital, to the effect that the notice of such meeting required by these Bylaws to be given has been given, shall be conclusive upon the Corporation, its directors, shareholders, and all other persons that such notice has been duly given in proper form and substance to the proper persons and for the requisite length of time.

ARTICLE XIX

SEAL

Section 1. The Board of Directors shall provide a suitable seal containing the name of the Corporation, the year of its creation, and other appropriate words, and may alter the same at pleasure.

ARTICLE XX

AMENDMENTS TO BYLAWS

Section 1. Power of Shareholders

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of shareholders entitled to exercise a majority of the voting power of the Corporation or by the written assent of such shareholders, except as otherwise provided by law or by the Articles of Incorporation.

Section 2. Power of Directors

Subject to the right of the shareholders as provided in Section 1 of this Article XX to adopt, amend, or repeal Bylaws, the Board of Directors may adopt, amend, or repeal any of the Bylaws of this Corporation, except that the powers of the Board of Directors to change, and/or establish the authorized number of directors of this Corporation shall be as set forth in Article III of these Bylaws.

I hereby certify that the foregoing is a full, true, and correct copy of the Bylaws of Southwest Gas Corporation, a California Corporation, as in effect on the date hereof.

WITNESS my hand this 16th day of September 2008.

/s/ GEORGE C. BIEHL
George C. Biehl
Executive Vice President/Chief Financial
Officer and Corporate Secretary

**BYLAWS
OF
SOUTHWEST GAS CORPORATION
(As amended 09/16/08)**

THIS INDENTURE OF TRUST, made and entered into as of March 1, 2003 (this "Indenture"), by and between CLARK COUNTY, NEVADA, a political subdivision of the State of Nevada (the "Issuer"), and BNY MIDWEST TRUST COMPANY, not in its individual capacity, but solely as Trustee (the "Trustee"), an Illinois trust company organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the State of Illinois.

WITNESSETH:

WHEREAS, the Issuer is a public instrumentality and political subdivision of the State of Nevada organized and existing under the County Economic Development Revenue Bond Law Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes, as supplemented and amended (the "Act"), and is authorized by the Act to issue its revenue bonds for the purpose of paying all or any part of the costs of a "project" as defined in the Act; and

WHEREAS, Southwest Gas Corporation, a California corporation (the "Borrower"), has duly caused an application to be filed with the Issuer and has requested that the Issuer issue bonds to finance or refinance a portion of the cost of the acquisition, construction and installation of a "project" within the meaning of the Act consisting of the upgrade, improvement, addition and replacement of facilities for local furnishing of natural gas located in Clark County, Nevada as more particularly described in Exhibit A-1 and Exhibit A-2 of the Agreement (the "Project"); and

WHEREAS, the Issuer, after due investigation and deliberation, has adopted a resolution approving said request and authorizing the issuance of bonds to finance or refinance a portion of the cost of the acquisition, construction, and installation of the Project; and

WHEREAS, concurrently with the execution and delivery of this Indenture, the Issuer is entering into a Financing Agreement, dated the date hereof (the "Agreement"), with the Borrower specifying the terms and conditions of the financing or refinancing of a portion of the cost of the acquisition and construction of the Project by the Borrower, the lending of the proceeds of the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003A (the "Series 2003A Bonds"), the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003B (the "Series 2003B Bonds"), the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003C (the "Series 2003C Bonds"), the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003D (the "Series 2003D Bonds") and the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003E (the "Series 2003E Bonds") to the Borrower for such purpose, and the repayment by the Borrower of such loan; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds, the Series 2003D Bonds and the Series 2003E Bonds (as more fully defined herein, the "Bonds"), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, the Bonds are to be issued in a total aggregate principal amount not to exceed \$165,000,000 and are to be sold and delivered to provide proceeds, as a loan to the Borrower, to finance or refinance a portion of the cost of the acquisition, construction, and installation of the Project, including the refinancing of such cost by refunding the Refunded Bonds, as defined herein; and

WHEREAS, the Bonds and the Trustee's certificate of authentication and the form of assignment to be endorsed thereon shall be in substantially the forms set forth in Exhibit A to this Indenture, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture;

WHEREAS, all acts and proceedings required by law necessary to make the Bonds when executed by the Issuer, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Issuer in consideration of the premises, the acceptance by the Trustee of the trust hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, one dollar duly paid to the Issuer by the Trustee at or before the execution and delivery of these presents and of other good and valuable considerations, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest on all Bonds outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby pledge and assign unto the Trustee and unto its successors and assigns forever;

GRANTING CLAUSE FIRST

The Agreement, including all extensions and renewals of the term thereof, if any, together with all right, title and interest of the Issuer therein (except for the right of the Issuer to the payment of costs, expenses and indemnification pursuant to Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 of the Agreement and any rights of the Issuer to receive any notices, certificates, requests, requisitions or other communications, to make inspections and to give consents under the Agreement) including, but without limiting the generality of the foregoing, the present and continuing right to receive, collect or make claim for any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder, including payments made by the Borrower under the Agreement (excepting only payments made by the Borrower pursuant to the Tax Certificate (as defined herein) in order to make rebate payments to the United States), to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other person is or may become entitled to do under the Agreement;

GRANTING CLAUSE SECOND

All Revenues (as defined herein) received by the Issuer under the Agreement and all moneys and earnings thereon held by the Trustee in the Construction Fund, the Costs of Issuance Fund, or in the Bond Fund under the terms of this Indenture; and

GRANTING CLAUSE THIRD

Any and all other property of each name and nature from time to time hereafter by delivery or by writing of any kind pledged or assigned as and for additional security hereunder, by the Issuer or by anyone on its behalf or with its written consent, to the Trustee, which are hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trusts and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds, from time to time issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds (except only as otherwise expressly stated herein) and thereafter to secure the Bank to the extent of its interest herein.

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall cause to be paid, the principal of the Bonds and the interest and premium, if any, due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as required under Article VI hereof or shall provide, as permitted by Article VIII hereof, for the payment thereof, and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and the Bank all sums of money due or to become due, to each of them, respectively, in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease, determine and be void except as set forth in such Article VIII.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and the Trust Estate hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds and the Bank, to the extent of its interest herein, as follows:

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01. RULES OF INTERPRETATION. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (A) All references in this Indenture to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Indenture.
- (B) The words "herein", "hereof", "hereto", "hereby", 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.
- (C) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular.
- (D) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect in the United States from time to time.

(E) Every "request", "order", "demand", "application", "appointment", "notice", "statement", "certificate", "consent", "direction", "instruction" or similar action hereunder by the Issuer shall, unless the form thereof is specifically provided, be in writing signed by the Authorized Issuer Representative.

(F) All references to the "Bank," the "Liquidity Provider" or the "Bond Insurer" apply only at such time as any Bank, Liquidity Provider or Bond Insurer is then providing a Letter of Credit, Liquidity Facility or Bond Insurance, as applicable, relating to any particular Series of Bonds and then only to such Series of Bonds and only to such Bank, Liquidity Provider or Bond Insurer, as applicable.

(G) All references to the "Remarketing Agent," the "Auction Agent," the "Tender Agent," and the "Broker-Dealer" apply only at such time as any Remarketing Agent, Auction Agent, Tender Agent or Broker-Dealer is then acting as a remarketing agent, auction agent, tender agent or broker-dealer, as applicable, with respect to any Series of Bonds and then only to such Series of Bonds and only to such Remarketing Agent, Auction Agent, Tender Agent or Broker-Dealer, as applicable.

(H) All other terms used herein which are defined in the Agreement shall have the same meanings assigned them in the Agreement unless the context otherwise requires.

SECTION 1.02. DEFINITIONS. In addition to the terms defined in the recitals hereto, for all purposes of this Indenture and the Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the following meanings; provided, however, that any terms used herein relating to Auction Bonds

that are not expressly defined below shall be deemed to have the meanings provided in Exhibit D, Auction Procedures, attached hereto:

“Act” means the County Economic Development Revenue Bond Law Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes, as amended and supplemented.

“Administrative Expenses” means any and all reasonable and necessary expenses (including the reasonable and necessary out-of-pocket expenses and fees of Counsel) incurred by the Issuer in connection with the Bonds, the Agreement, this Indenture and any transaction or event contemplated by the Agreement or this Indenture, and any agency of the State selected by the Issuer to act on its behalf in connection with the Bonds, including any and all reasonable expenses incurred by the Attorney General of the State in connection with any litigation which may at any time be instituted involving the Bonds.

“Agreement” means the Financing Agreement of even date herewith by and between the Issuer and the Borrower, as from time to time amended and supplemented.

“Auction Agent” has the meaning, at any time as applicable, set forth in Exhibit D, Auction Procedures, attached hereto.

“Auction Bond” means, at any time as applicable, any Bond that bears interest at an Auction Rate.

“Auction Rate” has the meaning set forth in Exhibit D, Auction Procedures, attached hereto.

“Auction Rate Period” has the meaning set forth in Exhibit D, Auction Procedures, attached hereto.

“Authorized Borrower Representative” means the President, the Chief Financial Officer, Treasurer or any Assistant Treasurer of the Borrower or any person at the time designated to act on behalf of the Borrower by a written certificate furnished to the Issuer, the Remarketing Agent, and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by any officer of the Borrower. Such certificate may designate an alternate or alternates.

“Authorized Denominations” means (i) with respect to any Term Rate Period, \$5,000 and any integral multiple thereof; (ii) with respect to any other Rate Period, \$100,000 and any integral multiple of \$5,000 in excess thereof, except that one Bond may be in a denomination of any amount in excess of \$100,000 and (iii) with respect to any Auction Rate Period, the Authorized Denominations set forth in Exhibit D, Auction Procedures, attached hereto.

“Authorized Issuer Representative” means the Chair of the Board of Commissioners of the Issuer or any person at the time designated to act on behalf of the Issuer by a written certificate furnished to the Borrower and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by the Chair of the Board of Commissioners of the Issuer.

"Bank" means, at any time as applicable, any commercial bank, savings association or other financial institution issuing a Letter of Credit to support the Bonds, which will be a party to a Reimbursement Agreement.

"Bank Bonds" shall have the meaning ascribed thereto in Section 4.06(b)(i) hereof.

"Bank Default" means any of the following events: (i) the Bank shall fail, wholly or partially, to make a payment when and as required under the provisions of the Letter of Credit; (ii) the Letter of Credit is surrendered, cancelled or terminated (other than through normal expiration in accordance with its terms), or amended or modified in any material respect, without the Trustee's prior written consent; (iii) a court of competent jurisdiction enters a final nonappealable judgment that the Letter of Credit is not valid and binding on or enforceable against the Bank ; or (iv) the occurrence and continuation of one or more of the following: (A) the liquidation or dissolution of the Bank; (B) the commencement by the Bank of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (C) the consent of the Bank to or the acquiescence by the Bank in any case or proceeding described in the preceding clause (B) that is commenced against it; (D) the making by the Bank of an assignment for the benefit of creditors; (E) the failure of the Bank or the admission by the Bank in writing of its inability generally to pay its debts or claims as they become due; (F) the initiation by the Bank of any actions to authorize any of the foregoing; (G) the commencement of an involuntary case or other proceeding against the Bank seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismissed and unstayed for a period of 60 days; or (H) the entering of an order for relief against the Bank under the federal bankruptcy law as now or hereafter in effect.

"Bond" or "Bonds" means any one or more of the bonds authorized, authenticated and delivered under this Indenture.

"Bond Counsel" means nationally recognized municipal bond counsel mutually acceptable to the Issuer, the Trustee and the Borrower, but shall not include Counsel to the Borrower.

"Bond Fund" means the fund created by Section 6.02 hereof.

"Bond Insurance" means, at any time as applicable, any bond insurance policy securing the payment of principal of the Bonds of any Series on the stated maturity date thereof and the payment of interest on the Bonds of such Series on each Interest Payment Date therefor, delivered pursuant to and meeting the requirements of Section 5.16 of the Agreement.

"Bond Insurer" means, at any time as applicable, any insurance company, surety or other financial institution providing Bond Insurance then in effect.

“Bondholder” or “holder” or “Owner” or “owner of Bonds” means the Person or Persons in whose name or names a Bond shall be registered on books of the Issuer kept by the Registrar for that purpose in accordance with the terms of this Indenture; provided, however, with respect to Book-Entry Bonds the term “Owner” shall mean the beneficial owners of the Bonds as the context may require.

“Book-Entry Bond” means a Bond authorized to be issued to and, except as provided in subsections (c) or (d) of Section 2.13 of this Indenture, restricted to being registered in the name of a Securities Depository.

“Borrower” means Southwest Gas Corporation, a California corporation qualified to do business in the State, and its successors and assigns and any surviving, resulting or transferee corporation as permitted in Section 5.2 of the Agreement.

“Borrower Bonds” means any Bond registered to the Borrower or any affiliate thereof or held by the Trustee for the account of the Borrower.

“Business Day” means a day on which banking institutions located in New York, New York, or in the city in which the principal corporate trust office of the Trustee is located or the payment office for the Bond Insurer, the Bank or the Liquidity Provider, at which demands for payment of the Bond Insurance, Letter of Credit or Liquidity Facility are to be presented, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed; provided, however, that during an Auction Rate Period, this definition of “Business Day” shall be supplemented as provided in Exhibit D, Auction Procedures, attached hereto.

“Code” means the Internal Revenue Code of 1954, as amended, Title XIII of the Tax Reform Act of 1986, as amended, and regulations promulgated or proposed thereunder or (to the extent applicable) under prior law, including temporary regulations.

“1986 Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated or proposed thereunder or (to the extent applicable) under prior law, including temporary regulations.

“Completion Date” means the date of completion of the New Money Project as certified under Section 5.3 of the Agreement.

“Construction Fund” means the fund created by Section 6.07 hereof.

“Cost” or “Cost of the Project” means (i) the cost of the New Money Project and (ii) the cost of refinancing the Prior Project through redemption of the Refunded Bonds.

“Cost of the New Money Project” means the sum of the items authorized to be paid from the Construction Fund pursuant to the provisions of paragraphs (a) to (g), inclusive, of Section 3.3 of the Agreement.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of

documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds which constitutes a "cost of issuance" within the meaning of Section 147(g) of the 1986 Code.

"Costs of Issuance Fund" means the fund by that name established pursuant to Section 6.08 hereof.

"Counsel" means an attorney at law or a firm of attorneys (who may be an employee of or counsel to the Issuer or the Borrower) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

"Daily Rate" means the interest rate on the Bonds established in accordance with Section 2.03(a) hereof.

"Daily Rate Period" means each period during which Bonds bear interest at Daily Rates.

"Dated Date" means (i) with respect to the Series 2003A Bonds and the Series 2003B Bonds, the date of issuance and delivery of such Bonds to each Initial Purchaser thereof and (ii) with respect to the Series 2003C Bonds, the Series 2003D Bonds and the Series 2003E Bonds, the first day of the month in which such Bonds are issued and delivered.

"Default" or "default" means any event which with the giving of notice, the passage of time, or both, becomes an "event of default".

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Event of Default" or "event of default" means an occurrence or event specified in and defined as such by Section 9.01 hereof.

"Exempt Facilities" means facilities for the local furnishing of natural gas within the meaning of Section 142(a)(8) of the 1986 Code.

"Expiration Date" means the earliest of (i) the stated expiration date of any Liquidity Facility or Letter of Credit and (ii) the date on which the Liquidity Facility or Letter of Credit is terminated pursuant to the terms of the Agreement or the terms of such Liquidity Facility or Letter of Credit.

"Fitch" means Fitch, Inc., doing business as Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized Rating Agency designated by the Borrower, with notice to the Issuer, the Trustee, the Bond Insurer, the Liquidity Provider and the Bank.

“Flexible Rate” means the interest rate on any Bonds established in accordance with Section 2.03(d) hereof.

“Flexible Rate Period” means each period, comprised of Flexible Segments, during which Bonds bear interest at Flexible Rates.

“Flexible Segment” means, with respect to each Bond bearing interest at a Flexible Rate, the period established in accordance with Section 2.03(d) hereof.

“Force Majeure” means acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the governments of the United States or of the State, or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; lightning; earthquakes; fires; tornadoes; volcanoes; storms; droughts; floods; explosions, breakage, or malfunction or accident to machinery, transmission lines, pipes or canals, even if resulting from negligence; civil disturbances; or any other cause not reasonably within the control of the Borrower.

The term “government obligations” means the obligations described in Section 8.01(B)(a)(iii)(2) hereof.

“Indenture” means this Indenture of Trust, including any indentures supplemental hereto or amendatory hereof.

“Initial Purchaser” means (i) Banc One Capital Markets, Inc., with respect to the Series 2003A Bonds and Series 2003B Bonds and (ii) Banc of America Securities LLC, with respect to the Series 2003C Bonds, the Series 2003D Bonds and Series 2003E Bonds.

“Initial Letters of Credit” means, in respect of the Series 2003A Bonds and the Series 2003B Bonds, the two irrevocable, direct-pay letters of credit, each in the stated amount of \$50,854,795, issued by Fleet National Bank and effective as of the date of delivery of the Bonds.

“Insurer Default” means any of the following events: (i) the Bond Insurer shall fail, wholly or partially, to make a payment when and as required under the provisions of the Bond Insurance; (ii) the Bond Insurance is surrendered, cancelled or terminated, or amended or modified in any material respect, without the Trustee’s prior written consent; (iii) a court of competent jurisdiction enters a final nonappealable judgment that the Bond Insurance is not valid and binding on or enforceable against the Bond Insurer; or (iv) the occurrence and continuation of one or more of the following: (A) the liquidation or dissolution of the Bond Insurer; (B) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (C) the consent of the Bond Insurer to or the acquiescence by the Bond Insurer in any case or proceeding described in the preceding clause (B) that is commenced against it; (D) the making by the Bond Insurer of an assignment for the benefit of creditors; (E) the failure of the Bond Insurer or the admission by the Bond Insurer in writing of its inability generally to pay its debts or claims as they become due; (F) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; (G) the commencement of an involuntary case or other

proceeding against the Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismissed and unstayed for a period of 60 days; or (H) the entering of an order for relief against the Bond Insurer under the federal bankruptcy law as now or hereafter in effect.

“Interest Payment Date” means (i) with respect to any Daily Rate Period or Weekly Rate Period, the first Business Day of each calendar month, (ii) with respect to any Term Rate Period, the first Business Day of the sixth calendar month following the effective date of such Term Rate Period and the first Business Day of each successive sixth calendar month, if any, of such Term Rate Period, (iii) with respect to any Flexible Segment, the Business Day succeeding the last day thereof, (iv) with respect to any Auction Rate Period, the Interest Payment Dates set forth in Exhibit D, Auction Procedures, attached hereto, and (v) with respect to each Rate Period, the Business Day succeeding the last day thereof.

“Investment Securities” means any of the following: (1) Permitted Investments; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Farm Credit System Financial Assistance Corporation, Export-Import Bank, Federal Financing Bank, Government National Mortgage Association, Farmers’ Home Administration, or Federal Housing Administration; (3) obligations of any state government the interest on which is exempt from federal income taxation for which a nationally recognized rating service is maintaining a rating within the top two ratings of such rating service; (4) repurchase agreements with reputable financial institutions fully secured by collateral security actually delivered to the Trustee described in clauses (1) or (2) of this definition continuously having a market value at least equal to 102% of the amount so invested and approved in writing by the Bond Insurer, the Bank, S&P, Moody’s and Fitch at the time of such investment; (5) bankers’ acceptances maturing not more than 360 days from the date of issuance issued by a bank (including the Trustee and its affiliates) which are rated at least Aa by Moody’s or rated AA by S&P or Fitch and eligible for purchase by the Federal Reserve Bank; (6) interest-bearing demand or time deposits (including certificates of deposit) in banks (including the Trustee and its affiliates), provided such deposits are (a) secured at all times, and are issued by a bank which has a rating on its short-term certificates of deposit of A-1 or better by S&P, P-1 or better by Moody’s or F-1 or better by Fitch and mature no more than 360 days after the date of purchase or (b) fully insured by Federal deposit insurance; and (7) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than 270 days after the date of issuance thereof) which have been assigned the rating of at least A-1 or better by S&P, P-1 or better by Moody’s or F-1 or better by Fitch and approved in writing by the Bond Insurer, the Bank and S&P and Moody’s at the time of such investment.

“Issuer” means Clark County, Nevada, as issuer of the Bonds.

“Letter of Credit” means, at any time as applicable, any direct-pay Letter of Credit, including each Initial Letter of Credit, securing payment of the principal of, interest and premium on the Bonds of any Series and the purchase price of such Bonds of such Series purchased by the Tender Agent as provided in Article IV during one or more types of Rate

Periods, in all cases issued by a Bank, naming the Trustee as beneficiary, delivered with respect to such Bonds pursuant to a Reimbursement Agreement and Section 5.14 of the Agreement, and meeting the requirements of Section 5.14 of the Agreement.

“Liquidity Facility” means, at any time as applicable, any standby bond purchase agreement or other liquidity facility securing payment of the purchase price of the Bonds of any Series purchased by the Tender Agent as provided in Article IV during one or more types of Rate Periods, delivered pursuant to and meeting the requirements of Section 5.13 of the Agreement.

“Liquidity Provider” means, at any time as applicable, any commercial bank, savings association or other financial institution providing a Liquidity Facility then in effect.

“Liquidity Provider Bonds” shall have the meaning ascribed thereto in Section 4.06(a)(i) hereof.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of California, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a Rating Agency, “Moody’s” shall be deemed to refer to any other nationally recognized Rating Agency designated by the Borrower, with notice to the Issuer, the Trustee, the Bond Insurer, the Liquidity Provider and the Bank.

“New Money Project” means the facilities to be financed from proceeds of the Series 2003D Bonds and the Series 2003E Bonds, as described in Exhibit A-2 to the Agreement.

“Outstanding” or “outstanding” or “Bonds Outstanding”, in connection with the Bonds means, as of the time in question, all Bonds authenticated and delivered under this Indenture, including, without limitation, Bonds deemed not defeased or satisfied after the payment by the Bond Insurer or the Bank of principal and interest on such Bonds in accordance with Section 8.01 hereof, except:

- A. Bonds theretofore canceled or required to be canceled under Section 2.10 or 6.17 hereof;
- B. Bonds which are deemed to have been paid in accordance with Article VIII hereof; and
- C. Bonds (including Bonds which are deemed to have been purchased pursuant to Section 4.03 hereof) in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

In determining whether the Owners of a requisite aggregate principal amount of outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Indenture, Bonds which are owned of record by the Borrower or any affiliate thereof or held by the Trustee for the account of the Borrower shall be disregarded and deemed not to be Outstanding hereunder for the purpose of any such determination (except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of

the Trustee actually knows to be so owned or held shall be disregarded) unless all Bonds are owned by the Borrower or any affiliate thereof and/or held by the Trustee for the account of the Borrower, in which case such Bonds shall be considered outstanding for the purpose of such determination. For the purpose of this definition, an "affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Owner" is defined under the term "Bondholder."

"Paying Agent" means, at any time as applicable, the Trustee, acting as paying agent for the Bonds.

"Permitted Investments" means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America); (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (iii) money market funds registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, which invest only in securities of the type described in clause (i) or (ii) of this definition and having a rating by S&P of at least Aam-G or AAAM, by Moody's of at least Aaa or P-1 and by Fitch of at least AAA or F-1; or (iv) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations described in clause (i) or (ii) of this definition which are held by a custodian in safekeeping on behalf of the holders of such certificates or receipts and approved in writing by the Bond Insurer, the Bank, S&P, Moody's and Fitch at the time of such investments.

"Person" means natural persons, firms, partnerships, associations, corporations, trusts, limited liability companies and public bodies.

"Plans and Specifications" means the plans and specifications for the Project as prepared by the Borrower and heretofore approved by the Issuer.

"Principal Office" means, with respect to the Trustee, the principal corporate trust office of the Trustee, which office at the date of acceptance of the Trustee of the duties and obligations imposed upon it hereunder is located for the purposes and at the addresses specified in Section 13.06 hereof.

"Prior Project" means the facilities originally financed from proceeds of the Refunded Bonds and to be refinanced from proceeds of the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds, as described in Exhibit A-1 to the Agreement.

"Project" means the Prior Project and the New Money Project, all as described in Exhibit A-1 and Exhibit A-2 to the Agreement.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Flexible Rate Period, Term Rate Period or Auction Rate Period.

"Rating Agency" means Moody's, if Moody's is then rating the Bonds, S&P, if S&P is then rating the Bonds, and Fitch, if Fitch is then rating the Bonds, or any other nationally recognized rating agency then rating the Bonds.

"Rebate Fund" means the fund created by Section 6.19 hereof.

"Record Date" means with respect to any Interest Payment Date in respect of a Daily Rate Period, a Weekly Rate Period, a Flexible Segment or an Auction Rate Period, the Business Day preceding such Interest Payment Date and, with respect to any Interest Payment Date in respect of a Term Rate Period, the fifteenth day of the calendar month preceding such Interest Payment Date.

"Refunded Bonds" means the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation) 1992 Series A and 1992 Series B.

"Refunding Account" has the meaning set forth in Section 2.02(e).

"Registrar" means the Trustee, acting as registrar for the Bonds.

"Reimbursement Agreement" means any reimbursement agreement entered into by the Borrower and the Bank in connection with the issuance of any Letter of Credit.

"Remarketing Agent" means, at any time as applicable, the remarketing agent or agents appointed in accordance with Section 4.08 hereof and any permitted successor or successors thereto.

"Resolution" means the resolution duly adopted and approved by the governing body of the Issuer on March 4, 2003, authorizing the issuance and sale of the Bonds and the execution and delivery of this Indenture and the Agreement and the other documents and transactions contemplated herein or therein, and any subsequent resolution relating to any of the Bonds which have not been issued as of the date of such subsequent resolution.

"Responsible Officer" means when used with respect to the Trustee, any officer within the Principal Office of the Trustee including any Vice President, Assistant Vice President, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Revenues" means the amounts pledged hereunder to the payment of principal of, and premium, if any, and interest on the Bonds, consisting of the following: (i) all amounts payable from time to time by the Borrower under Section 4.2(a) of the Agreement, and all receipts of the Trustee credited under the provisions of this Indenture against said amounts payable, (ii) all amounts received under a Letter of Credit, (iii) any accrued interest on the Bonds

deposited with the Trustee under Section 6.03 hereof and (iv) any amounts paid into the Bond Fund from the Construction Fund, including income or revenue derived from the investment of moneys therein.

“S.E.C.” means the Securities and Exchange Commission of the United States of America.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw Hill Companies, its successors and their assigns, and, if such Rating Agency shall be dissolved or liquidated or shall no longer perform the functions of a Rating Agency, “S&P” shall be deemed to refer to any other nationally recognized Rating Agency designated by the Borrower, with notice to the Issuer, the Trustee, the Bond Insurer, the Liquidity Provider and the Bank.

“Series” means, as applicable, (i) the Series 2003A Bonds, (ii) the Series 2003B Bonds, (iii) the Series 2003C Bonds, (iv) the Series 2003D Bonds and (v) the Series 2003E Bonds.

“Securities Depository” means, with respect to a Book-Entry Bond, DTC or any person, firm, association or corporation constituting a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended, which may at any time be substituted in its place to act as Securities Depository for the Bonds, or its successors, or any nominee therefor.

“State” means the State of Nevada.

“Tax Certificate” means the Tax Certificate and Agreement, dated the date of delivery of the Bonds, executed by the Issuer and the Borrower, as the same may be amended and supplemented from time to time.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the 1986 Code or Section 103(b)(13) of the Code for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the 1986 Code.

“TBMA Swap Index” means the TBMA Municipal Swap Index most recently published in the Bond Buyer, or, if the Bond Buyer no longer publishes such index or is no longer published, the variable rate index published in a comparable periodical selected by the Remarketing Agent.

“Tender Agent” means, at any time as applicable, the Trustee, acting as tender agent for the Bonds.

“Term Bond” means, at any time as applicable, any Bond that bears interest at a Term Rate.

“Term Rate” means the interest rate on the Bonds of a Series established in accordance with Section 2.03(c) hereof.

“Term Rate Period” means each period during which Bonds of a Series bear interest at a Term Rate.

“Trust Estate” means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

“Trustee” means BNY Midwest Trust Company, an Illinois trust company, and any successor trustee appointed and qualified pursuant to Sections 10.02, 10.06 and 10.09 hereof at the time serving as successor Trustee hereunder.

“Weekly Rate” means the interest rate on the Bonds of a Series established in accordance with Section 2.03(b) hereof.

“Weekly Rate Period” means each period during which Bonds bear interest at Weekly Rates.

SECTION 1.03. NUMBER AND GENDER. The singular form of any word used herein, including the terms defined in Section 1.02, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

SECTION 1.04. CONTENT OF CERTIFICATES AND OPINIONS. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture or the Agreement shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) 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; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them 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 the signers, such condition or covenant has been complied with.

Any such certificate or opinion made or given by an officer of the Issuer or the Borrower may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer or the Borrower), upon the certificate or opinion of or representations by an officer of the Issuer or the Borrower, as applicable, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Except as otherwise explicitly stated herein, any opinion required under this Indenture to be delivered by Bond Counsel shall be addressed and delivered, in addition to any other parties identified herein, to the Issuer.

THE BONDS

SECTION 2.01.

AUTHORIZED AMOUNT OF BONDS. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Except as provided in Section 2.08 hereof, the total principal amount of Bonds that may be issued hereunder is hereby expressly limited to \$165,000,000, consisting of Series 2003A Bonds in an amount not to exceed \$50,000,000, Series 2003B Bonds in an amount not to exceed \$50,000,000, Series 2003C Bonds in an amount not to exceed \$30,000,000, Series 2003D Bonds in an amount not to exceed \$20,000,000, and Series 2003E Bonds in an amount not to exceed \$15,000,000. It is hereby recognized that the Issuer and the Borrower have reserved the right to provide for the issuance of other obligations not constituting Bonds pursuant to Section 4.1(b) of the Agreement.

SECTION 2.02.

ISSUANCE OF BONDS.

(a) **Authorization of Issuance.** The Bonds are hereby authorized to be issued, and upon such issuance the Trustee shall authenticate the Bonds and deliver them as specified in a written request of the Issuer, as more fully provided in Sections 2.06 and 2.12. Series 2003A Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003A." Series 2003B Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003B." Series 2003C Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003C." Series 2003D Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003D." Series 2003E Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003E." Unless the Issuer shall otherwise direct, the Series 2003A Bonds shall be numbered A-1 and upward, the Series 2003B Bonds shall be numbered B-1 and upward, the Series 2003C Bonds shall be numbered C-1 and upward, the Series 2003D Bonds shall be numbered D-1 and upward and the Series 2003E Bonds shall be numbered E-1 and upward.

(b) **General Terms.** The Bonds shall be issued as fully registered bonds, without coupons, in Authorized Denominations and shall be dated the Dated Date and shall mature, subject to prior redemption or purchase upon the terms and conditions hereinafter set forth, on the following dates: the Series 2003A Bonds, on March 1, 2038; the Series 2003B Bonds, on March 1, 2038; the Series 2003C Bonds, on March 1, 2038; the Series 2003D Bonds, on March 1, 2038 and the Series 2003E Bonds, on March 1, 2038. The Trustee shall insert the date of authentication of each Bond in the place provided for such purpose in the form of the certificate of authentication of the Trustee to be printed on each Bond.

(c) **Manner of Payment.** The principal of and premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts (which shall be in immediately available funds), and, except as otherwise provided in Section

2.13 hereof with respect to Book-Entry Bonds, such principal and premium, if any, and interest thereon shall be payable at the Principal Office of the Trustee, as Paying Agent. Payment of interest on any Interest Payment Date on any Bond shall be made to the Owner thereof as of the close of business on the Record Date immediately prior thereto and, except as otherwise provided in Section 2.13 hereof with respect to Book-Entry Bonds, shall be (i) made by check or draft of the Trustee, as Paying Agent, mailed on the Interest Payment Date to the Owner as of the close of business on the Record Date immediately preceding the Interest Payment Date, at the Owner's address as it appears on the registration books of the Issuer kept by the Trustee or at such other address as is furnished to the Trustee in writing by such Owner not later than the close of business on the Record Date for such Interest Payment Date, or (ii) transmitted by wire transfer to the account with a member of the Federal Reserve System located within the continental United States of America of any Owner which owns at least \$1,000,000 in aggregate principal amount of the Bonds of any Series and which shall have provided wire transfer instructions to the Trustee prior to the close of business on such Record Date, but, in the case of interest payable in respect of a Flexible Segment, only upon presentation of such Bond (if such Bond is not a Book-Entry Bond) at the Principal Office of the Trustee for exchange or transfer in accordance with the provisions hereof, except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the Owners in whose names any such Bonds are registered at the close of business on the fifth (5th) Business Day preceding the date of payment of such defaulted interest. All payments will be made in immediately available funds.

(d) **Interest.** The Bonds shall bear interest from and including the Dated Date until payment of the principal or the redemption or purchase price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise, at the rate or rates per annum determined pursuant to Section 2.03 hereof. Interest on the Bonds shall be paid on each applicable Interest Payment Date and at maturity or prior redemption or purchase for the period commencing on the immediately preceding Interest Payment Date (or if no interest has been paid thereon commencing on the Dated Date) to but excluding such Interest Payment Date; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, Bonds shall bear interest from the last date to which interest has been paid in full or duly provided for on the Bonds or, if no interest has been paid or duly provided for on the Bonds, from the Dated Date thereof. Each Bond shall bear interest on overdue principal at the rate borne by the Bonds on the date on which such principal became due and payable. During any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, interest on the related Bonds shall be computed upon the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. During any Term Rate Period or any Auction Rate Period of greater than 180 days, interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve (12) thirty (30) day months. During any Auction Rate Period of 180 days or less, interest on the Bonds shall be computed upon the basis of a 360-day year for the number of days actually elapsed.

(e) **Proceeds of Sale.** The proceeds received by the Issuer from the sale of the Bonds shall be deposited with the Trustee, who shall forthwith deposit such proceeds as set forth in a written request of the Issuer acknowledged by the Borrower. Such request shall provide for such proceeds to be deposited as set forth in this Section, as follows:

(i) to the Bond Fund, the amount of interest accrued on the Bonds from the Dated Date thereof to the date of issuance, such accrued interest on the Series 2003C Bonds to be deposited in the Series 2003C Account in the Bond Fund, such accrued interest on the Series 2003D Bonds to be deposited in the Series 2003D Account in the Bond Fund, and such accrued interest on the Series 2003E Bonds to be deposited in the Series 2003E Account in the Bond Fund;

(ii) to the Costs of Issuance Fund, the sum of \$350,000 from the proceeds of the Series 2003D Bonds and the Series 2003E Bonds to be deposited into the Series 2003D/E Costs of Issuance Account;

(iii) to the Refunding Account created pursuant to this Section, the sum of \$130,000,000, consisting of \$50,000,000 from the proceeds of the Series 2003A Bonds, \$50,000,000 from the proceeds of the Series 2003B Bonds and \$30,000,000 from the proceeds of the Series 2003C Bonds; and

(iv) to the Construction Fund, the balance of such proceeds, consisting of \$34,650,000 from proceeds of the Series 2003D Bonds and the Series 2003E Bonds.

The Trustee shall create a separate account, designated the Refunding Account (the "Refunding Account"), into which the Trustee shall deposit the amount specified in (iii) above. Upon the deposit of such amount, the Trustee shall immediately transfer such amount to BNY Midwest Trust Company, as Escrow Agent for the Refunded Bonds pursuant to an Escrow Agreement of even date herewith, and shall close such account.

SECTION 2.03.

DETERMINATION OF RATE PERIODS AND INTEREST RATES. In the manner hereinafter provided, the term of the Bonds of each Series will be divided into consecutive Rate Periods during which all Bonds of such Series shall bear interest at the Daily Rate, the Weekly Rate, the Flexible Rate, the Term Rate or the Auction Rate, as the case may be. The first Rate Period (i) with respect to the Series 2003A Bonds and the Series 2003B Bonds, shall be a Weekly Rate Period commencing on the Dated Date of such Bonds; (ii) with respect to the Series 2003C Bonds, shall be a Term Rate Period commencing on the Dated Date of such Bonds and ending on February 28, 2013, during which Term Rate Period the Series 2003C Bonds shall bear interest at 5.45% per annum; (iii) with respect to the Series 2003D Bonds, shall be a Term Rate Period commencing on the Dated Date of such Bonds and ending on August 31, 2004, during which Term Rate Period the Series 2003D Bonds shall bear interest at 3.35% per annum; and (iii) with respect to the Series 2003E Bonds, shall be a Term Rate Period commencing on the Dated Date of such Bonds and ending on February 28, 2013, during which Term Rate Period the Series 2003E Bonds shall bear interest at 5.80% per annum. The Bonds shall bear interest at the rate or rates per annum established from time to time in accordance with the provisions of this Indenture.

i) (1) Determination of Daily Rate. During each Daily Rate Period for any Series of Bonds, such Bonds shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent not later than 10:00 a.m., New York time, on each Business Day for such Business Day. The Daily Rate shall be the rate determined by the Remarketing Agent to be the lowest interest rate which would enable the Remarketing

Agent to sell such Bonds on the effective date of such rate at a price equal to 100% of the principal amount thereof (without regard to accrued interest); provided, however, that with respect to any day which is not a Business Day, the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day, and with respect to any other day for which the Remarketing Agent shall not have determined a Daily Rate, the Daily Rate for such day shall be 105% of the most recent TBMA Swap Index. In no event shall the Daily Rate exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law. The Remarketing Agent shall provide the Trustee with immediate telephonic notice by noon New York time (promptly confirmed in writing) of each Daily Rate, as so determined; provided, however that no such notice need be given if the Daily Rate so determined is the same Daily Rate for the immediately preceding day.

(ii) **Adjustment to Daily Rate.** The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds of a Series shall bear interest at a Daily Rate. Such direction shall (A) specify the Series of Bonds and the effective date of such adjustment to a Daily Rate, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such direction (or such shorter period of time to which the Trustee agrees), and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or on any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof, (2) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or the day immediately following the last day of the last Flexible Segment for each such Bond in the then current Flexible Rate Period all as determined in accordance with Section 2.03(d)(iv) hereof, and (3) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) in the case of an adjustment from a Term Rate Period having a duration in excess of one year, be accompanied by (1) a form of opinion of Bond Counsel to the effect that such adjustment (i) is authorized or permitted by the Act and this Indenture and (ii) will not adversely affect the Tax-Exempt status of such Bonds and (2) written evidence of compliance with the terms of Section 5.15 of the Agreement; and (C) specify the Remarketing Agent for the Bonds of such Series. During each Daily Rate Period commencing on the date so specified or determined (provided that the requirements of clause (B) above have been met on such date) and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be a Daily Rate.

(iii) **Notice of Adjustment to Daily Rate.** Except with respect to an adjustment to a Daily Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to a Daily Rate Period to Owners of such Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Daily Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to a Daily Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (a)(ii) if required, and to the Borrower's ability to

rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Daily Rate Period, (3) except with respect to an adjustment to a Daily Rate Period from a Weekly Rate Period, in which case the requirements of this subsection (3) shall not apply, that all such Bonds are subject to mandatory purchase on such effective date, and (4) the procedures of such purchase and the payment of the purchase price.

(i) (1) Determination of Weekly Rate. During each Weekly Rate Period for any Series of Bonds, such Bonds shall bear interest at the Weekly Rate, which, in the case of the first Weekly Rate determined for each Weekly Rate Period, shall be determined by the Remarketing Agent not later than 2:00 p.m. New York time on the first day of such Weekly Rate Period and, thereafter, no later than the Business Day preceding each Wednesday during such Weekly Rate Period. The Weekly Rate shall be the rate determined by the Remarketing Agent to be the lowest interest rate which would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price equal to 100% of the principal amount thereof (without regard to accrued interest); provided, however, that if the Remarketing Agent shall not have determined a Weekly Rate for any period, the Weekly Rate for such period shall be the same as 105% of the most recent TBMA Swap Index. In no event shall the Weekly Rate exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law. The first Weekly Rate determined for each Weekly Rate Period shall apply to the period commencing on the first day of such period and ending on the succeeding Tuesday. Thereafter, each Weekly Rate shall apply to the period commencing on each Wednesday and ending on the succeeding Tuesday; provided, however, if a Weekly Rate Period shall end on a day other than Tuesday, the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on the Wednesday preceding the last day of such Weekly Rate Period and ending on such last day. The Remarketing Agent shall provide the Trustee with written notification on the first day of each Weekly Rate Period of each Weekly Rate as so determined.

(ii) Adjustment to Weekly Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds of a Series shall bear interest at a Weekly Rate. Such direction shall (A) specify the Series of Bonds and the effective date of such adjustment to a Weekly Rate, which shall be a Business Day not earlier than the 15th day after the date of such direction (or such shorter period of time to which the Trustee agrees) and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or on any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof, (2) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or the day immediately following the last day of the last Flexible Segment for each such Bond in the then-current Flexible Rate Period, all as determined in accordance with Section 2.03(d)(iv) hereof and (3) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) in the case of an adjustment from a Term Rate Period having a duration in excess of one year, be accompanied by (1) a form of opinion of Bond Counsel to the effect that such

adjustment (i) is authorized or permitted by the Act and this Indenture and (ii) will not adversely affect the Tax-Exempt status of such Bonds and (2) written evidence of compliance with the terms of Section 5.15 of the Agreement; and (C) specify the Remarketing Agent for the Bonds of such Series. During each Weekly Rate Period commencing on the date so specified or determined (provided that the requirements of clause (B) above have been met on such date) and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be a Weekly Rate.

(iii) Notice of Adjustment to Weekly Rate. Except with respect to an adjustment to a Weekly Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to a Weekly Rate Period to Owners of the Bonds by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Weekly Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to a Weekly Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (b)(ii), if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Weekly Rate Period, (3) except with respect to an adjustment to a Weekly Rate Period from a Daily Rate Period, in which case the requirements of this subsection (3) shall not apply, that all such Bonds are subject to mandatory purchase on such effective date and (4) the procedures of such purchase and the payment of the purchase price.

iii) (1) Determination of Term Rate. During each Term Rate Period for any Series of Bonds (which shall be at least 180 days in duration), such Bonds shall bear interest at the Term Rate determined by the Remarketing Agent on a Business Day selected by the Remarketing Agent, but not more than sixty (60) days prior to the first day of such Term Rate Period. The Term Rate shall be the rate determined by the Remarketing Agent on such date, and filed on such date with the Trustee and the Borrower, by written notice or by telephone promptly confirmed by telecopy or other writing, as being the lowest rate which would enable the Remarketing Agent to sell such Bonds on the effective date of such Term Rate at a price equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Term Rate for any Term Rate Period shall not be determined or become effective, then the Rate Period for such Bonds shall automatically adjust to a Daily Rate Period. If a Daily Rate for the first day of any such Daily Rate Period is not determined as provided in Section 2.03(a)(i) hereof, the Daily Rate for the first day of such Daily Rate Period shall be 105% of the most recent TBMA Swap Index. In no event shall any Term Rate exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law.

(ii) Adjustment to or Continuation of Term Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds of a Series shall bear, or continue to bear, interest at a Term Rate, and if it shall so elect that such Bonds shall bear or continue to bear, interest at a Term Rate, then the Borrower shall determine the duration of the Term Rate Period during which the Bonds shall bear interest at such Term Rate. As a part of such election, the Borrower also may determine that the initial Term Rate Period shall be followed by successive Term Rate Periods and,

if the Borrower so elects, shall specify the duration of each such successive Term Rate Period as provided in this paragraph (ii). Such direction shall (A) specify the Series of Bonds and the effective date of each Term Rate Period, which shall be a Business Day not earlier than the 15th day after the date of such written direction (or such shorter period of time to which the Trustee agrees) and shall be (1) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or the day immediately following the last day of the last Flexible Segment for such Bond in the then-current Flexible Rate Period, all as determined in accordance with Section 2.03(d)(iv) hereof, (2) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof and (3) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) specify the last day of such Term Rate Period or, if successive Term Rate Periods shall have been designated, the last day of each such Term Rate Period (which shall be for each Term Rate Period either the date immediately preceding the final maturity date of the Bonds, or a day which both immediately precedes a Business Day and is at least 180 days after the effective date thereof); (C) unless the adjustment is from a Term Rate Period of equal duration, be accompanied by a form of opinion of Bond Counsel to the effect that such adjustment (1) is authorized or permitted by the Act and this Indenture and (2) will not adversely affect the Tax-Exempt status of such Bonds, which opinion of Bond Counsel described in clause (C) above, if required, must be delivered on the effective date of such adjustment and (D) with respect to the continuation of a Term Rate Period, specify the Remarketing Agent for the Bonds of such Series on the effective date of such continuation. Notwithstanding the stated date of termination of any Term Rate Period, the Borrower may elect to cause an adjustment to any other Rate Period as of any date on which the affected Bonds are subject to redemption pursuant to Section 3.01(A)(3) hereof.

If, by the fourteenth (14th) day prior to the last day of any Term Rate Period, the Trustee shall not have received notice of the Borrower's election that, during the succeeding Rate Period, the Bonds of a Series shall bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or an Auction Rate, the succeeding Rate Period of such Bonds shall be a Weekly Rate Period until the interest rate on such Bonds is adjusted to another Rate Period, and the Bonds shall be subject to purchase pursuant to Section 4.02.

(iii) Notice of Adjustment to or Continuation of Term Rate. Except with respect to an adjustment to a Term Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to (or the continuation of) a Term Rate Period to Owners of such Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Term Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to, or continue to be, a Term Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (ii), if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date and the last day of such Term Rate Period, (3) that the Term Rate for such Term Rate Period will be determined on or prior to the effective

date thereof, (4) how such Term Rate may be obtained from the Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that all such Bonds are subject to mandatory purchase on such effective date, (7) the procedures of such purchase and the payment of the purchase price and (8) the redemption provisions set forth in Section 3.01 hereof which will apply during such Term Rate Period.

iv) (1) Determination of Flexible Segments and Flexible Rates. During each Flexible Rate Period for any Series of Bonds, each Bond of such Series shall bear interest during each Flexible Segment for such Bond as described herein. Different Flexible Segments and Flexible Rates may apply to different Bonds of such Series at any time and from time to time. The Flexible Segment for each such Bond shall be a period of at least one day and not more than 270 days ending on a day that immediately precedes a Business Day, determined by the Remarketing Agent to be the period which, together with all such other Flexible Segments for all Bonds of such Series then Outstanding, will result in the lowest overall interest expense on the Bonds of such Series over the succeeding 270 days. The Flexible Rate for each Flexible Segment for each Bond shall be determined by the Remarketing Agent no later than 1:00 p.m., New York time on the Business Day preceding the first day of such Flexible Segment (and in time to enable the Remarketing Agent to give to the Trustee the notice required by Section 4.04(c) hereof) to be the lowest interest rate which would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price equal to 100% of the principal amount thereof. If a Flexible Segment or a Flexible Rate for a Flexible Segment is not determined or effective, the Flexible Segment for such Bond shall be a Flexible Segment of one day, and the Flexible Rate for such Flexible Segment of one day shall be 105% of the most recent TBMA Swap Index. In no event shall the Flexible Rate for any Flexible Segment exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law. The Remarketing Agent shall provide the Trustee with facsimile or telephonic notice of each Flexible Segment and Flexible Rate, as provided in Section 4.04(c) hereof.

(ii) Adjustment to Flexible Rates. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds of a Series shall bear interest at Flexible Rates. Such direction shall (A) specify the Series of Bonds and the effective date of the Flexible Rate Period during which such Bonds shall bear interest at Flexible Rates, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such direction (or such shorter period of time to which the Trustee agrees), and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof and (2) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) in the case of an adjustment from a Term Rate Period having a duration in excess of one year, be accompanied by (1) a form of opinion of Bond Counsel to the effect that such adjustment (i) is authorized or permitted by the Act and this Indenture and (ii) will not adversely affect the Tax-Exempt status of such Bonds and (2) written evidence of compliance with

the terms of Section 5.15 of the Agreement; and (C) specify the Remarketing Agent for the Bonds of such Series. During each Flexible Rate Period commencing on the date so specified or determined (provided that the requirements of clause (B) above have been met on such date) and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be a Flexible Rate.

(iii) Notice of Adjustment to Flexible Rates. Except with respect to an adjustment to a Flexible Rate Period from a Flexible Rate Period, the Trustee shall give notice of an adjustment to a Flexible Rate Period to Owners of the Bonds of a Series, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Flexible Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to the Flexible Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (ii), if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Flexible Rate Period, (3) that all such Bonds are subject to mandatory purchase on such effective date and (4) the procedures of such purchase and the payment of the purchase price.

(iv) Adjustment from Flexible Rates. At any time during a Flexible Rate Period, the Borrower may elect that the Bonds of a Series shall no longer bear interest at Flexible Rates and shall instead bear interest as otherwise permitted under this Indenture. The Borrower shall give written notice to the Issuer, the Trustee, the Liquidity Provider, the Bank and the Remarketing Agent of such election and shall specify the Rate Period to follow with respect to such Bonds upon cessation of the Flexible Rate Period and instruct the Remarketing Agent to (1) determine Flexible Segments of such duration that, as soon as possible, all Flexible Segments shall end on the same date, not earlier than the fourteenth (14th) day (or such shorter period of time to which the Trustee agrees) after the date of such written notice from the Borrower, and upon the establishment of such Flexible Segments the day succeeding the last day of all such Flexible Segments shall be the effective date of the Rate Period elected by the Borrower; or (2) determine Flexible Segments that will best promote an orderly transition to the succeeding Rate Period to apply to such Bonds, beginning not earlier than the fourteenth (14th) day (or such shorter period of time to which the Trustee agrees) after the date of such written notice from the Borrower. If the Borrower elects the alternative in clause (2) above, the day succeeding the last day of the Flexible Segment for each such Bond shall be, with respect to such Bond, the effective date of the new Rate Period elected by the Borrower. The Remarketing Agent, promptly upon the determination thereof, shall give written notice of such last day and such effective dates to the Borrower, the Liquidity Provider, the Bank and the Trustee. During any transitional period from a Flexible Rate Period to the succeeding Rate Period in accordance with clause (2) above, the provisions of this Indenture shall be deemed to apply to such Bonds as follows: such Bonds continuing to bear interest at Flexible Rates shall have applicable to them the provisions hereunder theretofore applicable to such Bonds as if all Bonds were continuing to bear interest at Flexible Rates and such Bonds bearing interest in the Rate Period to which the transition is being made will have applicable to them the provisions hereunder as if all such Bonds were bearing interest in such Rate Period.

(e) (i) Determination of Auction Rate. During each Auction Rate Period for any Series of Bonds, such Bonds shall bear interest at the Auction Rate, determined pursuant to Exhibit D, Auction Procedures, attached hereto.

(ii) Adjustment to Auction Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, and the Remarketing Agent, may elect that all (but not less than all) of the Bonds of a Series shall bear interest at an Auction Rate. Such direction shall (A) specify the Series of Bonds and the effective date of such adjustment to an Auction Rate, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such direction (or such shorter period of time to which the Trustee agrees) and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or on any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof, and (2) in the case of an adjustment from a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, an Interest Payment Date on which interest is payable for the Daily Rate Period, Weekly Rate Period or Flexible Segment from which the adjustment is to be made; (B) in the case of an adjustment from a Term Rate Period having a duration in excess of one year, be accompanied by a form of opinion of Bond Counsel to the effect that such adjustment (i) is authorized or permitted by the Act and this Indenture and (ii) will not adversely affect the Tax-Exempt status of such Bonds and (C) specify the Auction Agent and the Broker-Dealer appointed by the Borrower for the Bonds of such Series in accordance with Appendix D. During each Auction Rate Period commencing on the date so specified or determined (provided that the requirements of clause (B) above have been met on such date) and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be an Auction Rate.

In the event of an adjustment of a Series of Bonds to an Auction Rate Period, the Auction Rate Period commencing on the effective date of such adjustment shall expire on and include the initial Auction Date (as defined in Exhibit D hereto). The initial Auction Date (which shall be the day of the week on which Auctions (as defined in Exhibit D hereto) will generally be conducted) shall be determined by the Borrower on or prior to the effective date of such adjustment to an Auction Rate Period. The Auction Rate for the initial Auction Rate Period shall be determined by the Broker-Dealer (as defined in Exhibit D) for the Bonds of such Series on or prior to the effective date of such adjustment to an Auction Rate Period as the lowest rate which, in the judgment of such Broker-Dealer, is necessary to enable the Bonds of such Series to be remarketed on such effective date at a price (without regard to accrued interest) equal to the principal amount thereof. After the initial Auction Rate Period, each Auction Rate Period shall be determined in accordance with Exhibit D hereto. For any other Auction Rate Period that is not an initial Auction Rate Period, the Auction Rate shall be the rate of interest determined in accordance with Exhibit D hereto.

(iii) Notice of Adjustment to Auction Rate. Except with respect to an adjustment to an Auction Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to an Auction Rate Period to Owners of such Bonds, by first class mail,

postage prepaid, not less than twelve (12) days prior to the effective date of such Auction Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to an Auction Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (ii) if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Auction Rate Period, (3) that all such Bonds are subject to mandatory purchase on such effective date and (4) the procedures of such purchase and the payment of the purchase price.

(f) Determinations Binding. The establishment and determination by the Remarketing Agent or the Auction Agent, as applicable, of each Daily Rate, Weekly Rate, Term Rate, each Flexible Segment and Flexible Rate and each Auction Rate shall, absent manifest error, be conclusive and binding upon the Remarketing Agent, the Auction Agent, the Liquidity Provider, the Bank, the Trustee, the Issuer, the Borrower and the Owners of the Bonds.

(g) Rescission of Election; Automatic Adjustment. Notwithstanding anything herein to the contrary, the Borrower may rescind any election by it to adjust to or, in the case of a Term Rate Period, continue a Rate Period pursuant to Section 2.03(a)(ii), (b)(ii), (c)(ii), (d)(ii) or (e)(ii) hereof prior to the effective date of such adjustment or continuation by giving written notice thereof to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent prior to such effective date. At the time the Borrower gives notice to rescind any election by it to adjust to, or in the case of a Term Rate Period, continue a Rate Period pursuant to Section 2.03(a)(ii), (b)(ii), (c)(ii), (d)(ii) or (e)(ii) hereof, it may also elect to continue the then effective Rate Period; provided, however, if the Rate Period then in effect is a Term Rate Period, the subsequent Term Rate Period shall not be of different duration than the Term Rate Period then in effect unless the Borrower, prior to the expiration of the then-current Term Rate Period, provides to the Trustee and the Issuer an opinion of Bond Counsel to the effect that the continuation in a Term Rate Period of a different duration does not adversely affect the Tax-Exempt status of the affected Bonds. If the notice of such rescission does not become effective for any reason, and the Borrower does not elect to continue the Rate Period then in effect, the Rate Period shall automatically adjust to or continue in a Daily Rate Period. If a Daily Rate for the first day of any Daily Rate Period to which a Rate Period is adjusted under this Section 2.03(g) is not determined as provided in Section 2.03(a)(i) hereof, the Daily Rate for the first day of such Daily Rate Period shall be 105% of the most recent TBMA Swap Index. The Trustee shall immediately give written notice of each such automatic adjustment to a Rate Period pursuant to this Section 2.03(g) to the Owners in the form provided in Section 2.03(a)(iii) hereof.

Notwithstanding the rescission of any notice to adjust or continue a Rate Period, if notice has been given to Bondholders pursuant to Section 2.03(a)(iii), (b)(iii), (c)(iii), (d)(iii) or (e)(iii), the Bonds shall be subject to mandatory purchase as specified in such notice.

(h) Liquidity Provider Bonds. Notwithstanding any other provision of this Indenture, including any provision of this Section 2.03 relating to the determination of interest rates on the Bonds, any Liquidity Provider Bond shall bear interest at the rate, payable at the times and in the manner, specified by such Liquidity Facility.

(i) Bank Bonds. Notwithstanding any other provision of this Indenture, including any provision of this Section 2.03 relating to the determination of interest rates on the Bonds, any Bank Bond shall bear interest at the rate, payable at the times and in the manner, specified in the related Reimbursement Agreement.

SECTION 2.04. OWNERSHIP, TRANSFER, EXCHANGE AND REGISTRATION OF BONDS. The Issuer shall cause books for the registration and for the transfer of the Bonds as provided herein to be kept by the Trustee, which is hereby constituted and appointed the Registrar and transfer agent for the Bonds. The Issuer shall prepare and deliver to the Trustee, and the Trustee shall keep custody of, a supply of unauthenticated Bonds of each Series duly executed by the Issuer, as provided in Section 2.05 hereof, for use in the transfer and exchange of Bonds of such Series. The Trustee is hereby authorized and directed to complete such forms of Bonds as to principal amounts and registered owners, in accordance with the provisions hereof, in effecting transfers and exchanges of Bonds as provided herein.

Upon surrender for transfer of any Bond at the Principal Office of the Trustee, duly endorsed for transfer or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, the Trustee shall date and execute the certificate of authentication on and deliver in the name of the transferee or transferees a new Bond or Bonds of the applicable Series duly executed by the Issuer of Authorized Denominations and for a like aggregate principal amount.

Any Bond or Bonds may be exchanged at the Principal Office of the Trustee for a new Bond or Bonds of like aggregate principal amount and Series in Authorized Denominations. Upon surrender of any Bond or Bonds for exchange, the Trustee shall date and execute the certificate of authentication on and deliver a new Bond or Bonds duly executed by the Issuer which the Bondholder making the exchange is entitled to receive.

Except in connection with the remarketing of any Bonds, the Trustee shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption, nor during the period of ten days preceding the mailing of such notice of redemption.

Except as provided in Section 4.03, hereof, the person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the written order of the registered Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Issuer and the Trustee shall require the payment by the Bondholder requesting exchange or transfer (other than an exchange upon a partial redemption of a Bond) of any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the Bondholder for such exchange or transfer.

SECTION 2.05. EXECUTION OF BONDS. The Bonds shall be signed in the name and on behalf of the Issuer with the manual or facsimile signature of the Chairman of its Board of Commissioners and its Treasurer and attested by the manual or facsimile signature of its Clerk or Deputy Clerk. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed or attested shall have been authenticated or delivered by the Registrar or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer. Also, any Bond may be signed on behalf of the Issuer by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such person shall not have been such officer.

SECTION 2.06. AUTHENTICATION. No Bond shall be valid for any purpose until the certificate of authentication on such Bond shall have been duly executed by the Trustee, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefits of the trust hereby created. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if manually signed by an authorized signatory of the Trustee, but it shall not be necessary that the same signatory sign the certificate of authentication on all of the Bonds issued hereunder.

Upon authentication of any Bond, the Trustee shall set forth on such Bond (1) the date of such authentication and (2) if the Bonds are not Book-Entry Bonds, in the case of a Bond bearing interest at a Flexible Rate, such Flexible Rate, the day succeeding the last day of the applicable Flexible Segment, the number of days comprising such Flexible Segment and the amount of interest to accrue during such Flexible Segment.

SECTION 2.07. FORM OF BONDS. The Bonds and the certificates of authentication to be executed thereon shall be in substantially the form attached hereto as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, or such other form as may be approved by the Issuer.

Upon adjustment to a Term Rate Period, the form of Bond may include a summary of the mandatory and optional redemption provisions to apply to the Bonds during such Term Rate Period, or a statement to the effect that the Bonds will not be optionally redeemed during such Term Rate Period, and a statement indicating the applicable Term Rate and the duration of the applicable Term Rate Period, provided that the Registrar shall not authenticate such a revised Bond form prior to receiving an opinion of Bond Counsel (a copy of which shall also be delivered to the Issuer) that such Bond form conforms to the terms of the Act and of this Indenture and that authentication thereof will not adversely affect the Tax-Exempt status of such Bonds.

Upon delivery of Bond Insurance for the Bonds of any Series, the form of the Bonds for such Series may include a summary of the terms of the Bond Insurance, provided that the Registrar shall not authenticate such a revised Bond form prior to receiving an opinion of Bond Counsel (a copy of which shall also be delivered to the Issuer) to the effect that such Bond

form conforms to the terms of the Act and of this Indenture and that authentication thereof will not adversely affect the Tax-Exempt status of the Bonds.

SECTION 2.08.

MUTILATED, DESTROYED, LOST OR STOLEN BONDS. In the event any Bond or temporary Bond is mutilated, lost, stolen or destroyed, the Trustee may authenticate a new Bond duly executed by the Issuer of like date and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity to the Issuer and the Trustee satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Trustee on behalf of the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses in this connection. The Issuer shall cooperate with the Trustee in connection with the issue of replacement Bonds, but nothing in this Section shall be construed in derogation of any rights which the Issuer, the Borrower or the Trustee may have to receive indemnification against liability, or payment or reimbursement of expenses, in connection with the issue of a replacement Bond.

If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued presents for payment or registration such original Bond, the Trustee shall be entitled to recover such new Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the Issuer in connection therewith.

Each duplicate Bond delivered in accordance with this Section, except as otherwise provided herein, shall constitute an original additional contractual obligation of the Issuer and shall be entitled to the benefit and security of this Indenture to the same extent as the Bond in lieu of which such duplicate Bond was delivered.

All Bonds shall be held and owned upon the express condition that the foregoing provisions are, to the extent permitted by law, exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies.

SECTION 2.09.

TEMPORARY BONDS. Pending preparation of definitive Bonds, or by agreement with the purchasers of all Bonds, the Issuer may issue and, upon its request, the Trustee shall authenticate, in lieu of definitive Bonds, one or more temporary printed or typewritten Bonds in Authorized Denominations of the same Series and of substantially the tenor recited above. Upon request of the Issuer, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

SECTION 2.10.

CANCELLATION AND DISPOSITION OF SURRENDERED BONDS. Whenever any Outstanding Bond shall be delivered to the Trustee

for transfer, exchange or cancellation pursuant to this Indenture, upon payment of the principal amount represented thereby, or for replacement pursuant to Section 2.08 hereof, such Bond shall be promptly canceled and disposed of by the Trustee in accordance with its ordinary customs and practices.

SECTION 2.11. USE OF CERTAIN MONEYS IN THE BOND FUND UPON REFUNDING. In the event that refunding bonds shall be issued by the Issuer to pay the principal of or premium, if any, on all or any portion of the Bonds, the net proceeds of the refunding bonds remaining after payment of expenses incident to the refunding shall be deposited by the Issuer into the Bond Fund as provided in Section 6.03 hereof. All moneys remaining in the Bond Fund on the date of the refunding to be used to pay interest on the bonds to be refunded shall be held, as collateral for the payment of the bonds to be refunded, by the Trustee, in trust for and on behalf of the Owners of the bonds to be refunded, together with the portion of the proceeds of the sale of the refunding bonds so deposited and any investments or reinvestments of such proceeds, in one or more separate subaccounts in the Bond Fund irrevocably in trust for the respective holders of bonds to be refunded, and upon defeasance of the bonds to be refunded as provided in Article VIII hereof shall be held, invested and used as provided in Article VIII hereof. Investment income or profit on any such investments or reinvestments shall remain in the Bond Fund.

SECTION 2.12. DELIVERY OF THE BONDS. Upon or at any time after the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds and deliver them to the applicable Initial Purchaser as directed by the Issuer as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Bonds there shall be filed with the Trustee:

(1) A copy of the Resolution, duly certified by the Clerk or Deputy Clerk of the Issuer, authorizing issuance of such Bonds.

(2) Original executed counterparts of the Agreement, this Indenture, the Tax Certificate and, in the case of the Series 2003A Bonds and the Series 2003B Bonds, the Initial Letters of Credit.

(3) A request and authorization to the Trustee on behalf of the Issuer, signed by the Chairman and the Clerk or Deputy Clerk of the Issuer and acknowledged by the Borrower, to authenticate and deliver the Bonds pursuant to Section 2.14 hereof, registered in the names and in the Authorized Denominations specified to the Trustee by the applicable Initial Purchaser, upon payment by such Initial Purchaser to the Trustee of the sum specified in such request and authorization for deposit in the Construction Fund, the Refunding Account and Costs of Issuance Fund, plus accrued interest, if any, on the Bonds to the date of delivery.

SECTION 2.13. BOOK-ENTRY SYSTEM. v) Anything in this Indenture to the contrary notwithstanding, any Bond may be authorized and issued as a Book-Entry Bond.

(b) For all purposes of this Indenture, the Owner of a Book-Entry Bond shall be the Securities Depository therefor and neither the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent nor the Registrar shall have any responsibility or obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Securities Depository, except as expressly provided in this Indenture. Without limiting the generality of the foregoing, neither the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent nor the Registrar shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book-Entry Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any notice with respect to such Bond, including any notice of the redemption or purchase thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any amount with respect to the principal, redemption price, if applicable, or purchase price of, or interest on, such Bond. The Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent and the Registrar may treat the Securities Depository therefor as, and deem such Securities Depository to be, the absolute owner of a Book-Entry Bond for all purposes whatsoever, including, but not limited to, (1) payment of the principal, redemption price, if applicable, or purchase price of, and interest on, such Bond, (2) giving notices of redemption or purchase and of other matters with respect to such Bond, (3) registering transfers with respect to such Bond as permitted hereby and (4) except as expressly provided in this Indenture, giving to the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent or the Registrar any notice, consent, request or demand pursuant to the Indenture for any purpose whatsoever. The Trustee, acting as Paying Agent, shall pay the principal or redemption price, if applicable, of, and interest on, a Book-Entry Bond, and the Trustee, acting as Tender Agent, shall pay the purchase price of a Book-Entry Bond, only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge the Issuer's obligations with respect to such principal or redemption price or purchase price, and interest, to the extent of the sum or sums so paid. Except as otherwise provided in subsection (d) of this Section 2.13, no person other than the Securities Depository shall receive a Bond or other instrument evidencing the Issuer's obligation to make payments of the principal, redemption price or purchase price thereof, and interest thereon.

(c) The Issuer, by notice to the Trustee, the Paying Agent, the Tender Agent, the Registrar, the Remarketing Agent, the Auction Agent and a Securities Depository, may, with the prior written consent of the Borrower, and shall, at the written direction of an Authorized Borrower Representative, terminate the services of such Securities Depository with respect to the Book-Entry Bonds for which such Securities Depository serves as securities depository if the Issuer determines that (i) the Securities Depository is unable to discharge its responsibilities with respect to such Bond or (ii) a continuation of the requirement that all of the Bonds issued as Book-Entry Bonds be registered in the registration books of the Issuer kept by the Trustee in the name of the Securities Depository is not in the best interests of the beneficial owners of such Bonds or of the Issuer.

(d) Upon the termination of the services of a Securities Depository with respect to a Book-Entry Bond pursuant to clause (ii) of subsection (c) of this Section 2.13, such Bond no longer shall be restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book-Entry Bond pursuant to clause (i) of subsection (c) of this Section 2.13, the Issuer may, with the prior written consent of the Borrower, and shall, at the written direction of an Authorized Borrower Representative, within ninety (90) days thereafter appoint a substitute securities depository which, in the opinion of the Issuer, is willing and able to undertake the functions of Securities Depository under this Indenture upon reasonable and customary terms. If no such successor can be found within such period, such Book-Entry Bond shall no longer be restricted to being registered in the registration books of the Issuer kept by the Trustee in the name of a Securities Depository. In the event that a Book-Entry Bond shall no longer be restricted to being registered in the registration books of the Issuer kept by the Trustee in the name of a Securities Depository, (i) the Issuer shall execute and the Trustee shall authenticate and deliver, upon presentation and surrender of the Book-Entry Bond, Bond certificates as requested by the Securities Depository so terminated of like principal amount, maturity and interest rate, in Authorized Denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Book-Entry Bond and (ii) the Trustee shall notify the Remarketing Agent, the Auction Agent and the Borrower that the Bonds are no longer restricted to being registered in the registration books of the Issuer kept by the Trustee in the name of a Securities Depository; provided, however that such registration shall not be terminated by the Issuer or the Borrower without an opinion of Bond Counsel confirming that such termination of registration will not adversely affect the Tax-Exempt status of any Bonds.

(e) Anything in this Indenture to the contrary notwithstanding, payment of the redemption price of a Book-Entry Bond, or portion thereof, called for redemption prior to maturity may be paid to the Securities Depository by wire transfer of immediately available funds. Anything in the Indenture to the contrary notwithstanding, such redemption price may be paid without presentation and surrender to the Trustee, as Paying Agent, of the Book-Entry Bond, or portion thereof, called for redemption; provided, however, that payment of (a) the principal payable at maturity of a Book-Entry Bond and (b) the redemption price of a Book-Entry Bond as to which the entire principal amount thereof has been called for redemption shall be payable only upon presentation and surrender of such Book-Entry Bond to the Trustee, as Paying Agent; and provided, further, that no such redemption price shall be so payable without presentation and surrender unless such Book-Entry Bond shall contain or have endorsed thereon a legend substantially to the following effect (or such other legend(s) of similar content as may be determined to be necessary or desirable by the Issuer or the Securities Depository):

"AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH [NAME OF SECURITIES DEPOSITORY] (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "[NAME OF SECURITIES DEPOSITORY]"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF [NAME OF SECURITIES DEPOSITORY], OR BY A NOMINEE OF

[NAME OF SECURITIES DEPOSITORY] TO [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE OF [NAME OF SECURITIES DEPOSITORY], OR BY [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE OF [NAME OF SECURITIES DEPOSITORY] TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF [NAME OF SECURITIES DEPOSITORY] MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.”

Anything in this Indenture to the contrary notwithstanding, upon any such payment to the Securities Depository without presentation and surrender, for all purposes of (i) the Book-Entry Bond as to which such payment has been made and (ii) this Indenture, the unpaid principal amount of such Book-Entry Bond Outstanding shall be reduced automatically by the principal amount so paid. In such event, the Trustee shall notify forthwith the Remarketing Agent or the Auction Agent as to the particular Book-Entry Bond as to which such payment has been made, and the principal amount of such Bond so paid, and the Trustee shall note such payment on the registration books of the Issuer kept by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book-Entry Bond Outstanding as provided in this subsection.

(f) For all purposes of this Indenture authorizing or permitting the purchase of Bonds, or portions thereof, by, or for the account of, the Issuer for cancellation, and anything in the Indenture to the contrary notwithstanding, a portion of a Book-Entry Bond may be deemed to have been purchased and cancelled without surrender thereof upon delivery to the Trustee of a certificate executed by the Issuer and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Bond, in the principal amount stated therein, has been purchased by, or for the account of, the Issuer through the participant of the Securities Depository executing such certificate; provided, however, that any purchase for cancellation of the entire principal amount of a Book-Entry Bond shall be effective for purposes of the Indenture only upon surrender of such Book-Entry Bond to the Paying Agent; and provided, further, that no portion of a Book-Entry Bond may be deemed to have been so purchased and cancelled without surrender thereof unless such Book-Entry Bond shall contain or have endorsed thereon the legend referred to in subsection (e) of this Section 2.13. Anything in the Indenture to the contrary notwithstanding, upon delivery of any such certificate to the Trustee, for all purposes of (i) the Book-Entry Bond to which such certificate relates and (ii) this Indenture, the unpaid principal amount of such Book-Entry Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, the Trustee shall immediately notify the Remarketing Agent or the Auction Agent as to the particular Book-Entry Bond as to which such payment has been made and the amount thereof and shall note such reduction in principal amount of such Book-Entry Bond Outstanding on the registration books of the Issuer kept by it,

but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book-Entry Bond Outstanding as provided in this subsection.

(g) Anything in this Indenture to the contrary notwithstanding, a Securities Depository may make a notation on a Book-Entry Bond (i) redeemed in part or (ii) purchased by, or for the account of, the Issuer in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book-Entry Bond Outstanding as provided in subsection (e) or (f) of this Section 2.13, as the case may be.

(h) Anything in this Indenture to the contrary notwithstanding, in the case of a Book-Entry Bond, the Issuer shall be authorized to redeem or purchase (by or for the account of the Issuer) less than all of the entire Outstanding principal amount thereof, and in the event of such partial defeasance, redemption, purchase or refunding, the provisions of the Indenture relating to the defeasance, redemption, purchase or refunding of a Bond or Bonds shall be deemed to refer to the defeasance, redemption, purchase or refunding of a portion of a Bond.

(i) The Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent and the Auction Agent may enter into an agreement with a Securities Depository for the Bonds providing for procedures for the registration, payment, tender and delivery of notices relating to the Bonds, provided that the terms of such agreement shall not be inconsistent with the terms of this Indenture. Any such agreement may provide that (i) such Securities Depository is not required to present a Bond to the Trustee in order to receive a partial payment of principal; (ii) a Bond need not be delivered to the Trustee in order for a tender of such Bond pursuant to Article IV of this Indenture to be effective or in order for the purchase price of such tendered Bond to be paid and that notice of tender of a Bond for purchase pursuant to Article IV hereof may be given to the Trustee by a beneficial owner of a Bond or a direct participant of the Securities Depository; (iii) a legend with respect to the registration of the Bond in the name of the Securities Depository shall appear on each Bond so long as the Bonds are subject to such agreement; and (iv) different provisions for notices to such Securities Depository may be set forth therein; and such provisions shall be binding on the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent and the Auction Agent for so long as such Securities Depository is the Securities Depository for Book-Entry Bonds hereunder.

SECTION 2.14. DELIVERY OF THE BONDS. DESIGNATION OF THE BONDS AS BOOK-ENTRY BONDS; APPOINTMENT OF INITIAL SECURITIES DEPOSITORY FOR THE BONDS. vi)The Bonds are hereby authorized to be and shall be issued initially, subject to the provisions of this Indenture, as Book-Entry Bonds within the meaning of and subject to Section 2.13 hereof.

(b) DTC is hereby appointed as the initial Securities Depository for the Bonds.

(c) The Bonds of each Series shall be initially issued in the form of a separate single, fully registered Bond in the aggregate principal amount thereof. So long as DTC serves as Securities Depository for the Bonds, the Owner of all Bonds shall be, and each of the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee for DTC. Upon delivery by

DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of the Indenture, the word "Cede" in the Indenture shall refer to such new nominee of DTC. So long as any Bond is registered in the name of Cede, as nominee for DTC in its capacity as Securities Depository for the Bonds, all payments with respect to the principal, redemption price, if applicable, or purchase price of, and interest on, such Bond and all notices with respect to such Bond shall be made or given, as the case may be, to DTC as provided in the Indenture and in the representation letter of the Issuer, the Trustee, the Paying Agent, the Remarketing Agent and the Auction Agent, delivered in connection with the issuance of the Bonds and addressed to DTC, as such representation letter may be amended and supplemented from time to time.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 3.01. REDEMPTION DATES AND PRICES. The Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Article III.

(A) Optional Redemption.

(1) On any Business Day during a Daily Rate Period or a Weekly Rate Period for Bonds of any Series, and on the day after the last day of any such Rate Period, such Bonds shall be subject to redemption by the Issuer, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(2) On the day succeeding the last day of any Flexible Segment with respect to Bonds of any Series, such Bonds shall be subject to redemption by the Issuer, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(3) During any Term Rate Period for Bonds of any Series, such Bonds shall be subject to redemption by the Issuer, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part from time to time on any date (i) after ten years, at a redemption price of 101% of the principal amount thereof, plus accrued interest, and (ii) after eleven years, at a redemption price of 100% of the principal amount thereof, plus accrued interest.

With respect to any Term Rate Period, the Borrower may specify in its notice of adjustment to or continuation of a Term Rate Period redemption prices and periods other than those set forth above for Bonds in such Rate Period not then called for redemption; provided, however, that such notice shall be accompanied by an opinion of Bond Counsel to the effect that such changes in redemption prices and periods (i) are authorized or permitted by the Act and this Indenture, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

(4) During any Auction Rate Period for Bonds of any Series, such Bonds shall be subject to redemption by the Issuer on the day following the last day of the Auction Rate Period then in effect, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(5) The Bonds shall be redeemed in whole at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Trustee of a written notice from the Borrower stating that any of the following events has occurred and that it therefore intends to exercise its option to prepay the payments due under the Agreement in whole pursuant to Section 7.1 of the Agreement and thereby effect the redemption of the Bonds in whole:

(a) all or substantially all of the Project shall be damaged or destroyed and it is not practicable or desirable to rebuild, repair and restore the Project;

(b) all or substantially all of the Project shall be condemned or such use or control thereof shall be taken by eminent domain so as to render the Project unsatisfactory for continued operation;

(c) unreasonable burdens or excessive liabilities shall be imposed upon the Issuer or the Borrower with respect to the Project or the operation thereof;

(d) changes that cannot reasonably be controlled or overcome in the economic availability of materials, supplies, labor, equipment and other properties and things necessary for the efficient operation of the Project for the purposes contemplated by the Agreement shall have occurred or technological changes that cannot reasonably be overcome shall have occurred which, in the judgment of the Borrower, render the continued operation of the Project uneconomic; or

(e) legal curtailment of the use and occupancy of all or substantially all of the Project for any reason, which curtailment shall prevent the carrying on of normal operations at the Project for a period of three consecutive months.

(B) Mandatory Redemption.

(1) The Bonds are subject to mandatory redemption, at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date not more than 180 days after the occurrence of the following event (of which a Responsible Officer of the Trustee shall be given notice in writing by an Authorized Issuer Representative), upon fulfillment by the Borrower of its obligation to prepay the payments due under the Agreement in accordance with Section 7.2 of the Agreement, if, as a result of any changes in the Constitution of the State or in the Constitution of the United States of America or of legislative or administrative action (whether state or Federal), or by final decree, judgment or order of any court or administrative body (whether state or Federal) entered after the contest thereof by the Borrower in good faith, the Agreement shall have become impossible of performance in accordance with the intent and purposes of the parties as expressed in the Agreement.

(2) The Bonds are subject to mandatory redemption, at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date not more than 180 days after the occurrence of the following event (of which a Responsible Officer of the Trustee shall be given notice in writing by an Authorized Issuer Representative), upon fulfillment by the Borrower of its obligation to prepay the payments due under the Agreement in accordance with Section 7.2 of the Agreement, in the event a final determination by an administrative agency or a court of competent jurisdiction occurs to the effect that, solely as a result of failure by the Borrower to observe any covenant, agreement or representation by the Borrower in the Agreement, the interest payable on the Bonds is no longer Tax-Exempt. No determination by any court or administrative agency will be considered final unless the Borrower has participated in the proceeding which resulted in such determination, either directly or, at the option of the Borrower, through an Owner to a degree it reasonably deems sufficient and until the conclusion of any appellate review sought by any party to such proceeding or the expiration of the time for seeking such review. Subject to the foregoing, Bonds will be redeemed in whole unless, in the opinion of Bond Counsel delivered to the Trustee and the Issuer, the redemption of a portion of such Bonds would have the result that interest payable on the Bonds remaining outstanding after such redemption would be Tax-Exempt.

(C) Liquidity Provider Bonds. In addition to the foregoing provisions for the redemption of Bonds, any Liquidity Provider Bond shall be subject to redemption at the time and in the amount and at the price specified by such Liquidity Facility.

(D) Bank Bonds. In addition to the foregoing provisions for the redemption of Bonds, any Bank Bond shall be subject to redemption at the time and in the amount and at the price specified in the Reimbursement Agreement related thereto. Without limitation of the foregoing, the Trustee will call for redemption Bonds of any Series secured by a Letter of Credit upon the direction of the Bank that issued such Letter of Credit requesting such redemption and certifying that an Event of Default has occurred under the Reimbursement Agreement relating to such Letter of Credit.

SECTION 3.02. NOTICE OF REDEMPTION. Notice of the call for any redemption of Bonds or any portion thereof (which shall be in Authorized Denominations) pursuant to Section 3.01 hereof identifying the Bonds or portions thereof to be redeemed, specifying the Series of Bonds to be redeemed, the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue, shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail, postage prepaid, to the Owner of each Bond to be redeemed in whole or in part, at the address shown on the registration books, with a copy to the Tender Agent, the Bond Insurer, the Bank, and the Liquidity Provider. Such notice shall be given at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that failure to duly give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds with respect to which no such failure or defect occurred; provided further that no notice of redemption shall be required for any Bonds which are otherwise subject to mandatory purchase pursuant to Section 4.02(a); and provided further that, in the case of redemption of Bank Bonds pursuant to Section 3.01(D), such notice may be given not less than

five (5) days prior to the date fixed for redemption. Upon presentation and surrender of Bonds so called for redemption in whole or in part at the place or places of payment, except as otherwise provided in Section 2.13 hereof with respect to Book-Entry Bonds, such Bonds or portions thereof shall be redeemed.

With respect to any notice of redemption of Bonds at the written direction of the Borrower, unless upon the giving of such notice such Bonds shall be deemed to have been paid within the meaning of Article VIII hereof, such notice may state (if so directed by the Borrower in writing) that such redemption shall be conditional upon the receipt by the Trustee, on or before the date fixed for such redemption, of moneys sufficient to pay the principal of, and premium, if any, and interest on such Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no further force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to such Owners, in the manner in which the notice of redemption was given, that such moneys were not so received.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

If a Bond is presented to the Trustee for transfer after notice of redemption of such Bond has been mailed as herein provided, the Trustee shall deliver a copy of such notice of redemption to the new Owner of such Bond.

In addition to the foregoing notice, further notice may be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner (i) defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed or (ii) give rise to any liability on the part of the Issuer, the Borrower, the Liquidity Provider, the Bank, the Bond Insurer, the Trustee, the Remarketing Agent or the Auction Agent:

A. Each further notice of redemption given hereunder may contain the information required above for an official notice of redemption plus (i) the CUSIP number of the Bonds; (ii) the date of issue of the Bonds; (iii) the rate or rates of interest borne by the Bonds; (iv) the maturity date of the Bonds; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

B. Each further notice of redemption may be sent to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories as of the date hereof being only The Depository Trust Company, New York, New York).

C. Each further notice of redemption may be published one time in The Bond Buyer of New York, New York or, if such publication is impractical, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at the time the redemption

notice to the Owners is required to be given as provided in the first paragraph of this Section 3.02.

D. Each further notice of redemption may be given to two of the following services selected by the Borrower and at the address provided to the Trustee by the Borrower:

- (1) Financial Information, Inc.'s Financial Daily Called Bond Service;
- (2) Interactive Data Corporation's Bond Service;
- (3) Kenny Information Service's Called Bond Service;
- (4) Moody's Municipal and Government Called Bond Service; or
- (5) S&P's Called Bond Record.

SECTION 3.03. DEPOSIT OF FUNDS. For the redemption of any of the Bonds, the Issuer shall cause to be deposited in the Bond Fund out of the Revenues, to the extent available therefor, moneys sufficient to pay when due the principal of and premium, if any, and interest on the redemption date.

SECTION 3.04. PARTIAL REDEMPTION OF BONDS. In case a Bond is of a denomination larger than the minimum Authorized Denomination, all or a portion of such Bond may be redeemed provided the principal amount not being redeemed is in an Authorized Denomination. Upon surrender of any Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, without cost to the Owner, a new Bond or Bonds of Authorized Denominations in aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

SECTION 3.05. SELECTION OF BONDS FOR REDEMPTION. If less than all of the Bonds of any Series are called for redemption, the Trustee shall select the Bonds of such Series or portions thereof to be redeemed, from the Bonds of such Series Outstanding not previously called for redemption, by lottery or in such other manner as in the Trustee's sole discretion it shall deem appropriate and fair, in either case in Authorized Denominations provided that Bank Bonds and Liquidity Provider Bonds shall be the first Bonds selected for redemption, and provided further that the aggregate principal amount of each Bond remaining Outstanding following such redemption shall be in an Authorized Denomination. The Trustee shall promptly notify the Issuer and the Borrower in writing of the Bonds or portions thereof selected for redemption, provided, however, that in connection with any redemption of Bonds the Trustee shall select for redemption any Bonds held by the Trustee for the account of the Borrower or held of record by the Borrower prior to any Bonds other than Bank Bonds or Liquidity Provider Bonds. If, as indicated in a certificate of an Authorized Borrower Representative delivered to the Trustee, the Borrower shall have offered to purchase all Bonds of such Series then outstanding and less than all such Bonds of such Series shall have been tendered to the Borrower for such purchase, the Trustee, at the direction of the Borrower, shall select for redemption all such Bonds of such Series regardless of whether such Bonds have been so tendered. If it is determined that one or more, but not all, of the units of principal amount

represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Owner of such Bond shall, except as provided in Section 2.13 hereof with respect to Book-Entry Bonds, forthwith surrender such Bond to the Trustee for (a) payment to such Owner of the redemption price of the unit or units of principal amount called for redemption, and (b) delivery to such Owner of a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Owner thereof, without charge therefor. If the surrender of such Bonds is required hereunder and the Owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable, and interest thereon shall cease to accrue, on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only). Payment of the redemption prices by the Borrower for any Series of Bonds called for redemption constitutes full and complete payment of the Bonds of such Series.

ARTICLE IV

TENDER AND PURCHASE OF BONDS;

REMARKETING; REMARKETING AGENT

SECTION 4.01. PURCHASE OF BONDS AT OPTION OF OWNERS.

(a) Daily Rate Period. On any Business Day during any Daily Rate Period for any Series of Bonds, any such Bond other than a Bank Bond, a Liquidity Provider Bond or a Borrower Bond (or portion thereof in an Authorized Denomination provided that the principal amount to be retained by the Owner shall be in an Authorized Denomination) shall be purchased from its Owner by the Trustee, acting as Tender Agent, at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, thereon to the date of purchase, upon, subject to Section 4.10 hereof, (i) delivery by the Owner of such Bond to the Trustee, acting as Tender Agent, at its Principal Office by no later than 10:30 a.m., New York time, on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by teletype or other writing, which states the principal amount or portion thereof to be purchased and number of such Bond (if such Bond is in certificated form) and the date on which such Bond shall be purchased pursuant to this subsection (a), and (ii) delivery of such Bond (if such Bond is in certificated form) to the Trustee, acting as Tender Agent, at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange, at or prior to 1:00 p.m., New York time, on such Business Day.

(b) Weekly Rate Period. On any Business Day during any Weekly Rate Period for any Series of Bonds, any such Bond other than a Bank Bond, a Liquidity Provider Bond or a Borrower Bond (or portion thereof in an Authorized Denomination provided that the principal amount to be retained by the Owner shall be in an Authorized Denomination) shall be purchased from its Owner by the Trustee, acting as Tender Agent, at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, thereon to the date of purchase, upon,

subject to Section 4.10 hereof, (i) delivery by the Owner of such Bond to the Trustee, acting as Tender Agent, at its Principal Office of an irrevocable written notice or an irrevocable telephonic notice promptly confirmed by telecopy or other writing, which states the principal amount or portion thereof to be purchased and number of such Bond (if such Bond is in certificated form) and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day succeeding the date of the delivery of such notice to the Trustee, and (ii) delivery of such Bond (if such Bond is in certificated form) to the Trustee, acting as Tender Agent, at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m., New York time, on the date specified in such notice.

SECTION 4.02. MANDATORY PURCHASE OF BONDS.

(a) Any Bonds shall be subject to mandatory purchase at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon, on the dates stated below; provided that if any such date is an Interest Payment Date, the purchase price shall be equal only to the principal amount of such Bond, together with any premium payable under subsection (ii) below:

(i) As to each such Bond in a Flexible Rate Period, on the day succeeding the last day of each Flexible Segment thereof applicable to such Bond;

(ii) As to each Term Bond, on the effective date of change from a Term Rate to a new Rate Period, including a change from one Term Rate Period to another Term Rate Period of the same duration; provided that Bonds in a Term Rate Period which are then redeemable pursuant to Section 3.01(A) hereof shall be purchased at a purchase price equal to 100% of the principal amount thereof plus a premium equal to the redemption premium, if any, that would have been payable if such Bonds were to be redeemed on the date such Bonds are to be purchased pursuant to the terms hereof, together with accrued interest, if any, thereon to the date of purchase;

(iii) As to each Bond in a Daily Rate Period or Weekly Rate Period, on the effective date of change to a Rate Period other than a Daily Rate Period or a Weekly Rate Period;

(iv) As to each Auction Bond, on the effective date of change to a Rate Period other than an Auction Rate Period; and

(v) On the Business Day prior to the Expiration Date of the Letter of Credit or Liquidity Facility; provided that in the event of a replacement of a Letter of Credit as provided in Section 5.12, such mandatory purchase shall occur on the date on which such Letter of Credit is replaced; and

Notwithstanding the foregoing, the Bonds will not be subject to mandatory purchase pursuant to Section 4.02(a)(v) if at least 25 days before the Expiration Date the Trustee has received written notice from the Liquidity Provider or the Bank, as applicable, that the Liquidity Facility or the Letter of Credit then in effect has been extended.

(b) Subject to Section 4.10 hereof, an Owner must deliver each such Bond subject to mandatory purchase as provided in Section 4.02(a) hereof to the Trustee, acting as Tender Agent, at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof, with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange at or prior to 10:00 a.m., New York time, on the purchase date in order to receive payment of the purchase price on such date.

(c) Notice of each mandatory purchase pursuant to the provisions of Section 4.02(a) hereof is hereby required by the provisions of Sections 2.03(a)(iii), 2.03(b)(iii), 2.03(c)(iii), 2.03(d)(iii), 2.03(e)(iii) or 5.12(c), as the case may be, to be included in the notice given pursuant to such Section. No notice of any mandatory purchase pursuant to the provisions of Section 4.02(a)(i) hereof shall be given to the Owners of the Bonds.

SECTION 4.03. OBLIGATION TO SURRENDER BONDS.

The giving of notice as provided in Section 4.01 hereof shall constitute the irrevocable tender for purchase of each such Bond or portion thereof with respect to which such notice shall have been given, irrespective of whether such Bond shall be delivered as provided in Section 4.01. The occurrence of any event specified in Section 4.02(a) hereof shall constitute the mandatory tender for purchase of each such Bond or portion thereof, irrespective of whether such Bond shall be delivered as provided in Section 4.02(b). Upon the purchase of each such Bond or portion thereof so deemed to be tendered, such Bond or portion thereof shall cease to bear interest payable to the former Owner thereof, who thereafter shall have no rights with respect thereto, other than the right to receive the purchase price thereof upon surrender of such Bond to the Trustee, acting as Tender Agent, and such Bond or portion thereof shall be no longer outstanding. If such Bonds are no longer Book-Entry Bonds, the Trustee shall authenticate, register and deliver new Bonds in replacement of such Bonds or portions thereof deemed so tendered and not surrendered on the date of purchase.

SECTION 4.04. REMARKETING OF BONDS.

(a) By 11:00 a.m., New York time, on the date the Trustee receives notice from any Bondholder in accordance with Section 4.01(a) hereof, and promptly, but in no event later than 11:30 a.m., New York time, on the Business Day following the day on which the Trustee receives notice from any Bondholder of its demand to have the Trustee purchase Bonds pursuant to Section 4.01(b) hereof, the Trustee shall give facsimile or telephonic notice, confirmed in writing thereafter, to the Remarketing Agent specifying the principal amount of Bonds which such Bondholder has demanded to have purchased and the date on which such Bonds are demanded to be purchased, with a copy of such notice to the Liquidity Provider or Bank, as applicable, if a Liquidity Facility or Letter of Credit is in effect with respect to such Series of Bonds.

(b) Upon the giving of notice to the Trustee by any Bondholder in accordance with Section 4.01(a) or (b) hereof and the giving of notice by the Trustee to the Remarketing Agent as provided in Section 4.04(a) hereof with respect to such notices, and on each date on which Bonds are to be purchased in accordance with Section 4.02 hereof, the Remarketing Agent

shall offer for sale and use its reasonable best efforts to sell such Bonds on the date such Bonds are to be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date; provided that Bonds in a Term Rate Period which are then redeemable pursuant to Section 3.01(A) hereof shall be purchased at a purchase price equal to 100% of the principal amount thereof plus a premium equal to the redemption premium, if any, that would be payable if such Bonds were to be redeemed on the date they are to be purchased, together with accrued interest, if any, thereon to the date of purchase. The Remarketing Agent shall not sell any Bonds to the Issuer or the Borrower.

(c) Not later than 1:00 p.m., New York time, on the Business Day preceding the date on which Bonds are to be purchased pursuant to Section 4.01 or Section 4.02 hereof, or not later than 10:45 a.m., New York time, on the Business Day on which Bonds are to be purchased pursuant to Section 4.01(a), as applicable, the Remarketing Agent shall give (i) facsimile or telephonic notice to the Trustee, acting as Tender Agent, specifying the names, addresses and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, and, with respect to such Bonds which are being purchased pursuant to Section 4.02(a)(i) hereof, the Flexible Segments and the Flexible Rates for such Bonds remarketed by it pursuant to subsection (b) hereof and shall transfer all remarketing proceeds it has received to that time to the Trustee, acting as Tender Agent, and shall specify the amount of remaining remarketing proceeds it will provide to the Trustee on the date on which Bonds are to be purchased, as set forth in Section 4.04(d) hereof and (ii) telephonic notice to the Borrower and the Trustee, acting as Tender Agent, of the principal amount of and accrued interest on any such Bonds not remarketed by such time.

(d) Upon the giving of the notice specified in Section 4.04(c)(i) hereof, the Remarketing Agent shall be obligated to deliver to the Trustee, acting as Tender Agent, the remaining amount of remarketing proceeds specified in such notice to be received, as follows:

(i) in the case of Bonds which are being purchased pursuant to Section 4.01 or 4.02(a)(ii), (iii), (iv) or (v) hereof, by 1:00 p.m., New York time, on the purchase date; and

(ii) in the case of Bonds which are being purchased pursuant to Section 4.02(a)(i) hereof, by 3:00 p.m., New York time, on the purchase date, subject only to timely delivery of Bonds by the Trustee, acting as Tender Agent, as set forth in Section 4.04(e) hereof and verification by the Remarketing Agent that such Bonds conform to the instructions contained in the notice given by the Remarketing Agent to the Trustee pursuant to Section 4.04(c) hereof.

Any remarketing proceeds received by the Remarketing Agent in excess of such amounts so transferred shall be delivered as provided in Section 4.06 as soon as practicable after the receipt thereof.

(e) Subject to Section 4.10 hereof, upon receipt by the Trustee, acting as Tender Agent, of notice from the Remarketing Agent pursuant to Section 4.04(c) hereof, the Trustee shall authenticate and deliver new Bonds to the Remarketing Agent, as follows:

(i) in the case of Bonds which are being purchased pursuant to Section 4.01 or Section 4.02(a)(ii), (iii), (iv) or (v) hereof, and provided that moneys derived from the sources specified in Section 4.05(a) hereof in an amount equal to the purchase price therefor shall have been received by the Trustee, acting as Tender Agent, by 1:00 p.m., New York time, such new Bonds shall be delivered by 2:00 p.m., New York time; and

(ii) in the case of Bonds which are being purchased pursuant to Section 4.02(a)(i) hereof, such new Bonds shall be delivered by 4:00 p.m., New York time.

Notwithstanding any other provision of this Indenture, except in connection with a mandatory tender under Section 4.02, Bank Bonds shall be remarketed only if and to the extent that the payment of such Bonds (immediately after the remarketing thereof), whether upon tender, maturity, interest payment date, redemption, acceleration or otherwise, will be secured by the Letter of Credit issued by the Bank, unless a Letter of Credit is no longer required to support such Bonds.

SECTION 4.05. PURCHASE OF BONDS TENDERED TO TRUSTEE.

(a) By the close of business on the date Bonds or portions thereof are to be purchased pursuant to Section 4.01 or 4.02 hereof by the Trustee, acting as Tender Agent, such Trustee, acting as Tender Agent, shall purchase, but only from the funds listed below, such Bonds or portions thereof (in Authorized Denominations) from the Owners thereof at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase; provided that Bonds in a Term Rate Period which are then redeemable pursuant to Section 3.01(A) hereof shall be purchased at a purchase price equal to 100% of the principal amount thereof plus a premium equal to the redemption premium, if any, that would be payable if such Bonds were to be redeemed on the date they are to be purchased, together with accrued interest, if any, thereon to the date of purchase. Funds for the payment of such purchase price of Bonds of any Series shall be derived from the following sources in the order of priority indicated:

- (i) proceeds of the remarketing of such Bonds pursuant to Section 4.04 hereof to any purchaser except the Issuer or the Borrower;
- (ii) proceeds of a draw on any Letter of Credit or Liquidity Facility for such Series of Bonds ;
- (iii) moneys furnished for such Series of Bonds by the Borrower to the Trustee, acting as Tender Agent, pursuant to Section 4.2(b) of the Agreement or Section 4.5 of the Agreement.

Notwithstanding anything in this Section 4.05(a) to the contrary, during an Auction Rate Period, Bonds shall be purchased in accordance with the Auction Procedures.

(b) The Trustee, acting as Tender Agent, shall:

- (i) hold all Bonds delivered to it pursuant to Section 4.01 or 4.02 hereof in trust for the benefit of the respective Bondholders which shall have so delivered such

Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders; and

(ii) hold all moneys delivered to it hereunder for the purchase of such Bonds in trust for the benefit of the person or entity which shall have so delivered such moneys in a separate and segregated fund (a "segregated fund"), and not commingle such funds with any other funds or invest such funds, until such Bonds purchased with such moneys shall have been delivered or deemed delivered to or for the account of such person or entity; provided, that funds delivered pursuant to Sections 4.05(a)(i) and (ii) shall be kept in a separate subaccount within the segregated fund from any funds received from the Borrower under Section 4.05(a)(iii); provided, further, that any moneys so deposited with and held by the Trustee not so applied to the purchase of Bonds within one (1) year after the date of purchase shall be paid by the Trustee to the Borrower upon the written direction of the Authorized Borrower Representative and thereafter the former Bondholders shall be entitled to look only to the Borrower for payment of such purchase price, and then only to the extent of the amount so repaid, and the Borrower shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys, and the Trustee shall have no further responsibility with respect to such moneys. To the extent any moneys are held by the Trustee for the payment of the purchase price of such Bonds which have not been presented for payment, such moneys shall not be invested.

Bonds subject to purchase under this Section 4.05 shall be deemed purchased for all purposes of this Indenture, irrespective of whether or not such Bonds shall have been presented to the Tender Agent, and the former Owner or Owners of such Bonds shall have no claim thereon, under this Indenture or otherwise for any amount other than the purchase price thereof and such Bonds shall no longer be deemed to be Outstanding for purposes of this Indenture.

SECTION 4.06. DELIVERY OF PURCHASED BONDS.

(a) Bonds sold by the Remarketing Agent pursuant to Section 4.04 hereof shall be delivered to the Remarketing Agent, as specified in Section 4.04(e) hereof.

(b) Bonds purchased by the Trustee, acting as Tender Agent, hereunder:

(i) with moneys described in clause (ii) of Section 4.05(a) hereof ("Liquidity Provider Bonds" or "Bank Bonds," as applicable), shall be held by the Trustee, as Tender Agent, and registered to the Bank or the Liquidity Provider or its designee, as applicable (except as otherwise instructed by the Bank or the Liquidity Provider, as applicable). The Remarketing Agent shall seek to remarket any Liquidity Provider Bonds or Bank Bonds, as applicable, prior to remarketing any other Bonds tendered for purchase. Upon notice by the Liquidity Provider or Bank that such Liquidity Provider or Bank has been reimbursed by the Borrower for the payment of all amounts drawn under the Liquidity Facility or Letter of Credit, as applicable, the Trustee shall hold the Liquidity Provider Bonds or Bank Bonds, as the case may be, in trust for the Borrower and such Bonds shall thereafter cease to be Liquidity Provider Bonds or Banks Bonds and shall be thereafter treated as Borrower Bonds, until remarketed as provided herein. The Remarketing Agent

shall seek to remarket Borrower Bonds only after remarketing all other Bonds tendered for purchase. The proceeds of any remarketing of Liquidity Provider Bonds or Bank Bonds shall be transferred by the Trustee to the Liquidity Provider or the Bank, as applicable. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Liquidity Provider Bonds or Bank Bonds, Bonds in place of such Liquidity Provider Bonds or Bank Bonds, as applicable, so purchased shall be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest shall be transferred to the new direct participants on the books of DTC. Prior to or simultaneously with such delivery, the proceeds of such remarketing shall have been or shall be transferred to the Liquidity Provider or the Bank and the Liquidity Facility or the Letter of Credit, as applicable, shall either have been reinstated or the amount available for the drawing thereunder shall have been automatically increased to cover the remarketed Bonds as provided in the Liquidity Facility or Letter of Credit and confirmed in writing by the Liquidity Provider or the Bank; and

(ii) with moneys described in clause (iii) of Section 4.05(a) hereof shall, at the direction of the Borrower, be (A) held by the Trustee, acting as Tender Agent, for the account of the Borrower, (B) canceled or (C) delivered to the Borrower.

SECTION 4.07. NO SALES AFTER DEFAULT. Anything in this Indenture to the contrary notwithstanding, there shall be no remarketing of Bonds pursuant to this Article IV if there shall have occurred and be continuing an event of default under Section 9.01 hereof; provided, that nothing in this Section 4.07 shall be construed as prohibiting purchases of Bonds pursuant to Section 4.01 or 4.02 hereof.

SECTION 4.08. REMARKETING AGENT. The initial Remarketing Agent shall be, with respect to the Series 2003A Bonds and the Series 2003B Bonds, Banc One Capital Markets, Inc. At any time at which the Bonds of any Series are then bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, there shall be a Remarketing Agent in place with respect to such Bonds, appointed in accordance with the terms of this Section 4.08. Not less than 60 days before the end of any Term Rate Period (including the initial Term Rate Period with respect to the Series 2003C Bonds, the Series 2003D Bonds and the Series 2003E Bonds) or 60 days before the end of any Auction Rate Period with respect to the Bonds of any Series, the Borrower shall appoint a Remarketing Agent with the consent of the Issuer. The Borrower shall appoint the Remarketing Agent, with the consent of the Issuer and the Liquidity Provider or the Bank, as applicable. The Borrower, with the consent of the Issuer, the Liquidity Provider or the Bank, as applicable, may remove the Remarketing Agent at any time upon at least five (5) Business Days' notice in writing. The Remarketing Agent may at any time resign and be discharged of its duties and obligations created by this Indenture by giving at least thirty (30) Business Days' notice to the Issuer, the Borrower and the Trustee or such shorter period as the Issuer, the Borrower, the Trustee and the Remarketing Agent agree. Upon removal or resignation of the Remarketing Agent with respect to any Series of Bonds then bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, the Borrower shall, with the consent of the Issuer and the Liquidity Provider or the Bank, as applicable, appoint a successor Remarketing Agent for such Series of Bonds.

Any Remarketing Agent appointed under this Section 4.08 shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Trustee and the Borrower which shall set forth such procedural and other matters relating to the remarketing of the Bonds of any Series as shall be satisfactory to the Issuer, the Trustee and the Borrower. No removal or resignation by the Remarketing Agent (whether at the direction of the Issuer or the Borrower, by the Remarketing Agent as may be provided in the Remarketing Agreement) shall become effective until a successor Remarketing Agent has delivered a written acceptance of appointment to the Trustee and the Borrower has provided the notice required by Section 5.8 of the Agreement, unless at the time of such removal or resignation there is no requirement that there be a Remarketing Agent.

SECTION 4.09. QUALIFICATIONS OF REMARKETING AGENT. The Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc. and authorized by law to perform all the duties imposed upon it by this Indenture.

SECTION 4.10. TENDER AND PURCHASE OF BOOK-ENTRY BONDS. Notwithstanding any provisions of this Indenture to the contrary, at any time while any Series of Bonds that are subject to tender are Book-Entry Bonds, the provisions of this Article IV are modified as follows:

(a) Any notice pursuant to Section 4.01(a)(i) or 4.01(b)(i) hereof may be given by any direct participant in the Securities Depository acting on behalf of either any owner of a beneficial interest in such Bonds or any indirect participant in the Securities Depository acting on behalf of such an owner, provided that any such notice shall not be required to contain the bond number of Bonds to be tendered for purchase and the Trustee may conclusively rely on any written certification or representation by a person, firm, corporation or other entity that it is acting as a direct participant in the Securities Depository for such Bonds for the purposes of giving any such notice.

(b) Delivery of such Bonds to the Trustee, as provided in Sections 4.01(a)(ii) or 4.01(b)(ii) and 4.02(b) hereof, shall be effected by book-entry credit to the account of the Trustee on the records of the Securities Depository, at or prior to 1:00 p.m., New York time, on the date such Bonds or portions thereof are required to be tendered to the Trustee for purchase, of a beneficial interest in such Bonds to be purchased on such date.

(c) The Remarketing Agent shall give the information required by Section 4.04(c) hereof to the Securities Depository instead of to the Trustee, but shall at the same time give facsimile or telephonic notice to the Trustee specifying the principal amount of such Bonds which it has been unable to remarket (if such be the case).

(d) The Remarketing Agent shall deliver remarketing proceeds in accordance with the provisions of Section 4.04(d) hereof to the Securities Depository instead of to the Trustee, acting as Tender Agent.

(e) Section 4.04(e) hereof shall be inapplicable.

(f) The provisions of Sections 4.05 and 4.06 hereof shall apply only if Bonds are purchased with moneys described in clauses (i) and (iii) of Section 4.05(a) hereof; the beneficial

interests in Bonds purchased with moneys described in clause (ii) of Section 4.05(a) shall be transferred in accordance with the procedures of the Securities Depository.

SECTION 4.11.

DRAWNS ON THE LIQUIDITY FACILITY OR LETTER OF CREDIT FOR PURCHASE OF BONDS. The Trustee or Tender Agent, as applicable, shall draw funds under any Liquidity Facility or Letter of Credit supporting a Series of Bonds in an amount necessary and in sufficient time (as set forth by the terms of such Liquidity Facility or Letter of Credit) so as to provide to the Trustee the balance of the funds needed to purchase tendered Bonds of such Series, taking into account any remarketing proceeds received by the Trustee or Tender Agent, as applicable, not later than 1:00 p.m., New York City time, on the Business Day prior to the date on which Bonds are to be purchased, or not later than 10:45 a.m., New York City time, on the date on which Bonds in a Daily Rate Period are to be purchased. If the Remarketing Agent remarkets Bonds after 1:00 p.m., New York City time, on the Business Day prior to the date on which Bonds are to be purchased (or 10:45 a.m., New York City time, on the date on which Bonds in a Daily Rate Period are to be purchased), the Trustee shall still draw on the Liquidity Facility or Letter of Credit for such Bonds in an amount necessary and in sufficient time (as set forth by the terms of such Liquidity Facility or Letter of Credit) so as to provide the balance of the funds needed to purchase tendered Bonds, without taking into account any remarketing proceeds other than those specified in the Remarketing Agent's notice pursuant to Section 4.04(c) hereof. The Trustee shall transfer to the Liquidity Provider or the Bank any excess moneys received from a draw on the Liquidity Facility or Letter of Credit for such Bonds that are not needed to pay the purchase price of such series of Bonds on the date on which Bonds are to be purchased.

ARTICLE V

PAYMENT; FURTHER ASSURANCES

SECTION 5.01.

PAYMENT OF PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON BONDS. The Issuer shall promptly pay or cause to be paid the principal of and premium, if any, and interest on, every Bond issued hereunder according to the terms thereof, but shall be required to make such payment or cause such payment to be made only out of Revenues or the proceeds of Bond Insurance. The Issuer hereby appoints the Trustee to act as the Paying Agent for the Bonds, and designates the Principal Office of the Trustee as the place of payment for the Bonds, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

SECTION 5.02.

EXTENSION OR FUNDING OF CLAIMS FOR INTEREST. In order to prevent any accumulation of claims for interest after maturity, the Issuer shall not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for interest on any of the Bonds, and shall not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Issuer, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then outstanding and of all claims for interest which shall not have been so extended or funded.

SECTION 5.03. PRESERVATION OF REVENUES. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee of rights under the Agreement, or the Trustee's enforcement of any rights thereunder, without the prior written consent of the Trustee. The Trustee may give such written consent only in accordance with the provisions of Article IX hereof.

SECTION 5.04. OTHER LIENS. So long as any Bonds are outstanding, the Issuer shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

SECTION 5.05. COMPLIANCE WITH THE INDENTURE. The Issuer shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of this Indenture, and shall not suffer or permit any default to occur under this Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements hereof.

SECTION 5.06. PERFORMANCE OF COVENANTS. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining thereto; provided, however, that except for the matters set forth in Section 5.01 hereof the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower, or shall have received the instrument to be executed and at the Issuer's option shall have received from the Borrower assurance satisfactory to the Issuer that the Issuer shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument. The Bonds and interest and premium, if any, thereon, and any obligation of the Issuer under the Agreement or this Indenture, shall never constitute a debt or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

SECTION 5.07. RIGHT TO PAYMENTS UNDER AGREEMENT; INSTRUMENTS OF FURTHER ASSURANCE. The Issuer covenants that it will defend its right to the payment of amounts due from the Borrower under the Agreement to the Trustee, for the benefit of the Owners of the Bonds against the claims and demands of all persons whomsoever. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts pledged hereto, to the payment of the principal of and premium, if any, and interest on the Bonds. The Issuer covenants and agrees that, except as provided herein and in the Agreement, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues or its rights under the Agreement.

(a) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants to maintain the Tax-Exempt status of the Bonds pursuant to Section 103(a) of the Code, or Section 103 of the 1986 Code, as applicable, and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law and regulation to continue the Tax-Exempt status of the Bonds; and in furtherance of such covenants, the Issuer agrees to comply with the Tax Certificate.

(b) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause such Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the 1986 Code.

(c) Pursuant to the Agreement and the Tax Certificate, the Borrower shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the 1986 Code from amounts on deposit in the funds and accounts established under this Indenture and available therefor.

(d) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants that it will not use or permit the use of any property financed with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of the Tax-Exempt status of the Bonds.

(e) Notwithstanding any other provisions of this Indenture to the contrary, so long as necessary in order to maintain the Tax-Exempt status of the Bonds under Section 103(a) of the Code, or Section 103 of the 1986 Code, as applicable, the covenants in this Section 5.08 shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 8.01 hereof.

SECTION 5.09.

INSPECTION OF PROJECT BOOKS. The Issuer and the Trustee covenant and agree that all books and documents in their possession relating to the Project and the Revenues shall at all times be open to inspection by such accountants or other agencies as the other party may from time to time designate.

SECTION 5.10.

RIGHTS UNDER AGREEMENT. The Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Borrower, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Borrower thereunder, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Borrower under and pursuant to the Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder. Nothing herein contained shall be construed to prevent the Issuer from enforcing directly any and all of its rights under Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 of the Agreement.

SECTION 5.11.

CONTINUING DISCLOSURE. Pursuant to Section 5.12 of the Agreement, the Borrower shall undertake to satisfy the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or

supplemented, if applicable. The Issuer shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the Borrower to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default; however, the Trustee, subject to Article X, may (and, at the request of the Remarketing Agent or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder or beneficial owner of any Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under Section 5.12 of the Agreement.

SECTION 5.12.

DELIVERY OF BOND INSURANCE, LIQUIDITY FACILITY OR LETTER OF CREDIT; TERMINATION OF LETTER OF CREDIT.

(a) Following the initial delivery of the Bonds, whenever the Borrower has delivered to the Trustee a commitment for the delivery of a Liquidity Facility, a Letter of Credit or Bond Insurance for a Series of Bonds pursuant to Section 5.13, 5.14 or 5.16 of the Agreement, as applicable, the Trustee shall mail by first class mail a notice to all Bondholders (and any Bond Insurer, any Liquidity Provider and any Bank which shall continue to provide Bond Insurance, a Liquidity Facility or a Letter of Credit with respect to such Series of Bonds following delivery of such new Bond Insurance, Liquidity Facility or Letter of Credit) stating: (i) the name of the Bond Insurer, Liquidity Provider or Bank, as applicable; (ii) the date on which such new Bond Insurance, Liquidity Facility or Letter of Credit will become effective; and (iii) the rating expected to apply to such Series of Bonds after such new Bond Insurance, Liquidity Facility or Letter of Credit is delivered. Such notice shall be mailed at least ten (10) days prior to the effective date of such new Bond Insurance, Liquidity Facility or Letter of Credit. In no event shall there be more than one Letter of Credit or Liquidity Facility in effect with respect to any one Series of Bonds at the same time.

(b) Upon receipt of any Bond Insurance, Liquidity Facility or Letter of Credit (other than the Initial Letters of Credit), the Trustee shall provide notice thereof to the Issuer, each Rating Agency then rating the Bonds and the Borrower.

(c) Not later than ten (10) days before the Expiration Date of any Letter of Credit (including expiration upon replacement), the Trustee shall mail notice of such expiration and notice that all such Bonds are subject to mandatory purchase on the Business Day before such Expiration Date (or, in the case of replacement with Bond Insurance, a Liquidity Facility or a Letter of Credit, on the effective date of such Bond Insurance, Liquidity Facility or Letter of Credit, in which case any draw to pay the purchase price of such Bonds shall be made on the expiring Letter of Credit). Such notice may be included in the notice given pursuant to paragraph (a) of this Section, if applicable.

REVENUES AND FUNDS

SECTION 6.01. SOURCE OF PAYMENT OF BONDS; LIABILITY OF ISSUER LIMITED TO REVENUES. The Bonds and all payments required of the Issuer hereunder are not general obligations of the Issuer but are limited obligations of the Issuer. The Trust Estate is pledged and assigned to the payment of the principal of and interest and premium, if any, on the Bonds. The payments provided in subsection (a) of Section 4.2 of the Agreement are to be remitted directly to the Trustee for the account of the Issuer and deposited in the Bond Fund. Such payments, sufficient in amount to insure the prompt payment of the principal of and premium, if any, and interest on the Bonds, are pledged to such payment.

All Revenues shall be held in trust for the benefit of the holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter set forth in this Article VI. Notwithstanding the foregoing provisions of this Section 6.01, that portion of the Revenues permitted to be returned to the Borrower under Section 6.15 hereof shall not be subject to the pledge and lien of this Indenture.

The Bonds shall not constitute a debt or liability or a pledge of the faith and credit of the Issuer or the State, but shall be payable solely from the funds herein provided therefor. The issuance of the Bonds shall not directly or indirectly or contingently obligate the Issuer, the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Notwithstanding any provisions of the Agreement or this Indenture to the contrary, the Issuer shall not be required to advance any moneys derived from any source other than Revenues and other assets pledged under this Indenture for any purposes mentioned in this Indenture, whether for the payment of the principal or purchase price of, or redemption premium, if any, or interest on the Bonds or otherwise; provided, however, the Issuer may, but shall not be required to, advance funds of the Issuer which may be available to it for such purposes.

SECTION 6.02. CREATION OF THE BOND FUND. There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003 - Bond Fund" (the "Bond Fund"), which shall be used to pay the principal of and premium, if any, and the interest on the Bonds and accounts within the Bond Fund which shall be designated the "Series 2003A Account," the "Series 2003B Account," the "Series 2003C Account," the "Series 2003D Account" and the "Series 2003E Account" of the Bond Fund.

If a Letter of Credit is applicable to any Series of Bonds, the Trustee shall create within the Bond Fund an account called the "Letter of Credit Account," and shall create within such Letter of Credit Account one or more subaccounts relating to each Series of Bonds secured by a Letter of Credit, into which all moneys drawn under any Letter of Credit to pay principal, interest, or redemption price (including premium, if any) of the Bonds shall be deposited and disbursed, in all cases according to the Series designation of the Bonds secured by such Letter of Credit. Neither the Borrower nor the Issuer shall have any rights to or interest in the Letter of

Credit Account. Each such subaccount within the Letter of Credit Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under this Indenture or otherwise, and the Trustee shall have the exclusive and sole right of withdrawal of funds from each subaccount within the Letter of Credit Account for the exclusive benefit of the Holders of the Bonds of the Series with respect to which such a drawing on a related Letter of Credit was made. No moneys from the Letter of Credit Account may in any circumstance be used to pay principal or redemption price (including premium, if any) of or interest on any Bank Bonds or Borrower Bonds, nor may the moneys from any subaccount within the Letter of Credit Account be used for any payment with respect to Bonds of any Series other than the Series to which such subaccount relates.

SECTION 6.03. PAYMENTS INTO THE BOND FUND. There shall be deposited into the corresponding Account of the Bond Fund from time to time the following with respect to any Series of Bonds:

- (a) all accrued interest, if any, paid by the applicable Initial Purchaser of such Series of Bonds;
- (b) any amounts transferred from the Construction Fund pursuant to the provisions of Sections 6.07, 6.09, 6.10 and 6.11 of this Indenture with respect to such Series of Bonds;
- (c) all payments specified in Section 4.2(a) of the Agreement with respect to such Series of Bonds; and
- (d) all other moneys received by the Trustee under and pursuant to the provisions of Section 2.11 of this Indenture or the Bond Insurance or by any of the provisions of the Agreement, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

The Issuer hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will cause to be deposited in the Bond Fund sufficient amounts from Revenues promptly to meet and pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable. Nothing herein shall be construed as requiring the Issuer to use any funds or revenues from any source other than the Trust Estate.

SECTION 6.04. DRAWS ON THE LETTER OF CREDIT.

(a) The Trustee shall draw moneys under any Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal of, premium, if any, and interest on the Series of Bonds secured by such Letter of Credit, other than Bonds owned by or for the account of the Borrower or the Bank, when due whether at maturity, interest payment date, redemption, acceleration or otherwise. In addition, the Trustee shall draw moneys under any such Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments required to be made pursuant to, and in accordance with Section 4.01, 4.02 and 4.11 hereof.

(b) Immediately after making a drawing under any Letter of Credit which has been honored, the Trustee shall reimburse the Bank, in accordance with the terms of the Reimbursement Agreement and Section 6.04(c) hereof, for the amount of the drawing using moneys, if any, contained in:

- (i) the Bond Fund, if the drawing was to pay principal or interest on the Bonds enhanced by such Letter of Credit; and
- (ii) the Redemption Account, if the drawing was to redeem Bonds enhanced by such Letter of Credit

(c) Each payment to the Bank described in the immediately preceding subsection shall be made by the Trustee by wire transfer to the Bank (to such account as the Bank may from time to time indicate) of the applicable amount immediately following, and on the same Business Day as, the Bank's initiation of payment of the corresponding drawing under the Letter of Credit.

(d) If the Trustee has made a proper drawing on the Letter of Credit and the Bank wrongfully fails to make a payment for debt service due on the Bonds by 1:00 p.m. (New York City time) or the Letter of Credit has been repudiated, the Trustee, upon a Responsible Officer becoming aware of such event, shall immediately notify the Borrower and request payment of the debt service due in immediately available funds by 4:00 p.m. (New York City time).

(e) The Trustee shall comply with the procedures set forth in any Letter of Credit relating to the termination, surrender and cancellation thereof.

(f) If a Letter of Credit is enhancing the Bonds of any Series, the Trustee shall hold and maintain each Letter of Credit for the benefit of the Bondholders of such Series, until such Letter of Credit expires in accordance with its terms. Subject to the provisions of this Indenture, the Trustee shall enforce all terms, covenants and conditions of each Letter of Credit, including payment when due of any draws on such Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, such Letter of Credit, and will not consent to, agree to or permit any amendment or modification of such Letter of Credit which would materially adversely affect the rights or security of the Holders of the Bonds enhanced by such Letter of Credit. If at any time during the term of any Letter of Credit any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Bank transfer such Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment.

SECTION 6.05.

USE OF MONEYS IN THE BOND FUND AND CERTAIN OTHER MONEYS. Except as provided in Sections 4.11, 6.12, 6.15 and 10.03 hereof and subject to the provisions of the Tax Certificate, moneys in the Bond Fund shall be used solely for (i) the payment of the principal of and premium, if any, and interest on the respective Series of Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, or (ii) to reimburse the Bank for draws on the Letter of Credit used to make the payments described in (i). Funds for such payments of the principal of and premium, if any, and interest on the Bonds of any Series held by Owners other than the Bank, the Liquidity Provider,

the Bond Insurer or the Borrower, shall be derived from the following sources in the order of priority indicated:

(a) moneys paid into the Letter of Credit Account of the Bond Fund for the Bonds from a draw by the Trustee under any Letter of Credit enhancing the Bonds;

(b) from moneys paid into the Bond Fund pursuant to Section 6.03(a) hereof which shall be applied to the payment of interest on the Bonds;

(c) from moneys held by the Trustee pursuant to Article VIII hereof, such moneys to be applied only to the payment of the principal of and premium, if any, and interest on Bonds which are deemed to be paid in accordance with Article VIII hereof;

(d) from proceeds of refunding bonds pursuant to the provisions of Section 2.11 of this Indenture and from income from the investment of such proceeds;

(e) from moneys retained in the Construction Fund following the Completion Date pursuant to Section 6.07 of the Indenture and amounts withdrawn from the Construction Fund and deposited into the Bond Fund pursuant to the provisions of Sections 6.07, 6.09, 6.10 or 6.11 of this Indenture; and

(f) from all other amounts on deposit in the Bond Fund, including amounts paid by the Borrower pursuant to the provisions of Section 4.2(a) or Article VII of the Agreement, and proceeds from the investment thereof.

SECTION 6.06. CUSTODY OF THE BOND FUND. The Bond Fund shall be in the custody of the Trustee but in the name of the Issuer and the Issuer hereby authorizes and directs the Trustee to withdraw in accordance with the provisions of Section 6.05 of this Indenture sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable, which authorization and direction the Trustee hereby accepts.

SECTION 6.07. CREATION OF THE CONSTRUCTION FUND; DISBURSEMENTS. There is hereby created and established with the Trustee a trust fund in the name of the Issuer but for the account of the Borrower, such fund to be designated "Clark County, Nevada, Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003 - Construction Fund" (the "Construction Fund") and an account within such fund to be designated the "Series 2003D/E Construction Account." Proceeds from the sale of the Series 2003D Bonds and the Series 2003E Bonds shall be deposited in the Series 2003D/E Construction Account in the amount specified in a written request of the Issuer acknowledged by the Borrower delivered to the Trustee in connection with the issuance of the Series 2003D Bonds and the Series 2003E Bonds.

Moneys in the Construction Fund shall be disbursed to the Borrower, or such other Person as may be designated, on requisitions signed by the Authorized Borrower Representative and delivered to the Trustee, stating with respect to each payment to be made:

(1) The amount of such disbursement and from which account it is to be paid; and

(2) That each obligation mentioned therein (i) has been properly incurred, (ii) is a proper charge against the indicated account of the Construction Fund in accordance with the provisions of the Agreement (including Section 3.3 thereof) and this Indenture, and (iii) has not been the basis of any previous requisition.

A copy of each such requisition shall be furnished to the Authorized Issuer Representative by the Borrower. The Trustee is hereby authorized and directed to make each disbursement required by the provisions of the Agreement and to issue its check therefor or to transfer funds (by wire or otherwise) in accordance with directions contained in such requisition (or a supplement thereto). The Trustee shall have no duty or obligation to verify the content of any requisition provided to it hereunder. Moneys in the Construction Fund on the Completion Date shall be transferred to the appropriate account of the Bond Fund and the Construction Fund shall be closed.

SECTION 6.08. COSTS OF ISSUANCE FUND; DISBURSEMENTS. The Trustee shall establish the Southwest Gas Corporation Project Costs of Issuance Fund (the "Southwest Gas Corporation Project Costs of Issuance Fund") and an account within such fund to be designated the "Series 2003D/E Costs of Issuance Account." The moneys in each account of the Series 2003D/E Costs of Issuance Account shall be held by the Trustee in trust and applied to the payment of Costs of Issuance for the Series 2003D Bonds and the Series 2003E Bonds upon a requisition filed with the Trustee, in the form attached hereto as Exhibit C, signed by an Authorized Borrower Representative. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. Any amounts remaining in any account within the Costs of Issuance Fund six months following the date of issuance of the Series 2003D Bonds and the Series 2003E Bonds shall be transferred to the Construction Fund.

SECTION 6.09. USE OF MONEYS IN CONSTRUCTION FUND UPON DEFAULT. Upon an Event of Default pursuant to Article IX of this Indenture and an acceleration of the Series 2003D Bonds and the Series 2003E Bonds pursuant to Section 9.02 hereof, any balance remaining in the Construction Fund shall without further authorization be transferred to the Bond Fund with advice to the Issuer and the Borrower of such action.

SECTION 6.10. USE OF MONEYS IN CONSTRUCTION FUND UPON REDEMPTION. In the event the Borrower shall be required under Section 7.2 of the Agreement, or in the event the Borrower elects under Section 7.1 of the Agreement, to prepay all the amounts due under the Agreement, the Trustee shall deposit in the Bond Fund, on the date on which such prepayment is due, all amounts remaining in the Construction Fund, except as otherwise provided in Section 6.11 of this Indenture. Upon the making of any deposit pursuant to the provisions of this Section, the Trustee shall advise the Issuer and the Borrower of such action.

SECTION 6.11. USE OF MONEYS IN CONSTRUCTION FUND UPON PAYMENT OF BONDS. Any balance remaining in the Construction Fund after the payment in full of all Bonds issued under the provisions of this Indenture shall be deposited into the Bond

Fund, except that if the Issuer has issued a series of refunding bonds for the purpose of refunding all of the Bonds at or prior to their stated maturity, any moneys remaining in the Construction Fund at the time of such refunding may be deposited by the Issuer and the Trustee into a special fund created in the proceedings authorizing the issuance of the refunding bonds and used to pay costs of the Project not paid out of the Construction Fund prior to such refunding.

SECTION 6.12. NON-PRESENTMENT OF BONDS. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof or in the event any interest payment thereon is unclaimed, if moneys sufficient to pay such Bond or interest shall have been deposited in the Bond Fund, all liability of the Issuer to the Owner thereof for the payment of such Bond or interest shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond. Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds or such interest, if any, within one (1) year after the date on which the same shall have become due shall be paid by the Trustee to the Borrower upon the written direction of an Authorized Borrower Representative and thereafter Bondholders shall be entitled to look only to the Borrower for payment, and then only to the extent of the amount so repaid, and the Borrower shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys and the Trustee shall have no further responsibility with respect to such moneys.

SECTION 6.13. TRUSTEE FEES, CHARGES AND EXPENSES. The Trustee agrees that the Issuer shall have no liability for any fees, charges and expenses of the Trustee, and the Trustee agrees to look only to the Borrower for the payment of all fees, charges and expenses of the Trustee as provided in the Agreement and in this Indenture.

SECTION 6.14. MONEYS TO BE HELD IN TRUST. All moneys required to be deposited with or paid to the Trustee for deposit into the Bond Fund or into the Construction Fund or Costs of Issuance Fund under any provision hereof, all moneys withdrawn from the Bond Fund and held by the Trustee and any moneys withdrawn from the Construction Fund or Costs of Issuance Fund and held by the Trustee shall be held by the Trustee in trust, and such moneys (other than moneys held pursuant to Section 6.12 hereof) shall, while so held, constitute part of the Trust Estate and be subject to the lien hereof. Moneys held for the payment of the purchase price of Bonds pursuant to Article IV hereof shall not constitute part of the Trust Estate and shall be held in a special purpose trust account which will be established and maintained by the Trustee and held for the exclusive benefit of the holders of Bonds with respect to which such purchase was made.

SECTION 6.15. REPAYMENT TO THE BORROWER FROM THE BOND FUND. Any amounts remaining in the Bond Fund after payment in full of the principal of and premium, if any, and interest on the Outstanding Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, and all other amounts required to be paid under the Agreement, the Bond Insurance, the Liquidity Facility, the

Letter of Credit, and this Indenture shall be paid to the Borrower as provided in Section 9.5 of the Agreement.

SECTION 6.16. REVENUES TO BE PAID OVER TO TRUSTEE. The Issuer will cause the Revenues to be paid to the Trustee for deposit in the Bond Fund in accordance with the terms of this Indenture to effect payment of the principal of and premium, if any, and interest on the Bonds as the same become due.

SECTION 6.17. PAYMENTS OF PRINCIPAL AND INTEREST. The Trustee shall pay from Revenues received by the Trustee, in the order of priority indicated in Section 6.05 hereof, the principal of and premium, if any, and interest on, the Bonds as the same become due and payable. If, prior to the maturity of any Bond, the Borrower surrenders such Bond to the Trustee for cancellation, the Trustee shall cancel such Bond.

SECTION 6.18. REVENUES TO BE HELD FOR ALL BONDHOLDERS; CERTAIN EXCEPTIONS. Revenues and investments thereof shall, until applied as provided in this Indenture, be held by the Trustee for the benefit of the Owners of all Outstanding Bonds, except as provided by Sections 2.11, 6.12 and 6.15 hereof and except that any portion of the Revenues representing principal of and premium, if any, and interest on, any Bonds previously called for redemption in accordance with Article III of this Indenture or previously matured or representing unclaimed interest on the Bonds shall be held for the benefit of the Owners of such Bonds only and shall not be deposited or invested pursuant to Article VII hereof, notwithstanding any provision of Article VII.

SECTION 6.19. REBATE FUND. There is hereby created by the Issuer and ordered established with the Trustee a custodial fund to be designated the "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003 - Rebate Fund" (the "Rebate Fund"). The Trustee shall establish within the Rebate Fund a separate account designated "Tax-Exempt". The Trustee covenants and agrees to deposit to the Rebate Fund amounts paid to the Trustee by the Borrower pursuant to Section 4.2(g) of the Agreement and, at the written direction of an Authorized Borrower Representative, to withdraw from such Rebate Fund such amounts at such times in order to pay the Rebate Requirement (as defined in the Tax Certificate) in accordance with the Tax Certificate. Funds on deposit in the Rebate Fund are not part of the Trust Estate.

SECTION 6.20. BOND INSURANCE PAYMENTS. As long as any Bond Insurance shall be in full force and effect with respect to a Series of Bonds hereunder, the Issuer, the Trustee and any Paying Agent for such Series of Bonds agree to comply with the following provisions:

(a) at least one (1) day prior to all Interest Payment Dates the Trustee or Paying Agent will determine whether there will be sufficient funds in the Bond Fund to pay the principal of or interest on the Bonds of such Series on such Interest Payment Date. If the Trustee or Paying Agent determines that there will be insufficient funds in such Bond Fund, the Trustee or Paying Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series of Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent

has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent.

(b) the Trustee or Paying Agent shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to an insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Trustee or Paying Agent, and all records relating to the funds maintained under the Indenture.

(c) the Trustee or Paying Agent shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of such Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon such Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) the Trustee or Paying Agent shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) in the event that the Trustee or Paying Agent has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent shall furnish to the Bond Insurer its records evidencing the payments of principal of and

interest on the Bonds which have been made by the Trustee or Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted the Bond Insurer hereunder, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

ARTICLE VII

INVESTMENT OF MONEYS

SECTION 7.01. INVESTMENT OF MONEYS. The Trustee shall invest and reinvest any moneys held as part of the Bond Fund, the Costs of Issuance Fund, and the Construction Fund upon the written direction of an Authorized Borrower Representative in Investment Securities. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund for which they were made. The interest accruing thereon, any profit realized from such investments and any loss resulting from such investments shall be credited or charged to such fund in accordance with Section 3.4 of the Agreement. The Trustee shall sell and reduce to cash a sufficient amount of such investments of the Bond Fund, the Costs of Issuance Fund and the Construction Fund, each in accordance with written directions or oral directions promptly confirmed by telecopy or other writing of an Authorized Borrower Representative, whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due and whenever the cash balance in the Construction Fund is insufficient to pay amounts due from the Construction Fund. Moneys comprising proceeds of a draw on a Letter of Credit or Liquidity Facility, and other moneys held for the payment of the purchase price of Bonds pursuant to Article IV hereof or the payment of Bonds pursuant to Section 6.12 and 6.18 hereof, shall be held uninvested.

SECTION 7.02. INVESTMENTS; ARBITRAGE. The Trustee may make any and all investments permitted by the provisions of Section 7.01 hereof through its own bond department. The Trustee may act as principal or agent in the making or disposing of any investments, and may act as sponsor, advisor or manager in connection with any such investments. The provisions of this subsection shall apply to affiliates of the Trustee. As and when any amount invested pursuant to this Article may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

The Borrower has covenanted in Section 5.11 of the Agreement that it will not take any action or fail to take any action with respect to the Bonds to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148(a) of the 1986 Code.

ARTICLE VIII

DEFEASANCE

SECTION 8.01.

DEFEASANCE. (A) If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made to or for the Owners of the Bonds the principal, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Issuer shall keep, perform and observe all the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, and shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions hereof, then this Indenture and the lien, rights and interests created hereby shall cease, determine and become null and void (except as to any surviving rights of payment, registration, transfer or exchange of Bonds herein provided for), whereupon the Trustee upon written request of an Authorized Issuer Representative shall cancel and discharge this Indenture, and execute and deliver to the Issuer such instruments in writing as shall be requested by an Authorized Issuer Representative and requisite to discharge this Indenture, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee or otherwise subject to this Indenture, except amounts in the Bond Fund required to be paid to the Borrower under Section 6.15 hereof and except moneys or securities held by the Trustee for the payment of the principal of and premium, if any, and interest on, and purchase prices of, the Bonds. Notwithstanding the foregoing, under no circumstances may the Issuer or the Borrower receive any funds derived from a draw on any Letter of Credit, Liquidity Facility, Bond Insurance or moneys held for the payment of particular Bonds.

(B) Any Bond or Authorized Denomination thereof shall be deemed to be paid within the meaning of this Indenture when (a) payment of the principal of and premium, if any, on such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) either (i) shall have been made or caused to be made in accordance with the terms thereof, (ii) shall have been provided for by depositing sufficient amounts as described in clause (1) and/or (2) below for such payment with the Trustee and the due date of such principal, interest and premium, if any, has occurred, or (iii) in the case of a Bond which bears interest at a Flexible Rate or a Term Rate, shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment on such due date (which due date shall be in the case of a Bond bearing interest at a Flexible Rate no later than the Interest Payment Date for the then current Flexible Segment for such Bond and in the case of a Bond bearing interest at a Term Rate no later than the last Interest Payment Date for the then current Term Rate Period for such Bond) (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause (2) following), or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America maturing as to principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such

payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit shall have been paid or the payment thereof provided for to the satisfaction of the Trustee; provided, however, that no Bond shall be deemed paid pursuant to this Article VIII prior to the due date for the payment of principal, premium if any, and interest thereon unless there shall have been delivered an opinion of Bond Counsel to the effect that such treatment will not adversely affect the Tax-Exempt status of any Bonds hereunder and will not cause such Bonds to be treated as sold or otherwise disposed of for the purposes of Section 1001 of the 1986 Code (or any successor provision). At such times as a Bond or Authorized Denomination thereof shall be deemed to be paid hereunder, as aforesaid, such Bond or Authorized Denomination thereof shall no longer be secured by or entitled to the benefits of this Indenture (other than Sections 2.04 and 2.08 hereof in the case of a deposit under clause (a)(iii) above), except for the purposes of any such payment from such moneys or government obligations referred to in clause (2) above.

(C) Notwithstanding the foregoing paragraph, in the case of a Bond or Authorized Denomination thereof which by its terms may be redeemed prior to the stated maturity thereof, no deposit under clause (a)(iii) of the immediately preceding paragraph shall be deemed a payment of such Bond or Authorized Denomination thereof as aforesaid until: (a) proper notice of redemption of such Bond or Authorized Denomination thereof shall have been previously given in accordance with Article III of this Indenture, or in the event said Bond or Authorized Denomination thereof is not to be redeemed within the succeeding seventy-five (75) days, until the Borrower shall have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owner of such Bond or Authorized Denomination thereof in accordance with Article III hereof, that the deposit required by (a)(iii) above has been made with the Trustee and that said Bond or Authorized Denomination thereof is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable premium, if any, on said Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof, or (b) the maturity of such Bond or Authorized Denomination thereof.

(D) Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or government obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds or Authorized Denominations thereof (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds or Authorized Denominations thereof (including interest and premium thereon, if any) with respect to which such moneys and government obligations have been so set aside in trust.

(E) Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

(F) Anything in Article XI hereof to the contrary notwithstanding, if moneys or government obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds or Authorized Denominations thereof and the interest and premium, if any, thereon and such Bonds or Authorized Denominations thereof and the interest and premium, if any, thereon shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Owner of each of the Bonds affected thereby.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 9.01. DEFAULTS; EVENTS OF DEFAULT. If any of the following events occurs with respect to a Bond or Bonds of any Series, it is hereby defined as and declared to be and to constitute a default or an Event of Default *with respect to such Series of Bonds*:

- (a) Failure to make payment of any installment of interest upon any Bond of any Series after such payment has become due and payable;
- (b) Failure to make payment of the principal of and premium, if any, on any Bond of any Series at the stated maturity thereof or upon the unconditional redemption thereof;
- (c) A failure to pay an amount due pursuant to Article IV hereof when the same shall have become due and payable with respect to any Bond of any Series;
- (d) The occurrence of an "Event of Default" under the Agreement affecting any Series of Bonds;
- (e) Failure on the part of the Issuer to perform or observe any of its covenants, agreements or conditions in this Indenture or in the Bonds applicable to the Bonds of any Series or to the Bonds generally and failure to remedy the same after notice thereof pursuant to Section 9.10 hereof;
- (f) While the Bonds of any Series are supported by a Letter of Credit, the Trustee shall have received written notice from the Bank of the occurrence of an Event of Default with respect to such Series of Bonds, as such term is defined under the Reimbursement Agreement, and requesting that the Trustee declare an acceleration of such Bonds pursuant to Section 9.02 hereof; and
- (g) While the Bonds of any Series are supported by a Letter of Credit, the Trustee shall receive written notice from the Bank within ten (10) calendar days after an interest drawing under the Letter of Credit, or as otherwise provided in the Reimbursement Agreement, that the Bank has not reinstated the amount so drawn with respect to such Series of Bonds.

SECTION 9.02. ACCELERATION. Upon the occurrence and continuance of an Event of Default with respect to any Series of Bonds under Section 9.01 hereof, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate

principal amount of Bonds of such Series then Outstanding, shall (in all cases only with the consent of the Bank or the Bond Insurer with respect to such Series of Bonds, except in the case of a Bank Default or Insurer Default, respectively, with respect to such Series of Bonds), by notice in writing delivered to the Borrower, with copies to the Issuer, the Bond Insurer, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, declare the principal of all Bonds of such Series and the interest accrued thereon to the date of such declaration immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided that interest shall continue to accrue until all such amounts are paid. On the date of any such declaration, the Trustee shall promptly draw upon any then existing Letter of Credit relating to such Series of Bonds in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds of such Series secured by such Letter of Credit so declared to be due and payable. Upon any such declaration, the Trustee shall declare all indebtedness related to such Series of Bonds and payable under Section 4.2(a) of the Agreement to be immediately due and payable in accordance with Section 6.2 of the Agreement and may exercise and enforce such rights as exist under the Agreement and this Indenture. The above provisions are subject to waiver, rescission and annulment as provided in Section 9.09 hereof. Upon receipt of notice pursuant to Section 9.01(f) or Section 9.01(g) from the Bank, the Trustee shall promptly draw upon the related Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds of such Series secured by such Letter of Credit to be due and payable.

Each Rating Agency shall receive immediate notice from the Trustee of any acceleration of the Bonds pursuant to Section 9.01(g).

SECTION 9.03.

REMEDIES; RIGHTS OF BONDHOLDERS AND BOND INSURER.

Upon the occurrence and continuation of an Event of Default with respect to any Series of Bonds under Section 9.01 hereof, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and premium, if any, and interest on such Series of Bonds then outstanding and to enforce and compel the performance of the duties and obligations of the Issuer as herein set forth. In addition, the Trustee may, without notice to the Issuer or the Borrower, exercise any and all remedies afforded the Issuer under Article VI of the Agreement in its name or the name of the Issuer without the necessity of joining the Issuer.

Subject to the limitations set forth in the last two paragraphs of this Section 9.03, if an Event of Default with respect to any Series of Bonds under Section 9.01 hereof shall have occurred and be continuing, and if requested so to do by the Owners of not less than a majority in aggregate principal amount of such Series of Bonds then outstanding and indemnified as provided in Section 10.01(i) hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Section 9.03 and Section 9.02 hereof with respect to such Series of Bonds, in all cases as the Trustee (being advised by Counsel) shall deem most expedient in the interests of the Owners of the Bonds of such Series.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the

Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default with respect to any Series of Bonds, except in the event of an Insurer Default applicable to a particular Bond Insurer, the Bond Insurer providing Bond Insurance in respect of such Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee in respect of such Series of Bonds for the benefit of the Bondholders hereunder covered by such Bond Insurance, including, without limitation: (i) the right to accelerate the principal of the Bonds of such Series as described herein and (ii) the right to annul any declaration of acceleration, and the Bond Insurer, except in the event of an Insurer Default applicable to such Bond Insurer, shall also be entitled to approve all waivers of Events of Default hereunder in respect of such Series of Bonds.

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default with respect to any Series of Bonds, except in the event of a Bank Default applicable to a particular Bank, the Bank providing a Letter of Credit in respect of such Series of Bonds shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee in respect of such Series of Bonds for the benefit of the Bondholders hereunder covered by such Letter of Credit, including, without limitation: (i) the right to accelerate the principal of the Bonds of such Series as described herein and (ii) the right to annul any declaration of acceleration, and the Bank, except in the event of a Bank Default applicable to such Bank, shall also be entitled to approve all waivers of Events of Default hereunder in respect of such Series of Bonds; provided that in no event shall any direction of the Bank alter the obligations of the Trustee to draw upon a Letter of Credit securing any Series of Bonds following an Event of Default under Section 9.01(g) with respect to such Series of Bonds.

SECTION 9.04. RIGHT OF BONDHOLDERS TO DIRECT PROCEEDINGS. Other than as provided in Section 9.03, the Owners of not less than a majority in aggregate principal amount of Bonds of any Series then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture with respect to such Series of Bonds, or for the appointment of a receiver or any other proceedings hereunder with respect to such Series of Bonds; provided, that such direction shall not be otherwise than in accordance

with the provisions of law and of this Indenture and could not involve the Trustee in personal liability.

SECTION 9.05.

APPLICATION OF MONEYS. All moneys received by the Trustee with respect to any Series of Bonds pursuant to any right given or action taken under the provisions of this Article or pursuant to Section 6.09 hereof shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and its Counsel, be deposited in the account (created under Section 6.02 hereof) within the Bond Fund relating to such Series of Bonds and all such moneys in such account within the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds of a Series shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all interest then due on such Series of Bonds (other than interest due on such Series of Bonds for the payment of which moneys are held pursuant to the provisions of this Indenture), and, if the amount available shall not be sufficient to pay said amount in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any Bonds of such Series which shall have become due (other than with respect to Bonds of such Series matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), and, if the amount available shall not be sufficient to pay in full such unpaid principal and premium, then to the payment ratably to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto of interest on overdue principal of and premium, if any, on any Bonds of such Series without preference or priority as between principal or premium or interest one over the others, or any installment of interest over any other installment of interest, or of any Bond of such Series over any other Bond of such Series, and if the amount available shall not be sufficient to pay such amounts in full, then ratably, without any discrimination or privilege.

(b) If the principal of all the Bonds of any Series shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and premium, if any, and interest then due and unpaid upon the Bonds of such Series (other than Bonds of such Series matured or called for redemption or interest due on Bonds of such Series for the payment of which moneys are held pursuant to the provisions of this Indenture), without preference or priority of principal, premium or interest one over the others, or of any installment of interest over any other installment of interest, or of any Bond of such Series over any other Bond of such Series, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds of any Series shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of Section 9.05(b) hereof in the event that the principal of all the Bonds of such Series shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Section 9.05(a) hereof.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Whenever all principal of and premium, if any, and interest on all Bonds of any Series have been paid under the provisions of this Section 9.05 and all expenses and charges of the Trustee have been paid, any balance remaining in the account relating to such Series within the Bond Fund shall be paid to the Borrower as provided in Section 6.15 hereof.

SECTION 9.06. REMEDIES VESTED IN TRUSTEE. All rights of action (including the right to file proofs of claims) under this Indenture or under any of the Bonds of a Series may be enforced by the Trustee without the possession of any of the Bonds of such Series or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds of such Series, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of the Outstanding Bonds of such Series.

SECTION 9.07. RIGHTS AND REMEDIES OF BONDHOLDERS. No Owner of any Bond of any Series shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless (i) a default has occurred of which a Responsible Officer of the Trustee has actual knowledge or has been notified as provided in subsection (g) of Section 10.01 hereof, (ii) such default shall have become an Event of Default hereunder and be continuing and shall not be subject to control by the Bank or the Bond Insurer under Section 9.03, (iii) the Owners of more than a majority in aggregate principal amount of Bonds of such Series then Outstanding shall have made written request to the Trustee, either to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its own name, and shall have offered to the Trustee indemnity as provided in Section 10.01(i), and (iv) the Trustee shall for sixty (60) days after such notice, request and offer of indemnity fail or refuse to exercise the powers herein granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder. No one or more Owners of the Bonds of any Series shall have any right in any manner whatsoever to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained in the manner

herein provided and for the equal and ratable benefit of the Owners of all Bonds of such Series then outstanding. Nothing in this Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and premium, if any, and interest on any Bond at and after the maturity thereof.

SECTION 9.08. TERMINATION OF PROCEEDINGS. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 9.09. WAIVERS OF EVENTS OF DEFAULT. Subject to the next paragraph and to the last two paragraphs of Section 9.03, which shall apply at all times with respect to any Series of Bonds then secured by a Letter of Credit or Bond Insurance, the Trustee may in its discretion waive any Event of Default with respect to a Series of Bonds hereunder and rescind its consequences and shall do so upon the written request of the Owners of not less than a majority in aggregate principal amount of all Bonds of such Series then Outstanding; provided, however, that there shall not be waived any Event of Default in the payment of the principal of, or premium on, any Outstanding Bonds when due (whether at maturity or by redemption), or any Event of Default in the payment when due of the interest on any such Bonds, unless prior to such waiver and rescission, all arrears of principal of and interest upon such Bonds, and interest on overdue principal at the rate borne by the Bonds on the date on which such principal became due and payable, and all arrears of premium, if any, when due, together with the reasonable expenses of the Trustee and of the Owners of such Bonds, including reasonable attorneys' fees paid or incurred, shall have been paid or provided for; provided further, there shall not be waived any Event of Default in the payment when due of any purchase prices of any Bonds pursuant to Article IV hereof, unless prior to such waiver and rescission all arrears of such purchase prices, together with reasonable expenses of the Trustee and of the Owners of such Bonds, including reasonable attorneys' fees paid or incurred, shall have been paid or provision therefor made. In the case of any such waiver and rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Indenture shall be in writing and a copy thereof shall be delivered to the Issuer, the Borrower, the Remarketing Agent and the Auction Agent.

The provisions of Sections 9.01 and 9.02 hereof are subject to the conditions that if, after the principal of all Bonds of any Series then Outstanding shall have been declared to be due and payable, all arrears of principal of and interest upon such Bonds, and the premium, if any, on all Bonds of such Series then Outstanding which shall have become due and payable otherwise than by acceleration, and all other sums payable under this Indenture, except the principal of, and interest on, the Bonds of such Series which by such declaration shall have become due and payable, shall have been paid by or on behalf of the Issuer, together with the reasonable expenses of the Trustee and of the Owners of such Bonds of such Series, including

reasonable attorneys' fees paid or incurred, and if no other defaults shall have occurred and be continuing, and, to the extent that a Letter of Credit is then in effect with respect to any Series of Bonds, the amount available for interest draws under such Letter of Credit shall have been reinstated by the Bank in writing, then and in every such case, the Trustee shall, with the consent of the Bank or the Bond Insurer, as applicable (except in the event of a Bank Default or an Insurer Default with respect to the applicable Series of Bonds), annul such declaration of maturity and its consequences, which waiver and annulment shall be binding upon all Holders of Bonds of such Series; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. In the case of any such annulment, the Borrower, the Issuer, the Trustee and the Holders of the Bonds of such Series shall be restored to their former positions and rights under this Indenture. All waivers and annulments under this Indenture shall be in writing and a copy thereof shall be delivered to the Issuer, the Bond Insurer, the Bank, the Borrower, the Remarketing Agent and the Auction Agent, as applicable.

SECTION 9.10.

NOTICE OF EVENT OF DEFAULT UNDER SECTION 9.01(e) HEREOF; OPPORTUNITY OF BORROWER TO CURE DEFAULTS. Anything herein to the contrary notwithstanding, no default described in Section 9.01(e) hereof shall constitute an Event of Default until actual notice of such default, requiring that it be remedied and stating that such notice is a "Notice of Default" hereunder, by registered or certified mail shall be given to the Issuer and the Borrower by the Trustee or to the Issuer and the Borrower and the Trustee by the Owners of a majority in aggregate principal amount of all Bonds Outstanding, and the Issuer or the Borrower on behalf of the Issuer shall have had ninety days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted within the applicable period and diligently pursued until the default is corrected and the fact of such non-correction, corrective action and diligent pursuit is evidenced to the Trustee by a certificate of an Authorized Borrower Representative or an Authorized Issuer Representative.

Whenever, so long as the Borrower is not in default under the Agreement, after a reasonable request by the Borrower, the Issuer shall fail, refuse or neglect to give any direction to the Trustee or to require the Trustee to take any other action which the Issuer is required to have the Trustee take pursuant to the provisions of the Agreement or this Indenture, the Borrower instead of the Issuer may give any such direction to the Trustee or require the Trustee to take any such action. Upon receipt by the Trustee of a written notice signed by the Authorized Borrower Representative stating that the Borrower has made reasonable request of the Issuer, and that the Issuer has failed, refused or neglected to give any direction to the Trustee or to require the Trustee to take any such action, the Trustee is hereby irrevocably empowered and directed to accept such direction from the Borrower as sufficient for all purposes of this Indenture. The Borrower shall have the direct right to cause the Trustee to comply with any of the Trustee's obligations under this Indenture to the same extent that the Issuer is empowered so to do.

Certain actions or failures to act by the Issuer under this Indenture may create or result in an event of default under this Indenture and the Issuer hereby grants the Borrower full authority, to the extent permitted by law, for account of the Issuer to perform or observe any

covenant or obligation of the Issuer alleged in a written notice to the Issuer and the Borrower from the Trustee not to have been performed or observed, in the name and stead of the Issuer with full power to do any and all things and acts to remedy any default.

SECTION 9.11. RIGHTS OF THE BANK. All consents, approvals and requests required of the Bank shall be deemed not required if the Bank has failed to fulfill its obligations to make payments under the Letter of Credit in accordance with the terms thereof or a Bank Default has occurred and is continuing. The Trustee, in its exercise of its rights for the benefit of Owners of any Series of Bonds under this Article IX and the rights of the Issuer assigned under this Indenture (but not including the rights of the Trustee or the Issuer under this Indenture for its own benefit including, but not limited to, indemnification and any fees and expenses owed to it), in the event that all Outstanding Bonds of such Series are Bank Bonds, shall be subject to the direction of the Bank. In the event that less than all Outstanding Bonds of such Series are secured by the Bank pursuant to the Letter of Credit, the Bank shall be treated as the owner of all Bank Bonds for purposes of giving directions, consents, waivers or other actions. In no event shall the Bonds of any Series secured by the Letter of Credit be accelerated without the prior written consent of the Bank so long as the Letter of Credit is in full force and effect and the Bank has not defaulted thereunder (i) by failing to honor a draft submitted under the Letter of Credit in strict conformity therewith or (ii) in any other material respect, and all interest draws under the Letter of Credit have been reinstated.

ARTICLE X

THE TRUSTEE

SECTION 10.01. ACCEPTANCE OF THE TRUSTS BY TRUSTEE. The Trustee hereby accepts the trusts imposed upon it by this Indenture, represents and covenants that it is fully empowered under the applicable laws and regulations of the State to accept said trusts, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, custodians, nominees, receivers or employees and shall not be responsible for the supervision of, or the acts of any attorneys, agents or receivers appointed by it in good faith and without negligence, and shall be entitled to advice of Counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of Counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) Except for its certificate of authentication on the Bonds and the other information the Trustee is required to set forth on the Bonds pursuant to Section 2.06 hereof, the Trustee shall not be responsible for any recital herein or in the Bonds, or the validity, priority, recording, or rerecording, filing, or refiling of this Indenture or any financing statement, amendments to this Indenture, or continuation statements, or for reviewing any annual reports,

financial statements or audits, or for insuring the Project or collecting any insurance moneys, other than the Bond Insurance, or for the validity of the execution by the Issuer of this Indenture or for any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, for the value or title of the Project or as to the maintenance of the security hereof. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Borrower under the Agreement, except as hereinafter set forth, but the Trustee may require of the Issuer or the Borrower full information and advice as to the performance of the covenants, conditions and agreements aforesaid. Except as otherwise provided in Sections 9.02 and 9.03 hereof, the Trustee shall have no obligation to perform any of the rights or obligations of the Issuer under the Agreement. The Trustee shall not be liable for participating in any act directed by the Issuer or the Borrower which might cause the Bonds of any Series to be "arbitrage bonds" within the meaning of Section 148(a) of the 1986 Code. The Trustee shall not be responsible or liable for the selection of any investment or for any loss suffered in connection with any investment of funds made by it in accordance with Article VII hereof including, without limitation, any loss suffered in connection with the sale of any investment pursuant to Article VII hereof.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds and otherwise transact banking and trustee business with the Borrower with the same rights which it would have if it were not Trustee.

(d) The Trustee shall be fully protected in acting in good faith upon any notice, request, resolution, consent, certificate, affidavit, letter, telegram or other paper or document, or direction (whether in original, electronic or facsimile form), believed to be genuine and correct and to have been signed or sent or given by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to conclusively rely upon a certificate signed on behalf of the Issuer by an Authorized Issuer Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or subsequent to the waiver, rescission or annulment of a default as provided in Article IX hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate signed on behalf of the Issuer by an Authorized Issuer Representative to the effect that a resolution or ordinance in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution or ordinance has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be liable in the performance of its obligations hereunder except for its own negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder, except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article IV hereof and all defaults under Section 9.01(a), (b) or (c) hereof, unless a Responsible Officer shall be specifically notified in writing of such default by the Issuer, the Bond Insurer, the Bank, the Liquidity Provider, the Auction Agent, the Remarketing Agent or the Owners of at least a majority in aggregate principal amount of all Bonds then outstanding.

(h) The Trustee shall not be required to give any bonds or surety in respect of the execution of its trusts and powers hereunder.

(i) Before taking any action under Article IX hereof with respect to any Series of Bonds at the request or direction of the Owners of such Series of Bonds, the Bank or the Bond Insurer, the Trustee may require that an indemnity bond satisfactory to it be furnished by the Owners of such Series of Bonds (the Trustee acknowledging that, (1) with respect to such Series of Bonds, the Bank's unsecured agreement to indemnify the Trustee will be sufficient for this purpose, and (2) that the Trustee may not seek indemnity as a condition to drawing on a Letter of Credit in connection with an acceleration of such Series of Bonds under Section 9.02), for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken.

(j) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received and shall not be commingled with the general funds of the Trustee but need not be segregated from other funds except to the extent required or permitted by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(k) The Trustee, prior to the occurrence of an Event of Default specified in Section 9.01 of this Indenture and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture. In case an event of default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(l) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This subsection shall not be construed to limit the effect of subsection (k) of this Section;

(ii) The Trustee shall not be liable for any error of judgment made in good faith by an officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) The 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 Owners of a majority in aggregate principal amount of the Bonds outstanding relating to the time, method and place of conducting any proceeding or any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) 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.

(m) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or as a condition to the taking of any action by the Trustee.

(n) In the event the Trustee incurs expenses or renders services in connection with an event of bankruptcy, reorganization or insolvency, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy, reorganization or insolvency.

(o) To the extent that the Trustee is also acting as Paying Agent, Registrar or Tender Agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article X shall also be afforded to such Paying Agent, Registrar and Tender Agent.

Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions hereof, the Trustee (or Paying Agent) shall consider the effect on the Bondholders as if there were no Bond Insurance or Letter of Credit, as applicable, and shall have the right to be provided with and may rely upon an Opinion of Counsel in making such determination.

SECTION 10.02. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business as a commercial bank or trust company in good standing under the laws of the United States of America or any state or territory thereof, duly authorized under such laws to exercise corporate trust powers, be authorized to accept and exercise the trusts herein provided, have a combined reported capital and surplus of at least \$75,000,000, be subject to examination by Federal or state authority and have such offices and agencies in such locations as are required under the Act and as are required to enable it to perform the functions herein contemplated and acceptable to the Bond Insurer. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 10.02, 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.

SECTION 10.03. FEES, CHARGES AND EXPENSES OF TRUSTEE. The Trustee shall be entitled to payment and/or reimbursement from the Borrower for reasonable fees for its services rendered hereunder and all advances, fees of counsel and other expenses reasonably made or incurred by the Trustee in connection with such services hereunder; provided, that if such expenses are determined to have been caused by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee shall have a first lien with right of payment prior to payment on account of principal of or premium, if any, or interest on any Bond upon all moneys in its possession under any provisions hereof for the foregoing advances, fees, costs and expenses incurred; provided, however, that the Trustee shall not have a first lien with right of payment prior to payment on account of principal of or premium, if any, or interest on any Bond with respect to moneys in the Bond Fund held for the payment of the principal of and premium, if any, and interest on particular Bonds or moneys held for the payment of the purchase price of particular Bonds. The Trustee's rights under this Section 10.03 shall survive the termination or expiration of this Indenture and the resignation or removal of the Trustee.

SECTION 10.04. NOTICE TO BONDHOLDERS IF DEFAULT OCCURS. If a default occurs of which the Trustee is by subsection (g) of Section 10.01 hereof required to take notice or if notice of default be given as in said subsection (g) provided, the Trustee shall within fifteen (15) days thereafter (unless such default is cured or waived), give notice of such default to each Owner of Bonds then Outstanding, provided that, except in the case of a default in the payment of the principal of or premium, if any, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as a trust committee of Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders and provided further that nothing in this Section 10.04 shall be deemed to limit the notice required by the second to last paragraph of Section 9.05 hereof.

SECTION 10.05. INTERVENTION BY TRUSTEE. In any judicial proceeding to which the Issuer or the Borrower is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of Bondholders and, subject to the provisions of Section 10.01(i), shall do so if requested in writing by the Owners of a majority in aggregate principal amount of all Bonds then outstanding.

SECTION 10.06. SUCCESSOR TRUSTEE. Any corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or to which it may sell, lease or transfer its corporate trust business and assets as a whole or substantially as a whole, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument on the part of any of the parties hereto.

SECTION 10.07. RESIGNATION BY THE TRUSTEE. The Trustee may at any time resign from the trusts hereby created by giving sixty (60) days written notice by registered or certified mail to the Issuer, the Borrower, the Liquidity Provider, the Bank, the Bond Insurer, the Owner of each Bond, the Auction Agent and the Remarketing Agent, and such resignation shall not take effect until the appointment of a successor Trustee pursuant to the provisions of Section 10.09 hereof and acceptance by the successor Trustee of the trusts created hereby. If no successor Trustee shall have been so appointed and have accepted appointment within forty-five (45) days of the giving of written notice by the resigning Trustee as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee or any Bondholder who has been a bona fide holder of a Bond for at least six months may, on behalf of itself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee meeting the qualifications set forth in Section 10.02.

SECTION 10.08. REMOVAL OF THE TRUSTEE. vii) In case at any time either of the following shall occur:

(1) the Trustee shall cease to be eligible in accordance with the provisions of Section 10.02 hereof and shall fail to resign after written request therefor by the Issuer or by any Bondholder who has been a bona fide holder of a Bond for at least six months, or

(2) 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, the Issuer may remove the Trustee and appoint a successor Trustee (with the advice of the Borrower and the consent of the Bond Insurer) by an instrument in writing, or any such Bondholder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee, in each case, meeting the eligibility standards set forth in Section 10.02. Such court may thereupon, after such notice if any, as it may deem proper and may prescribe, remove the Trustee and appoint a successor Trustee.

(b) The Issuer, in its sole discretion or upon the written request of an Authorized Borrower Representative, or the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding or the Bond Insurer or the Bank, for any failure by the Trustee to

fulfill its obligations hereunder may at any time, with or without cause, remove the Trustee and appoint a successor Trustee by an instrument or concurrent instruments in writing signed by the Issuer (with the advice of the Borrower and the consent of the Bond Insurer and the Bank) or such Bondholders, as the case may be.

(c) Any resignation or removal of the Trustee and appointment of a successor trustee, pursuant to any of the provisions of this Section shall not become effective until the acceptance of appointment by the successor Trustee as provided in Section 10.09 and acceptance by the successor Trustee of the trusts created hereby.

SECTION 10.09. APPOINTMENT OF SUCCESSOR TRUSTEE. In case the Trustee hereunder shall:

- (a) resign pursuant to Section 10.07 hereof;
- (b) be removed pursuant to Section 10.08 hereof; or
- (c) be dissolved, taken under the control of any public officer or officers or of a receiver appointed by a court, or otherwise become incapable of acting hereunder,

a successor shall be appointed by the Issuer at the direction of the Borrower and with the written consent of the Bond Insurer and the Bank, which consent shall not be unreasonably withheld; provided, that if a successor Trustee is not so appointed within ten (10) days after notice of resignation is mailed or instrument of removal is delivered as provided under Sections 10.07 and 10.08 hereof, respectively, or within ten (10) days of the Issuer's knowledge of any of the events specified in (c) hereinabove, then the Owners of a majority in aggregate principal amount of Bonds then outstanding, by filing with the Issuer, the Borrower, the Auction Agent and the Remarketing Agent, an instrument or concurrent instruments in writing signed by or on behalf of such Owners, may designate a successor Trustee meeting the eligibility standards set forth in Section 10.02.

SECTION 10.10. CONCERNING ANY SUCCESSOR TRUSTEES. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer and the Borrower, an instrument in writing accepting such appointment hereunder, and thereupon such successor shall become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but, nevertheless, and upon payment of its charges (1) such predecessor shall, on the written request of the Issuer, execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor hereunder and (2) such predecessor shall deliver, upon payment of its charges hereunder, all securities and moneys held by it as Trustee hereunder to its successor and transfer any Liquidity Facility or Letter of Credit to such successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereby vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer at the expense of the Borrower. The resignation of any Trustee and the instrument or instruments removing any Trustee and

appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office, if any, where the Indenture or a financing statement relating thereto shall have been filed or recorded. No Trustee hereunder shall be liable for the acts or omissions of any successor Trustee.

SECTION 10.11. TRUSTEE PROTECTED IN RELYING UPON RESOLUTION. The resolutions, ordinances, opinions, certificates and other instruments (whether in original, electronic or facsimile form) provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 10.12. SUCCESSOR TRUSTEE AS THE TRUSTEE, PAYING AGENT, TENDER AGENT AND REGISTRAR. In the event of a change in the office of the Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee, Tender Agent, Registrar and Paying Agent, and the successor Trustee shall become such Trustee, Tender Agent, Registrar and Paying Agent.

SECTION 10.13. NOTICES TO BE GIVEN BY TRUSTEE. The Trustee shall provide the Issuer, the Borrower, the Liquidity Provider, and the Bank with the following:

(A) On or before December 15 of each year during which any of the Bonds are outstanding, commencing December 15, 2003, or upon any significant change that occurs which would adversely impact the Trustee's ability to perform its duties under the Indenture, a written disclosure of any such change, or if applicable, of any conflicts that the Trustee may have as a result of other business dealings between the Trustee and the Borrower. If there are no such instances of a significant change, or of a conflict existing, then a statement to that effect shall be provided on such date.

(B) If there is a failure to pay any amount of principal of, premium, if any, or interest on the Bonds when due; or if there is a failure of the Borrower to provide any notice, certification or report specified in Section 5.3 of the Agreement; or if there is an occurrence of an Event of Default hereunder, of which the Trustee has knowledge, the Trustee shall provide prompt written notice to the Issuer of such occurrence.

SECTION 10.14. NOTICES TO RATING AGENCY, LIQUIDITY PROVIDER AND BANK; NOTICES TO BOND INSURER. viii) The Trustee shall provide the Issuer, any Rating Agency then rating the Bonds and the Bond Insurer, the Bank, and the Liquidity Provider with written notice upon the occurrence of: (i) the expiration, termination, extension or substitution for any Liquidity Facility or Letter of Credit; (ii) the discharge of liability on any Series of the Bonds pursuant to the terms hereof; (iii) the resignation or removal of the Trustee, Tender Agent, the Remarketing Agent or the Auction Agent; (iv) acceptance of appointment as successor Trustee, the Tender Agent, the Remarketing Agent or the Auction Agent hereunder; (v) the redemption of all Bonds; (vi) a material change in the Indenture, the Agreement, the Bond Insurance, the Liquidity Facility or the Letter of Credit; (vii) any mandatory tender of a Series of Bonds hereunder, (viii) any addition of a Letter of Credit, Liquidity Facility or Bond Insurance and (ix) when a Series of Bonds is no longer Outstanding.

The Trustee shall also notify any Rating Agency then rating the Bonds of any changes to any of the documents to which the Trustee is a party, upon its receipt of notification of any such changes.

(b) While Bond Insurance is in effect with respect to a Series of Bonds, the Trustee shall furnish to the Bond Insurer (to the attention of its surveillance department, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Issuer and a copy of any audit and annual report of the Issuer;

(ii) a copy of any notice to be given to the registered owners of such Series of Bonds, including, without limitation, notice of any redemption of or defeasance of such Series of Bonds, a copy of any notice provided to the Liquidity Provider with respect to such Series of Bonds, and any certificate rendered pursuant to this Indenture relating to the security for the Bonds; and

(iii) such additional information it may reasonably request.

(c) The Trustee shall, to the extent feasible, notify the Bond Insurer of any failure of the Issuer to provide relevant notices or certificates required to be provided by the Issuer hereunder.

(d) Notwithstanding any other provision hereof, the Trustee shall promptly notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required with respect to Bonds insured by the Bond Insurer and immediately upon the occurrence of any Event of Default hereunder.

(e) The Issuer will permit the Bond Insurer to discuss the finances and accounts of the Issuer or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer. The Trustee will, upon reasonable prior written notice, permit the Bond Insurer to have access to and to make copies of all books and records relating to the Bonds insured by the Bond Insurer at any reasonable time.

(f) The Bond Insurer shall have the right to direct an accounting at the Issuer's expense, and the Issuer's failure to comply with such direction within thirty (30) days after receipt of written notice to the Issuer and the Borrower of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds insured by the Bond Insurer.

ARTICLE XI

SUPPLEMENTAL INDENTURES

SECTION 11.01. SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BONDHOLDERS (BUT REQUIRING CONSENT OF THE BORROWER).

The Issuer and the Trustee may without the consent of, or notice to, any of the Bondholders, but with the consent of the Borrower, the Bond Insurer, the Bank, and the Liquidity Provider pursuant to Section 11.03 hereof, enter into an indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (i) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (ii) to grant to or confer or impose upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as heretofore in effect;
- (iii) to cure any ambiguity or omission or to cure, correct or supplement any defective provision of this Indenture in each case in such manner as shall not adversely affect the Bondholders;
- (iv) to evidence the appointment of a separate trustee or a co-trustee or to evidence the succession of a new trustee or a new co-trustee hereunder;
- (v) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, to the extent applicable;
- (vi) to subject to this Indenture additional revenues, properties or collateral;
- (vii) to provide for the issuance of coupon bonds (provided, however, that the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that the issuance of such coupon bonds complies with all applicable laws and will not adversely affect the Tax-Exempt status of the Bonds);
- (viii) to provide for the use of an uncertificated book entry system (provided, however, that the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that the use of an uncertificated book entry system complies with all applicable laws and will not adversely affect the Tax-Exempt status of the Bonds);
- (ix) to modify, alter, amend or supplement the Indenture in any other respect, if the effective date of such supplement or amendment is a date on which all the Bonds affected thereby are subject to mandatory purchase or if notice by mail of the proposed amendment or supplement is given to the Owners of the affected Bonds at least 30 days before the effective date thereof, and, on or before such effective date, such Owners have the right to require purchase of their Bonds (provided, however, that the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that any such amendment complies with all applicable laws and will not adversely affect the Tax-Exempt status of the Bonds);

(x) to authorize different Authorized Denominations of the Bonds and to make correlative amendments and modifications to this Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;

(xi) to modify, delete or supplement any provision, term or requirement relating to Bonds that may bear interest at Flexible Rates to the extent deemed necessary or desirable further to protect or assure the Tax-Exempt status of the Bonds; provided, however, that the effective date of any such modification, deletion or supplementation with respect to any Bond shall be no earlier than the day succeeding the last day of any then current Flexible Segment with respect to such Bond;

(xii) to preserve the Tax-Exempt status of the Bonds; or

(xiii) to modify, alter, amend or supplement this Indenture in any other respect which is not adverse to the Bondholders and which does not involve a change described in clause (a), (b), (c), (d) or (e) of Section 11.02 hereof.

SECTION 11.02.

SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BONDHOLDERS AND THE BORROWER. Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds of any Series then Outstanding (and with the consent of the Borrower pursuant to Section 11.03 hereof) shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto for the purpose of modifying, amending, adding to or rescinding, in any particular manner, any of the terms or provisions contained in this Indenture affecting such Series of Bonds; provided, however, that nothing in this Section contained shall permit or be construed as permitting amendments of this Indenture, without the consent of the holders of 100% of the Bonds of such Series then Outstanding affected by such amendment, to effect (a) an extension of the maturity date of the principal of or the interest on any Bond of such Series issued hereunder, or (b) a reduction in the principal amount of, premium, if any, on any Bond of such Series or the rate of interest thereon, or (c) an adverse change in the rights of the Owners of the Bonds of such Series to require the purchase thereof pursuant to Article IV hereof, or (d) a privilege or priority of any Bond or Bonds of such Series over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds of such Series the Owners of which are required to consent to such supplemental indenture.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes allowed by this Section, the Trustee shall, at the request of the Issuer and upon being satisfactorily indemnified with respect to expenses and upon receiving from the Borrower forms of notices and any other related solicitation materials, cause notice of the proposed execution of such supplemental indenture to be mailed to the holders of the Bonds of any Series affected by such supplemental indenture in substantially the manner provided in Section 3.02 hereof with respect to redemption of Bonds. Such notice shall briefly

set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders entitled to so consent. If, within sixty (60) days or such longer period of time as shall be prescribed by the Issuer following the mailing of such notice, the Owners of a majority or 100%, as the case may be, in aggregate principal amount of the Bonds of such Series Outstanding at the time of the execution of any such supplemental indenture entitled to so consent shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond of such Series shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. The Issuer shall have the right to extend, with the prior written consent of the Borrower, from time to time the period within which such consent and approval may be obtained from Bondholders. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

SECTION 11.03. CONSENT OF BORROWER AND BOND INSURER. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI shall not become effective unless and until the Borrower, the Bank and Bond Insurer shall have consented to the execution and delivery of such supplemental indenture.

SECTION 11.04. CONSENT OF REMARKETING AGENT, AUCTION AGENT, LIQUIDITY PROVIDER AND BANK. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI which affects any rights, duties or obligations of the Remarketing Agent or the Auction Agent, or which affects any Liquidity Facility or Letter of Credit, shall not become effective unless and until the Remarketing Agent, the Auction Agent, the Liquidity Provider or the Bank, as applicable, shall have consented to the execution and delivery of such supplemental indenture.

SECTION 11.05. CONSENT OF TRUSTEE. The Trustee may, but shall not be obligated to, enter into any supplemental indenture which adversely affects the Trustee's own rights, liabilities, duties or immunities under this Indenture or otherwise.

SECTION 11.06. REQUIRED AND PERMITTED OPINIONS OF COUNSEL. The Issuer and the Trustee shall be provided with and may rely on an opinion of Counsel to the effect that any supplemental indenture entered into by the Issuer and the Trustee complies with the provisions of this Article XI and an opinion of Bond Counsel that any such supplemental indenture does not adversely affect the Tax-Exempt status of the Bonds. No supplemental indenture or amendment or modification to the Agreement or the Bonds shall be effective until the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that such supplemental indenture or such amendment or modification is permitted by the Act and will not adversely affect the Tax-Exempt status of the Bonds.

SECTION 11.07. NOTATION OF MODIFICATION ON BONDS; PREPARATION OF MODIFIED BONDS. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article XI may bear a notation, in form approved by the Trustee, as to any matter provided for in such supplemental

indenture, and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

ARTICLE XII

AMENDMENT OF AGREEMENT

SECTION 12.01. AMENDMENTS TO AGREEMENT NOT REQUIRING CONSENT OF BONDHOLDERS. The Issuer and the Borrower may, with the written consent of the Trustee, the Bond Insurer, the Liquidity Provider, and the Bank, but without the consent of or notice to any of the Bondholders, enter into any amendment, change or modification of the Agreement (a) as may be required by the provisions of the Agreement or this Indenture or the Bond Insurance, Liquidity Facility or Letter of Credit, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of the Agreement, (d) to preserve the Tax-Exempt status of the Bonds, or any of them, (e) to make any modification or amendment in any other respect if the effective date of such amendment is a date on which all the affected Bonds are subject to mandatory purchase pursuant to Section 4.02(a) hereof or if notice by mail of the proposed amendment or supplement is given to the Owners of the affected Bonds at least 30 days before the effective date, and prior to such effective date such Owners have the right to require purchase of their Bonds pursuant to Section 4.01 hereof, or (f) in connection with any other change therein which is not materially adverse to the Bondholders and which does not involve a change described in clauses (a) or (b) of Section 12.02 hereof and which in the reasonable judgment of the Trustee is not to the prejudice of the Trustee; provided that any amendment or supplement to Exhibit A-1 and Exhibit A-2 to the Agreement contemplated in Section 3.1 of the Agreement shall not be deemed to be an amendment of the Agreement for any purpose of this Article XII.

SECTION 12.02. AMENDMENTS TO AGREEMENT REQUIRING CONSENT OF BONDHOLDERS. Unless otherwise specifically provided in this Section, the consent of the Bond Insurer, the Bank or the Liquidity Provider shall be required in addition to required Bondholder consent, when required, for the execution and delivery of any amendment, supplement or change to or modification of the Agreement. Except for the amendments, changes or modifications as provided in Section 12.01 hereof, neither the Issuer nor the Borrower shall enter into any other amendment, change or modification of the Agreement affecting any Series of Bonds without mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds of such Series at the time Outstanding given and procured as provided in this Section; provided, however, that nothing in this Section or Section 12.01 (other than Section 12.01(e)) hereof shall permit or be construed as permitting, without the consent of the holders of 100% of the Bonds of a Series then Outstanding, (a) an extension of the time of the payment of any amounts payable under Section 4.2(a) or Section 4.2(b) of the Agreement with respect to the Bonds of such Series, or (b) a reduction in the amount of any payment or in the total amount due under Section 4.2(a) or Section 4.2(b) of the Agreement with respect to the Bonds of such Series. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed

amendment, change or modification of the Agreement affecting any Series of Bonds, the Trustee shall, at the request of the Issuer and upon being satisfactorily indemnified with respect to expenses and upon receiving from the Borrower forms of notices and any other related solicitation materials, cause notice of such proposed amendment, change or modification to be mailed to the Owners of Bonds of such Series in substantially the manner as provided by Section 3.02 hereof with respect to redemption of Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Issuer, following the mailing of such notice, the Owners of a majority or 100%, as the case may be, in aggregate principal amount of the Bonds of such Series Outstanding at the time of the execution of any such amendment, change or modification, as the case may be, entitled to so consent shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond of such Series shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Borrower or the Issuer from executing the same or from taking any action pursuant to the provisions thereof, or the Trustee from consenting thereto. The Issuer shall have the right to extend from time to time the period within which such consent and approval may be obtained from Bondholders. Upon the execution of any such amendment, change or modification as in this Section permitted and provided, the Agreement shall be and be deemed to be modified, changed and amended in accordance therewith.

SECTION 12.03. CONSENT OF TRUSTEE. The Trustee may, but shall not be obligated to, consent to any amendment, change or modification of the Agreement which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 12.04. RELIANCE ON OPINIONS OF COUNSEL. The Issuer and the Trustee shall be provided with and may rely upon an Opinion of Counsel to the effect that any such proposed amendment, change or modification will comply with the provisions of this Article XII and an opinion of Bond Counsel that any such amendment, change or modification does not adversely affect the Tax-Exempt status of the Bonds.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. SUCCESSORS OF THE ISSUER. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official of the Issuer who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

SECTION 13.02. CONSENTS OF BONDHOLDERS. Any consent, approval, direction or other instrument required by this Indenture to be signed and executed by

the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, approval, direction or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such instrument or writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the Person signing such instrument or writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution or in any other manner satisfactory to the Trustee; or

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of acquiring the same shall be proved by the registration books of the Issuer maintained by the Trustee pursuant to Section 2.04 hereof.

Any request, demand, authorization, direction, notice, consent, waiver or other action by any Bondholder shall bind every future holder of the same Bond in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 13.03. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, the Borrower, the Liquidity Provider, the Bank, the Bond Insurer, the Remarketing Agent, the Auction Agent and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are intended to be and being for the sole and exclusive benefit of the parties hereto, the Owners of the Bonds, the Remarketing Agent, the Auction Agent, and the Borrower as herein provided. To the extent that this Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Indenture, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 13.04. WAIVER OF NOTICE. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 13.05. SEVERABILITY. If any provision of this Indenture shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or

unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

SECTION 13.06.

NOTICES. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be sufficiently given if in writing and shall be deemed given when mailed by registered, certified or first class mail, postage prepaid, or by qualified overnight courier service, courier charges prepaid, addressed as follows, or to such other addresses as may be given at any time pursuant to Section 9.1 of the Agreement:

| | |
|---|--|
| If to the Issuer: | Clark County Government Center County Manager's Office 500 South Grand Central Parkway, 6th Floor Las Vegas, NV 89155-1111 Phone: (702) 455-3234 Telecopy: (702) 455-6298 |
| If to the Borrower: | Southwest Gas Corporation 5241 Spring Mountain Road Las Vegas, NV 89150-0002 Telecopy: (702) 364-8597 |
| If to the Trustee, the Paying Agent or the Tender Agent: | BNY Midwest Trust Company 2 North LaSalle Street, Suite 1020 Chicago, IL 60602 Telecopy: (312) 827-8542 |
| If to the Initial Bank in respect of Series 2003A Bonds and the Series 2003B Bonds: | Fleet National Bank Global Energy Group Mail Stop MA DE 10009H 100 Federal Street Boston, MA 02110 Attention: Stephen J. Hoffman Phone: (617) 434-6520 Telecopy: (617) 434-3652 |
| If to the Initial Remarketing Agent: | Banc One Capital Markets, Inc. 1 Bank One Plaza Mail Code: IL1-0826 Chicago, IL 60670 Attention: Large Corporate Tax-Exempt Origination Phone: (312) 336-3665 Telecopy: (312) 732-4107 |

unless specifically otherwise required by the terms of this Indenture, any notice required to be given pursuant to any provision of this Indenture may be given by any form of electronic transmission that is capable of producing a written record, including, without limitation, teletype transmissions, provided that the deliverer of any such notice given by electronic transmission shall verify receipt of such notice promptly upon the transmission thereof and such notice shall not be deemed duly given unless full and legible receipt thereof has been verified by the recipient of such notice. The Issuer, the Borrower, the Trustee, any Bond Insurer, any Liquidity Provider, any Bank, any Remarketing Agent and any Auction Agent by notice pursuant to this Section 13.06, may designate any different addresses to which subsequent notices, certificates or other communications shall be sent. A duplicate copy of each notice, approval, consent, request, complaint, demand or other communication given hereunder by the Issuer, the Borrower or the Trustee to any one of the others shall also be given to each one of the others.

SECTION 13.07.

WAIVER OF PERSONAL LIABILITY OF ISSUER MEMBERS, ETC. No member, officer, agent or employee of the Issuer, and no officer, official, agent or employee of the State or any department, board or agency of the Issuer or the State shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 13.08.

HOLIDAYS. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture and no interest shall accrue on the payment so deferred during the intervening period.

SECTION 13.09.

OPINIONS OF BOND COUNSEL. For so long as Orrick, Herrington & Sutcliffe LLP is nationally recognized bond counsel, whenever in this Indenture it is required that prior to the taking of any action an opinion of Bond Counsel is required to be delivered to the effect that such action will not adversely affect the Tax-Exempt status of the Bonds, and such opinion is not given by Orrick, Herrington & Sutcliffe LLP, the opinion of Bond Counsel shall instead affirmatively state, in a manner acceptable to the Issuer and the Trustee, that interest on the Bonds is Tax-Exempt and will remain so after the action in question. This Section shall apply in the same fashion with respect to the affirmative opinion of any such successor Bond Counsel.

SECTION 13.10.

COUNTERPARTS. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.11.

APPLICABLE LAW. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State; provided, however, that the rights, duties and benefits of the Trustee shall be governed by the laws of the State of New York.

SECTION 13.12. CAPTIONS. The captions or headings in this Indenture are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Indenture.

SECTION 13.13. DEALING IN BONDS. The Trustee, or the Remarketing Agent, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee or the Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Borrower, and may act as depository, trustee or agent for any committee or body of Bondholders secured hereby or other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

SECTION 13.14. IMMUNITY OF INCORPORATORS. No recourse under or upon any obligations, covenants or agreements contained in the Agreement, this Indenture or the Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, director, officer or employee, as such, whether past, present, or future, of the Borrower or the Issuer or of any successor Person, either directly or through the Borrower or the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that any such liability and any and all such claims are hereby expressly waived and released as a condition of, and as a consideration for, the execution of the Agreement.

SECTION 13.15. BORROWER MAY ACT THROUGH AGENTS. In connection with any and all actions permitted or required to be taken by the Borrower in connection with the provisions hereof, including without limitation those set forth in Section 2.03 hereof, the Borrower may by written instrument filed with the Trustee appoint one or more agents (which may be the Remarketing Agent) to take such actions on its behalf, which appointment may be revoked at any time by the Borrower by written instrument filed with the Trustee.

SECTION 13.16. RECORD DATE FOR DETERMINATION OF OWNERS ENTITLED TO VOTE. The Borrower may set a record date for the purpose of determining the Owners entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Owners. If not set by the Borrower prior to their first solicitation of an Owner made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the thirtieth (30th) day prior to such first solicitation or vote, as the case may be. With regard to any record date, only the Owners on such date (or their duly appointed proxies) shall be entitled to give or take, or vote on the relevant action.

SECTION 13.17. CONSENTS AND NOTICES. Notwithstanding anything herein to the contrary, no consent shall be required from or any notice given to any Bond Insurer, Liquidity Provider or Bank with respect to any amendment, supplemental indenture or other matter that does not affect the Bond Insurance, Liquidity Facility or Letter of Credit, as

applicable, or the Series of Bonds secured by such Bond Insurance, Liquidity Facility or Letter of Credit.

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IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture of Trust to be signed by authorized officers, all as of the date first above written.

CLARK COUNTY, NEVADA

By /s/ Mary Kincaid-Chauncey

Chair, Board of County Commissioners

(SEAL)

Attest:

/s/ Shirley B. Parraguirre

County Clerk

THE BANK OF NEW YORK MELLON
TRUST COMPANY N.A., as Trustee

By /s/ Dan Donovan

Authorized Officer

No. _-
—

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC AS OWNER OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO 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 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 OR TO ANY PERSON IS WRONGFUL, INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

UNITED STATES OF AMERICA

STATE OF NEVADA

**CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BOND
(SOUTHWEST GAS CORPORATION PROJECT) SERIES 2003_**

THE BONDS SHALL BE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES OF THE ISSUER PLEDGED THEREFOR UNDER THE INDENTURE. THE BONDS SHALL NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER OR THE STATE OF NEVADA (OR ANY POLITICAL SUBDIVISION THEREOF) WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR STATUTES OF THE STATE OF NEVADA, AND SHALL NOT CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEVADA OR CLARK COUNTY, NEVADA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR ANY INTEREST ON THIS BOND.

Maturity Date:

Registered Owner: Cede & Co.

Initial Principal Amount: DOLLARS

Dated Date:

Initial Interest Rate:

CLARK COUNTY, NEVADA (the "Issuer"), a public instrumentality and political subdivision of the State of Nevada, for value received, hereby promises to pay (but only out of the source hereinafter provided) to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above, and to pay (but only out of the source hereinafter provided) interest on the balance of said Principal Amount from time to time remaining unpaid until payment of said Principal Amount has been made or duly provided for, at the rates and on the dates determined as described in the Indenture as hereinafter defined, and to pay (but only out of the source hereinafter provided) interest on overdue principal at the rate borne by this Bond on the date on which such principal became due and payable, except as the provisions set forth in the Indenture with respect to redemption or acceleration prior to maturity may become applicable hereto, the principal of and premium, if any, and interest on this Bond being payable in lawful money of the United States of America at the Principal Office of BNY Midwest Trust Company, an Illinois trust company, as Paying Agent (the "Paying Agent"); provided, however, payment of interest on any Interest Payment Date shall be made to the registered owner hereof as of the close of business on the Record Date with respect to such Interest Payment Date and shall be (i) paid by check or draft of the Paying Agent mailed to such registered owner hereof at his address as it appears on the registration books of the Issuer maintained by BNY Midwest Trust Company, an Illinois trust company, as Trustee (the "Trustee") or at such other address as is furnished in writing by such registered owner to the Trustee not later than the close of business on the Record Date or (ii) transmitted by wire transfer to the account with a member of the Federal Reserve System located within the continental United States of America of any registered owner which owns at least \$1,000,000 in aggregate principal amount of the Bonds and which shall have provided wire transfer instructions to the Trustee prior to the close of business on such Record Date. Notwithstanding the foregoing provisions, for so long as this Bond is restricted to being registered on the registration books of the Issuer kept by the Trustee in the name of a Securities Depository, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of the payment of the principal and purchase price (if applicable) of and premium, if any, and interest on this Bond.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as the "Clark County Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2003_" (the "Bonds") limited in aggregate principal amount as provided in, and issued under and secured by, an Indenture of Trust (the "Indenture"), dated as of March 1, 2003, between the Issuer and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the County Economic Development Revenue Bond Law, Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes, as amended and supplemented to the date hereof (the "Act"). The Bonds are limited obligations of the Issuer and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is

defined in the Indenture), consisting primarily of loan repayments made by Southwest Gas Corporation (the "Borrower") under the terms of a Financing Agreement, dated as of March 1, 2003 (the "Agreement"), between the Issuer and the Borrower. The Bonds, together with certain other bonds of the Issuer, are all issued under and equally and ratably secured by and entitled to the benefits of the Indenture, including the security of a pledge and assignment of certain revenues and receipts derived by the Issuer pursuant to the Agreement and any Letter of Credit, as described therein, and all receipts of the Trustee credited under the provisions of the Indenture against such payments and from any other moneys held by the Trustee under the Indenture for such purpose, and there shall be no other recourse against the Issuer or any property now or hereafter owned by it.

The Borrower may, at its option, cause a Letter of Credit, a Liquidity Facility or Bond Insurance to be delivered from time to time to support the Issuer's payment obligations hereunder.

Interest on this Bond shall be payable at the times and in the amounts determined in accordance with the provisions of the Indenture. In no event shall the interest rate on this Bond be greater than 12% per annum. At the times and subject to the conditions set forth in the Indenture, the Borrower may elect that this Bond shall bear interest at an interest rate, and for a period, different from those then applicable. The Trustee shall give notice of any such adjustment to the owners of this Bond in accordance with the terms of the Indenture. REFERENCE IS MADE TO THE FURTHER PROVISIONS RELATING TO THE DETERMINATION OF THE RATE AND AMOUNT OF INTEREST ON THIS BOND SET FORTH IN THE INDENTURE, WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN.

This Bond shall be deliverable in the form of registered Bonds without coupons in Authorized Denominations, as defined in the Indenture.

This Bond is subject to acceleration, redemption and mandatory or optional tender for purchase prior to maturity upon the circumstances, at the times, in the amounts, upon payment of the amounts, with the notice, upon the other terms and provisions and with the effect set forth in the Indenture.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREBY AGREES THAT IF THIS BOND IS TO BE PURCHASED AND IF MONEYS SUFFICIENT TO PAY THE PURCHASE PRICE SHALL BE HELD BY THE TENDER AGENT ON THE DATE THIS BOND IS TO BE PURCHASED, THIS BOND SHALL BE DEEMED TO HAVE BEEN PURCHASED AND SHALL BE PURCHASED ACCORDING TO THE TERMS OF THE INDENTURE, FOR ALL PURPOSES OF THE INDENTURE, WHETHER OR NOT THIS BOND SHALL HAVE BEEN DELIVERED TO THE TENDER AGENT, AND THE REGISTERED OWNER OF THIS BOND SHALL HAVE NO CLAIM HEREON, UNDER THE INDENTURE OR OTHERWISE, FOR ANY AMOUNT OTHER THAN THE PURCHASE PRICE HEREOF.

Neither the Board of County Commissioners nor any person executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by

reason of the issuance thereof. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future County Commissioner, director, officer, employee or agent of the Issuer, or through the Issuer, or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, director, officer, employee or agent as such is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Bonds.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default (as defined in the Indenture), or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. If an Event of Default occurs and is continuing, the principal of all Bonds then outstanding issued under the Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of like tenor in Authorized Denominations.

This Bond is transferable by the registered holder hereof, in person, or by its attorney duly authorized in writing, at the principal office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds of like tenor in Authorized Denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor; provided that if moneys for the purchase of this Bond have been deposited with the Tender Agent, this Bond is not transferable to anyone until delivered to the Tender Agent.

The Issuer, the Trustee, any Paying Agent and any agent of the Issuer, the Trustee or any Paying Agent may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and neither the Issuer, the Trustee, any Paying Agent nor any such agent shall be affected by notice to the contrary.

The Indenture also contains provisions permitting the Issuer and the Trustee, without the consent of any holders of the Bonds, to execute supplemental indentures for certain purposes specified in the Indenture.

The Indenture prescribes the manner in which it may be discharged and after which the Bonds shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of payment of the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable, including a provision that under certain circumstances the Bonds shall be deemed to be paid if Government Obligations, as defined therein, maturing as to principal and interest in such

amounts and at such times as to insure the availability of sufficient moneys to pay the principal of, premium, if any, and interest on the Bonds and all necessary and proper fees, compensation and expenses of the Trustee, shall have been deposited with the Trustee.

The Indenture also prescribes the manner in which it may be modified, amended or altered; modifications or alterations of the Indenture, or any supplements thereto, and the Agreement may be made only to the extent and in the circumstances permitted by the Indenture.

Capitalized terms not defined herein shall have the meanings given to such terms in the Indenture.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Nevada and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of Nevada.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, CLARK COUNTY, NEVADA has caused this Bond to be executed in its name by the manual or duly authorized facsimile signatures of its Chair of the Board of County Commissioners and its Treasurer and attested by the manual or duly authorized facsimile signature of its County Clerk.

CLARK COUNTY, NEVADA

By _____
Chair, Board of County Commissioners

By _____
Treasurer

Attest:

County Clerk

This Bond is one of the Bonds referred to in the within-mentioned Indenture of Trust.

BNY MIDWEST TRUST COMPANY,
not in its individual capacity, but solely as Trustee

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT MIN ACT--

| | | |
|--|---|-----------------|
| TEN COM -- as tenants in common | _____ | Custodian _____ |
| TEN ENT -- as tenants by the entireties | (Cust) | (Minor) |
| JT TEN -- as joint tenants with right of survivorship and not as tenants in common | under Uniform Gifts to Minors Act _____ | (State) |

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

Social Security or Other Taxpayer Identification Number of Assignee

the within Bond of Clark County, Nevada and does hereby irrevocably constitute and appoint _____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

[END OF FORM OF BOND]

EXHIBIT B

[RESERVED]

B-1

EXHIBIT C

[FORM OF COST OF ISSUANCE FUND REQUISITION]

REQUISITION FOR MONEY FROM THE COSTS OF ISSUANCE FUND

Series 2003D/E Account

To: BNY Midwest Trust Company

Re: Clark County, Nevada
Industrial Development Revenue Bonds
Southwest Gas Corporation Project
Series 2003D and Series 2003E
(the "2003D/E Bonds")

Requisition No. _____

The undersigned, on behalf of Southwest Gas Corporation (the "Borrower"), hereby requests payment, from the Account of the Costs of Issuance Fund identified above (the "Account"), the total amount shown below to the order of the payee or payees named below, as payment or reimbursement for costs incurred or expenditures made in connection with the issuance of the Series 2003D/E Bonds. The payee(s), the purpose and the amount of the disbursement requested are as follows:

| <u>Payee</u> [name and address] | <u>Purpose</u> | <u>&# 160;</u> | <u>Amount</u> |
|------------------------------------|----------------|--------------------|---------------|
| Total \$ | | | |

The undersigned hereby certifies as follows:

Each obligation mentioned herein is described in Section 3.3 of the Financing Agreement relating to the Project, has been properly incurred and is a proper charge against the Account, and each item for which payment is requested is or was necessary in connection with the issuance of the 2003 Bonds. None of the items for which payment is requested has been reimbursed previously from the Account, and none of the payments herein requested will result in a breach of the representations and agreements in Section 2.2 of the Financing Agreement relating to the Project.

Dated: _____.

SOUTHWEST GAS CORPORATION

By:
Authorized Borrower Representative

EXHIBIT D

TO

INDENTURE OF TRUST

Auction Procedures

D-3

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ARTICLE I

Definitions

In addition to the words and terms elsewhere defined in this Indenture, the following words and terms as used in this *Exhibit D* and elsewhere in this Indenture have the following meanings with respect to any Series of Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

“Agent Member” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“All Hold Rate” means, as of any Auction Date, 45% of the Reference Rate in effect on such Auction Date.

“Applicable Percentage” means, as of any Auction Date, the Percentage of Reference Rate (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

| Prevailing Rating | Percentage of Reference Rate |
|-------------------|------------------------------|
| AAA/Aaa | 175 |
| AA/Aa | 200 |
| A/A | 250 |
| BBB/Baa | 275 |
| Below BBB/Baa | 300 |

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Exhibit D.

“Auction Agreement” means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit D with respect to the Bonds while bearing interest at an Auction Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means, with respect to Bonds of any Series, during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Rate Period, each Business Day, and (ii) if the Bonds are in any other Auction Rate Period, the Business Day preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); *provided, however*, that the last Auction Date with respect to the Bonds in an Auction Rate Period other than a daily Auction Rate Period shall be the earlier of (a) the Business Day preceding the Interest Payment Date preceding the Conversion Date for the Bonds and (b) the Business Day preceding the Interest Payment Date preceding the final maturity date for the Bonds; and *provided, further*, that if the

Bonds are in a daily Auction Rate Period, the last Auction Date shall be the earlier of (x) the Business Day preceding the Conversion Date for the Bonds and (y) the Business Day preceding the final maturity date for the Bonds. On the Business Day preceding the conversion from a daily Auction Rate Period to another Auction Rate Period, there shall be two Auctions, one for the last daily Auction Rate Period and one for the first Auction Rate Period following the conversion.

“Auction Rate Period” means any period of less than 365 days during which the Bonds bear interest at a single Auction Rate, as established pursuant to the Indenture.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Exhibit D.

“Auction Rate” means for each Series of Bonds for each Auction Rate Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate with respect to such Series of Bonds.

“Authorized Denominations” means \$25,000 and integral multiples of \$5,000 in excess thereof, notwithstanding anything else in this Indenture to the contrary, so long as the Bonds bear interest at an Auction Rate.

“Available Bonds” means for each Series of Bonds on each Auction Date, the aggregate principal amount of Bonds of such Series that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.02 of this Exhibit D.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit D, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company and the Bond Insurer, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit D, as such agreement may from time to time be amended or supplemented.

“Business Day” in addition to any other definition of “Business Day” included in this Indenture while Bonds bear interest at an Auction Rate, the term Business Day shall not include April 14 or 15 or December 30 or 31 or days on which the Auction Agent or any Broker-Dealer are not open for business.

“Conversion Date” means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, or a Term Rate.

“Existing Owner” means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

“Hold Order” has the meaning specified in subsection (a) of Section 2.02 of this Exhibit D.

“Interest Payment Date” with respect to Bonds bearing interest at Auction Rates, means (a) when used with respect to any Auction Rate Period of less than 92 days (other than a daily Auction Rate Period), the Business Day immediately following such Auction Rate Period, (b) when used with respect to a daily Auction Rate Period, the first Business Day of the month immediately succeeding such Auction Rate Period, (c) when used with respect to an Auction Rate Period of 92 or more days, each 13th Thursday after the first day of such Auction Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Auction Rate Period, (d) each Conversion Date, and (e) the date of final maturity of such Bonds.

“Maximum Auction Rate” means, as of any Auction Date, the product of the Reference Rate multiplied by the Applicable Percentage, provided, however, the Maximum Auction Rate shall not exceed the Maximum Interest Rate.

“Maximum Interest Rate” means (i) 12% on the date hereof, and (ii) to the extent the maximum rate permitted by applicable law shall become less than 12%, then the maximum rate permitted by applicable law.

“Order” means a Hold Order, Bid or Sell Order.

“Payment Default” means any Event of Default resulting from a failure to pay principal, premium, purchase price or interest on any Bond when due.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

“Prevailing Rating” means (a) AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and a rating of Aaa or better by Moody’s, (b) if not AAA/Aaa, AA/Aa if the Bonds shall have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody’s, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody’s, (d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa, if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody’s, and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are rated by any Rating Agency. For purposes of this definition, S&P’s rating categories of “AAA,” “AA,” “A” and “BBB” and Moody’s rating categories of “Aaa,” “Aa3,” “A3” and “Baa” shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two of

the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be the Maximum Auction Rate.

“Principal Office” means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee, the Bond Insurer and each Broker-Dealer.

“Reference Rate” shall have the meaning specified in Section 2.07 of this Exhibit D.

“Securities Depository” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“Sell Order” has the meaning specified in subsection (a) of Section 2.02 of Exhibit D.

“Submission Deadline” means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Rate Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Rate Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit D.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit D.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit D.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit D.

“Sufficient Clearing Bids” means, with respect to Bonds of a Series, an Auction for which the aggregate principal amount of Bonds of such Series that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds of such Series that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

“Winning Bid Rate” means, with respect to Bonds of a Series, the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the aggregate principal amount of Bonds of such Series that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

ARTICLE II

Auction Procedures

Section 2.01. General Procedures. While the Bonds bear interest at the Auction Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the Book-Entry System pursuant to this Indenture; (ii) each Auction Rate Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Rate Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Exhibit D.

Section 2.02. Orders by Existing Owners and Potential Owners.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the succeeding Auction Rate Period without regard to the rate determined by the Auction Procedures for such Auction Rate Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the succeeding Auction Rate Period if the rate determined by the Auction Procedures for such Auction Rate Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the succeeding Interest Payment Date (or the same day in the case of a daily Auction Rate Period) if the rate determined by the Auction Procedures for the succeeding Auction Rate Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the succeeding Interest Payment Date (or on the same day in the case of a daily Auction Rate Period) without regard to the rate determined by the Auction Procedures for the succeeding Auction Rate Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the succeeding Auction Rate Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

- (b) (i) Subject to the provisions of Section 2.03 of this Exhibit D, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:
 - (A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or
 - (B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in subsection (a)(v) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or
 - (C) a lesser principal amount of Bonds to be determined as set forth in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.
- (ii) Subject to the provisions of Section 2.03 of this Exhibit D, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:
 - (A) the principal amount of Bonds specified in such Sell Order; or
 - (B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.
- (iii) Subject to the provisions of Section 2.03 of this Exhibit D, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:
 - (A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or
 - (B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (a)(vi) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.
- (c) Anything herein to the contrary notwithstanding:
 - (i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not \$5,000 or an integral multiple thereof shall be rounded down to the nearest \$5,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Rate Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Rate Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Issuer of the occurrence of a Payment Default but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.03. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds of such Series, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds of a Series held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds of such Series held by such Existing Owner and not subject to Orders submitted to the Auction Agent; *provided, however*, that if there is a conversion from one Auction Rate Period to another Auction Rate Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds of such Series to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds of such Series to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds of a Series held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds of such Series held by such Existing Owner, the aggregate principal amount of Bonds of such Series subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds of such Series held by such Existing Owner over the aggregate principal amount of the Bonds of such Series subject to Hold Orders referred to in paragraph (i) above;

(B) subject to sub-clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds of such Series held by such Existing Owner over the principal amount of Bonds of such Series held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d);

(C) subject to sub-clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds of such Series held by such Existing Owner over the principal amount of Bonds of such Series held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be

treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds of such Series held by such Existing Owner over the sum of the principal amount of the Bonds of such Series considered to be subject to Hold Orders pursuant to sub-paragraph (i) of this paragraph (d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to sub-paragraph (ii) of this paragraph (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in ascending order of the respective rates in the Submitted Bids (as defined in Section 2.04).

(g) Neither the Issuer, the Bond Insurer, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.04. Determination of Auction Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) of this Section 2.04, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the succeeding Auction Rate Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Rate Period, (i) if the preceding Auction Rate Period was a period of 35 days or less, the new Auction Rate Period shall be the same as the preceding Auction Rate Period and the Auction Rate for the New Auction Rate Period shall be the same as the Auction Rate for the preceding Auction Rate Period, and (ii) if the preceding Auction Rate

Period was a period of greater than 35 days, the preceding Auction Rate Period shall be extended to the seventh day following the day that would have been the last day of such Auction Rate Period had it not been extended (or if such seventh day is not followed by a Business Day then to the succeeding day which is followed by a Business Day) and the Auction Rate in effect for the preceding Auction Rate Period will continue in effect for the Auction Rate Period as so extended. In the event an Auction Rate Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Rate Period as so extended to take effect for an Auction Rate Period beginning on the Business Day immediately following the last day of the Auction Rate Period as extended which Auction Rate Period will end on the date it would otherwise have ended on had the prior Auction Rate Period not been extended.

(e) In the event of a failed conversion from an Auction Rate Period to another Rate Period or in the event of a failure to change the length of the current Auction Rate Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Rate Period, the Auction Rate for the next Auction Rate Period shall be the Maximum Auction Rate and the Auction Rate Period shall be a seven-day Auction Rate Period.

(f) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry-only form by the Securities Depository then the Auction Rate shall be the Maximum Auction Rate.

Section 2.05. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and

including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii) and (iv) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii), (iv) or (v) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal

amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) of this Section 2.05, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) of this Section 2.05, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.06.

Notice of Auction Rate.

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Rate Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Rate Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.07. Reference Rate.

(a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Rate Period of 35 days or less shall be the offered rate for deposits in U.S. dollars for a one-month period which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars

are transacted in the London interbank market, then on the preceding day on which such dealings were transacted in such market. The Reference Rate with respect to Bonds in any Auction Rate Period of more than 35 days shall be the rate on the most recently auctioned Treasury securities having a maturity which most closely approximates the length of the Auction Rate Period, as last published in *The Wall Street Journal*. If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the Auction Rate Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit D, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Indenture and the definitions contained therein and described in this Exhibit D, including without limitation the definitions of All Hold Rate, Interest Payment Date, Maximum Auction Rate, Reference Rate, Applicable Percentage and Auction Rate, may be amended pursuant to the Indenture by obtaining the consent of (i) the Owners of all Bonds bearing interest at a Auction Rate, and (ii) the Bond Insurer, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Indenture, (i) the Auction Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Issuer, the Company and the Trustee an Opinion of Bond Counsel to the effect that such amendment (1) is authorized and permitted under the Act and the Indenture and (2) will not adversely affect the Tax-Exempt status of the Bonds, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided that* (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.08 if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(a) Changes in Auction Rate Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Rate Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Rate Period and the interest rate borne by such Bonds. Any such change in the Auction Rate Period shall be deemed to be a change in Rate Period. The Borrower shall initiate the change in length of the Auction Rate Period by giving written notice to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Rate Period will change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Rate Period.

(ii) The change in the length of the Auction Rate Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Rate Period shall take effect only if (a) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Rate Period, and (b) on the proposed effective date, the Company provides the Trustee and the Issuer with an Opinion of Bond Counsel stating that change in the Auction Rate Period (1) is authorized and permitted under the Act and the Indenture and (2) will not adversely affect the Tax-Exempt status of the Bonds. For purposes of the Auction for such first Auction Rate Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this sub-paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then the Auction Rate for the next Auction Rate Period shall be the Maximum Auction Rate, and the Auction Rate Period shall be a seven-day Auction Rate Period.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Rate Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Rate Period by means of a written notice delivered at least

ARTICLE III

Auction Agent

Section 3.01. Auction Agent.

(a) The Auction Agent shall be appointed by the Company with the consent of the Bond Insurer, to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Issuer and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Issuer, the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 90 days notice to the Company, the Issuer, the Bond Insurer and the Trustee. The Auction Agent may be removed at any time by the Company with the consent of the Bond Insurer by written notice, delivered to the Auction Agent, the Issuer, the Bond Insurer and the Trustee. Upon any such resignation or removal, the Company with the consent of the Bond Insurer shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Issuer, the Bond Insurer and the Trustee even if a successor Auction Agent has not been appointed.

ARTICLE IV

Broker-Dealers

Section 4.01. Broker-Dealers.

One or more Broker-Dealers shall be appointed by the Borrower to perform the functions specified herein with respect to the Bonds of a Series on or prior to the effective date of an adjustment of such Series to an Auction Rate Period. Each Broker-Dealer will signify its acceptance of the duties and obligations imposed upon it hereunder by entering into a Broker-Dealer Agreement, which will set forth such procedural and other matters relating to the performance of its functions as will be satisfactory to the Borrower, the Issuer and the Trustee.

Section 4.02. Resignation; Removal.

Any Broker-Dealer may at any time resign and be discharged of the duties and obligations created hereunder by giving such notice to the Borrower, the Issuer, the Auction Agent and the Trustee as may be agreed to between the Broker-Dealer and the Borrower. Any Broker-Dealer may be removed by the Borrower by such notice, deliver to the Broker-Dealer, the Issuer, the Auction Agent and the Trustee, as may be agreed to between the Broker-Dealer and the Borrower. Upon any such resignation or removal, the Borrower will appoint a successor Broker-Dealer. In the event of the resignation or removal of any Broker-Dealer, such Broker-Dealer will pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

INDENTURE OF TRUST

between

CLARK COUNTY, NEVADA

and

BNY MIDWEST TRUST COMPANY,

as Trustee

relating to

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
SERIES 2003A, SERIES 2003B, SERIES 2003C, SERIES 2003D AND SERIES 2003E

Dated as of March 1, 2003

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INDENTURE OF TRUST

between

CLARK COUNTY, NEVADA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY N.A.,

as Trustee

relating to

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
SERIES 2008A

Dated as of September 1, 2008

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THIS INDENTURE OF TRUST, made and entered into as of September 1, 2008 (this "Indenture"), by and between CLARK COUNTY, NEVADA, a political subdivision of the State of Nevada (the "Issuer"), and THE BANK OF NEW YORK MELLON TRUST COMPANY N.A., a national banking association organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the United States of America, acting not in its individual capacity, but solely as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, the Issuer is a public instrumentality and political subdivision of the State of Nevada organized and existing under the County Economic Development Revenue Bond Law Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes, as supplemented and amended (the "Act"), and is authorized by the Act to issue its revenue bonds for the purpose of paying all or any part of the costs of a "project" as defined in the Act; and

WHEREAS, Southwest Gas Corporation, a California corporation (the "Borrower"), has duly caused an application to be filed with the Issuer and has requested that the Issuer issue bonds to refinance a portion of the cost of the acquisition, construction and installation of a "project" within the meaning of the Act, consisting of the upgrade, improvement, addition and replacement of facilities for local furnishing of natural gas located in Clark County, Nevada, as more particularly described in Exhibit A to the Agreement (the "Project"); and

WHEREAS, the Issuer, after due investigation and deliberation, has adopted a resolution approving said request and authorizing the issuance of bonds to refinance a portion of the cost of the acquisition, construction, and installation of the Project, and for that purpose has determined to issue its Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2008A (the "Bonds"); and

WHEREAS, concurrently with the execution and delivery of this Indenture, the Issuer is entering into a Financing Agreement, dated the date hereof (the "Agreement"), with the Borrower specifying the terms and conditions of the refinancing of a portion of the cost of the acquisition and construction of the Project by the Borrower, the lending of the proceeds of the Bonds to the Borrower for such purpose, and the repayment by the Borrower of such loan; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, the Bonds are to be issued in a total aggregate principal amount not to exceed \$50,000,000 and are to be sold and delivered to provide proceeds, as a loan to the Borrower, to refinance a portion of the cost of the acquisition, construction, and installation of the Project, including the refinancing of such cost by refunding the Refunded Bonds, as defined herein; and

WHEREAS, the Bonds and the Trustee's certificate of authentication and the form of assignment to be endorsed thereon shall be in substantially the forms set forth in

Exhibit A to this Indenture, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture;

WHEREAS, all acts and proceedings required by law necessary to make the Bonds when executed by the Issuer, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Issuer in consideration of the premises, the acceptance by the Trustee of the trust hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, one dollar duly paid to the Issuer by the Trustee at or before the execution and delivery of these presents and of other good and valuable considerations, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest on all Bonds outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby pledge and assign unto the Trustee and unto its successors and assigns forever;

GRANTING CLAUSE FIRST

The Agreement, including all extensions and renewals of the term thereof, if any, together with all right, title and interest of the Issuer therein (except for Reserved Rights) including, but without limiting the generality of the foregoing, the present and continuing right to receive, collect or make claim for any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder, including payments made by the Borrower under the Agreement (excepting only payments made by the Borrower pursuant to the Tax Certificate (as defined herein) in order to make rebate payments to the United States), to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer or any other person is or may become entitled to do under the Agreement;

GRANTING CLAUSE SECOND

All Revenues (as defined herein) received by the Issuer under the Agreement and all moneys and earnings thereon held by the Trustee in the Bond Fund under the terms of this Indenture; and

GRANTING CLAUSE THIRD

Any and all other property of each name and nature from time to time hereafter by delivery or by writing of any kind pledged or assigned as and for additional security hereunder, by the Issuer or by anyone on its behalf or with its written consent, to the Trustee, which are hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trusts and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds, from time to time issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds (except only as otherwise expressly stated herein) and thereafter to secure the Bank to the extent of its interest herein.

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall cause to be paid, the principal of the Bonds and the interest and premium, if any, due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as required under Article VI hereof or shall provide, as permitted by Article VIII hereof, for the payment thereof, and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and the Bank all sums of money due or to become due, to each of them, respectively, in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease, determine and be void except as set forth in such Article VIII.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and the Trust Estate hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds and the Bank, to the extent of its interest herein, as follows:

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01 RULES OF INTERPRETATION. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (A) All references in this Indenture to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Indenture.
- (B) The words "herein", "hereof", "hereto", "hereby", 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.
- (C) The terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular.

(D) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect in the United States from time to time.

(E) Every "request", "order", "demand", "application", "appointment", "notice", "statement", "certificate", "consent", "direction", "instruction" or similar action hereunder by the Issuer shall, unless the form thereof is specifically provided, be in writing signed by the Authorized Issuer Representative.

(F) All references to the "Bank," the "Liquidity Provider" or the "Bond Insurer" apply only at such time as any Bank, Liquidity Provider or Bond Insurer is then providing a Letter of Credit, Liquidity Facility or Bond Insurance, as applicable.

(G) All references to the "Remarketing Agent," the "Auction Agent," the "Tender Agent," and the "Broker-Dealer" apply only at such time as any Remarketing Agent, Auction Agent, Tender Agent or Broker-Dealer is then acting as a remarketing agent, auction agent, tender agent or broker-dealer, as applicable, with respect to the Bonds.

(H) All other terms used herein which are defined in the Agreement shall have the same meanings assigned them in the Agreement unless the context otherwise requires.

SECTION 1.02

DEFINITIONS. In addition to the terms defined in the recitals hereto, for all purposes of this Indenture and the Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the following meanings; provided, however, that any terms used herein relating to Auction Bonds that are not expressly defined below shall be deemed to have the meanings provided in Exhibit B, Auction Procedures, attached hereto:

"Act" means the County Economic Development Revenue Bond Law Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes, as amended and supplemented.

"Administrative Expenses" means any and all reasonable and necessary expenses (including the reasonable and necessary out-of-pocket expenses and fees of Counsel) incurred by the Issuer in connection with the Bonds, the Agreement, this Indenture and any transaction or event contemplated by the Agreement or this Indenture, and any agency of the State selected by the Issuer to act on its behalf in connection with the Bonds, including any and all reasonable expenses incurred by the Attorney General of the State in connection with any litigation which may at any time be instituted involving the Bonds.

"Agreement" means the Financing Agreement of even date herewith by and between the Issuer and the Borrower, as from time to time amended and supplemented.

"Auction Agent" has the meaning, at any time as applicable, set forth in Exhibit B, Auction Procedures, attached hereto.

“Auction Bond” means, at any time as applicable, any Bond that bears interest at an Auction Rate.

“Auction Rate” has the meaning set forth in Exhibit B, Auction Procedures, attached hereto.

“Auction Rate Period” has the meaning set forth in Exhibit B, Auction Procedures, attached hereto.

“Authorized Borrower Representative” means the Chief Executive Officer, the President, the Chief Financial Officer, Treasurer or any Assistant Treasurer of the Borrower or any person at the time designated to act on behalf of the Borrower by a written certificate furnished to the Issuer, the Remarketing Agent, and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by any officer of the Borrower. Such certificate may designate an alternate or alternates.

“Authorized Denominations” means (i) with respect to Bonds during any Term Rate Period, \$5,000 and any integral multiple thereof; (ii) with respect to Bonds during any Auction Rate Period, the Authorized Denominations set forth in Exhibit B, Auction Procedures, attached hereto and (iii) with respect to Bonds during any other Rate Period, \$100,000 and any integral multiple of \$5,000 in excess thereof, except that one Bond may be in a denomination of any amount in excess of \$100,000.

“Authorized Issuer Representative” means the Chair of the Board of Commissioners of the Issuer or any person at the time designated to act on behalf of the Issuer by a written certificate furnished to the Borrower and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by the Chair of the Board of Commissioners of the Issuer.

“Available Moneys” means (1) proceeds of the Bonds received from the original issuance and sale of the Bonds; (2) proceeds from the remarketing of any Bonds tendered for purchase pursuant to this Indenture and purchased by any Person other than the Issuer or the Borrower (or any “insider,” as defined in the United States Bankruptcy Code, of the Issuer or the Borrower); (3) moneys derived from drawings under the Letter of Credit that are not commingled with any other moneys; (4) moneys held by the Trustee in funds and accounts established under this Indenture (other than in the Rebate Fund, the Letter of Credit Account or as described in Section 6.07 hereof) and subject to a first priority perfected lien under this Indenture for a period of at least 124 days and not commingled with any moneys so held for less than said period and during and prior to which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Issuer or the Borrower, unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed; (5) investment income derived from the investment of moneys described in clause (1), (2), (3), or (4); or (6) moneys as to which there has been delivered to the Trustee an opinion of nationally recognized bankruptcy counsel to the effect that the payment of such moneys to the Bondholders would not constitute transfers avoidable under 11 U.S.C. Section

547(b) and recoverable from the Bondholders under 11 U.S.C. Section 550(a) should the Borrower or the Authority be the debtor in a case under the United States Bankruptcy Code.

“Bank” means, at any time as applicable, any commercial bank, savings association or other financial institution issuing a Letter of Credit to support the Bonds, which will be a party to a Reimbursement Agreement.

“Bank Bonds” shall have the meaning ascribed thereto in Section 4.06(b)(i) hereof.

“Bank Default” means any of the following events: (i) the Bank shall fail, wholly or partially, to make a payment when and as required under the provisions of the Letter of Credit; (ii) the Letter of Credit is surrendered, cancelled or terminated (other than through normal expiration in accordance with its terms), or amended or modified in any material respect, without the Trustee’s prior written consent; (iii) a court of competent jurisdiction enters a final nonappealable judgment that the Letter of Credit is not valid and binding on or enforceable against the Bank ; or (iv) the occurrence and continuation of one or more of the following: (A) the liquidation or dissolution of the Bank; (B) the commencement by the Bank of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (C) the consent of the Bank to or the acquiescence by the Bank in any case or proceeding described in the preceding clause (B) that is commenced against it; (D) the making by the Bank of an assignment for the benefit of creditors; (E) the failure of the Bank or the admission by the Bank in writing of its inability generally to pay its debts or claims as they become due; (F) the initiation by the Bank of any actions to authorize any of the foregoing; (G) the commencement of an involuntary case or other proceeding against the Bank seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismissed and unstayed for a period of 60 days; or (H) the entering of an order for relief against the Bank under the federal bankruptcy law as now or hereafter in effect.

“Bond” or “Bonds” means any one or more of the bonds authorized, authenticated and delivered under this Indenture.

“Bond Counsel” means nationally recognized municipal bond counsel mutually acceptable to the Issuer, the Trustee and the Borrower, but shall not include Counsel to the Borrower. An “opinion of Bond Counsel” means a written opinion of Bond Counsel addressed to the Issuer and delivered to the Issuer, the Trustee and the Borrower.

“Bond Fund” means the fund created by Section 6.02 hereof.

“Bond Insurance” means, at any time as applicable, any bond insurance policy securing the payment of principal of the Bonds on the stated maturity date thereof and the

payment of interest on the Bonds on each Interest Payment Date therefor, delivered pursuant to and meeting the requirements of Section 5.16 of the Agreement.

“Bond Insurer” means, at any time as applicable, any insurance company, surety or other financial institution providing Bond Insurance then in effect.

“Bondholder” or “holder” or “Owner” or “owner of Bonds” means the Person or Persons in whose name or names a Bond shall be registered on books of the Issuer kept by the Registrar for that purpose in accordance with the terms of this Indenture; provided, however, with respect to Book-Entry Bonds the term “Owner” shall mean the beneficial owners of the Bonds as the context may require.

“Book-Entry Bond” means a Bond authorized to be issued to and, except as provided in subsections (c) or (d) of Section 2.13 of this Indenture, restricted to being registered in the name of a Securities Depository.

“Borrower” means Southwest Gas Corporation, a California corporation qualified to do business in the State, and its successors and assigns and any surviving, resulting or transferee corporation as permitted in Section 5.2 of the Agreement.

“Borrower Bonds” means any Bond registered to the Borrower or any affiliate thereof or held by the Trustee for the account of the Borrower.

“Business Day” means a day on which banking institutions located in New York, New York, or in the city in which the principal corporate trust office of the Trustee is located or the payment office for the Bond Insurer, the Bank or the Liquidity Provider, at which demands for payment of the Bond Insurance, Letter of Credit or Liquidity Facility are to be presented, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed; provided, however, that during an Auction Rate Period, this definition of “Business Day” shall be supplemented as provided in Exhibit B, Auction Procedures, attached hereto.

“Code” means the Internal Revenue Code of 1954, as amended, Title XIII of the Tax Reform Act of 1986, as amended, and regulations promulgated or proposed thereunder or (to the extent applicable) under prior law, including temporary regulations.

“1986 Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated or proposed thereunder or (to the extent applicable) under prior law, including temporary regulations.

“Cost” or “Cost of the Project” means the cost of refinancing the Project through redemption of the Refunded Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Borrower and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other

cost, charge or fee in connection with the original issuance of the Bonds which constitutes a “cost of issuance” within the meaning of Section 147(g) of the 1986 Code.

“Counsel” means an attorney at law or a firm of attorneys (who may be an employee of or counsel to the Issuer or the Borrower) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

“Daily Rate” means the interest rate on the Bonds established in accordance with Section 2.03(a) hereof.

“Daily Rate Period” means each period during which Bonds bear interest at Daily Rates.

“Dated Date” means the date of issuance and delivery of the Bonds to the Initial Purchaser thereof.

“Default” or “default” means any event which with the giving of notice, the passage of time, or both, becomes an “event of default”.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Event of Default” or “event of default” means an occurrence or event specified in and defined as such by Section 9.01 hereof.

“Exempt Facilities” means facilities for the local furnishing of natural gas within the meaning of Section 142(a)(8) of the 1986 Code.

“Expiration Date” means the earliest of (i) the stated expiration date of any Liquidity Facility or Letter of Credit and (ii) the date on which the Liquidity Facility or Letter of Credit is terminated pursuant to the terms of the Agreement or the terms of such Liquidity Facility or Letter of Credit.

“Fitch” means Fitch, Inc., doing business as Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized Rating Agency designated by the Borrower, with notice to the Issuer, the Trustee, the Bond Insurer, the Liquidity Provider and the Bank.

“Flexible Rate” means the interest rate on any Bonds established in accordance with Section 2.03(d) hereof.

“Flexible Rate Period” means each period, comprised of Flexible Segments, during which Bonds bear interest at Flexible Rates.

“Flexible Segment” means, with respect to each Bond bearing interest at a Flexible Rate, the period established in accordance with Section 2.03(d) hereof.

"Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the governments of the United States or of the State, or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; lightning; earthquakes; fires; tornadoes; volcanoes; storms; droughts; floods; explosions, breakage, or malfunction or accident to machinery, transmission lines, pipes or canals, even if resulting from negligence; civil disturbances; or any other cause not reasonably within the control of the Borrower.

The term "government obligations" means the obligations described in Section 8.01(B)(a)(iii)(2) hereof.

"Guarantor" means any Person that has guaranteed the obligations of the Borrower under the Agreement, the Bond Insurance or the Reimbursement Agreement.

"Indenture" means this Indenture of Trust, including any indentures supplemental hereto or amendatory hereof.

"Initial Purchaser" means Banc of America Securities LLC.

"Initial Letter of Credit" means the irrevocable, direct-pay Letter of Credit, in the stated amount of \$50,591,781, issued by JPMorgan Chase Bank, N.A. and effective as of the date of delivery of the Bonds.

"Insurer Default" means any of the following events: (i) the Bond Insurer shall fail, wholly or partially, to make a payment when and as required under the provisions of the Bond Insurance; (ii) the Bond Insurance is surrendered, cancelled or terminated, or amended or modified in any material respect, without the Trustee's prior written consent; (iii) a court of competent jurisdiction enters a final nonappealable judgment that the Bond Insurance is not valid and binding on or enforceable against the Bond Insurer; or (iv) the occurrence and continuation of one or more of the following: (A) the liquidation or dissolution of the Bond Insurer; (B) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, including without limitation the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (C) the consent of the Bond Insurer to or the acquiescence by the Bond Insurer in any case or proceeding described in the preceding clause (B) that is commenced against it; (D) the making by the Bond Insurer of an assignment for the benefit of creditors; (E) the failure of the Bond Insurer or the admission by the Bond Insurer in writing of its inability generally to pay its debts or claims as they become due; (F) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; (G) the commencement of an involuntary case or other proceeding against the Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismissed and unstayed for a period of 60 days; or (H) the entering of an order for relief against the Bond Insurer under the federal bankruptcy law as now or hereafter in effect.

“Interest Payment Date” means (i) with respect to any Daily Rate Period or Weekly Rate Period, the first Business Day of each calendar month, (ii) with respect to any Term Rate Period, the first Business Day of the sixth calendar month following the effective date of such Term Rate Period and the first Business Day of each successive sixth calendar month, if any, of such Term Rate Period, (iii) with respect to any Flexible Segment, the Business Day succeeding the last day thereof, (iv) with respect to any Auction Rate Period, the Interest Payment Dates set forth in Exhibit B, Auction Procedures, attached hereto, and (v) with respect to each Rate Period, the Business Day succeeding the last day thereof.

“Investment Securities” means any of the following: (1) Permitted Investments; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Farm Credit System Financial Assistance Corporation, Export-Import Bank, Federal Financing Bank, Government National Mortgage Association, Farmers’ Home Administration, or Federal Housing Administration; (3) obligations of any state government the interest on which is exempt from federal income taxation for which a nationally recognized rating service is maintaining a rating within the top two ratings of such rating service; (4) repurchase agreements with reputable financial institutions fully secured by collateral security actually delivered to the Trustee described in clauses (1) or (2) of this definition continuously having a market value at least equal to 102% of the amount so invested and approved in writing by the Bond Insurer, the Bank, S&P, Moody’s and Fitch at the time of such investment; (5) bankers’ acceptances maturing not more than 360 days from the date of issuance issued by a bank (including the Trustee and its affiliates) which are rated at least Aa by Moody’s or rated AA by S&P or Fitch and eligible for purchase by the Federal Reserve Bank; (6) interest-bearing demand or time deposits (including certificates of deposit) in banks (including the Trustee and its affiliates), provided such deposits are (a) secured at all times, and are issued by a bank which has a rating on its short-term certificates of deposit of A-1 or better by S&P, P-1 or better by Moody’s or F-1 or better by Fitch and mature no more than 360 days after the date of purchase or (b) fully insured by Federal deposit insurance; and (7) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than 270 days after the date of issuance thereof) which have been assigned the rating of at least A-1 or better by S&P, P-1 or better by Moody’s or F-1 or better by Fitch and approved in writing by the Bond Insurer, the Bank and S&P and Moody’s at the time of such investment.

“Issuer” means Clark County, Nevada, as issuer of the Bonds.

“Letter of Credit” means, at any time as applicable, any direct-pay Letter of Credit, including the Initial Letter of Credit, securing payment of the principal of, interest and premium on the Bonds and the purchase price of the Bonds purchased by the Tender Agent as provided in Article IV during one or more types of Rate Periods, in all cases issued by a Bank, naming the Trustee as beneficiary, delivered with respect to the Bonds pursuant to a Reimbursement Agreement and Section 5.14 of the Agreement, and meeting the requirements of Section 5.14 of the Agreement.

“Liquidity Facility” means, at any time as applicable, any standby bond purchase agreement or other liquidity facility securing payment of the purchase price of the Bonds

purchased by the Tender Agent as provided in Article IV during one or more types of Rate Periods, delivered pursuant to and meeting the requirements of Section 5.13 of the Agreement.

“Liquidity Provider” means, at any time as applicable, any commercial bank, savings association or other financial institution providing a Liquidity Facility then in effect.

“Liquidity Provider Bonds” shall have the meaning ascribed thereto in Section 4.06(b)(i) hereof.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of California, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a Rating Agency, “Moody’s” shall be deemed to refer to any other nationally recognized Rating Agency designated by the Borrower, with notice to the Issuer, the Trustee, the Bond Insurer, the Liquidity Provider and the Bank.

“Outstanding” or “outstanding” or “Bonds Outstanding”, in connection with the Bonds means, as of the time in question, all Bonds authenticated and delivered under this Indenture, including, without limitation, Bonds deemed not defeased or satisfied after the payment by the Bond Insurer or the Bank of principal and interest on such Bonds in accordance with Section 8.01 hereof, except:

- A. Bonds theretofore canceled or required to be canceled under Section 2.10 or 6.12 hereof;
- B. Bonds which are deemed to have been paid in accordance with Article VIII hereof; and
- C. Bonds (including Bonds which are deemed to have been purchased pursuant to Section 4.03 hereof) in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

In determining whether the Owners of a requisite aggregate principal amount of outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Indenture, Bonds which are owned of record by the Borrower or any affiliate thereof or held by the Trustee for the account of the Borrower shall be disregarded and deemed not to be Outstanding hereunder for the purpose of any such determination (except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned or held shall be disregarded) unless all Bonds are owned by the Borrower or any affiliate thereof and/or held by the Trustee for the account of the Borrower, in which case such Bonds shall be considered outstanding for the purpose of such determination. For the purpose of this definition, an “affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and “control”, when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and

the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Owner” is defined under the term “Bondholder.”

“Paying Agent” means, at any time as applicable, the Trustee, acting as paying agent for the Bonds.

“Permitted Investments” means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America); (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (iii) money market funds registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, which invest only in securities of the type described in clause (i) or (ii) of this definition and having a rating by S&P of at least Aam-G, AAAm or A-1, by Moody’s of at least Aaa or P-1, and by Fitch of at least AAA or F-1; or (iv) certificates or receipts representing direct ownership interests in future interest or principal payments on obligations described in clause (i) or (ii) of this definition which are held by a custodian in safekeeping on behalf of the holders of such certificates or receipts and approved in writing by the Bond Insurer, the Bank, S&P, Moody’s and Fitch at the time of such investments.

“Person” means natural persons, firms, partnerships, associations, corporations, trusts, limited liability companies and public bodies.

“Plans and Specifications” means the plans and specifications for the Project as prepared by the Borrower and heretofore approved by the Issuer.

“Principal Office” means, with respect to the Trustee, the principal corporate trust office of the Trustee, which office at the date of acceptance of the Trustee of the duties and obligations imposed upon it hereunder is located for the purposes and at the addresses specified in Section 13.06 hereof.

“Project” means the facilities originally financed from proceeds of bonds which were refunded by the Refunded Bonds, as described in Exhibit A to the Agreement.

“Rate Period” means any Daily Rate Period, Weekly Rate Period, Flexible Rate Period, Term Rate Period or Auction Rate Period.

“Rating Agency” means Moody’s, if Moody’s is then rating the Bonds, S&P, if S&P is then rating the Bonds, and Fitch, if Fitch is then rating the Bonds, or any other nationally recognized rating agency then rating the Bonds, if, in each case, such rating has been assigned and is being maintained at the request of the Borrower.

“Rebate Fund” means the fund created by Section 6.14 hereof.

“Record Date” means with respect to any Interest Payment Date in respect of a Daily Rate Period, a Weekly Rate Period, a Flexible Segment or an Auction Rate Period, the Business Day preceding such Interest Payment Date and, with respect to any Interest Payment

Date in respect of a Term Rate Period, the fifteenth day of the calendar month preceding such Interest Payment Date.

"Refunded Bonds" means the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation) Series 2003B.

"Refunding Account" has the meaning set forth in Section 2.02(e).

"Registrar" means the Trustee, acting as registrar for the Bonds.

"Reimbursement Agreement" means any reimbursement agreement entered into by the Borrower and the Bank in connection with the issuance of any Letter of Credit.

"Remarketing Agent" means, at any time as applicable, the remarketing agent or agents appointed in accordance with Section 4.08 hereof and any permitted successor or successors thereto.

"Reserved Rights" means the right of the Issuer to the payment of costs, expenses and indemnification pursuant to Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 of the Agreement and any rights of the Issuer to receive any notices, certificates, requests, requisitions or other communications, to make inspections and to give consents under the Agreement.

"Resolution" means the resolution duly adopted and approved by the governing body of the Issuer on September 16, 2008, authorizing the issuance and sale of the Bonds and the execution and delivery of this Indenture and the Agreement and the other documents and transactions contemplated herein or therein, and any subsequent resolution relating to any of the Bonds which have not been issued as of the date of such subsequent resolution.

"Responsible Officer" means when used with respect to the Trustee, any officer within the Principal Office of the Trustee including any Vice President, Assistant Vice President, Assistant Treasurer, Trust Officer or any other officer of the Trustee customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such officer's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Revenues" means the amounts pledged hereunder to the payment of principal of, and premium, if any, and interest on the Bonds, consisting of the following: (i) all amounts payable from time to time by the Borrower under Section 4.2(a) of the Agreement, and all receipts of the Trustee credited under the provisions of this Indenture against said amounts payable, (ii) all amounts received under a Letter of Credit, (iii) any accrued interest on the Bonds deposited with the Trustee under Section 6.03 hereof and (iv) any income or revenue derived from the investment of moneys in the Bond Fund.

"S.E.C." means the Securities and Exchange Commission of the United States of America.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw Hill Companies, its successors and their assigns, and, if such Rating Agency shall be dissolved or liquidated or shall no longer perform the functions of a Rating Agency, “S&P” shall be deemed to refer to any other nationally recognized Rating Agency designated by the Borrower, with notice to the Issuer, the Trustee, the Bond Insurer, the Liquidity Provider and the Bank.

“Securities Depository” means, with respect to a Book-Entry Bond, DTC or any person, firm, association or corporation constituting a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended, which may at any time be substituted in its place to act as Securities Depository for the Bonds, or its successors, or any nominee therefor.

“State” means the State of Nevada.

“Tax Certificate” means the Tax Certificate and Agreement, dated the date of delivery of the Bonds, executed by the Issuer and the Borrower, as the same may be amended and supplemented from time to time.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the 1986 Code or Section 103(b)(13) of the Code for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the 1986 Code.

“TBMA Swap Index” means the TBMA Municipal Swap Index most recently published in the Bond Buyer, or, if the Bond Buyer no longer publishes such index or is no longer published, the variable rate index published in a comparable periodical selected by the Remarketing Agent.

“Tender Agent” means, at any time as applicable, the Trustee, acting as tender agent for the Bonds.

“Term Bond” means, at any time as applicable, any Bond that bears interest at a Term Rate.

“Term Rate” means the interest rate on the Bonds established in accordance with Section 2.03(c) hereof.

“Term Rate Period” means each period during which the Bonds bear interest at a Term Rate.

“Trust Estate” means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

“Trustee” means The Bank of New York Mellon Trust Company N.A., and any successor trustee appointed and qualified pursuant to Sections 10.02, 10.06 and 10.09 hereof at the time serving as successor Trustee hereunder.

“Weekly Rate” means the interest rate on the Bonds established in accordance with Section 2.03(b) hereof.

“Weekly Rate Period” means each period during which Bonds bear interest at Weekly Rates.

SECTION 1.03 NUMBER AND GENDER. The singular form of any word used herein, including the terms defined in Section 1.02, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

SECTION 1.04 CONTENT OF CERTIFICATES AND OPINIONS. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture or the Agreement shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) 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; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them 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 the signers, such condition or covenant has been complied with.

Any such certificate or opinion made or given by an officer of the Issuer or the Borrower may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Issuer or the Borrower), upon the certificate or opinion of or representations by an officer of the Issuer or the Borrower, as applicable, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Except as otherwise explicitly stated herein, any opinion required under this Indenture to be delivered by Bond Counsel shall be addressed and delivered, in addition to any other parties identified herein, to the Issuer.

ARTICLE II

THE BONDS

SECTION 2.01 AUTHORIZED AMOUNT OF BONDS. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Except as provided in Section 2.08 hereof, the total principal amount of Bonds that may be issued

hereunder is hereby expressly limited to \$50,000,000. It is hereby recognized that the Issuer and the Borrower have reserved the right to provide for the issuance of other obligations not constituting Bonds pursuant to Section 4.1(b) of the Agreement.

SECTION 2.02 ISSUANCE OF BONDS.

(a) Authorization of Issuance. The Bonds are hereby authorized to be issued, and upon such issuance the Trustee shall authenticate the Bonds and deliver them as specified in a written request of the Issuer, as more fully provided in Sections 2.06 and 2.12. The Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2008A." Unless the Issuer shall otherwise direct, the Bonds shall be numbered A-1 and upward.

(b) General Terms. The Bonds shall be issued as fully registered bonds, without coupons, in Authorized Denominations and shall be dated the Dated Date and shall mature, subject to prior redemption or purchase upon the terms and conditions hereinafter set forth, on March 1, 2038. The Trustee shall insert the date of authentication of each Bond in the place provided for such purpose in the form of the certificate of authentication of the Trustee to be printed on each Bond.

(c) Manner of Payment. The principal of and premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts (which shall be in immediately available funds), and, except as otherwise provided in Section 2.13 hereof with respect to Book-Entry Bonds, such principal and premium, if any, and interest thereon shall be payable at the Principal Office of the Trustee, as Paying Agent. Payment of interest on any Interest Payment Date on any Bond shall be made to the Owner thereof as of the close of business on the Record Date immediately prior thereto and, except as otherwise provided in Section 2.13 hereof with respect to Book-Entry Bonds, shall be (i) made by check or draft of the Trustee, as Paying Agent, mailed on the Interest Payment Date to the Owner as of the close of business on the Record Date immediately preceding the Interest Payment Date, at the Owner's address as it appears on the registration books of the Issuer kept by the Trustee or at such other address as is furnished to the Trustee in writing by such Owner not later than the close of business on the Record Date for such Interest Payment Date, or (ii) transmitted by wire transfer to the account with a member of the Federal Reserve System located within the continental United States of America of any Owner which owns at least \$1,000,000 in aggregate principal amount of the Bonds and which shall have provided wire transfer instructions to the Trustee prior to the close of business on such Record Date, but, in the case of interest payable in respect of a Flexible Segment, only upon presentation of such Bond (if such Bond is not a Book-Entry Bond) at the Principal Office of the Trustee for exchange or transfer in accordance with the provisions hereof, except, in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the Owners in whose names any such Bonds are registered at the close of business on the fifth (5th) Business Day preceding the date of payment of such defaulted interest. All payments will be made in immediately available funds.

(d) Interest. The Bonds shall bear interest from and including the Dated Date until payment of the principal or the redemption or purchase price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise, at the rate or rates per annum determined pursuant to Section 2.03 hereof. Interest on the Bonds shall be paid on each applicable Interest Payment Date and at maturity or prior redemption or purchase for the period commencing on the immediately preceding Interest Payment Date (or if no interest has been paid thereon commencing on the Dated Date) to but excluding such Interest Payment Date; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds shall be in default, Bonds shall bear interest from the last date to which interest has been paid in full or duly provided for on the Bonds or, if no interest has been paid or duly provided for on the Bonds, from the Dated Date thereof. Each Bond shall bear interest on overdue principal at the rate borne by the Bonds on the date on which such principal became due and payable. During any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, interest on the related Bonds shall be computed upon the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed. During any Term Rate Period or any Auction Rate Period of greater than 180 days, interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve (12) thirty (30) day months. During any Auction Rate Period of 180 days or less, interest on the Bonds shall be computed upon the basis of a 360-day year for the number of days actually elapsed.

(e) Proceeds of Sale. The proceeds received by the Issuer from the sale of the Bonds shall be deposited with the Trustee, who shall forthwith deposit such proceeds as set forth in a written request of the Issuer acknowledged by the Borrower. Such request shall provide for such proceeds to be deposited in the Refunding Account, which the Trustee shall create as a separate account, held in trust hereunder. Upon the deposit of such amount, the Trustee shall immediately transfer such amount to The Bank of New York Mellon Trust Company N.A., as Escrow Agent for the Refunded Bonds pursuant to an Escrow Agreement of even date herewith, and shall close such account.

SECTION 2.03 DETERMINATION OF RATE PERIODS AND INTEREST RATES. In the manner hereinafter provided, the term of the Bonds will be divided into consecutive Rate Periods during which all Bonds shall bear interest at the Daily Rate, the Weekly Rate, the Flexible Rate, the Term Rate or the Auction Rate, as the case may be. The first Rate Period with respect to the Bonds shall be a Weekly Rate Period commencing on the Dated Date of the Bonds. The Bonds shall bear interest at the rate or rates per annum established from time to time in accordance with the provisions of this Indenture.

(a) (1) Determination of Daily Rate. During each Daily Rate Period, the Bonds shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent not later than 10:00 a.m., New York time, on each Business Day for such Business Day. The Daily Rate shall be the rate determined by the Remarketing Agent to be the lowest interest rate which would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price equal to 100% of the principal amount thereof (without regard to accrued interest); provided, however, that (1) with respect to any day which is not a Business Day, the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day, and (2) with respect to any other day for which the Remarketing Agent shall not have determined a Daily Rate, the Daily Rate for such day shall be 105% of the most recent TBMA Swap Index. In no

event shall the Daily Rate exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law. The Remarketing Agent shall provide the Trustee with immediate telephonic notice by noon New York time (promptly confirmed in writing) of each Daily Rate, as so determined; provided, however that no such notice need be given if the Daily Rate so determined is the same Daily Rate for the immediately preceding day.

(ii) Adjustment to Daily Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds shall bear interest at a Daily Rate. Such direction shall (A) specify the effective date of such adjustment to a Daily Rate, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such direction (or such shorter period of time to which the Trustee agrees), and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or on any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof, (2) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or the day immediately following the last day of the last Flexible Segment for each such Bond in the then current Flexible Rate Period all as determined in accordance with Section 2.03(d)(iv) hereof, and (3) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) be accompanied by a form of Opinion of Bond Counsel to the extent required by the Tax Certificate, together with written evidence of compliance with the terms of Section 5.15 of the Agreement; and (C) specify the Remarketing Agent for the Bonds. During each Daily Rate Period commencing on the date so specified or determined and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be a Daily Rate.

(iii) Notice of Adjustment to Daily Rate. Except with respect to an adjustment to a Daily Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to a Daily Rate Period to Owners of such Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Daily Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to a Daily Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (a)(ii) if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Daily Rate Period, (3) except with respect to an adjustment to a Daily Rate Period from a Weekly Rate Period, in which case the requirements of this subsection (3) shall not apply, that all such Bonds are subject to mandatory purchase on such effective date, and (4) the procedures of such purchase and the payment of the purchase price.

(b) (2) Determination of Weekly Rate. During each Weekly Rate Period, the Bonds shall bear interest at the Weekly Rate, which, in the case of the first Weekly Rate determined for each Weekly Rate Period, shall be determined by the Remarketing Agent not later than 2:00 p.m. New York time on the first day of such Weekly Rate Period and, thereafter, no later than the Business Day preceding each Wednesday during such Weekly Rate Period. The

Weekly Rate shall be the rate determined by the Remarketing Agent to be the lowest interest rate which would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price equal to 100% of the principal amount thereof (without regard to accrued interest); provided, however, that if the Remarketing Agent shall not have determined a Weekly Rate for any period, the Weekly Rate for such period shall be the same as 105% of the most recent TBMA Swap Index. In no event shall the Weekly Rate exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law. The first Weekly Rate determined for each Weekly Rate Period shall apply to the period commencing on the first day of such period and ending on the succeeding Tuesday. Thereafter, each Weekly Rate shall apply to the period commencing on each Wednesday and ending on the succeeding Tuesday; provided, however, if a Weekly Rate Period shall end on a day other than Tuesday, the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on the Wednesday preceding the last day of such Weekly Rate Period and ending on such last day. The Remarketing Agent shall provide the Trustee with written notification on the first day of each Weekly Rate Period of each Weekly Rate as so determined.

(ii) Adjustment to Weekly Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds shall bear interest at a Weekly Rate. Such direction shall (A) specify the effective date of such adjustment to a Weekly Rate, which shall be a Business Day not earlier than the 15th day after the date of such direction (or such shorter period of time to which the Trustee agrees) and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or on any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof, (2) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or the day immediately following the last day of the last Flexible Segment for each such Bond in the then-current Flexible Rate Period, all as determined in accordance with Section 2.03(d)(iv) hereof and (3) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) be accompanied by a form of Opinion of Bond Counsel to the extent required by the Tax Certificate, together with written evidence of compliance with the terms of Section 5.15 of the Agreement; and (C) specify the Remarketing Agent for the Bonds. During each Weekly Rate Period commencing on the date so specified or determined and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be a Weekly Rate.

(iii) Notice of Adjustment to Weekly Rate. Except with respect to an adjustment to a Weekly Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to a Weekly Rate Period to Owners of the Bonds by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Weekly Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to a Weekly Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (b)(ii), if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of

such Weekly Rate Period, (3) except with respect to an adjustment to a Weekly Rate Period from a Daily Rate Period, in which case the requirements of this subsection (3) shall not apply, that all such Bonds are subject to mandatory purchase on such effective date and (4) the procedures of such purchase and the payment of the purchase price.

(c) (3) Determination of Term Rate. During each Term Rate Period (which shall be at least 180 days in duration), the Bonds shall bear interest at the Term Rate determined by the Remarketing Agent on a Business Day selected by the Remarketing Agent, but not more than sixty (60) days prior to the first day of such Term Rate Period. The Term Rate shall be the rate determined by the Remarketing Agent on such date, and filed on such date with the Trustee and the Borrower, by written notice or by telephone promptly confirmed by teletype or other writing, as being the lowest rate which would enable the Remarketing Agent to sell such Bonds on the effective date of such Term Rate at a price equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Term Rate for any Term Rate Period shall not be determined or become effective, then the Rate Period for such Bonds shall automatically adjust to a Daily Rate Period. If a Daily Rate for the first day of any such Daily Rate Period is not determined as provided in Section 2.03(a)(i) hereof, the Daily Rate for the first day of such Daily Rate Period shall be 105% of the most recent TBMA Swap Index. In no event shall any Term Rate exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law.

(ii) Adjustment to or Continuation of Term Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds shall bear, or continue to bear, interest at a Term Rate, and if it shall so elect that such Bonds shall bear or continue to bear, interest at a Term Rate, then the Borrower shall determine the duration of the Term Rate Period during which the Bonds shall bear interest at such Term Rate. As a part of such election, the Borrower also may determine that the initial Term Rate Period shall be followed by successive Term Rate Periods and, if the Borrower so elects, shall specify the duration of each such successive Term Rate Period as provided in this paragraph (ii). Such direction shall (A) specify the effective date of each Term Rate Period, which shall be a Business Day not earlier than the 15th day after the date of such written direction (or such shorter period of time to which the Trustee agrees) and shall be (1) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or the day immediately following the last day of the last Flexible Segment for such Bond in the then-current Flexible Rate Period, all as determined in accordance with Section 2.03(d)(iv) hereof, (2) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof and (3) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) specify the last day of such Term Rate Period or, if successive Term Rate Periods shall have been designated, the last day of each such Term Rate Period (which shall be for each Term Rate Period either the date immediately preceding the final maturity date of the Bonds, or a day which

both immediately precedes a Business Day and is at least 180 days after the effective date thereof); (C) unless the adjustment is from a Term Rate Period of equal duration, be accompanied by a form of opinion of Bond Counsel to the effect that such adjustment (1) is authorized or permitted by the Act and this Indenture and (2) will not adversely affect the Tax-Exempt status of such Bonds, which opinion of Bond Counsel described in clause (C) above, if required, must be delivered on the effective date of such adjustment and (D) with respect to the continuation of a Term Rate Period, specify the Remarketing Agent for the Bonds on the effective date of such continuation. Notwithstanding the stated date of termination of any Term Rate Period, the Borrower may elect to cause an adjustment to any other Rate Period as of any date on which the affected Bonds are subject to redemption pursuant to Section 3.01(A)(3) hereof.

If, by the fourteenth (14th) day prior to the last day of any Term Rate Period, the Trustee shall not have received notice of the Borrower's election that, during the succeeding Rate Period, the Bonds shall bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or an Auction Rate, the succeeding Rate Period of such Bonds shall be a Weekly Rate Period until the interest rate on such Bonds is adjusted to another Rate Period, and the Bonds shall be subject to purchase pursuant to Section 4.02.

(iii) Notice of Adjustment to or Continuation of Term Rate. Except with respect to an adjustment to a Term Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to (or the continuation of) a Term Rate Period to Owners of such Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Term Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to, or continue to be, a Term Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (ii), if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date and the last day of such Term Rate Period, (3) that the Term Rate for such Term Rate Period will be determined on or prior to the effective date thereof, (4) how such Term Rate may be obtained from the Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that all such Bonds are subject to mandatory purchase on such effective date, (7) the procedures of such purchase and the payment of the purchase price and (8) the redemption provisions set forth in Section 3.01 hereof which will apply during such Term Rate Period.

(d) (4) Determination of Flexible Segments and Flexible Rates. During each Flexible Rate Period for the Bonds, each Bond shall bear interest during each Flexible Segment for such Bond as described herein. Different Flexible Segments and Flexible Rates may apply to different Bonds at any time and from time to time. The Flexible Segment for each such Bond shall be a period of at least one day and not more than 270 days ending on a day that immediately precedes a Business Day, determined by the Remarketing Agent to be the period which, together with all such other Flexible Segments for all Bonds then Outstanding, will result in the lowest overall interest expense on the Bonds over the succeeding 270 days. The Flexible Rate for each Flexible Segment for each Bond shall be determined by the Remarketing Agent no later than 1:00 p.m., New York time on the Business Day preceding the first day of such Flexible Segment (and in time to enable the Remarketing Agent to give to the Trustee the notice required by Section 4.04(c) hereof) to be the lowest interest rate which would enable the Remarketing

Agent to sell such Bonds on the effective date of such rate at a price equal to 100% of the principal amount thereof. If a Flexible Segment or a Flexible Rate for a Flexible Segment is not determined or effective, the Flexible Segment for such Bond shall be a Flexible Segment of one day, and the Flexible Rate for such Flexible Segment of one day shall be 105% of the most recent TBMA Swap Index. In no event shall the Flexible Rate for any Flexible Segment exceed the lesser of 12% per annum or the maximum rate per annum then permitted by applicable law. The Remarketing Agent shall provide the Trustee with facsimile or telephonic notice of each Flexible Segment and Flexible Rate, as provided in Section 4.04(c) hereof.

(ii) Adjustment to Flexible Rates. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, may elect that all (but not less than all) of the Bonds shall bear interest at Flexible Rates. Such direction shall (A) specify the effective date of the Flexible Rate Period during which such Bonds shall bear interest at Flexible Rates, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such direction (or such shorter period of time to which the Trustee agrees), and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof and (2) in the case of an adjustment from an Auction Rate Period, the day immediately following the end of the then-current Auction Rate Period; (B) be accompanied by a form of Opinion of Bond Counsel to the extent required by the Tax Certificate, together with written evidence of compliance with the terms of Section 5.15 of the Agreement; and (C) specify the Remarketing Agent for the Bonds. During each Flexible Rate Period commencing on the date so specified or determined and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be a Flexible Rate.

(iii) Notice of Adjustment to Flexible Rates. Except with respect to an adjustment to a Flexible Rate Period from a Flexible Rate Period, the Trustee shall give notice of an adjustment to a Flexible Rate Period to Owners of the Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Flexible Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to the Flexible Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (ii), if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Flexible Rate Period, (3) that all such Bonds are subject to mandatory purchase on such effective date and (4) the procedures of such purchase and the payment of the purchase price.

(iv) Adjustment from Flexible Rates. At any time during a Flexible Rate Period, the Borrower may elect that the Bonds shall no longer bear interest at Flexible Rates and shall instead bear interest as otherwise permitted under this Indenture. The Borrower shall give written notice to the Issuer, the Trustee, the Liquidity Provider, the Bank and the Remarketing Agent of such election and shall specify the Rate Period to follow with respect to such Bonds upon cessation of the Flexible Rate Period and instruct the Remarketing Agent to (1) determine Flexible Segments of such duration that, as soon

as possible, all Flexible Segments shall end on the same date, not earlier than the fourteenth (14th) day (or such shorter period of time to which the Trustee agrees) after the date of such written notice from the Borrower, and upon the establishment of such Flexible Segments the day succeeding the last day of all such Flexible Segments shall be the effective date of the Rate Period elected by the Borrower; or (2) determine Flexible Segments that will best promote an orderly transition to the succeeding Rate Period to apply to such Bonds, beginning not earlier than the fourteenth (14th) day (or such shorter period of time to which the Trustee agrees) after the date of such written notice from the Borrower. If the Borrower elects the alternative in clause (2) above, the day succeeding the last day of the Flexible Segment for each such Bond shall be, with respect to such Bond, the effective date of the new Rate Period elected by the Borrower. The Remarketing Agent, promptly upon the determination thereof, shall give written notice of such last day and such effective dates to the Borrower, the Liquidity Provider, the Bank and the Trustee. During any transitional period from a Flexible Rate Period to the succeeding Rate Period in accordance with clause (2) above, the provisions of this Indenture shall be deemed to apply to such Bonds as follows: such Bonds continuing to bear interest at Flexible Rates shall have applicable to them the provisions hereunder theretofore applicable to such Bonds as if all Bonds were continuing to bear interest at Flexible Rates and such Bonds bearing interest in the Rate Period to which the transition is being made will have applicable to them the provisions hereunder as if all such Bonds were bearing interest in such Rate Period.

(e) (5) Determination of Auction Rate. During each Auction Rate Period, the Bonds shall bear interest at the Auction Rate, determined pursuant to Exhibit B, Auction Procedures, attached hereto.

(ii) Adjustment to Auction Rate. The Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider, the Bank, and the Remarketing Agent, may elect that all (but not less than all) of the Bonds shall bear interest at an Auction Rate. Such direction shall (A) specify the effective date of such adjustment to an Auction Rate, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such direction (or such shorter period of time to which the Trustee agrees) and shall be (1) in the case of an adjustment from a Term Rate Period, the day immediately following the last day of the then current Term Rate Period or on any day on which the Issuer at the direction of the Borrower would be permitted to redeem such Bonds pursuant to, and at the redemption price described in, Section 3.01(A)(3) hereof, and (2) in the case of an adjustment from a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period, an Interest Payment Date on which interest is payable for the Daily Rate Period, Weekly Rate Period or Flexible Segment from which the adjustment is to be made; (B) be accompanied by a form of Opinion of Bond Counsel to the extent required by the Tax Certificate; and (C) specify the Auction Agent and the Broker-Dealer appointed by the Borrower in accordance with Appendix D. During each Auction Rate Period commencing on the date so specified or determined and ending on the day immediately preceding the effective date of the succeeding Rate Period, the interest rate borne by the Bonds shall be an Auction Rate.

In the event of an adjustment of the Bonds to an Auction Rate Period, the Auction Rate Period commencing on the effective date of such adjustment shall expire on and include the initial Auction Date (as defined in Exhibit B hereto). The initial Auction Date (which shall be the day of the week on which Auctions (as defined in Exhibit B hereto) will generally be conducted) shall be determined by the Borrower on or prior to the effective date of such adjustment to an Auction Rate Period. The Auction Rate for the initial Auction Rate Period shall be determined by the Broker-Dealer (as defined in Exhibit B) for the Bonds on or prior to the effective date of such adjustment to an Auction Rate Period as the lowest rate which, in the judgment of such Broker-Dealer, is necessary to enable the Bonds to be remarketed on such effective date at a price (without regard to accrued interest) equal to the principal amount thereof. After the initial Auction Rate Period, each Auction Rate Period shall be determined in accordance with Exhibit B hereto. For any other Auction Rate Period that is not an initial Auction Rate Period, the Auction Rate shall be the rate of interest determined in accordance with Exhibit B hereto.

(iii) Notice of Adjustment to Auction Rate. Except with respect to an adjustment to an Auction Rate Period from a Flexible Rate, the Trustee shall give notice of an adjustment to an Auction Rate Period to Owners of such Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Auction Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to an Auction Rate (subject to receipt of the opinion of Bond Counsel referred to in the immediately preceding paragraph (ii) if required, and to the Borrower's ability to rescind its election as described in Section 2.03(g) hereof), (2) the effective date of such Auction Rate Period, (3) that all such Bonds are subject to mandatory purchase on such effective date and (4) the procedures of such purchase and the payment of the purchase price.

(f) Determinations Binding. The establishment and determination by the Remarketing Agent or the Auction Agent, as applicable, of each Daily Rate, Weekly Rate, Term Rate, each Flexible Segment and Flexible Rate and each Auction Rate shall, absent manifest error, be conclusive and binding upon the Remarketing Agent, the Auction Agent, the Liquidity Provider, the Bank, the Trustee, the Issuer, the Borrower and the Owners of the Bonds.

(g) Rescission of Election; Automatic Adjustment. Notwithstanding anything herein to the contrary, the Borrower may rescind any election by it to adjust to or, in the case of a Term Rate Period, continue a Rate Period pursuant to Section 2.03(a)(ii), (b)(ii), (c)(ii), (d)(ii) or (e)(ii) hereof prior to the effective date of such adjustment or continuation by giving written notice thereof to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent prior to such effective date. At the time the Borrower gives notice to rescind any election by it to adjust to, or in the case of a Term Rate Period, continue a Rate Period pursuant to Section 2.03(a)(ii), (b)(ii), (c)(ii), (d)(ii) or (e)(ii) hereof, it may also elect to continue the then effective Rate Period; provided, however, if the Rate Period then in effect is a Term Rate Period, the subsequent Term Rate Period shall not be of different duration than the Term Rate Period then in effect unless the Borrower, prior to the expiration of the then-current Term Rate Period, provides to the Trustee and the Issuer an opinion of Bond Counsel to the effect that the continuation in a Term Rate Period of a different duration does not adversely affect the Tax-Exempt status of the affected Bonds. If the notice of such rescission does not

become effective for any reason, and the Borrower does not elect to continue the Rate Period then in effect, the Rate Period shall automatically adjust to or continue in a Daily Rate Period. If a Daily Rate for the first day of any Daily Rate Period to which a Rate Period is adjusted under this Section 2.03(g) is not determined as provided in Section 2.03(a)(i) hereof, the Daily Rate for the first day of such Daily Rate Period shall be 105% of the most recent TBMA Swap Index. The Trustee shall immediately give written notice of each such automatic adjustment to a Rate Period pursuant to this Section 2.03(g) to the Owners in the form provided in Section 2.03(a)(iii) hereof.

Notwithstanding the rescission of any notice to adjust or continue a Rate Period, if notice has been given to Bondholders pursuant to Section 2.03(a)(iii), (b)(iii), (c)(iii), (d)(iii) or (e)(iii), the Bonds shall be subject to mandatory purchase as specified in such notice.

(h) Liquidity Provider Bonds. Notwithstanding any other provision of this Indenture, including any provision of this Section 2.03 relating to the determination of interest rates on the Bonds, any Liquidity Provider Bond shall bear interest at the rate, payable at the times and in the manner, specified by such Liquidity Facility.

(i) Bank Bonds. Notwithstanding any other provision of this Indenture, including any provision of this Section 2.03 relating to the determination of interest rates on the Bonds, any Bank Bond shall bear interest at the rate, payable at the times and in the manner, specified in the related Reimbursement Agreement.

SECTION 2.04 OWNERSHIP, TRANSFER, EXCHANGE AND REGISTRATION OF BONDS. The Issuer shall cause books for the registration and for the transfer of the Bonds as provided herein to be kept by the Trustee, which is hereby constituted and appointed the Registrar and transfer agent for the Bonds. The Issuer shall prepare and deliver to the Trustee, and the Trustee shall keep custody of, a supply of unauthenticated Bonds duly executed by the Issuer, as provided in Section 2.05 hereof, for use in the transfer and exchange of Bonds. The Trustee is hereby authorized and directed to complete such forms of Bonds as to principal amounts and registered owners, in accordance with the provisions hereof, in effecting transfers and exchanges of Bonds as provided herein.

Upon surrender for transfer of any Bond at the Principal Office of the Trustee, duly endorsed for transfer or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing, the Trustee shall date and execute the certificate of authentication on and deliver in the name of the transferee or transferees a new Bond or Bonds duly executed by the Issuer of Authorized Denominations and for a like aggregate principal amount.

Any Bond or Bonds may be exchanged at the Principal Office of the Trustee for a new Bond or Bonds of like aggregate principal amount in Authorized Denominations. Upon surrender of any Bond or Bonds for exchange, the Trustee shall date and execute the certificate of authentication on and deliver a new Bond or Bonds duly executed by the Issuer which the Bondholder making the exchange is entitled to receive.

Except in connection with the remarketing of any Bonds, the Trustee shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption, nor during the period of ten days preceding the mailing of such notice of redemption.

Except as provided in Section 4.03, hereof, the person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the written order of the registered Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Issuer and the Trustee shall require the payment by the Bondholder requesting exchange or transfer (other than an exchange upon a partial redemption of a Bond) of any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the Bondholder for such exchange or transfer.

SECTION 2.05 EXECUTION OF BONDS. The Bonds shall be signed in the name and on behalf of the Issuer with the manual or facsimile signature of the Chairman of its Board of Commissioners and its Treasurer and attested by the manual or facsimile signature of its Clerk or Deputy Clerk. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed or attested shall have been authenticated or delivered by the Registrar or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer. Also, any Bond may be signed on behalf of the Issuer by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such person shall not have been such officer.

SECTION 2.06 AUTHENTICATION. No Bond shall be valid for any purpose until the certificate of authentication on such Bond shall have been duly executed by the Trustee, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefits of the trust hereby created. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if manually signed by an authorized signatory of the Trustee, but it shall not be necessary that the same signatory sign the certificate of authentication on all of the Bonds issued hereunder.

Upon authentication of any Bond, the Trustee shall set forth on such Bond (1) the date of such authentication and (2) if the Bonds are not Book-Entry Bonds, in the case of a Bond bearing interest at a Flexible Rate, such Flexible Rate, the day succeeding the last day of the applicable Flexible Segment, the number of days comprising such Flexible Segment and the amount of interest to accrue during such Flexible Segment.

SECTION 2.07

FORM OF BONDS. The Bonds and the certificates of authentication to be executed thereon shall be in substantially the form attached hereto as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, or such other form as may be approved by the Issuer.

Upon adjustment to a Term Rate Period, the form of Bond may include a summary of the mandatory and optional redemption provisions to apply to the Bonds during such Term Rate Period, or a statement to the effect that the Bonds will not be optionally redeemed during such Term Rate Period, and a statement indicating the applicable Term Rate and the duration of the applicable Term Rate Period, provided that the Registrar shall not authenticate such a revised Bond form prior to receiving an opinion of Bond Counsel (a copy of which shall also be delivered to the Issuer) that such Bond form conforms to the terms of the Act and of this Indenture and that authentication thereof will not adversely affect the Tax-Exempt status of such Bonds.

Upon delivery of Bond Insurance for the Bonds, the form of the Bonds may include a summary of the terms of the Bond Insurance.

SECTION 2.08

MUTILATED, DESTROYED, LOST OR STOLEN BONDS. In the event any Bond or temporary Bond is mutilated, lost, stolen or destroyed, the Trustee may authenticate a new Bond duly executed by the Issuer of like date and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity to the Issuer and the Trustee satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Trustee on behalf of the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses in this connection. The Issuer shall cooperate with the Trustee in connection with the issue of replacement Bonds, but nothing in this Section shall be construed in derogation of any rights which the Issuer, the Borrower or the Trustee may have to receive indemnification against liability, or payment or reimbursement of expenses, in connection with the issue of a replacement Bond.

If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued presents for payment or registration such original Bond, the Trustee shall be entitled to recover such new Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the Issuer in connection therewith.

Each duplicate Bond delivered in accordance with this Section, except as otherwise provided herein, shall constitute an original additional contractual obligation of the Issuer and shall be entitled to the benefit and security of this Indenture to the same extent as the Bond in lieu of which such duplicate Bond was delivered.

(2) Original executed counterparts of the Agreement, this Indenture, the Tax Certificate and the Initial Letter of Credit.

(3) A request and authorization to the Trustee on behalf of the Issuer, signed by the Chairman and the Clerk or Deputy Clerk of the Issuer and acknowledged by the Borrower, to authenticate and deliver the Bonds pursuant to Section 2.14 hereof, registered in the names and in the Authorized Denominations specified to the Trustee by the applicable Initial Purchaser, upon payment by such Initial Purchaser to the Trustee of the sum specified in such request and authorization for deposit in the Refunding Account, plus accrued interest, if any, on the Bonds to the date of delivery.

SECTION 2.13 BOOK-ENTRY SYSTEM.

(a) Anything in this Indenture to the contrary notwithstanding, any Bond may be authorized and issued as a Book-Entry Bond.

(b) For all purposes of this Indenture, the Owner of a Book-Entry Bond shall be the Securities Depository therefor and neither the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent nor the Registrar shall have any responsibility or obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Securities Depository, except as expressly provided in this Indenture. Without limiting the generality of the foregoing, neither the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent nor the Registrar shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book-Entry Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any notice with respect to such Bond, including any notice of the redemption or purchase thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any amount with respect to the principal, redemption price, if applicable, or purchase price of, or interest on, such Bond. The Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent and the Registrar may treat the Securities Depository therefor as, and deem such Securities Depository to be, the absolute owner of a Book-Entry Bond for all purposes whatsoever, including, but not limited to, (1) payment of the principal, redemption price, if applicable, or purchase price of, and interest on, such Bond, (2) giving notices of redemption or purchase and of other matters with respect to such Bond, (3) registering transfers with respect to such Bond as permitted hereby and (4) except as expressly provided in this Indenture, giving to the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent, the Auction Agent or the Registrar any notice, consent, request or demand pursuant to the Indenture for any purpose whatsoever. The Trustee, acting as Paying Agent, shall pay the principal or redemption price, if applicable, of, and interest on, a Book-Entry Bond, and the Trustee, acting as Tender Agent, shall pay the purchase price of a Book-Entry Bond, only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge the Issuer's obligations with respect to such principal or redemption price or purchase price, and interest, to the extent of the sum or sums so paid. Except as otherwise provided in subsection (d) of this Section 2.13, no

person other than the Securities Depository shall receive a Bond or other instrument evidencing the Issuer's obligation to make payments of the principal, redemption price or purchase price thereof, and interest thereon.

(c) The Issuer, by notice to the Trustee, the Paying Agent, the Tender Agent, the Registrar, the Remarketing Agent, the Auction Agent and a Securities Depository, may, with the prior written consent of the Borrower, and shall, at the written direction of an Authorized Borrower Representative, terminate the services of such Securities Depository with respect to the Book-Entry Bonds for which such Securities Depository serves as securities depository if the Issuer determines that (i) the Securities Depository is unable to discharge its responsibilities with respect to such Bond or (ii) a continuation of the requirement that all of the Bonds issued as Book-Entry Bonds be registered in the registration books of the Issuer kept by the Trustee in the name of the Securities Depository is not in the best interests of the beneficial owners of such Bonds or of the Issuer.

(d) Upon the termination of the services of a Securities Depository with respect to a Book-Entry Bond pursuant to clause (ii) of subsection (c) of this Section 2.13, such Bond no longer shall be restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book-Entry Bond pursuant to clause (i) of subsection (c) of this Section 2.13, the Issuer may, with the prior written consent of the Borrower, and shall, at the written direction of an Authorized Borrower Representative, within ninety (90) days thereafter appoint a substitute securities depository which, in the opinion of the Issuer, is willing and able to undertake the functions of Securities Depository under this Indenture upon reasonable and customary terms. If no such successor can be found within such period, such Book-Entry Bond shall no longer be restricted to being registered in the registration books of the Issuer kept by the Trustee in the name of a Securities Depository. In the event that a Book-Entry Bond shall no longer be restricted to being registered in the registration books of the Issuer kept by the Trustee in the name of a Securities Depository, (i) the Issuer shall execute and the Trustee shall authenticate and deliver, upon presentation and surrender of the Book-Entry Bond, Bond certificates as requested by the Securities Depository so terminated of like principal amount, maturity and interest rate, in Authorized Denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Book-Entry Bond and (ii) the Trustee shall notify the Remarketing Agent, the Auction Agent and the Borrower that the Bonds are no longer restricted to being registered in the registration books of the Issuer kept by the Trustee in the name of a Securities Depository; provided, however that such registration shall not be terminated by the Issuer or the Borrower without an opinion of Bond Counsel confirming that such termination of registration will not adversely affect the Tax-Exempt status of any Bonds.

(e) Anything in this Indenture to the contrary notwithstanding, payment of the redemption price of a Book-Entry Bond, or portion thereof, called for redemption prior to maturity may be paid to the Securities Depository by wire transfer of immediately available funds. Anything in the Indenture to the contrary notwithstanding, such redemption price may be paid without presentation and surrender to the Trustee, as Paying Agent, of the Book-Entry Bond, or portion thereof, called for redemption; provided, however, that payment of (a) the principal payable at maturity of a Book-Entry Bond and (b) the redemption price of a Book

Entry Bond as to which the entire principal amount thereof has been called for redemption shall be payable only upon presentation and surrender of such Book-Entry Bond to the Trustee, as Paying Agent; and provided, further, that no such redemption price shall be so payable without presentation and surrender unless such Book-Entry Bond shall contain or have endorsed thereon a legend substantially to the following effect (or such other legend(s) of similar content as may be determined to be necessary or desirable by the Issuer or the Securities Depository):

“AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH [NAME OF SECURITIES DEPOSITORY] (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, “[NAME OF SECURITIES DEPOSITORY]”), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF [NAME OF SECURITIES DEPOSITORY], OR BY A NOMINEE OF [NAME OF SECURITIES DEPOSITORY] TO [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE OF [NAME OF SECURITIES DEPOSITORY], OR BY [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE OF [NAME OF SECURITIES DEPOSITORY] TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. [NAME OF SECURITIES DEPOSITORY] OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF [NAME OF SECURITIES DEPOSITORY] MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.”

Anything in this Indenture to the contrary notwithstanding, upon any such payment to the Securities Depository without presentation and surrender, for all purposes of (i) the Book-Entry Bond as to which such payment has been made and (ii) this Indenture, the unpaid principal amount of such Book-Entry Bond Outstanding shall be reduced automatically by the principal amount so paid. In such event, the Trustee shall notify forthwith the Remarketing Agent or the Auction Agent as to the particular Book-Entry Bond as to which such payment has been made, and the principal amount of such Bond so paid, and the Trustee shall note such payment on the registration books of the Issuer kept by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book-Entry Bond Outstanding as provided in this subsection.

(f) For all purposes of this Indenture authorizing or permitting the purchase of Bonds, or portions thereof, by, or for the account of, the Issuer for cancellation, and anything in the Indenture to the contrary notwithstanding, a portion of a Book-Entry Bond may be deemed to

have been purchased and cancelled without surrender thereof upon delivery to the Trustee of a certificate executed by the Issuer and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Bond, in the principal amount stated therein, has been purchased by, or for the account of, the Issuer through the participant of the Securities Depository executing such certificate; provided, however, that any purchase for cancellation of the entire principal amount of a Book-Entry Bond shall be effective for purposes of the Indenture only upon surrender of such Book-Entry Bond to the Paying Agent; and provided, further, that no portion of a Book-Entry Bond may be deemed to have been so purchased and cancelled without surrender thereof unless such Book-Entry Bond shall contain or have endorsed thereon the legend referred to in subsection (e) of this Section 2.13. Anything in the Indenture to the contrary notwithstanding, upon delivery of any such certificate to the Trustee, for all purposes of (i) the Book-Entry Bond to which such certificate relates and (ii) this Indenture, the unpaid principal amount of such Book-Entry Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, the Trustee shall immediately notify the Remarketing Agent or the Auction Agent as to the particular Book-Entry Bond as to which such payment has been made and the amount thereof and shall note such reduction in principal amount of such Book-Entry Bond Outstanding on the registration books of the Issuer kept by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book-Entry Bond Outstanding as provided in this subsection.

(g) Anything in this Indenture to the contrary notwithstanding, a Securities Depository may make a notation on a Book-Entry Bond (i) redeemed in part or (ii) purchased by, or for the account of, the Issuer in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book-Entry Bond Outstanding as provided in subsection (e) or (f) of this Section 2.13, as the case may be.

(h) Anything in this Indenture to the contrary notwithstanding, in the case of a Book-Entry Bond, the Issuer shall be authorized to redeem or purchase (by or for the account of the Issuer) less than all of the entire Outstanding principal amount thereof, and in the event of such partial defeasance, redemption, purchase or refunding, the provisions of the Indenture relating to the defeasance, redemption, purchase or refunding of a Bond or Bonds shall be deemed to refer to the defeasance, redemption, purchase or refunding of a portion of a Bond.

(i) The Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent and the Auction Agent may enter into an agreement with a Securities Depository for the Bonds providing for procedures for the registration, payment, tender and delivery of notices relating to the Bonds, provided that the terms of such agreement shall not be inconsistent with the terms of this Indenture. Any such agreement may provide that (i) such Securities Depository is not required to present a Bond to the Trustee in order to receive a partial payment of principal; (ii) a Bond need not be delivered to the Trustee in order for a tender of such Bond pursuant to Article IV of this Indenture to be effective or in order for the purchase price of such tendered Bond to be paid and that notice of tender of a Bond for purchase pursuant to Article IV hereof may be given to the Trustee by a beneficial owner of a Bond or a direct participant of the Securities Depository; (iii) a legend with respect to the registration of the Bond

in the name of the Securities Depository shall appear on each Bond so long as the Bonds are subject to such agreement; and (iv) different provisions for notices to such Securities Depository may be set forth therein; and such provisions shall be binding on the Issuer, the Trustee, the Paying Agent, the Tender Agent, the Remarketing Agent and the Auction Agent for so long as such Securities Depository is the Securities Depository for Book-Entry Bonds hereunder.

SECTION 2.14 DELIVERY OF THE BONDS. DESIGNATION OF THE BONDS AS BOOK-ENTRY BONDS; APPOINTMENT OF INITIAL SECURITIES DEPOSITORY FOR THE BONDS.

- (a) The Bonds are hereby authorized to be and shall be issued initially, subject to the provisions of this Indenture, as Book-Entry Bonds within the meaning of and subject to Section 2.13 hereof.
- (b) DTC is hereby appointed as the initial Securities Depository for the Bonds.

(c) The Bonds shall be initially issued in the form of a separate single, fully registered Bond in the aggregate principal amount thereof. So long as DTC serves as Securities Depository for the Bonds, the Owner of all Bonds shall be, and each of the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee for DTC. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of the Indenture, the word "Cede" in the Indenture shall refer to such new nominee of DTC. So long as any Bond is registered in the name of Cede, as nominee for DTC in its capacity as Securities Depository for the Bonds, all payments with respect to the principal, redemption price, if applicable, or purchase price of, and interest on, such Bond and all notices with respect to such Bond shall be made or given, as the case may be, to DTC as provided in the Indenture and in the representation letter of the Issuer, the Trustee, the Paying Agent, the Remarketing Agent and the Auction Agent, delivered in connection with the issuance of the Bonds and addressed to DTC, as such representation letter may be amended and supplemented from time to time.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 3.01 REDEMPTION DATES AND PRICES. The Bonds shall be subject to redemption prior to maturity in the amounts, at the times and in the manner provided in this Article III.

(A) Optional Redemption.

(1) On any Business Day during a Daily Rate Period or a Weekly Rate Period, and on the day after the last day of any such Rate Period or any Term Rate Period, the Bonds shall be subject to redemption by the Issuer, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(2) On the day succeeding the last day of any Flexible Segment with respect to any Bonds, such Bonds shall be subject to redemption by the Issuer, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(3) During any Term Rate Period, the Bonds shall be subject to redemption by the Issuer, at the written direction of the Borrower to the Issuer and the Trustee, in whole at any time or in part from time to time on any date (i) after ten years, at a redemption price of 101% of the principal amount thereof, plus accrued interest, and (ii) after eleven years, at a redemption price of 100% of the principal amount thereof, plus accrued interest.

With respect to any Term Rate Period, the Borrower may specify in its notice of adjustment to or continuation of a Term Rate Period redemption prices and periods other than those set forth above for Bonds in such Rate Period not then called for redemption; provided, however, that such notice shall be accompanied by an opinion of Bond Counsel to the effect that such changes in redemption prices and periods (i) are permitted by the Act and this Indenture, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

(4) During any Auction Rate Period, the Bonds shall be subject to redemption by the Issuer on the day following the last day of the Auction Rate Period then in effect, at the written direction of the Borrower to the Issuer and the Trustee, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

(5) The Bonds shall be redeemed in whole at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Trustee of a written notice from the Borrower stating that any of the following events has occurred and that it therefore intends to exercise its option to prepay the payments due under the Agreement in whole pursuant to Section 7.1 of the Agreement and thereby effect the redemption of the Bonds in whole:

(a) all or substantially all of the Project shall be damaged or destroyed and it is not practicable or desirable to rebuild, repair and restore the Project;

(b) all or substantially all of the Project shall be condemned or such use or control thereof shall be taken by eminent domain so as to render the Project unsatisfactory for continued operation;

(c) unreasonable burdens or excessive liabilities shall be imposed upon the Issuer or the Borrower with respect to the Project or the operation thereof;

(d) changes that cannot reasonably be controlled or overcome in the economic availability of materials, supplies, labor, equipment and other properties and things necessary for the efficient operation of the Project for the purposes contemplated by the Agreement shall have occurred or technological changes that cannot reasonably be overcome shall have occurred which, in the judgment of the Borrower, render the continued operation of the Project uneconomic; or

(e) legal curtailment of the use and occupancy of all or substantially all of the Project for any reason, which curtailment shall prevent the carrying on of normal operations at the Project for a period of three consecutive months.

(B) Mandatory Redemption.

(1) The Bonds are subject to mandatory redemption, at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date not more than 180 days after the occurrence of the following event (of which a Responsible Officer of the Trustee shall be given notice in writing by an Authorized Issuer Representative), upon fulfillment by the Borrower of its obligation to prepay the payments due under the Agreement in accordance with Section 7.2 of the Agreement, if, as a result of any changes in the Constitution of the State or in the Constitution of the United States of America or of legislative or administrative action (whether state or Federal), or by final decree, judgment or order of any court or administrative body (whether state or Federal) entered after the contest thereof by the Borrower in good faith, the Agreement shall have become impossible of performance in accordance with the intent and purposes of the parties as expressed in the Agreement.

(2) The Bonds are subject to mandatory redemption, at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date not more than 180 days after the occurrence of the following event (of which a Responsible Officer of the Trustee shall be given notice in writing by an Authorized Issuer Representative), upon fulfillment by the Borrower of its obligation to prepay the payments due under the Agreement in accordance with Section 7.2 of the Agreement, in the event a final determination by an administrative agency or a court of competent jurisdiction occurs to the effect that, solely as a result of failure by the Borrower to observe any covenant, agreement or representation by the Borrower in the Agreement, the interest payable on the Bonds is no longer Tax-Exempt. No determination by any court or administrative agency will be considered final unless the Borrower has participated in the proceeding which resulted in such determination, either directly or, at the option of the Borrower, through an Owner to a degree it reasonably deems sufficient and until the conclusion of any appellate review sought by any party to such proceeding or the expiration of the time for seeking such review. Subject to the foregoing, Bonds will be redeemed in whole unless, in the opinion of Bond Counsel delivered to the Trustee and the Issuer, the redemption of a portion of such Bonds would have the result that interest payable on the Bonds remaining outstanding after such redemption would be Tax-Exempt.

(C) Liquidity Provider Bonds. In addition to the foregoing provisions for the redemption of Bonds, any Liquidity Provider Bond shall be subject to redemption at the time and in the amount and at the price specified by such Liquidity Facility.

(D) Bank Bonds; Default. In addition to the foregoing provisions for the redemption of Bonds, any Bank Bond shall be subject to redemption at the time and in the amount and at the price specified in the Reimbursement Agreement related thereto. In addition, the Trustee will call for redemption Bonds secured by a Letter of Credit upon

the direction of the Bank that issued such Letter of Credit requesting such redemption and certifying that an Event of Default has occurred under the Reimbursement Agreement relating to such Letter of Credit.

SECTION 3.02

NOTICE OF REDEMPTION. Notice of the call for any redemption of Bonds or any portion thereof (which shall be in Authorized Denominations) pursuant to Section 3.01 hereof identifying the Bonds or portions thereof to be redeemed, specifying the redemption date, the redemption price, the place and manner of payment and that from the redemption date interest will cease to accrue, shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail, postage prepaid, to the Owner of each Bond to be redeemed in whole or in part, at the address shown on the registration books, with a copy to the Tender Agent, the Bond Insurer, the Bank, and the Liquidity Provider. Such notice shall be given at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that failure to duly give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds with respect to which no such failure or defect occurred; provided further that no notice of redemption shall be required for any Bonds which are otherwise subject to mandatory purchase pursuant to Section 4.02(a); and provided further that, in the case of redemption of Bank Bonds pursuant to Section 3.01(D), such notice may be given not less than five (5) days prior to the date fixed for redemption. Upon presentation and surrender of Bonds so called for redemption in whole or in part at the place or places of payment, except as otherwise provided in Section 2.13 hereof with respect to Book-Entry Bonds, such Bonds or portions thereof shall be redeemed.

With respect to any notice of redemption of Bonds at the written direction of the Borrower, unless upon the giving of such notice such Bonds shall be deemed to have been paid within the meaning of Article VIII hereof, such notice may state (if so directed by the Borrower in writing) that such redemption shall be conditional upon the receipt by the Trustee, on or before the date fixed for such redemption, of moneys sufficient to pay the principal of, and premium, if any, and interest on such Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no further force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice to such Owners, in the manner in which the notice of redemption was given, that such moneys were not so received.

Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

If a Bond is presented to the Trustee for transfer after notice of redemption of such Bond has been mailed as herein provided, the Trustee shall deliver a copy of such notice of redemption to the new Owner of such Bond.

In addition to the foregoing notice, further notice may be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner (i) defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed or (ii) give rise to any liability on the part of the

Issuer, the Borrower, the Liquidity Provider, the Bank, the Bond Insurer, the Trustee, the Remarketing Agent or the Auction Agent:

A. Each further notice of redemption given hereunder may contain the information required above for an official notice of redemption plus (i) the CUSIP number of the Bonds; (ii) the date of issue of the Bonds; (iii) the rate or rates of interest borne by the Bonds; (iv) the maturity date of the Bonds; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

B. Each further notice of redemption may be sent to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories as of the date hereof being only The Depository Trust Company, New York, New York).

C. Each further notice of redemption may be published one time in The Bond Buyer of New York, New York or, if such publication is impractical, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at the time the redemption notice to the Owners is required to be given as provided in the first paragraph of this Section 3.02.

D. Each further notice of redemption may be given to two of the following services selected by the Borrower and at the address provided to the Trustee by the Borrower:

- (1) Financial Information, Inc.'s Financial Daily Called Bond Service;
- (2) Interactive Data Corporation's Bond Service;
- (3) Kenny Information Service's Called Bond Service;
- (4) Moody's Municipal and Government Called Bond Service; or
- (5) S&P's Called Bond Record.

SECTION 3.03 DEPOSIT OF FUNDS. For the redemption of any of the Bonds, the Issuer shall cause to be deposited in the Bond Fund out of the Revenues, to the extent available therefor, moneys sufficient to pay when due the principal of and premium, if any, and interest on the redemption date.

SECTION 3.04 PARTIAL REDEMPTION OF BONDS. In case a Bond is of a denomination larger than the minimum Authorized Denomination, all or a portion of such Bond may be redeemed provided the principal amount not being redeemed is in an Authorized Denomination. Upon surrender of any Bond for redemption in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, without cost to the Owner, a new Bond or Bonds of Authorized Denominations in aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

SECTION 3.05 SELECTION OF BONDS FOR REDEMPTION. If less than all of the Bonds are called for redemption, the Trustee shall select the Bonds or portions thereof to be redeemed, from the Bonds Outstanding not previously called for redemption, by lottery or in such other manner as in the Trustee's sole discretion it shall deem appropriate and fair, in either case in Authorized Denominations provided that Bank Bonds and Liquidity Provider Bonds shall be the first Bonds selected for redemption, and provided further that the aggregate principal amount of each Bond remaining Outstanding following such redemption shall be in an Authorized Denomination. The Trustee shall promptly notify the Issuer and the Borrower in writing of the Bonds or portions thereof selected for redemption, provided, however, that in connection with any redemption of Bonds the Trustee shall select for redemption any Bonds held by the Trustee for the account of the Borrower or held of record by the Borrower prior to any Bonds other than Bank Bonds or Liquidity Provider Bonds. If, as indicated in a certificate of an Authorized Borrower Representative delivered to the Trustee, the Borrower shall have offered to purchase all Bonds then outstanding and less than all such Bonds shall have been tendered to the Borrower for such purchase, the Trustee, at the direction of the Borrower, shall select for redemption all such Bonds regardless of whether such Bonds have been so tendered. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Owner of such Bond shall, except as provided in Section 2.13 hereof with respect to Book-Entry Bonds, forthwith surrender such Bond to the Trustee for (a) payment to such Owner of the redemption price of the unit or units of principal amount called for redemption, and (b) delivery to such Owner of a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Owner thereof, without charge therefor. If the surrender of such Bonds is required hereunder and the Owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable, and interest thereon shall cease to accrue, on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only). Payment of the redemption prices by the Borrower for any Bonds called for redemption constitutes full and complete payment of such Bonds.

ARTICLE IV

TENDER AND PURCHASE OF BONDS;

REMARKETING; REMARKETING AGENT

SECTION 4.01 PURCHASE OF BONDS AT OPTION OF OWNERS.

(a) Daily Rate Period. On any Business Day during any Daily Rate Period, any Bond other than a Bank Bond, a Liquidity Provider Bond or a Borrower Bond (or portion thereof in an Authorized Denomination provided that the principal amount to be retained by the Owner shall be in an Authorized Denomination) shall be purchased from its Owner by the Trustee, acting as Tender Agent, at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, thereon to the date of purchase, upon, subject to Section 4.10 hereof, (i) delivery by the Owner of such Bond to the Trustee, acting as Tender Agent, at its Principal Office by no later than 10:30 a.m., New York time, on such Business Day, of an

irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount or portion thereof to be purchased and number of such Bond (if such Bond is in certificated form) and the date on which such Bond shall be purchased pursuant to this subsection (a), and (ii) delivery of such Bond (if such Bond is in certificated form) to the Trustee, acting as Tender Agent, at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange, at or prior to 1:00 p.m., New York time, on such Business Day.

(b) Weekly Rate Period. On any Business Day during any Weekly Rate Period, any Bond other than a Bank Bond, a Liquidity Provider Bond or a Borrower Bond (or portion thereof in an Authorized Denomination provided that the principal amount to be retained by the Owner shall be in an Authorized Denomination) shall be purchased from its Owner by the Trustee, acting as Tender Agent, at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, thereon to the date of purchase, upon, subject to Section 4.10 hereof, (i) delivery by the Owner of such Bond to the Trustee, acting as Tender Agent, at its Principal Office of an irrevocable written notice or an irrevocable telephonic notice promptly confirmed by telecopy or other writing, which states the principal amount or portion thereof to be purchased and number of such Bond (if such Bond is in certificated form) and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day succeeding the date of the delivery of such notice to the Trustee, and (ii) delivery of such Bond (if such Bond is in certificated form) to the Trustee, acting as Tender Agent, at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m., New York time, on the date specified in such notice.

SECTION 4.02

MANDATORY PURCHASE OF BONDS.

(a) Any Bonds shall be subject to mandatory purchase at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon, on the dates stated below; provided that if any such date is an Interest Payment Date, the purchase price shall be equal only to the principal amount of such Bond, together with any premium payable under subsection (ii) below:

(i) As to each such Bond in a Flexible Rate Period, on the day succeeding the last day of each Flexible Segment thereof applicable to such Bond;

(ii) As to each Term Bond, on the effective date of change from a Term Rate to a new Rate Period, including a change from one Term Rate Period to another Term Rate Period of the same duration; provided that Bonds in a Term Rate Period which are then redeemable pursuant to Section 3.01(A) hereof shall be purchased at a purchase price equal to 100% of the principal amount thereof plus a premium equal to the redemption premium, if any, that would have been payable if such Bonds were to be redeemed on the date such Bonds are to be purchased pursuant to the terms hereof, together with accrued interest, if any, thereon to the date of purchase;

(iii) As to each Bond in a Daily Rate Period or Weekly Rate Period, on the effective date of change to a Rate Period other than a Daily Rate Period or a Weekly Rate Period;

(iv) As to each Auction Bond, on the effective date of change to a Rate Period other than an Auction Rate Period; and

(v) On the Business Day prior to the Expiration Date of the Letter of Credit or Liquidity Facility; provided that in the event of a replacement of a Letter of Credit as provided in Section 5.12, such mandatory purchase shall occur on the date on which such Letter of Credit is replaced; and

Notwithstanding the foregoing, the Bonds will not be subject to mandatory purchase pursuant to Section 4.02(a)(v) if at least 25 days before the Expiration Date the Trustee has received written notice from the Liquidity Provider or the Bank, as applicable, that the Liquidity Facility or the Letter of Credit then in effect has been extended.

(b) Subject to Section 4.10 hereof, an Owner must deliver each such Bond subject to mandatory purchase as provided in Section 4.02(a) hereof to the Trustee, acting as Tender Agent, at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof, with the signature of such Owner guaranteed by a bank, trust company or member firm of the New York Stock Exchange at or prior to 10:00 a.m., New York time, on the purchase date in order to receive payment of the purchase price on such date.

(c) Notice of each mandatory purchase pursuant to the provisions of Section 4.02(a) hereof is hereby required by the provisions of Sections 2.03(a)(iii), 2.03(b)(iii), 2.03(c)(iii), 2.03(d)(iii), 2.03(e)(iii) or 5.12(c), as the case may be, to be included in the notice given pursuant to such Section. No notice of any mandatory purchase pursuant to the provisions of Section 4.02(a)(i) hereof shall be given to the Owners of the Bonds.

SECTION 4.03 OBLIGATION TO SURRENDER BONDS.

The giving of notice as provided in Section 4.01 hereof shall constitute the irrevocable tender for purchase of each such Bond or portion thereof with respect to which such notice shall have been given, irrespective of whether such Bond shall be delivered as provided in Section 4.01. The occurrence of any event specified in Section 4.02(a) hereof shall constitute the mandatory tender for purchase of each such Bond or portion thereof, irrespective of whether such Bond shall be delivered as provided in Section 4.02(b). Upon the purchase of each such Bond or portion thereof so deemed to be tendered, such Bond or portion thereof shall cease to bear interest payable to the former Owner thereof, who thereafter shall have no rights with respect thereto, other than the right to receive the purchase price thereof upon surrender of such Bond to the Trustee, acting as Tender Agent, and such Bond or portion thereof shall be no longer outstanding. If such Bonds are no longer Book-Entry Bonds, the Trustee shall authenticate, register and deliver new Bonds in replacement of such Bonds or portions thereof deemed so tendered and not surrendered on the date of purchase.

SECTION 4.04 REMARKETING OF BONDS.

(a) By 10:45 a.m., New York time, on the date the Trustee receives notice from any Bondholder in accordance with Section 4.01(a) hereof, and promptly, but in no event later than 11:30 a.m., New York time, on the Business Day following the day on which the Trustee receives notice from any Bondholder of its demand to have the Trustee purchase Bonds pursuant to Section 4.01(b) hereof, the Trustee shall give facsimile or telephonic notice, confirmed in writing thereafter, to the Remarketing Agent specifying the principal amount of Bonds which such Bondholder has demanded to have purchased and the date on which such Bonds are demanded to be purchased, with a copy of such notice to the Liquidity Provider or Bank, as applicable, if a Liquidity Facility or Letter of Credit is in effect with respect to such Bonds.

(b) Upon the giving of notice to the Trustee by any Bondholder in accordance with Section 4.01(a) or (b) hereof and the giving of notice by the Trustee to the Remarketing Agent as provided in Section 4.04(a) hereof with respect to such notices, and on each date on which Bonds are to be purchased in accordance with Section 4.02 hereof, the Remarketing Agent shall offer for sale and use its reasonable best efforts to sell such Bonds on the date such Bonds are to be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date; provided that Bonds in a Term Rate Period which are then redeemable pursuant to Section 3.01(A) hereof shall be purchased at a purchase price equal to 100% of the principal amount thereof plus a premium equal to the redemption premium, if any, that would be payable if such Bonds were to be redeemed on the date they are to be purchased, together with accrued interest, if any, thereon to the date of purchase. The Remarketing Agent shall not sell any Bonds to the Issuer or the Borrower.

(c) Not later than 11:45 a.m., New York time, on the Business Day on which Bonds are to be purchased pursuant to Section 4.01 or Section 4.02 hereof, the Remarketing Agent shall give (i) facsimile or telephonic notice to the Trustee, acting as Tender Agent, specifying the names, addresses and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, and, with respect to such Bonds which are being purchased pursuant to Section 4.02(a)(i) hereof, the Flexible Segments and the Flexible Rates for such Bonds remarketed by it pursuant to subsection (b) hereof and shall transfer all remarketing proceeds it has received to that time to the Trustee, acting as Tender Agent, and shall specify the amount of remaining remarketing proceeds it will provide to the Trustee on the date on which Bonds are to be purchased, as set forth in Section 4.04(d) hereof and (ii) telephonic notice to the Borrower and the Trustee, acting as Tender Agent, of the principal amount of and accrued interest on any such Bonds not remarketed by such time.

(d) Upon the giving of the notice specified in Section 4.04(c)(i) hereof regarding the amount of remaining remarketing proceeds to be provided, the Remarketing Agent shall be obligated to deliver to the Trustee, acting as Tender Agent, the remaining amount of remarketing proceeds specified in such notice to be received, as follows:

(i) in the case of Bonds which are being purchased pursuant to Section 4.01 or 4.02(a)(ii), (iii), (iv) or (v) hereof, by 1:00 p.m., New York time, on the purchase date; and

(ii) in the case of Bonds which are being purchased pursuant to Section 4.02(a)(i) hereof, by 3:00 p.m., New York time, on the purchase date, subject only to timely delivery of Bonds by the Trustee, acting as Tender Agent, as set forth in Section 4.04(e) hereof and verification by the Remarketing Agent that such Bonds conform to the instructions contained in the notice given by the Remarketing Agent to the Trustee pursuant to Section 4.04(c) hereof.

Any remarketing proceeds received by the Remarketing Agent in excess of such amounts so transferred shall be delivered as provided in Section 4.06 as soon as practicable after the receipt thereof.

(e) Subject to Section 4.10 hereof, upon receipt by the Trustee, acting as Tender Agent, of notice from the Remarketing Agent pursuant to Section 4.04(c) hereof, the Trustee shall authenticate and deliver new Bonds to the Remarketing Agent, as follows:

(i) in the case of Bonds which are being purchased pursuant to Section 4.01 or Section 4.02(a)(ii), (iii), (iv) or (v) hereof, and provided that moneys derived from the sources specified in Section 4.05(a) hereof in an amount equal to the purchase price therefor shall have been received by the Trustee, acting as Tender Agent, by 1:00 p.m., New York time, such new Bonds shall be delivered by 2:00 p.m., New York time; and

(ii) in the case of Bonds which are being purchased pursuant to Section 4.02(a)(i) hereof, such new Bonds shall be delivered by 4:00 p.m., New York time.

Notwithstanding any other provision of this Indenture, except in connection with a mandatory tender under Section 4.02, Bank Bonds shall be remarketed only if and to the extent that the payment of such Bonds (immediately after the remarketing thereof), whether upon tender, maturity, interest payment date, redemption, acceleration or otherwise, will be secured by the Letter of Credit issued by the Bank, unless a Letter of Credit is no longer required to support such Bonds.

SECTION 4.05 PURCHASE OF BONDS TENDERED TO TRUSTEE.

(a) By the close of business on the date Bonds or portions thereof are to be purchased pursuant to Section 4.01 or 4.02 hereof by the Trustee, acting as Tender Agent, such Trustee, acting as Tender Agent, shall purchase, but only from the funds listed below, such Bonds or portions thereof (in Authorized Denominations) from the Owners thereof at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase; provided that Bonds in a Term Rate Period which are then redeemable pursuant to Section 3.01(A) hereof shall be purchased at a purchase price equal to 100% of the principal amount thereof plus a premium equal to the redemption premium, if any, that would be payable if such Bonds were to be redeemed on the date they are to be purchased, together with accrued interest, if any, thereon to the date of purchase. Funds for the payment of such purchase price of Bonds shall be derived from the following sources in the order of priority indicated:

(i) proceeds of the remarketing of such Bonds pursuant to Section 4.04 hereof to any purchaser except the Issuer or the Borrower, or any affiliates or guarantors thereof;

(ii) proceeds of a draw on any Letter of Credit or Liquidity Facility;

(iii) moneys furnished by the Borrower to the Trustee, acting as Tender Agent, pursuant to Section 4.2(b) of the Agreement or Section 4.5 of the Agreement.

Notwithstanding anything in this Section 4.05(a) to the contrary, during an Auction Rate Period, Bonds shall be purchased in accordance with the Auction Procedures.

(b) The Trustee, acting as Tender Agent, shall:

(i) hold all Bonds delivered to it pursuant to Section 4.01 or 4.02 hereof in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders; and

(ii) hold all moneys delivered to it hereunder for the purchase of such Bonds in trust for the benefit of the person or entity which shall have so delivered such moneys in a separate and segregated fund (a "segregated fund"), and not commingle such funds with any other funds or invest such funds, until such Bonds purchased with such moneys shall have been delivered or deemed delivered to or for the account of such person or entity; provided, that funds delivered pursuant to Sections 4.05(a)(i) and (ii) shall be kept in a separate subaccount within the segregated fund from any funds received from the Borrower under Section 4.05(a)(iii); provided, further, that any moneys so deposited with and held by the Trustee not so applied to the purchase of Bonds within one (1) year after the date of purchase shall be paid by the Trustee to the Borrower upon the written direction of the Authorized Borrower Representative and thereafter the former Bondholders shall be entitled to look only to the Borrower for payment of such purchase price, and then only to the extent of the amount so repaid, and the Borrower shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys, and the Trustee shall have no further responsibility with respect to such moneys. To the extent any moneys are held by the Trustee for the payment of the purchase price of such Bonds which have not been presented for payment, such moneys shall not be invested.

Bonds subject to purchase under this Section 4.05 shall be deemed purchased for all purposes of this Indenture, irrespective of whether or not such Bonds shall have been presented to the Tender Agent, and the former Owner or Owners of such Bonds shall have no claim thereon, under this Indenture or otherwise for any amount other than the purchase price thereof and such Bonds shall no longer be deemed to be Outstanding for purposes of this Indenture.

SECTION 4.06 DELIVERY OF PURCHASED BONDS.

(a) Bonds sold by the Remarketing Agent pursuant to Section 4.04 hereof shall be delivered to the Remarketing Agent, as specified in Section 4.04(e) hereof.

(b) Bonds purchased by the Trustee, acting as Tender Agent, hereunder:

(i) with moneys described in clause (ii) of Section 4.05(a) hereof ("Liquidity Provider Bonds" or "Bank Bonds," as applicable), shall be held by the Trustee, as Tender Agent, and registered to the Bank or the Liquidity Provider or its designee, as applicable and shall have separate CUSIP numbers assigned thereto (except as otherwise instructed by the Bank or the Liquidity Provider, as applicable). The Remarketing Agent shall seek to remarket any Liquidity Provider Bonds or Bank Bonds, as applicable, prior to remarketing any other Bonds tendered for purchase. Upon notice by the Liquidity Provider or Bank that such Liquidity Provider or Bank has been reimbursed by the Borrower for the payment of all amounts drawn under the Liquidity Facility or Letter of Credit, as applicable, the Trustee shall hold the Liquidity Provider Bonds or Bank Bonds, as the case may be, in trust for the Borrower and such Bonds shall thereafter cease to be Liquidity Provider Bonds or Bank Bonds and shall be thereafter treated as Borrower Bonds, until remarketed as provided herein. The Remarketing Agent shall seek to remarket Borrower Bonds only after remarketing all other Bonds tendered for purchase. The proceeds of any remarketing of Liquidity Provider Bonds or Bank Bonds shall be transferred by the Trustee to the Liquidity Provider or the Bank, as applicable. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Liquidity Provider Bonds or Bank Bonds, Bonds in place of such Liquidity Provider Bonds or Bank Bonds, as applicable, so purchased shall be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest shall be transferred to the new direct participants on the books of DTC. Prior to or simultaneously with such delivery, the proceeds of such remarketing shall have been or shall be transferred to the Liquidity Provider or the Bank and the Liquidity Facility or the Letter of Credit, as applicable, shall either have been reinstated or the amount available for the drawing thereunder shall have been automatically increased to cover the remarketed Bonds as provided in the Liquidity Facility or Letter of Credit and confirmed in writing by the Liquidity Provider or the Bank; and

(ii) with moneys described in clause (iii) of Section 4.05(a) hereof shall, at the direction of the Borrower, be (A) held by the Trustee, acting as Tender Agent, for the account of the Borrower, (B) canceled or (C) delivered to the Borrower.

SECTION 4.07 NO SALES AFTER DEFAULT. Anything in this Indenture to the contrary notwithstanding, there shall be no remarketing of Bonds pursuant to this Article IV if there shall have occurred and be continuing an event of default under Section 9.01 hereof; provided, that nothing in this Section 4.07 shall be construed as prohibiting purchases of Bonds pursuant to Section 4.01 or 4.02 hereof.

SECTION 4.08 REMARKETING AGENT. The initial Remarketing Agent shall be Banc of America Securities LLC. At any time at which the Bonds are then bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, there shall be a Remarketing Agent in place with respect to such Bonds, appointed in accordance with the terms of this Section 4.08. Not less than 60 days before the end of any Term Rate Period or 60 days before the end of any Auction Rate Period, the Borrower shall appoint a Remarketing Agent and provide notice of such appointment to the Issuer. The Borrower shall appoint the Remarketing Agent, with the consent of the Liquidity Provider or the Bank, as applicable. The Borrower, with the consent of the Liquidity Provider or the Bank, as applicable, may remove the Remarketing Agent at any time upon at least five (5) Business Days' written notice to the Remarketing Agent with a copy to the Issuer. The Remarketing Agent may at any time resign and be discharged of its duties and

obligations created by this Indenture by giving at least thirty (30) Business Days' notice to the Issuer, the Borrower and the Trustee or such shorter period as the Issuer, the Borrower, the Trustee and the Remarketing Agent agree. Upon removal or resignation of the Remarketing Agent for Bonds then bearing interest at a Daily Rate, a Weekly Rate or a Flexible Rate, the Borrower shall, with the consent of the Liquidity Provider or the Bank, as applicable, appoint a successor Remarketing Agent for such Bonds and provide notice of such appointment to the Issuer.

Any Remarketing Agent appointed under this Section 4.08 shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Trustee and the Borrower which shall set forth such procedural and other matters relating to the remarketing of the Bonds as shall be satisfactory to the Issuer, the Trustee and the Borrower. No removal of or resignation by the Remarketing Agent (whether at the direction of the Borrower or by the Remarketing Agent as may be provided in the Remarketing Agreement) shall become effective until a successor Remarketing Agent has delivered a written acceptance of appointment to the Trustee and the Borrower has provided the notice required by Section 5.8 of the Agreement, unless at the time of such removal or resignation there is no requirement that there be a Remarketing Agent.

SECTION 4.09 QUALIFICATIONS OF REMARKETING AGENT. The Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc. and authorized by law to perform all the duties imposed upon it by this Indenture.

SECTION 4.10 TENDER AND PURCHASE OF BOOK-ENTRY BONDS. Notwithstanding any provisions of this Indenture to the contrary, at any time while any Bonds that are subject to tender are Book-Entry Bonds, the provisions of this Article IV are modified as follows:

(a) Any notice pursuant to Section 4.01(a)(i) or 4.01(b)(i) hereof may be given by any direct participant in the Securities Depository acting on behalf of either any owner of a beneficial interest in such Bonds or any indirect participant in the Securities Depository acting on behalf of such an owner, provided that any such notice shall not be required to contain the bond number of Bonds to be tendered for purchase and the Trustee may conclusively rely on any written certification or representation by a person, firm, corporation or other entity that it is acting as a direct participant in the Securities Depository for such Bonds for the purposes of giving any such notice.

(b) Delivery of such Bonds to the Trustee, as provided in Sections 4.01(a)(ii) or 4.01(b)(ii) and 4.02(b) hereof, shall be effected by book-entry credit to the account of the Trustee on the records of the Securities Depository, at or prior to 1:00 p.m., New York time, on the date such Bonds or portions thereof are required to be tendered to the Trustee for purchase, of a beneficial interest in such Bonds to be purchased on such date.

(c) The Remarketing Agent shall give the information required by Section 4.04(c) hereof to the Securities Depository instead of to the Trustee, but shall at the same time give facsimile or telephonic notice to the Trustee specifying the principal amount of such Bonds which it has been unable to remarket (if such be the case).

(d) The Remarketing Agent shall deliver remarketing proceeds in accordance with the provisions of Section 4.04(d) hereof to the Securities Depository instead of to the Trustee, acting as Tender Agent.

(e) Section 4.04(e) hereof shall be inapplicable.

(f) The provisions of Sections 4.05 and 4.06 hereof shall apply only if Bonds are purchased with moneys described in clauses (i) and (iii) of Section 4.05(a) hereof; the beneficial interests in Bonds purchased with moneys described in clause (ii) of Section 4.05(a) shall be transferred in accordance with the procedures of the Securities Depository.

SECTION 4.11

DRAWS ON THE LIQUIDITY FACILITY OR LETTER OF CREDIT FOR PURCHASE OF BONDS. The Trustee or Tender Agent, as applicable, shall draw funds under any Liquidity Facility or Letter of Credit supporting the Bonds in an amount necessary and in sufficient time (as set forth by the terms of such Liquidity Facility or Letter of Credit) so as to provide to the Trustee the balance of the funds needed to purchase tendered Bonds, taking into account any remarketing proceeds received by the Trustee or Tender Agent, as applicable, not later than 11:45 a.m., New York City time, on the date on which Bonds are to be purchased. If the Remarketing Agent remarkets Bonds after 11:45 a.m., New York City time, on the date on which Bonds are to be purchased, the Trustee shall still draw on the Liquidity Facility or Letter of Credit for such Bonds in an amount necessary and in sufficient time (as set forth by the terms of such Liquidity Facility or Letter of Credit) so as to provide the balance of the funds needed to purchase tendered Bonds, without taking into account any remarketing proceeds other than those transferred by the Remarketing Agent to the Trustee pursuant to Section 4.04(c) hereof. The Trustee shall transfer to the Liquidity Provider or the Bank any excess moneys received from a draw on the Liquidity Facility or Letter of Credit for such Bonds that are not needed to pay the purchase price of such Bonds on the date on which Bonds are to be purchased.

ARTICLE V

PAYMENT; FURTHER ASSURANCES

SECTION 5.01

PAYMENT OF PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON BONDS. The Issuer shall promptly pay or cause to be paid the principal of and premium, if any, and interest on, every Bond issued hereunder according to the terms thereof, but shall be required to make such payment or cause such payment to be made only out of Revenues or the proceeds of Bond Insurance. The Issuer hereby appoints the Trustee to act as the Paying Agent for the Bonds, and designates the Principal Office of the Trustee as the place of payment for the Bonds, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

SECTION 5.02

EXTENSION OR FUNDING OF CLAIMS FOR INTEREST. In order to prevent any accumulation of claims for interest after maturity, the Issuer shall not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for interest on any of the Bonds, and shall not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding such claims or in any other manner. In

case any such claim for interest shall be extended or funded, whether or not with the consent of the Issuer, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then outstanding and of all claims for interest which shall not have been so extended or funded.

SECTION 5.03 PRESERVATION OF REVENUES. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee of rights under the Agreement, or the Trustee's enforcement of any rights thereunder, without the prior written consent of the Trustee. The Trustee may give such written consent only in accordance with the provisions of Article IX hereof.

SECTION 5.04 OTHER LIENS. So long as any Bonds are outstanding, the Issuer shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

SECTION 5.05 COMPLIANCE WITH THE INDENTURE. The Issuer shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of this Indenture, and shall not suffer or permit any default to occur under this Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements hereof.

SECTION 5.06 PERFORMANCE OF COVENANTS. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining thereto; provided, however, that except for the matters set forth in Section 5.01 hereof the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrower, or shall have received the instrument to be executed and at the Issuer's option shall have received from the Borrower assurance satisfactory to the Issuer that the Issuer shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument. The Bonds and interest and premium, if any, thereon, and any obligation of the Issuer under the Agreement or this Indenture, shall never constitute a debt or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

SECTION 5.07 RIGHT TO PAYMENTS UNDER AGREEMENT; INSTRUMENTS OF FURTHER ASSURANCE. The Issuer covenants that it will defend its right to the payment of amounts due from the Borrower under the Agreement to the Trustee, for the benefit of the Owners of the Bonds against the claims and demands of all persons whomsoever. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts pledged hereto, to the payment of the principal of and premium, if any, and interest on the Bonds. The Issuer covenants and agrees

that, except as provided herein and in the Agreement, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues or its rights under the Agreement.

SECTION 5.08 TAX COVENANTS.

(a) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants to maintain the Tax-Exempt status of the Bonds pursuant to Section 103(a) of the Code, or Section 103 of the 1986 Code, as applicable, and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law and regulation to continue the Tax-Exempt status of the Bonds; and in furtherance of such covenants, the Issuer agrees to comply with the Tax Certificate.

(b) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause such Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the 1986 Code.

(c) Pursuant to the Agreement and the Tax Certificate, the Borrower shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the 1986 Code from amounts on deposit in the funds and accounts established under this Indenture and available therefor.

(d) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants that it will not use or permit the use of any property financed with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of the Tax-Exempt status of the Bonds.

(e) Notwithstanding any other provisions of this Indenture to the contrary, so long as necessary in order to maintain the Tax-Exempt status of the Bonds under Section 103(a) of the Code, or Section 103 of the 1986 Code, as applicable, the covenants in this Section 5.08 shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 8.01 hereof.

SECTION 5.09 INSPECTION OF PROJECT BOOKS. The Issuer and the Trustee covenant and agree that all books and documents in their possession relating to the Project and the Revenues shall at all times, with prior notice, be open to inspection by such accountants or other agencies as the other party may from time to time designate.

SECTION 5.10 RIGHTS UNDER AGREEMENT. The Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Borrower, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Borrower thereunder, and the Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Borrower under and pursuant to the Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder. Nothing herein contained shall be construed to prevent the Issuer from enforcing directly any and all of its rights under Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 of the Agreement.

SECTION 5.11 CONTINUING DISCLOSURE. Pursuant to Section 5.12 of the Agreement, the Borrower shall undertake to satisfy the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, if applicable. The Issuer shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the Borrower to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default; however, the Trustee, subject to Article X, may (and, at the written request of the Remarketing Agent or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder or beneficial owner of any Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under Section 5.12 of the Agreement.

SECTION 5.12 DELIVERY OF BOND INSURANCE, LIQUIDITY FACILITY OR LETTER OF CREDIT; TERMINATION OF LETTER OF CREDIT.

(a) Following the initial delivery of the Bonds, whenever the Borrower has delivered to the Trustee a commitment for the delivery of a Liquidity Facility, a Letter of Credit or Bond Insurance pursuant to Section 5.13, 5.14 or 5.16 of the Agreement, as applicable, the Trustee shall mail by first class mail a notice to all Bondholders (and any Bond Insurer, any Liquidity Provider and any Bank which shall continue to provide Bond Insurance, a Liquidity Facility or a Letter of Credit with respect to the Bonds following delivery of such new Bond Insurance, Liquidity Facility or Letter of Credit) stating: (i) the name of the Bond Insurer, Liquidity Provider or Bank, as applicable; (ii) the date on which such new Bond Insurance, Liquidity Facility or Letter of Credit will become effective; and (iii) the rating expected to apply to the Bonds after such new Bond Insurance, Liquidity Facility or Letter of Credit is delivered. Such notice shall be mailed at least ten (10) days prior to the effective date of such new Bond Insurance, Liquidity Facility or Letter of Credit. In no event shall there be more than one Letter of Credit or Liquidity Facility in effect with respect to the Bonds at the same time.

(b) Upon receipt of any Bond Insurance, Liquidity Facility or Letter of Credit (other than the Initial Letter of Credit), the Trustee shall provide notice thereof to the Issuer, each Rating Agency then rating the Bonds and the Borrower.

(c) Not later than ten (10) days before the Expiration Date of any Letter of Credit (including expiration upon replacement), the Trustee shall mail notice of such expiration and notice that all such Bonds are subject to mandatory purchase on the Business Day before such Expiration Date (or, in the case of replacement with Bond Insurance, a Liquidity Facility or a Letter of Credit, on the effective date of such Bond Insurance, Liquidity Facility or Letter of Credit, in which case any draw to pay the purchase price of such Bonds shall be made on the expiring Letter of Credit). Such notice may be included in the notice given pursuant to paragraph (a) of this Section, if applicable.

ARTICLE VI

REVENUES AND FUNDS

SECTION 6.01 SOURCE OF PAYMENT OF BONDS; LIABILITY OF ISSUER LIMITED TO REVENUES. The Bonds and all payments required of the Issuer hereunder are not general obligations of the Issuer but are limited obligations of the Issuer. The Trust Estate is pledged and assigned to the payment of the principal of and interest and premium, if any, on the Bonds. The payments provided in subsection (a) of Section 4.2 of the Agreement are to be remitted directly to the Trustee for the account of the Issuer and deposited in the Bond Fund. Such payments, sufficient in amount to insure the prompt payment of the principal of and premium, if any, and interest on the Bonds, are pledged to such payment.

All Revenues shall be held in trust for the benefit of the holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter set forth in this Article VI. Notwithstanding the foregoing provisions of this Section 6.01, that portion of the Revenues permitted to be returned to the Borrower under Section 6.10 hereof shall not be subject to the pledge and lien of this Indenture.

The Bonds shall not constitute a debt or liability or a pledge of the faith and credit of the Issuer or the State, but shall be payable solely from the funds herein provided therefor. The issuance of the Bonds shall not directly or indirectly or contingently obligate the Issuer, the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Notwithstanding any provisions of the Agreement or this Indenture to the contrary, the Issuer shall not be required to advance any moneys derived from any source other than Revenues and other assets pledged under this Indenture for any purposes mentioned in this Indenture, whether for the payment of the principal or purchase price of, or redemption premium, if any, or interest on the Bonds or otherwise; provided, however, the Issuer may, but shall not be required to, advance funds of the Issuer which may be available to it for such purposes.

SECTION 6.02 CREATION OF THE BOND FUND. There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2008A - Bond Fund" (the "Bond Fund"), which shall be used to pay the principal of and premium, if any, and the interest on the Bonds.

If a Letter of Credit is applicable to the Bonds, the Trustee shall create within the Bond Fund an account called the "Letter of Credit Account," into which all moneys drawn under the Letter of Credit to pay principal, interest, or redemption price (including premium, if any) of the Bonds shall be deposited and disbursed. Neither the Borrower nor the Issuer shall have any rights to or interest in the Letter of Credit Account. The Letter of Credit Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under this Indenture or otherwise, and the Trustee shall have the exclusive and sole right of withdrawal of funds from the Letter of Credit Account for the exclusive benefit of the Holders of the Bonds. No moneys from the Letter of Credit Account may in any circumstance be used to pay principal or redemption price (including premium, if any) of or interest on any Bank Bonds or Borrower Bonds.

SECTION 6.03 PAYMENTS INTO THE BOND FUND. There shall be deposited into the Bond Fund from time to time the following:

- (a) all accrued interest, if any, paid by the Initial Purchaser of the Bonds;
- (b) all payments specified in Section 4.2(a) of the Agreement; and
- (c) all other moneys received by the Trustee under and pursuant to the provisions of Section 2.11 of this Indenture or the Bond Insurance or by any of the provisions of the Agreement, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Bond Fund.

The Issuer hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will cause to be deposited in the Bond Fund sufficient amounts from Revenues promptly to meet and pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable. Nothing herein shall be construed as requiring the Issuer to use any funds or revenues from any source other than the Trust Estate.

SECTION 6.04 DRAWS ON THE LETTER OF CREDIT.

(a) The Trustee shall draw moneys under any Letter of Credit in accordance with the terms thereof in an amount necessary to make timely payments of principal of, premium, if any, and interest on the Bonds, other than Bonds owned by or for the account of the Borrower or the Bank, when due whether at maturity, interest payment date, redemption, acceleration or otherwise. In addition, the Trustee shall draw moneys under any such Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments required to be made pursuant to, and in accordance with Section 4.01, 4.02 and 4.11 hereof.

(b) Immediately after making a drawing under any Letter of Credit which has been honored, the Trustee shall reimburse the Bank, in accordance with the terms of the Reimbursement Agreement and Section 6.04(c) hereof, for the amount of the drawing using moneys, if any, contained in:

- (i) the Bond Fund, if the drawing was to pay principal or interest on the Bonds enhanced by such Letter of Credit; and
- (ii) the Redemption Account, if the drawing was to redeem Bonds enhanced by such Letter of Credit.

(c) Each payment to the Bank described in the immediately preceding subsection shall be made by the Trustee by wire transfer to the Bank (to such account as the Bank may from time to time indicate) of the applicable amount immediately following, and on the same Business Day as, the Bank's initiation of payment of the corresponding drawing under the Letter of Credit.

(d) If the Trustee has made a proper drawing on the Letter of Credit and the Bank wrongfully fails to make a payment for debt service due on the Bonds by 2:00 p.m. (New York City time) or the Letter of Credit has been repudiated, the Trustee, upon a Responsible

Officer becoming aware of such event, shall immediately notify the Borrower and request payment of the debt service due in immediately available funds by 4:00 p.m. (New York City time).

(e) The Trustee shall comply with the procedures set forth in any Letter of Credit relating to the termination, surrender and cancellation thereof.

(f) If a Letter of Credit is enhancing the Bonds, the Trustee shall hold and maintain such Letter of Credit for the benefit of the Bondholders, until such Letter of Credit expires in accordance with its terms. Subject to the provisions of this Indenture, the Trustee shall enforce all terms, covenants and conditions of each Letter of Credit, including payment when due of any draws on such Letter of Credit, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, such Letter of Credit, and will not consent to, agree to or permit any amendment or modification of such Letter of Credit which would materially adversely affect the rights or security of the Holders of the Bonds enhanced by such Letter of Credit. If at any time during the term of any Letter of Credit any successor Trustee shall be appointed and qualified under this Indenture, the resigning or removed Trustee shall request that the Bank transfer such Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment.

SECTION 6.05 USE OF MONEYS IN THE BOND FUND AND CERTAIN OTHER MONEYS. Except as provided in Sections 4.11, 6.07, 6.10 and 10.03 hereof and subject to the provisions of the Tax Certificate, moneys in the Bond Fund shall be used solely for (i) the payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due and payable at maturity, upon redemption or otherwise, or (ii) to reimburse the Bank for draws on the Letter of Credit used to make the payments described in (i). Funds for such payments of the principal of and premium, if any, and interest on the Bonds held by Owners other than the Bank, the Liquidity Provider, the Bond Insurer or the Borrower, shall be derived from the following sources in the order of priority indicated:

(a) moneys paid into the Letter of Credit Account of the Bond Fund from a draw by the Trustee under any Letter of Credit enhancing the Bonds;

(b) from moneys paid into the Bond Fund pursuant to Section 6.03(a) hereof which shall be applied to the payment of interest on the Bonds;

(c) from moneys held by the Trustee pursuant to Article VIII hereof, such moneys to be applied only to the payment of the principal of and premium, if any, and interest on Bonds which are deemed to be paid in accordance with Article VIII hereof;

(d) from proceeds of refunding bonds pursuant to the provisions of Section 2.11 of this Indenture and from income from the investment of such proceeds; and

(e) from all other amounts on deposit in the Bond Fund, including amounts paid by the Borrower pursuant to the provisions of Section 4.2(a) or Article VII of the Agreement, and proceeds from the investment thereof.

SECTION 6.06 CUSTODY OF THE BOND FUND. The Bond Fund shall be in the custody of the Trustee but in the name of the Issuer and the Issuer hereby authorizes and directs the Trustee to withdraw in accordance with the provisions of Section 6.05 of this Indenture sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable, which authorization and direction the Trustee hereby accepts.

SECTION 6.07 NON-PRESENTMENT OF BONDS. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof or in the event any interest payment thereon is unclaimed, if moneys sufficient to pay such Bond or interest shall have been deposited in the Bond Fund, all liability of the Issuer to the Owner thereof for the payment of such Bond or interest shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond. Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds or such interest, if any, within one (1) year after the date on which the same shall have become due shall be paid by the Trustee to the Borrower upon the written direction of an Authorized Borrower Representative and thereafter Bondholders shall be entitled to look only to the Borrower for payment, and then only to the extent of the amount so repaid, and the Borrower shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys and the Trustee shall have no further responsibility with respect to such moneys.

SECTION 6.08 TRUSTEE FEES, CHARGES AND EXPENSES. The Trustee agrees that the Issuer shall have no liability for any fees, charges and expenses of the Trustee, and the Trustee agrees to look only to the Borrower for the payment of all fees, charges and expenses of the Trustee as provided in the Agreement and in this Indenture.

SECTION 6.09 MONEYS TO BE HELD IN TRUST. All moneys required to be deposited with or paid to the Trustee for deposit into the Bond Fund under any provision hereof, all moneys withdrawn from the Bond Fund and held by the Trustee shall be held by the Trustee in trust, and such moneys (other than moneys held pursuant to Section 6.07 hereof) shall, while so held, constitute part of the Trust Estate and be subject to the lien hereof. Moneys held for the payment of the purchase price of Bonds pursuant to Article IV hereof shall not constitute part of the Trust Estate and shall be held in a special purpose trust account which will be established and maintained by the Trustee and held for the exclusive benefit of the holders of Bonds with respect to which such purchase was made.

SECTION 6.10 REPAYMENT TO THE BORROWER FROM THE BOND FUND. Any amounts remaining in the Bond Fund after payment in full of the principal of and premium, if any, and interest on the Outstanding Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, and all other amounts required to be paid under the Agreement, the Bond Insurance, the Liquidity Facility, the Letter of Credit, and this Indenture shall be paid to the Borrower as provided in Section 9.5 of the Agreement.

SECTION 6.11 REVENUES TO BE PAID OVER TO TRUSTEE. The Issuer will cause the Revenues to be paid to the Trustee for deposit in the Bond Fund in accordance with the terms of this Indenture to effect payment of the principal of and premium, if any, and interest on the Bonds as the same become due.

SECTION 6.12 PAYMENTS OF PRINCIPAL AND INTEREST. The Trustee shall pay from Revenues received by the Trustee, in the order of priority indicated in Section 6.05 hereof, the principal of and premium, if any, and interest on, the Bonds as the same become due and payable. If, prior to the maturity of any Bond, the Borrower surrenders such Bond to the Trustee for cancellation, the Trustee shall cancel such Bond.

SECTION 6.13 REVENUES TO BE HELD FOR ALL BONDHOLDERS; CERTAIN EXCEPTIONS. Revenues and investments thereof shall, until applied as provided in this Indenture, be held by the Trustee for the benefit of the Owners of all Outstanding Bonds, except as provided by Sections 2.11, 6.07 and 6.10 hereof and except that any portion of the Revenues representing principal of and premium, if any, and interest on, any Bonds previously called for redemption in accordance with Article III of this Indenture or previously matured or representing unclaimed interest on the Bonds shall be held for the benefit of the Owners of such Bonds only and shall not be deposited or invested pursuant to Article VII hereof, notwithstanding any provision of Article VII.

SECTION 6.14 REBATE FUND. There is hereby created by the Issuer and ordered established with the Trustee a custodial fund to be designated the "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2008A - Rebate Fund" (the "Rebate Fund"). The Trustee shall establish within the Rebate Fund a separate account designated "Tax-Exempt". The Trustee covenants and agrees to deposit to the Rebate Fund amounts paid to the Trustee by the Borrower pursuant to Section 4.2(g) of the Agreement and, at the written direction of an Authorized Borrower Representative, to withdraw from such Rebate Fund such amounts at such times in order to pay the Rebate Requirement (as defined in the Tax Certificate) in accordance with the Tax Certificate. Funds on deposit in the Rebate Fund are not part of the Trust Estate.

SECTION 6.15 BOND INSURANCE PAYMENTS. As long as any Bond Insurance shall be in full force and effect with respect to the Bonds hereunder, the Issuer, the Trustee and any Paying Agent for the Bonds agree to comply with the following provisions:

(a) at least one (1) day prior to all Interest Payment Dates the Trustee or Paying Agent will determine whether there will be sufficient funds in the Bond Fund to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent determines that there will be insufficient funds in such Bond Fund, the Trustee or Paying Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent.

(b) the Trustee or Paying Agent shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to an insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Trustee or Paying Agent, and all records relating to the funds maintained under the Indenture.

(c) the Trustee or Paying Agent shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of such Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon such Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) the Trustee or Paying Agent shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) in the event that the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become due for payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted the Bond Insurer hereunder, the Bond Insurer shall, to the extent it makes payment of principal or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the

Bond Insurance, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

ARTICLE VII

INVESTMENT OF MONEYS

SECTION 7.01 INVESTMENT OF MONEYS. The Trustee shall invest and reinvest any moneys held as part of the Bond Fund upon the written direction of an Authorized Borrower Representative in Investment Securities. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund for which they were made. The interest accruing thereon, any profit realized from such investments and any loss resulting from such investments shall be credited or charged to such fund in accordance with Section 3.4 of the Agreement. The Trustee shall sell and reduce to cash a sufficient amount of such investments of the Bond Fund, in accordance with written directions or oral directions promptly confirmed by telecopy or other writing of an Authorized Borrower Representative, whenever the cash balance in the Bond Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due. Moneys comprising proceeds of a draw on a Letter of Credit or Liquidity Facility, and other moneys held for the payment of the purchase price of Bonds pursuant to Article IV hereof or the payment of Bonds pursuant to Section 6.07 and 6.13 hereof, shall be held uninvested.

SECTION 7.02 INVESTMENTS; ARBITRAGE. The Trustee may make any and all investments permitted by the provisions of Section 7.01 hereof through its own bond department. The Trustee may act as principal or agent in the making or disposing of any investments, and may act as sponsor, advisor or manager in connection with any such investments. The provisions of this subsection shall apply to affiliates of the Trustee. As and when any amount invested pursuant to this Article may be needed for disbursement, the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

The Borrower has covenanted in Section 5.11 of the Agreement that it will not take any action or fail to take any action with respect to the Bonds to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148(a) of the 1986 Code.

DEFEASANCE

SECTION 8.01

DEFEASANCE.

(a) If the Issuer shall pay or cause to be paid, or there shall be otherwise paid or provision for payment made to or for the Owners of the Bonds the principal, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Issuer shall keep, perform and observe all the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, and shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions hereof, then this Indenture and the lien, rights and interests created hereby shall cease, determine and become null and void (except as to any surviving rights of payment, registration, transfer or exchange of Bonds herein provided for), whereupon the Trustee upon written request of an Authorized Issuer Representative shall cancel and discharge this Indenture, and execute and deliver to the Issuer such instruments in writing as shall be requested by an Authorized Issuer Representative and requisite to discharge this Indenture, and release, assign and deliver unto the Issuer any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee or otherwise subject to this Indenture, except amounts in the Bond Fund required to be paid to the Borrower under Section 6.10 hereof and except moneys or securities held by the Trustee for the payment of the principal of and premium, if any, and interest on, and purchase prices of, the Bonds. Notwithstanding the foregoing, under no circumstances may the Issuer or the Borrower receive any funds derived from a draw on any Letter of Credit, Liquidity Facility, Bond Insurance or moneys held for the payment of particular Bonds.

(b) Any Bond or Authorized Denomination thereof shall be deemed to be paid within the meaning of this Indenture when (a) payment of the principal of and premium, if any, on such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein) (i) shall have been made or caused to be made in accordance with the terms thereof, (ii) shall have been provided for by depositing sufficient amounts as described in clause (1) and/or (2) below for such payment with the Trustee and the due date of such principal, interest and premium, if any, has occurred, (iii) in the case of a Bond which bears interest at a Flexible Rate or a Term Rate, shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment on such due date (which due date shall be in the case of a Bond bearing interest at a Flexible Rate no later than the Interest Payment Date for the then current Flexible Segment for such Bond and in the case of a Bond bearing interest at a Term Rate no later than the last Interest Payment Date for the then current Term Rate Period for such Bond) sufficient amounts as described in clause (1) and/or (2) below, or (iv) in the case of a Bond which bears interest at a Daily Rate or a Weekly Rate, shall have been provided for by irrevocably depositing with the Trustee in trust from Available Moneys and irrevocably setting aside exclusively for such payment on the first possible redemption date or purchase date applicable to such Bond (and, to the extent the rate of interest payable on such Bond prior to such redemption or purchase date is not known, the Trustee shall have either received a confirmation from the Rating Agency then rating the Bonds that the defeasance will not result in

the reduction or withdrawal of the then-current ratings on the Bond or such rate of interest shall be assumed to be the maximum rate payable thereon), (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause (2) following), or (2) direct non-callable obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America maturing as to principal and interest in such amount and at such time as will insure the

availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit shall have been paid or the payment thereof provided for to the satisfaction of the Trustee; provided, however, that no Bond shall be deemed paid pursuant to this Article VIII prior to the due date for the payment of principal, premium if any, and interest thereon unless there shall have been delivered an opinion of Bond Counsel to the effect that such treatment will not adversely affect the Tax-Exempt status of any Bonds hereunder and will not cause such Bonds to be treated as sold or otherwise disposed of for the purposes of Section 1001 of the 1986 Code (or any successor provision). At such times as a Bond or Authorized Denomination thereof shall be deemed to be paid hereunder, as aforesaid, such Bond or Authorized Denomination thereof shall no longer be secured by or entitled to the benefits of this Indenture (other than Sections 2.04 and 2.08 hereof in the case of a deposit under clause (a)(iii) above), except for the purposes of any such payment from such moneys or government obligations referred to in clause (2) above.

(c) Notwithstanding the foregoing paragraph, in the case of a Bond or Authorized Denomination thereof which by its terms may be redeemed prior to the stated maturity thereof, no deposit under clause (a)(iii) of the immediately preceding paragraph shall be deemed a payment of such Bond or Authorized Denomination thereof as aforesaid until: (a) proper notice of redemption of such Bond or Authorized Denomination thereof shall have been previously given in accordance with Article III of this Indenture, or in the event said Bond or Authorized Denomination thereof is not to be redeemed within the succeeding seventy-five (75) days, until the Borrower shall have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owner of such Bond or Authorized Denomination thereof in accordance with Article III hereof, that the deposit required by (a)(iii) above has been made with the Trustee and that said Bond or Authorized Denomination thereof is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable premium, if any, on said Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof, or (b) the maturity of such Bond or Authorized Denomination thereof.

(d) Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or government obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds or Authorized Denominations thereof (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds or Authorized Denominations thereof (including interest and premium thereon, if any) with respect to which such moneys and government obligations have been so set aside in trust.

(e) Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

(f) Anything in Article XI hereof to the contrary notwithstanding, if moneys or government obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds or Authorized Denominations thereof and the interest and premium, if any, thereon and such Bonds or Authorized Denominations thereof and the interest and premium, if any, thereon shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the Owner of each of the Bonds affected thereby.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 9.01

DEFAULTS; EVENTS OF DEFAULT. If any of the following events occurs with respect to a Bond or Bonds, it is hereby defined as and declared to be and to constitute a default or an

Event of Default:

- (a) Failure to make payment of any installment of interest upon any Bond after such payment has become due and payable;
- (b) Failure to make payment of the principal of and premium, if any, on any Bond at the stated maturity thereof or upon the unconditional redemption thereof;
- (c) A failure to pay an amount due pursuant to Article IV hereof when the same shall have become due and payable with respect to any Bond;
- (d) The occurrence of an "Event of Default" under the Agreement affecting any Bonds;
- (e) Failure on the part of the Issuer to perform or observe any of its covenants, agreements or conditions in this Indenture or in the Bonds and failure to remedy the same after notice thereof pursuant to Section 9.10 hereof;
- (f) While the Bonds are supported by a Letter of Credit, the Trustee shall have received written notice from the Bank of the occurrence of an event of default under the Reimbursement Agreement, and requesting that the Trustee declare an acceleration of such Bonds pursuant to Section 9.02 hereof; and
- (g) While the Bonds are supported by a Letter of Credit, the Trustee shall receive written notice from the Bank within ten (10) calendar days after an interest drawing

under the Letter of Credit, or as otherwise provided in the Reimbursement Agreement, that the Bank has not reinstated the amount so drawn.

SECTION 9.02 ACCELERATION. Upon the occurrence and continuance of an Event of Default under Section 9.01 hereof, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding, shall (in all cases only with the consent of the Bank or the Bond Insurer, if any, except in the case of a Bank Default or Insurer Default, respectively), by notice in writing delivered to the Borrower, with copies to the Issuer, the Bond Insurer, the Liquidity Provider, the Bank, the

Remarketing Agent and the Auction Agent, declare the principal of all Bonds and the interest accrued thereon to the date of such declaration immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided that, with respect to an Event of Default under Section 9.01(f) or Section 9.01(g), interest shall cease to accrue from and after the date the Bonds become immediately due and payable, while in all other cases interest shall continue to accrue until all such amounts are paid. On the date of any such declaration, the Trustee shall promptly draw upon any then existing Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds. Upon any such declaration, the Trustee shall declare all indebtedness related to the Bonds and payable under Section 4.2(a) of the Agreement to be immediately due and payable in accordance with Section 6.2 of the Agreement and may exercise and enforce such rights as exist under the Agreement and this Indenture. The above provisions are subject to waiver, rescission and annulment as provided in Section 9.09 hereof.

Notwithstanding anything to the contrary in the preceding paragraph, upon receipt of notice from the Bank described in Section 9.01(f) or Section 9.01(g), the Trustee shall, by notice in writing delivered to the Borrower, with copies to the Issuer, the Bond Insurer, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent, immediately declare the principal of all Bonds and the interest accrued thereon to the date of such declaration immediately due and payable and promptly draw upon the Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds. Each Rating Agency shall receive immediate notice from the Trustee of any acceleration of the Bonds pursuant to Section 9.01(g).

SECTION 9.03 REMEDIES; RIGHTS OF BONDHOLDERS AND BOND INSURER. Upon the occurrence and continuation of an Event of Default under Section 9.01 hereof, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and premium, if any, and interest on the Bonds then outstanding and to enforce and compel the performance of the duties and obligations of the Issuer as herein set forth. In addition, the Trustee may, without notice to the Issuer or the Borrower, exercise any and all remedies afforded the Issuer under Article VI of the Agreement in its name or the name of the Issuer without the necessity of joining the Issuer.

Subject to the limitations set forth in the last two paragraphs of this Section 9.03, if an Event of Default under Section 9.01 hereof shall have occurred and be continuing, and if requested so to do by the Owners of not less than a majority in aggregate principal amount of the

be required to follow any such direction which could reasonably be expected to involve the Trustee in personal liability.

SECTION 9.05

APPLICATION OF MONEYS. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article or pursuant to Section 6.09 hereof shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and its Counsel (provided that no amounts drawn under the Letter of Credit shall be applied to the payment of such costs, expenses, liabilities or advances), be deposited in the Bond Fund and all such moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all interest then due on the Bonds (other than interest due on the Bonds for the payment of which moneys are held pursuant to the provisions of this Indenture), and, if the amount available shall not be sufficient to pay said amount in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any Bonds which shall have become due (other than with respect to Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), and, if the amount available shall not be sufficient to pay in full such unpaid principal and premium, then to the payment ratably to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto of interest on overdue principal of and premium, if any, on the Bonds without preference or priority as between principal or premium or interest one over the others, or any installment of interest over any other installment of interest, or of any Bond over any other Bond, and if the amount available shall not be sufficient to pay such amounts in full, then ratably, without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and premium, if any, and interest then due and unpaid upon the Bonds (other than Bonds matured or called for redemption or interest due on Bonds for the payment of which moneys are held pursuant to the provisions of this Indenture), without preference or priority of principal, premium or interest one over the others, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of

this Article, then, subject to the provisions of Section 9.05(b) hereof in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Section 9.05(a) hereof.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee may determine. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Whenever all principal of and premium, if any, and interest on all Bonds have been paid under the provisions of this Section 9.05 and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Borrower as provided in Section 6.10 hereof.

SECTION 9.06 **REMEDIES VESTED IN TRUSTEE.** All rights of action (including the right to file proofs of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of the Outstanding Bonds.

SECTION 9.07 **RIGHTS AND REMEDIES OF BONDHOLDERS.** No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless (i) a default has occurred of which a Responsible Officer of the Trustee has actual knowledge or has been notified as provided in subsection (g) of Section 10.01 hereof, (ii) such default shall have become an Event of Default hereunder and be continuing and shall not be subject to control by the Bank or the Bond Insurer under Section 9.03, (iii) the Owners of more than a majority in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, either to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its own name, and shall have offered to the Trustee indemnity as provided in Section 10.01(i), and (iv) the Trustee shall for sixty (60) days after such notice, request and offer of indemnity fail or refuse to exercise the powers herein granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder. No one or more Owners of the Bonds shall have any right in any manner whatsoever to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Bonds then outstanding. Nothing in this Indenture shall, however, affect or impair the right of the Owner of any Bond to enforce the payment of the principal of and premium, if any, and interest on such Bond at and after the maturity thereof.

defaults shall have occurred and be continuing, and, to the extent that a Letter of Credit is then in effect, the amount available for interest draws under such Letter of Credit shall have been reinstated by the Bank in writing, then and in every such case, the Trustee shall, with the consent of the Bank or the Bond Insurer, as applicable (except in the event of a Bank Default or an Insurer Default), annul such declaration of maturity and its consequences, which waiver and annulment shall be binding upon all Holders of Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. In the case of any such annulment, the Borrower, the Issuer, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights under this Indenture. All waivers and annulments under this Indenture shall be in writing and a copy thereof shall be delivered to the Issuer, the Bond Insurer, the Bank, the Borrower, the Remarketing Agent and the Auction Agent, as applicable.

SECTION 9.10

NOTICE OF EVENT OF DEFAULT UNDER SECTION 9.01(e) HEREOF; OPPORTUNITY OF BORROWER TO CURE DEFAULTS. Anything herein to the contrary notwithstanding, no default described in Section 9.01(e) hereof shall constitute an Event of Default until actual notice of such default, requiring that it be remedied and stating that such notice is a "Notice of Default" hereunder, by registered or certified mail shall be given to the Issuer and the Borrower by the Trustee or to the Issuer and the Borrower and the Trustee by the Owners of a majority in aggregate principal amount of all Bonds Outstanding, and the Issuer or the Borrower on behalf of the Issuer shall have had ninety days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted within the applicable period and diligently pursued until the default is corrected and the fact of such non-correction, corrective action and diligent pursuit is evidenced to the Trustee by a certificate of an Authorized Borrower Representative or an Authorized Issuer Representative.

Whenever, so long as the Borrower is not in default under the Agreement, after a reasonable request by the Borrower, the Issuer shall fail, refuse or neglect to give any direction to the Trustee or to require the Trustee to take any other action which the Issuer is required to have the Trustee take pursuant to the provisions of the Agreement or this Indenture, the Borrower instead of the Issuer may give any such direction to the Trustee or require the Trustee to take any such action. Upon receipt by the Trustee of a written notice signed by the Authorized Borrower Representative stating that the Borrower has made reasonable request of the Issuer, and that the Issuer has failed, refused or neglected to give any direction to the Trustee or to require the Trustee to take any such action, the Trustee is hereby irrevocably empowered and directed to accept such direction from the Borrower as sufficient for all purposes of this Indenture. The Borrower shall have the direct right to cause the Trustee to comply with any of the Trustee's obligations under this Indenture to the same extent that the Issuer is empowered so to do.

Certain actions or failures to act by the Issuer under this Indenture may create or result in an event of default under this Indenture and the Issuer hereby grants the Borrower full authority, to the extent permitted by law, for account of the Issuer to perform or observe any covenant or obligation of the Issuer alleged in a written notice to the Issuer and the Borrower

from the Trustee not to have been performed or observed, in the name and stead of the Issuer with full power to do any and all things and acts to remedy any default.

SECTION 9.11

RIGHTS OF THE BANK. All consents, approvals and requests required of the Bank shall be deemed not required if the Bank has failed to fulfill its obligations to make payments under the Letter of Credit in accordance with the terms thereof or a Bank Default has occurred and is continuing. The Trustee, in its exercise of its rights for the benefit of Owners of Bonds under this Article IX and the rights of the Issuer assigned under this Indenture (but not including the rights of the Trustee or the Issuer under this Indenture for its own benefit including, but not limited to, indemnification and any fees and expenses owed to it), in the event that all Outstanding Bonds are Bank Bonds, shall be subject to the direction of the

Bank. In the event that less than all Outstanding Bonds are secured by the Bank pursuant to the Letter of Credit, the Bank shall be treated as the owner of all Bank Bonds for purposes of giving directions, consents, waivers or other actions. In no event shall the Bonds, while secured by the Letter of Credit, be accelerated without the prior written consent of the Bank so long as the Letter of Credit is in full force and effect and the Bank has not defaulted thereunder (i) by failing to honor a draft submitted under the Letter of Credit in strict conformity therewith or (ii) in any other material respect, and all interest draws under the Letter of Credit have been reinstated.

ARTICLE X

THE TRUSTEE

SECTION 10.01

ACCEPTANCE OF THE TRUSTS BY TRUSTEE. The Trustee hereby accepts the trusts imposed upon it by this Indenture, represents and covenants that it is fully empowered under the applicable laws and regulations of the State to accept said trusts, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, custodians, nominees, receivers or employees and shall not be responsible for the supervision of, or the acts of any attorneys, agents or receivers appointed by it in good faith and without negligence, and shall be entitled to advice of Counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of Counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) Except for its certificate of authentication on the Bonds and the other information the Trustee is required to set forth on the Bonds pursuant to Section 2.06 hereof, the Trustee shall not be responsible for any recital herein or in the Bonds, or the validity, priority, recording, or rerecording, filing, or refiling of this Indenture or any financing statement, amendments to this Indenture, or continuation statements, or for reviewing any annual reports,

financial statements or audits, or for insuring the Project or collecting any insurance moneys, other than the Bond Insurance, or for the validity of the execution by the Issuer of this Indenture or for any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, for the value or title of the Project or as to the maintenance of the security hereof. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Borrower under the Agreement, except as hereinafter set forth, but the Trustee may require of the Issuer or the Borrower full information and advice as to the performance of the covenants, conditions and agreements aforesaid. Except as otherwise provided in Sections 9.02 and 9.03 hereof, the Trustee shall have no obligation to perform any of the rights or obligations of the Issuer under the Agreement. The Trustee shall not be liable for participating in any act directed by the Issuer or the Borrower which might cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the 1986 Code. The Trustee shall not be responsible or liable for the selection of any investment or for any loss suffered in connection with any investment of funds made by it in accordance with Article VII hereof including, without limitation, any loss suffered in connection with the sale of any investment pursuant to Article VII hereof.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds and otherwise transact banking and trustee business with the Borrower with the same rights which it would have if it were not Trustee.

(d) The Trustee shall be fully protected in acting in good faith upon any notice, request, resolution, consent, certificate, affidavit, letter, telegram, statement, internet, opinion, bond, note or other paper or document, or direction (whether in original, electronic or facsimile form), believed to be genuine and correct and to have been signed or sent or given by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or direction or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to conclusively rely upon a certificate signed on behalf of the Issuer by an Authorized Issuer Representative as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or subsequent to the waiver, rescission or annulment of a default as provided in Article IX hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate signed on behalf of the Issuer by an Authorized Issuer Representative to the effect that a resolution or ordinance in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution or ordinance has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be liable in the performance of its obligations hereunder except for its own negligence or willful misconduct.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder, except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article IV hereof and all defaults under Section 9.01(a), (b) or (c) hereof, unless a Responsible Officer shall be specifically notified in writing of such default by the Issuer, the Bond Insurer, the Bank, the Liquidity Provider, the Auction Agent, the Remarketing Agent or the Owners of at least a majority in aggregate principal amount of all Bonds then outstanding and such notice references the Bonds and this Indenture.

(h) The Trustee shall not be required to give any bonds or surety in respect of the execution of its trusts and powers hereunder.

(i) Before taking any action under Article IX hereof at the request or direction of the Owners of the Bonds, the Bank or the Bond Insurer, the Trustee may require that an indemnity bond satisfactory to it be furnished by the Owners of the Bonds (the Trustee acknowledging that, (1) the Bank's unsecured agreement to indemnify the Trustee will be sufficient for this purpose, (2) that the Trustee may not seek indemnity as a condition to drawing on a Letter of Credit in connection with an acceleration of the Bonds under Section 9.02, and (3) that if the Trustee has received notice from the Bank pursuant to Section 9.01(f) or Section 9.01(g), the Trustee may not seek indemnity as a condition to an acceleration of the Bonds and drawing upon the Letter of Credit as required pursuant to Section 9.02) for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken.

(j) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received and shall not be commingled with the general funds of the Trustee but need not be segregated from other funds except to the extent required or permitted by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(k) The Trustee, prior to the occurrence of an Event of Default specified in Section 9.01 of this Indenture and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture. In case an event of default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and

skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(l) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) This subsection shall not be construed to limit the effect of subsection (k) of this Section;

(ii) The Trustee shall not be liable for any error of judgment made in good faith by an officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) The 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 Owners of a majority in aggregate principal amount of the Bonds outstanding relating to the time, method and place of conducting any proceeding or any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) 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.

(m) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or as a condition to the taking of any action by the Trustee.

(n) In the event the Trustee incurs expenses or renders services in connection with an event of bankruptcy, reorganization or insolvency, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy, reorganization or insolvency.

(o) To the extent that the Trustee is also acting as Paying Agent, Registrar or Tender Agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article X shall also be afforded to such Paying Agent, Registrar and Tender Agent.

(p) In no event shall the Trustee be responsible or liable for any loss or damage caused by Force Majeure, nor for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the

Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions hereof, the Trustee (or Paying Agent) shall consider the effect on the Bondholders as if there were no Bond Insurance or Letter of Credit, as applicable, and shall have the right to be provided with and may rely upon an Opinion of Counsel in making such determination.

SECTION 10.02 CORPORATE TRUSTEE REQUIRED; ELIGIBILITY. There shall at all times be a Trustee hereunder which (i) shall be a corporation organized and doing business as a commercial bank or trust company in good standing under the laws of the United States of America or any state or territory thereof, duly authorized under such laws to exercise corporate trust powers, (ii) be authorized to accept and exercise the trusts herein provided, have a combined reported capital and surplus of at least \$75,000,000, (iii) be subject to examination by Federal or state authority and have such offices and agencies in such locations as are required under the Act and as are required to enable it to perform the functions herein contemplated, (iv) have a short-term debt rating from S&P of at least 'A-2' (or, if no short-term debt rating, a long-term debt rating of 'BBB+') or be a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit, and (v) be acceptable to the Bond Insurer, if any. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 10.02, 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.

SECTION 10.03 FEES, CHARGES AND EXPENSES OF TRUSTEE. The Trustee shall be entitled to payment and/or reimbursement from the Borrower for reasonable fees for its services rendered hereunder and all advances, fees of counsel and other expenses reasonably made or incurred by the Trustee in connection with such services hereunder; provided, that if such expenses are determined to have been caused by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee shall have a first lien with right of payment prior to payment on account of principal of or premium, if any, or interest on any Bond upon all moneys in its possession under any provisions hereof for the foregoing advances, fees, costs and expenses incurred; provided, however, that the Trustee shall not have a first lien with right of payment prior to payment on account of principal of or premium, if any, or interest on any Bond with respect to moneys in the Bond Fund held for the payment of the principal of and premium, if any, and interest on particular Bonds or moneys held for the payment of the purchase price of particular Bonds. The Trustee's rights under this Section 10.03 shall survive the termination or expiration of this Indenture and the resignation or removal of the Trustee.

SECTION 10.04 NOTICE TO BONDHOLDERS IF DEFAULT OCCURS. If a default occurs of which the Trustee is by subsection (g) of Section 10.01 hereof required to take notice or if notice of default be given as in said subsection (g) provided, the Trustee shall within fifteen (15) days thereafter (unless such default is cured or waived), give notice of such default to each Owner of Bonds then Outstanding, provided that, except in the case of a default

in the payment of the principal of or premium, if any, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as a trust committee of Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders and provided further that nothing in this Section 10.04 shall be deemed to limit the notice required by the second to last paragraph of Section 9.05 hereof.

SECTION 10.05 INTERVENTION BY TRUSTEE. In any judicial proceeding to which the Issuer or the Borrower is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of Bondholders and, subject to the provisions of Section 10.01(i), shall do so if requested in writing by the Owners of a majority in aggregate principal amount of all Bonds then outstanding.

SECTION 10.06 SUCCESSOR TRUSTEE. Any corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or to which it may sell, lease or transfer its corporate trust business and assets as a whole or substantially as a whole, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument on the part of any of the parties hereto.

SECTION 10.07 RESIGNATION BY THE TRUSTEE. The Trustee may at any time resign from the trusts hereby created by giving sixty (60) days written notice by registered or certified mail to the Issuer, the Borrower, the Liquidity Provider, the Bank, the Bond Insurer, the Owner of each Bond, the Auction Agent and the Remarketing Agent, and such resignation shall not take effect until the appointment of a successor Trustee pursuant to the provisions of Section 10.09 hereof and acceptance by the successor Trustee of the trusts created hereby. If no successor Trustee shall have been so appointed and have accepted appointment within forty-five (45) days of the giving of written notice by the resigning Trustee as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee or any Bondholder who has been a bona fide holder of a Bond for at least six months may, on behalf of itself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee meeting the qualifications set forth in Section 10.02.

SECTION 10.08 REMOVAL OF THE TRUSTEE.

(a) In case at any time either of the following shall occur:

(1) the Trustee shall cease to be eligible in accordance with the provisions of Section 10.02 hereof and shall fail to resign after written request therefor by the Issuer or by any Bondholder who has been a bona fide holder of a Bond for at least six months, or

(2) 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, the Issuer may remove the Trustee and appoint a successor Trustee (with the advice of the Borrower and the consent of the Bond Insurer) by an instrument in writing, or any such Bondholder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee, in each case, meeting the eligibility standards set forth in Section 10.02. Such court may thereupon, after such notice if any, as it may deem proper and may prescribe, remove the Trustee and appoint a successor Trustee.

(b) The Issuer, in its sole discretion or upon the written request of an Authorized Borrower Representative, or the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding or the Bond Insurer or the Bank, for any failure by the Trustee to fulfill its obligations hereunder may at any time, with or without cause, remove the Trustee and appoint a successor Trustee by an instrument or concurrent instruments in writing signed by the Issuer (with the advice of the Borrower and the consent of the Bond Insurer and the Bank) or such Bondholders, as the case may be.

(c) Any resignation or removal of the Trustee and appointment of a successor trustee, pursuant to any of the provisions of this Section shall not become effective until the acceptance of appointment by the successor Trustee as provided in Section 10.09 and acceptance by the successor Trustee of the trusts created hereby.

SECTION 10.09 APPOINTMENT OF SUCCESSOR TRUSTEE. In case the Trustee hereunder shall:

- (a) resign pursuant to Section 10.07 hereof;
- (b) be removed pursuant to Section 10.08 hereof; or
- (c) be dissolved, taken under the control of any public officer or officers or of a receiver appointed by a court, or otherwise become incapable of acting hereunder,

a successor shall be appointed by the Issuer at the direction of the Borrower and with the written consent of the Bond Insurer and the Bank, which consent shall not be unreasonably withheld; provided, that if a successor Trustee is not so appointed within ten (10) days after notice of resignation is mailed or instrument of removal is delivered as provided under Sections 10.07 and 10.08 hereof, respectively, or within ten (10) days of the Issuer's knowledge of any of the events specified in (c) hereinabove, then the Owners of a majority in aggregate principal amount of Bonds then outstanding, by filing with the Issuer, the Borrower, the Auction Agent and the Remarketing Agent, an instrument or concurrent instruments in writing signed by or on behalf of such Owners, may designate a successor Trustee meeting the eligibility standards set forth in Section 10.02.

SECTION 10.10 CONCERNING ANY SUCCESSOR TRUSTEES. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer and the Borrower, an instrument in writing accepting such appointment

hereunder, and thereupon such successor shall become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but, nevertheless, and upon payment of its charges (1) such predecessor shall, on the written request of the Issuer, execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor hereunder and (2) such predecessor shall deliver, upon payment of its charges hereunder, all securities and moneys held by it as Trustee hereunder to its successor and transfer any Liquidity Facility or Letter of Credit to such successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereby vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer at the expense of the Borrower. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office, if any, where the Indenture or a financing statement relating thereto shall have been filed or recorded. No Trustee hereunder shall be liable for the acts or omissions of any successor Trustee.

SECTION 10.11 TRUSTEE PROTECTED IN RELYING UPON RESOLUTION. The resolutions, ordinances, opinions, certificates and other instruments (whether in original, electronic or facsimile form) provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 10.12 SUCCESSOR TRUSTEE AS THE TRUSTEE, PAYING AGENT, TENDER AGENT AND REGISTRAR. In the event of a change in the office of the Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee, Tender Agent, Registrar and Paying Agent, and the successor Trustee shall become such Trustee, Tender Agent, Registrar and Paying Agent.

SECTION 10.13 NOTICES TO BE GIVEN BY TRUSTEE. The Trustee shall provide the Issuer, the Borrower, the Liquidity Provider, and the Bank with the following:

(A) On or before December 15 of each year during which any of the Bonds are outstanding, commencing December 15, 2008, or upon any significant change that occurs which would adversely impact the Trustee's ability to perform its duties under the Indenture, a written disclosure of any such change, or if applicable, of any conflicts that the Trustee may have as a result of other business dealings between the Trustee and the Borrower. If there are no such instances of a significant change, or of a conflict existing, then a statement to that effect shall be provided on such date.

(B) If there is a failure to pay any amount of principal of, premium, if any, or interest on the Bonds when due; or if there is a failure of the Borrower to provide any notice, certification or report specified in Section 5.3 of the Agreement; or if there is an occurrence of an Event of Default hereunder, of which the Trustee has knowledge, the Trustee shall provide prompt written notice to the Issuer of such occurrence.

NOTICES TO RATING AGENCY, LIQUIDITY PROVIDER AND BANK; NOTICES TO BOND INSURER. (a) The Trustee shall provide the Issuer, any Rating Agency then rating the Bonds and the Bond Insurer, the Bank, and the Liquidity Provider with written notice upon the occurrence of: (i) the expiration, termination, extension of or substitution for any Liquidity Facility or Letter of Credit; (ii) the discharge of liability on the Bonds pursuant to the terms hereof; (iii) the resignation or removal of the Trustee, Tender Agent, the Remarketing Agent or the Auction Agent; (iv) acceptance of appointment as successor Trustee, the Tender Agent, the Remarketing Agent or the Auction Agent hereunder; (v) the redemption of all Bonds; (vi) a material change in the Indenture, the Agreement, the Bond Insurance, the Liquidity Facility or the Letter of Credit; (vii) any mandatory tender of Bonds hereunder, (viii) any addition of a Letter of Credit, Liquidity Facility or Bond Insurance;

(ix) when the Bonds are no longer Outstanding; (x) the occurrence of an Event of Default described in Section 9.01; and (xi) any other information that the Rating Agency may reasonably request in order to maintain a rating on the Bonds. The Trustee shall also notify any Rating Agency then rating the Bonds of any changes to any of the documents to which the Trustee is a party, promptly upon entering into any such changes, as well as any changes to any of the documents relating to the Bonds to which it is not a party, promptly upon its receipt of notification of any such changes.

(a) While Bond Insurance is in effect with respect to the Bonds, the Trustee shall furnish to the Bond Insurer (to the attention of its surveillance department, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Issuer and a copy of any audit and annual report of the Issuer;

(ii) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of the Bonds, a copy of any notice provided to any Liquidity Provider for the Bonds, and any certificate rendered pursuant to this Indenture relating to the security for the Bonds; and

(iii) such additional information it may reasonably request.

(b) The Trustee shall, to the extent feasible, notify the Bond Insurer of any failure of the Issuer to provide relevant notices or certificates required to be provided by the Issuer hereunder.

(c) Notwithstanding any other provision hereof, the Trustee shall promptly notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required with respect to Bonds insured by the Bond Insurer and immediately upon the occurrence of any Event of Default hereunder.

(d) The Trustee will, upon reasonable prior written notice, permit the Bond Insurer to have access to and to make copies of all books and records relating to the Bonds insured by the Bond Insurer at any reasonable time.

(e) The Bond Insurer shall have the right to direct an accounting at the Borrower's expense, and the Borrower's failure to comply with such direction within thirty (30) days after receipt of written notice to the Issuer and the Borrower of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds insured by the Bond Insurer.

ARTICLE XI

SUPPLEMENTAL INDENTURES

SECTION 11.01 SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BONDHOLDERS (BUT REQUIRING CONSENT OF THE BORROWER). The Issuer and the Trustee may without the consent of, or notice to, any of the Bondholders, but with the consent of the Borrower, the Bond Insurer, the Bank, and the Liquidity Provider pursuant to Section 11.03 hereof, enter into an indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (i) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (ii) to grant to or confer or impose upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as heretofore in effect;
- (iii) to cure any ambiguity or omission or to cure, correct or supplement any defective provision of this Indenture in each case in such manner as shall not adversely affect the Bondholders;
- (iv) to evidence the appointment of a separate trustee or a co-trustee or to evidence the succession of a new trustee or a new co-trustee hereunder;
- (v) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, to the extent applicable;
- (vi) to subject to this Indenture additional revenues, properties or collateral;
- (vii) to provide for the issuance of coupon bonds (provided, however, that the Issuer and the Trustee have received an opinion of Bond Counsel to the effect that the issuance of such coupon bonds complies with all applicable laws and will not adversely affect the Tax-Exempt status of the Bonds);
- (viii) to provide for the use of an uncertificated book entry system (provided, however, that the Issuer and the Trustee have received an opinion of Bond Counsel to the

effect that the use of an uncertificated book entry system complies with all applicable laws and will not adversely affect the Tax-Exempt status of the Bonds);

(ix) to modify, alter, amend or supplement the Indenture in any other respect, if the effective date of such supplement or amendment is a date on which all the Bonds affected thereby are subject to mandatory purchase or if notice by mail of the proposed amendment or supplement is given to the Owners of the affected Bonds at least 30 days before the effective date thereof, and, on or before such effective date, such Owners have the right to require purchase of their Bonds;

(x) to authorize different Authorized Denominations of the Bonds and to make correlative amendments and modifications to this Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;

(xi) to modify, delete or supplement any provision, term or requirement relating to Bonds that may bear interest at Flexible Rates to the extent deemed necessary or desirable further to protect or assure the Tax-Exempt status of the Bonds; provided, however, that the effective date of any such modification, deletion or supplementation with respect to any Bond shall be no earlier than the day succeeding the last day of any then current Flexible Segment with respect to such Bond;

(xii) to preserve the Tax-Exempt status of the Bonds;

(xiii) to modify, alter, amend or supplement in any manner any provision of this Indenture relating to Auction Bonds at any time while the Bonds do not bear interest at an Auction Rate; or

(xiv) to modify, alter, amend or supplement this Indenture in any other respect which is not adverse to the Bondholders and which does not involve a change described in clause (a), (b), (c), (d) or (e) of Section 11.02 hereof.

SECTION 11.02

SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BONDHOLDERS AND THE BORROWER. Exclusive of supplemental indentures covered by Section 11.01

hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (and with the consent of the Borrower pursuant to Section 11.03 hereof) shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto for the purpose of modifying, amending, adding to or rescinding, in any particular manner, any of the terms or provisions contained in this Indenture; provided, however, that nothing in this Section contained shall permit or be construed as permitting amendments of this Indenture, without the consent of the holders of 100% of the Bonds then Outstanding affected by such amendment, to effect (a) an extension of the maturity date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of, premium, if any, on any Bond or the rate of interest thereon, or (c) an

adverse change in the rights of the Owners of the Bonds to require the purchase thereof pursuant to Article IV hereof, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such supplemental indenture.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes allowed by this Section, the Trustee shall, at the request of the Issuer and upon being satisfactorily indemnified with respect to expenses and upon receiving from the Borrower forms of notices and any other related solicitation materials, cause notice of the proposed execution of such supplemental indenture to be mailed to the holders of the Bonds affected by such supplemental indenture in substantially the manner provided in Section 3.02 hereof with respect to redemption of Bonds. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders entitled to so consent. If, within sixty (60) days or such longer period of time as shall be prescribed by the Issuer following the mailing of such notice, the Owners of a majority or 100%, as the case may be, in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such supplemental indenture entitled to so consent shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. The Issuer shall have the right to extend, with the prior written consent of the Borrower, from time to time the period within which such consent and approval may be obtained from Bondholders. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

SECTION 11.03 CONSENT OF BORROWER AND BOND INSURER. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI shall not become effective unless and until the Borrower, the Bank and Bond Insurer shall have consented to the execution and delivery of such supplemental indenture.

SECTION 11.04 CONSENT OF REMARKETING AGENT, AUCTION AGENT, LIQUIDITY PROVIDER AND BANK. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI which affects any rights, duties or obligations of the Remarketing Agent or the Auction Agent, or which affects any Liquidity Facility or Letter of Credit, shall not become effective unless and until the Remarketing Agent, the Auction Agent, the Liquidity Provider or the Bank, as applicable, shall have consented to the execution and delivery of such supplemental indenture.

SECTION 11.05 CONSENT OF TRUSTEE. The Trustee may, but shall not be obligated to, enter into any supplemental indenture which adversely affects the Trustee's own rights, liabilities, duties or immunities under this Indenture or otherwise.

SECTION 11.06 REQUIRED OPINIONS OF COUNSEL. The Issuer and the Trustee shall be provided with and may conclusively rely on an opinion of Counsel to the effect that any supplemental indenture entered into by the Issuer and the Trustee complies with

the provisions of this Article XI. No supplemental indenture or amendment or modification to the Agreement or the Bonds shall be effective until the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that such supplemental indenture or such amendment or modification is permitted by the Act and will not adversely affect the Tax-Exempt status of the Bonds.

SECTION 11.07 NOTATION OF MODIFICATION ON BONDS; PREPARATION OF MODIFIED BONDS. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article XI may bear a notation, in form approved by the Trustee, as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

ARTICLE XII

AMENDMENT OF AGREEMENT

SECTION 12.01 AMENDMENTS TO AGREEMENT NOT REQUIRING CONSENT OF BONDHOLDERS. The Issuer and the Borrower may, with the written consent of the Trustee, the Bond Insurer, the Liquidity Provider, and the Bank, but without the consent of or notice to any of the Bondholders, enter into any amendment, change or modification of the Agreement (a) as may be required by the provisions of the Agreement or this Indenture or the Bond Insurance, Liquidity Facility or Letter of Credit, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of the Agreement, (d) to preserve the Tax-Exempt status of the Bonds, or any of them, (e) to make any modification or amendment in any other respect if the effective date of such amendment is a date on which all the affected Bonds are subject to mandatory purchase pursuant to Section 4.02(a) hereof or if notice by mail of the proposed amendment or supplement is given to the Owners of the affected Bonds at least 30 days before the effective date, and prior to such effective date such Owners have the right to require purchase of their Bonds pursuant to Section 4.01 hereof, or (f) in connection with any other change therein which is not materially adverse to the Bondholders and which does not involve a change described in clauses (a) or (b) of Section 12.02 hereof and which in the reasonable judgment of the Trustee is not to the prejudice of the Trustee; provided that any amendment or supplement to Exhibit A to the Agreement contemplated in Section 3.1 of the Agreement shall not be deemed to be an amendment of the Agreement for any purpose of this Article XII.

SECTION 12.02 AMENDMENTS TO AGREEMENT REQUIRING CONSENT OF BONDHOLDERS. Unless otherwise specifically provided in this Section, the consent of the Bond Insurer, the Bank or the Liquidity Provider shall be required in addition to required Bondholder consent, when required, for the execution and delivery of any amendment, supplement or change to or modification of the Agreement. Except for the amendments, changes or modifications as provided in Section 12.01 hereof, neither the Issuer nor the Borrower shall enter into any other amendment, change or modification of the Agreement affecting any Bonds

without mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in this Section; provided, however, that nothing in this Section or Section 12.01 (other than Section 12.01(e)) hereof shall permit or be construed as permitting, without the consent of the holders of 100% of the Bonds then Outstanding, (a) an extension of the time of the payment of any amounts payable under Section 4.2(a) or Section 4.2(b) of the Agreement, or (b) a reduction in the amount of any payment or in the total amount due under Section 4.2(a) or Section 4.2(b) of the Agreement. If at any time the Issuer and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of the Agreement affecting any Bonds, the Trustee shall, at the request of the Issuer and upon being satisfactorily indemnified with respect to expenses and upon receiving from the Borrower forms of notices and any other related solicitation materials, cause notice of such proposed amendment, change or modification to be mailed to the Owners of the Bonds in substantially the manner as provided by Section 3.02 hereof with respect to redemption of Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Issuer, following the mailing of such notice, the Owners of a majority or 100%, as the case may be, in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification, as the case may be, entitled to so consent shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Borrower or the Issuer from executing the same or from taking any action pursuant to the provisions thereof, or the Trustee from consenting thereto. The Issuer shall have the right to extend from time to time the period within which such consent and approval may be obtained from Bondholders. Upon the execution of any such amendment, change or modification as in this Section permitted and provided, the Agreement shall be and be deemed to be modified, changed and amended in accordance therewith.

SECTION 12.03 CONSENT OF TRUSTEE. The Trustee may, but shall not be obligated to, consent to any amendment, change or modification of the Agreement which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 12.04 RELIANCE ON OPINIONS OF COUNSEL. The Issuer and the Trustee shall be provided with and may rely upon an Opinion of Counsel to the effect that any such proposed amendment, change or modification will comply with the provisions of this Article XII and an opinion of Bond Counsel that any such amendment, change or modification does not adversely affect the Tax-Exempt status of the Bonds.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01 SUCCESSORS OF THE ISSUER. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If

any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official of the Issuer who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

SECTION 13.02 CONSENTS OF BONDHOLDERS. Any consent, approval, direction or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, approval, direction or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any Person of any such instrument or writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the Person signing such instrument or writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution or in any other manner satisfactory to the Trustee; or

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of acquiring the same shall be proved by the registration books of the Issuer maintained by the Trustee pursuant to Section 2.04 hereof.

Any request, demand, authorization, direction, notice, consent, waiver or other action by any Bondholder shall bind every future holder of the same Bond in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 13.03 LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto, the Borrower, the Liquidity Provider, the Bank, the Bond Insurer, the Remarketing Agent, the Auction Agent and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are intended to be and being for the sole and exclusive benefit of the parties hereto, the Owners of the Bonds, the Remarketing Agent, the Auction Agent, and the Borrower as herein provided. To the extent that this Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Indenture, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 13.04 WAIVER OF NOTICE. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of

such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 13.05 SEVERABILITY. If any provision of this Indenture shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

SECTION 13.06 NOTICES. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be sufficiently given if in writing and shall be deemed given when mailed by registered, certified or first class mail, postage prepaid, or by qualified overnight courier service, courier charges prepaid, addressed as follows, or to such other addresses as may be given at any time pursuant to Section 9.1 of the Agreement:

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| If to the Issuer: | Clark County Government Center County Manager's Office 500 South Grand Central Parkway, 6th Floor Las Vegas, NV 89155-1111 Phone: (702) 455-3234 Telecopy: (702) 455-6298 |
| If to the Borrower: | Southwest Gas Corporation 5241 Spring Mountain Road Las Vegas, NV 89150-0002 Telecopy: (702) 364-8597 |
| If to the Trustee, the Paying Agent or the Tender Agent: | The Bank of New York Mellon Trust Company N.A. 2 North LaSalle Street, Suite 1020 Chicago, IL 60602 Attention: Corporate Trust Administration Telecopy: (312) 827-8542 |
| If to the Initial Bank: | JPMorgan Chase Bank, N.A. 10 S. Dearborn Chicago, Illinois 60603 Attention: Jennifer Fitzgerald Phone: (321) 732-1754 Telecopy: (321) 732-1762 |

If to the Initial Remarketing Agent:

Banc of America Securities LLC
GAI-006-04-15
600 Peachtree Street, 4th Floor
Atlanta, GA 30308

If to Moody's:

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007

If to S&P:

Attention: MSPG Surveillance
Standard & Poor's
55 Water Street, 38th Floor
Public Finance/Structured Group
New York, NY 10041
pubfin_structured@standardandpoors.com

Unless specifically otherwise required by the terms of this Indenture, any notice required to be given pursuant to any provision of this Indenture may be given by any form of electronic transmission that is capable of producing a written record, including, without limitation, teletype transmissions, provided that the deliverer of any such notice given by electronic transmission shall verify receipt of such notice promptly upon the transmission thereof and such notice shall not be deemed duly given unless full and legible receipt thereof has been verified by the recipient of such notice. The Issuer, the Borrower, the Trustee, any Bond Insurer, any Liquidity Provider, any Bank, any Remarketing Agent and any Auction Agent by notice pursuant to this Section 13.06, may designate any different addresses to which subsequent notices, certificates or other communications shall be sent. A duplicate copy of each notice, approval, consent, request, complaint, demand or other communication given hereunder by the Issuer, the Borrower or the Trustee to any one of the others shall also be given to each one of the others.

SECTION 13.07

WAIVER OF PERSONAL LIABILITY OF ISSUER MEMBERS, ETC. No member, officer, agent or employee of the Issuer, and no officer, official, agent or employee of the

State or any department, board or agency of the Issuer or the State shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 13.08

HOLIDAYS. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day,

such payment may be made or act performed or right exercised on the succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture and no interest shall accrue on the payment so deferred during the intervening period.

SECTION 13.09 COUNTERPARTS. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.10 APPLICABLE LAW. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State; provided, however, that the rights, duties and benefits of the Trustee shall be governed by the laws of the State of New York.

SECTION 13.11 CAPTIONS. The captions or headings in this Indenture are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Indenture.

SECTION 13.12 DEALING IN BONDS. The Trustee, or the Remarketing Agent, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee or the Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Borrower, and may act as depository, trustee or agent for any committee or body of Bondholders secured hereby or other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

SECTION 13.13 IMMUNITY OF INCORPORATORS. No recourse under or upon any obligations, covenants or agreements contained in the Agreement, this Indenture or the Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, shareholder, director, officer or employee, as such, whether past, present, or future, of the Borrower or the Issuer or of any successor Person, either directly or through the Borrower or the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that any such liability and any and all such claims are hereby expressly waived and released as a condition of, and as a consideration for, the execution of the Agreement.

SECTION 13.14 BORROWER MAY ACT THROUGH AGENTS. In connection with any and all actions permitted or required to be taken by the Borrower in connection with the provisions hereof, including without limitation those set forth in Section 2.03 hereof, the Borrower may by written instrument filed with the Trustee appoint one or more agents (which may be the Remarketing Agent) to take such actions on its behalf, which appointment may be revoked at any time by the Borrower by written instrument filed with the Trustee.

SECTION 13.15 RECORD DATE FOR DETERMINATION OF OWNERS ENTITLED TO VOTE. The Borrower may set a record date for the purpose of determining the Owners entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Owners. If not set by the Borrower prior to their first solicitation of an Owner made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the thirtieth (30th) day prior to such first

solicitation or vote, as the case may be. With regard to any record date, only the Owners on such date (or their duly appointed proxies) shall be entitled to give or take, or vote on the relevant action.

SECTION 13.16

CONSENTS AND NOTICES. Notwithstanding anything herein to the contrary, no consent shall be required from or any notice given to any Bond Insurer, Liquidity Provider or Bank with respect to any amendment, supplemental indenture or other matter that does not affect the Bond Insurance, Liquidity Facility or Letter of Credit, as applicable, or the Bonds secured by such Bond Insurance, Liquidity Facility or Letter of Credit.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture of Trust to be signed by authorized officers, all as of the date first above written.

CLARK COUNTY, NEVADA

By /s/ Rory Reid

Chair, Board of County Commissioners

(SEAL)

Attest:

/s/ Shirley B. Parraguirre

County Clerk

THE BANK OF NEW YORK MELLON
TRUST COMPANY N.A., as Trustee

By /s/ Dan Donovan

Authorized Officer

No. _-
—

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR A NOMINEE OF DTC, OR BY DTC OR A NOMINEE OF DTC TO ANY SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC AS OWNER OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO 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 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 OR TO ANY PERSON IS WRONGFUL, INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

UNITED STATES OF AMERICA

STATE OF NEVADA

**CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BOND
(SOUTHWEST GAS CORPORATION PROJECT) SERIES 2008A**

THE BONDS SHALL BE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES OF THE ISSUER PLEDGED THEREFOR UNDER THE INDENTURE. THE BONDS SHALL NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE ISSUER OR THE STATE OF NEVADA (OR ANY POLITICAL SUBDIVISION THEREOF) WITHIN THE MEANING OF ANY PROVISION OR LIMITATION OF THE CONSTITUTION OR STATUTES OF THE STATE OF NEVADA, AND SHALL NOT CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEVADA OR CLARK COUNTY, NEVADA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR ANY INTEREST ON THIS BOND.

Maturity Date:

Registered Owner: Cede & Co.

Initial Principal Amount: DOLLARS

Dated Date:

Initial Rate Period: [Weekly]

CLARK COUNTY, NEVADA (the "Issuer"), a public instrumentality and political subdivision of the State of Nevada, for value received, hereby promises to pay (but only out of the source hereinafter provided) to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above, and to pay (but only out of the source hereinafter provided) interest on the balance of said Principal Amount from time to time remaining unpaid until payment of said Principal Amount has been made or duly provided for, at the rates and on the dates determined as described in the Indenture as hereinafter defined, and to pay (but only out of the source hereinafter provided) interest on overdue principal at the rate borne by this Bond on the date on which such principal became due and payable, except as the provisions set forth in the Indenture with respect to redemption or acceleration prior to maturity may become applicable hereto, the principal of and premium, if any, and interest on this Bond being payable in lawful money of the United States of America at the Principal Office of The Bank of New York Mellon Trust Company N.A., a national banking association, as Paying Agent (the "Paying Agent"); provided, however, payment of interest on any Interest Payment Date shall be made to the registered owner hereof as of the close of business on the Record Date with respect to such Interest Payment Date and shall be (i) paid by check or draft of the Paying Agent mailed to such registered owner hereof at his address as it appears on the registration books of the Issuer maintained by The Bank of New York Mellon Trust Company N.A., a national banking association, as Trustee (the "Trustee") or at such other address as is furnished in writing by such registered owner to the Trustee not later than the close of business on the Record Date or (ii) transmitted by wire transfer to the account with a member of the Federal Reserve System located within the continental United States of America of any registered owner which owns at least \$1,000,000 in aggregate principal amount of the Bonds and which shall have provided wire transfer instructions to the Trustee prior to the close of business on such Record Date. Notwithstanding the foregoing provisions, for so long as this Bond is restricted to being registered on the registration books of the Issuer kept by the Trustee in the name of a Securities Depository, the provisions of the Indenture governing Book-Entry Bonds shall govern the manner of the payment of the principal and purchase price (if applicable) of and premium, if any, and interest on this Bond.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as the "Clark County Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2008A" (the "Bonds") limited in aggregate principal amount as provided in, and issued under and secured by, an Indenture of Trust (the "Indenture"), dated as of September 1, 2008, between the Issuer and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the County Economic Development Revenue Bond Law, Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes, as amended and supplemented to the date hereof (the "Act"). The Bonds are limited obligations of the Issuer and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the

Indenture), consisting primarily of loan repayments made by Southwest Gas Corporation (the "Borrower") under the terms of a Financing Agreement, dated as of September 1, 2008 (the "Agreement"), between the Issuer and the Borrower. The Bonds, together with certain other bonds of the Issuer, are all issued under and equally and ratably secured by and entitled to the benefits of the Indenture, including the security of a pledge and assignment of certain revenues and receipts derived by the Issuer pursuant to the Agreement and any Letter of Credit, as described therein, and all receipts of the Trustee credited under the provisions of the Indenture against such payments and from any other moneys held by the Trustee under the Indenture for such purpose, and there shall be no other recourse against the Issuer or any property now or hereafter owned by it.

The Borrower may, at its option, cause a Letter of Credit, a Liquidity Facility or Bond Insurance to be delivered from time to time to support the Issuer's payment obligations hereunder.

Interest on this Bond shall be payable at the times and in the amounts determined in accordance with the provisions of the Indenture. In no event shall the interest rate on this Bond be greater than 12% per annum. At the times and subject to the conditions set forth in the Indenture, the Borrower may elect that this Bond shall bear interest at an interest rate, and for a period, different from those then applicable. The Trustee shall give notice of any such adjustment to the owners of this Bond in accordance with the terms of the Indenture. REFERENCE IS MADE TO THE FURTHER PROVISIONS RELATING TO THE DETERMINATION OF THE RATE AND AMOUNT OF INTEREST ON THIS BOND SET FORTH IN THE INDENTURE, WHICH SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HEREIN.

This Bond shall be deliverable in the form of registered Bonds without coupons in Authorized Denominations, as defined in the Indenture.

This Bond is subject to acceleration, redemption and mandatory or optional tender for purchase prior to maturity upon the circumstances, at the times, in the amounts, upon payment of the amounts, with the notice, upon the other terms and provisions and with the effect set forth in the Indenture.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREBY AGREES THAT IF THIS BOND IS TO BE PURCHASED AND IF MONEYS SUFFICIENT TO PAY THE PURCHASE PRICE SHALL BE HELD BY THE TENDER AGENT ON THE DATE THIS BOND IS TO BE PURCHASED, THIS BOND SHALL BE DEEMED TO HAVE BEEN PURCHASED AND SHALL BE PURCHASED ACCORDING TO THE TERMS OF THE INDENTURE, FOR ALL PURPOSES OF THE INDENTURE, WHETHER OR NOT THIS BOND SHALL HAVE BEEN DELIVERED TO THE TENDER AGENT, AND THE REGISTERED OWNER OF THIS BOND SHALL HAVE NO CLAIM HEREON, UNDER THE INDENTURE OR OTHERWISE, FOR ANY AMOUNT OTHER THAN THE PURCHASE PRICE HEREOF.

Neither the Board of County Commissioners nor any person executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason

of the issuance thereof. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future County Commissioner, director, officer, employee or agent of the Issuer, or through the Issuer, or any successor to the Issuer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, director, officer, employee or agent as such is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Bonds.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default (as defined in the Indenture), or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. If an Event of Default occurs and is continuing, the principal of all Bonds then outstanding issued under the Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of like tenor in Authorized Denominations.

This Bond is transferable by the registered holder hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds of like tenor in Authorized Denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor; provided that if moneys for the purchase of this Bond have been deposited with the Tender Agent, this Bond is not transferable to anyone until delivered to the Tender Agent.

The Issuer, the Trustee, any Paying Agent and any agent of the Issuer, the Trustee or any Paying Agent may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and neither the Issuer, the Trustee, any Paying Agent nor any such agent shall be affected by notice to the contrary.

The Indenture also contains provisions permitting the Issuer and the Trustee, without the consent of any holders of the Bonds, to execute supplemental indentures for certain purposes specified in the Indenture.

The Indenture prescribes the manner in which it may be discharged and after which the Bonds shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of Bonds and of payment of the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable, including a provision that under certain circumstances the Bonds shall be deemed to be paid if Government Obligations, as defined therein, maturing as to principal and interest in such

amounts and at such times as to insure the availability of sufficient moneys to pay the principal of, premium, if any, and interest on the Bonds and all necessary and proper fees, compensation and expenses of the Trustee, shall have been deposited with the Trustee.

The Indenture also prescribes the manner in which it may be modified, amended or altered; modifications or alterations of the Indenture, or any supplements thereto, and the Agreement may be made only to the extent and in the circumstances permitted by the Indenture.

Capitalized terms not defined herein shall have the meanings given to such terms in the Indenture.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Nevada and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of Nevada.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, CLARK COUNTY, NEVADA has caused this Bond to be executed in its name by the manual or duly authorized facsimile signatures of its Chair of the Board of County Commissioners and its Treasurer and attested by the manual or duly authorized facsimile signature of its County Clerk.

CLARK COUNTY, NEVADA

By _____
Chair, Board of County Commissioners

By _____
Treasurer

Attest:

County Clerk

This Bond is one of the Bonds referred to in the within-mentioned Indenture of Trust.

THE BANK OF NEW YORK MELLON
TRUST COMPANY N.A.,
not in its individual capacity, but solely as
Trustee

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT MIN ACT--

| | |
|--|---|
| TEN COM -- as tenants in common | _____ Custodian _____ |
| TEN ENT -- as tenants by the entireties | (Cust) _____ (Minor) |
| JT TEN -- as joint tenants with right of survivorship and not as tenants in common | under Uniform Gifts to Minors Act _____ (State) |

Additional abbreviations may also be used though

not in the above list.

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

Social Security or Other Taxpayer Identification Number of Assignee

the within Bond of Clark County, Nevada and does hereby irrevocably constitute and appoint _____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

[END OF FORM OF BOND]

EXHIBIT B

TO

INDENTURE OF TRUST

Auction Procedures

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ARTICLE I

Definitions

In addition to the words and terms elsewhere defined in this Indenture, the following words and terms as used in this *Exhibit B* and elsewhere in this Indenture have the following meanings with respect to any Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

“Agent Member” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“All Hold Rate” means, as of any Auction Date, 45% of the Reference Rate in effect on such Auction Date.

“Applicable Percentage” means, as of any Auction Date, the Percentage of Reference Rate (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

| Prevailing Rating | Percentage of Reference Rate |
|-------------------|------------------------------|
| AAA/Aaa | 175 |
| AA/Aa | 200 |
| A/A | 250 |
| BBB/Baa | 275 |
| Below BBB/Baa | 300 |

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Exhibit B.

“Auction Agreement” means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit B with respect to the Bonds while bearing interest at an Auction Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means, with respect to Bonds during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Rate Period, each Business Day, and (ii) if the Bonds are in any other Auction Rate Period, the Business Day preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); *provided, however*, that the last Auction Date with respect to the Bonds in an Auction Rate Period other than a daily Auction Rate Period shall be the earlier of (a) the Business Day preceding the Interest Payment Date preceding the Conversion Date for the Bonds and (b) the Business Day preceding the Interest Payment Date preceding the final maturity date for the Bonds; and *provided, further*, that if the Bonds are in a

daily Auction Rate Period, the last Auction Date shall be the earlier of (x) the Business Day preceding the Conversion Date for the Bonds and (y) the Business Day preceding the final maturity date for the Bonds. On the Business Day preceding the conversion from a daily Auction Rate Period to another Auction Rate Period, there shall be two Auctions, one for the last daily Auction Rate Period and one for the first Auction Rate Period following the conversion.

“Auction Rate Period” means any period of less than 365 days during which the Bonds bear interest at a single Auction Rate, as established pursuant to the Indenture.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Exhibit B.

“Auction Rate” means for Bonds for each Auction Rate Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate with respect to the Bonds.

“Authorized Denominations” means \$25,000 and integral multiples of \$5,000 in excess thereof, notwithstanding anything else in this Indenture to the contrary, so long as the Bonds bear interest at an Auction Rate.

“Available Bonds” means, on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.02 of this Exhibit B.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit B, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company and the Bond Insurer, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit B, as such agreement may from time to time be amended or supplemented.

“Business Day” in addition to any other definition of “Business Day” included in this Indenture while Bonds bear interest at an Auction Rate, the term Business Day shall not include April 14 or 15 or December 30 or 31 or days on which the Auction Agent or any Broker-Dealer are not open for business.

“Conversion Date” means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, or a Term Rate.

“Existing Owner” means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

“Hold Order” has the meaning specified in subsection (a) of Section 2.02 of this Exhibit B.

“Interest Payment Date” with respect to Bonds bearing interest at Auction Rates, means (a) when used with respect to any Auction Rate Period of less than 92 days (other than a daily Auction Rate Period), the Business Day immediately following such Auction Rate Period, (b) when used with respect to a daily Auction Rate Period, the first Business Day of the month immediately succeeding such Auction Rate Period, (c) when used with respect to an Auction Rate Period of 92 or more days, each 13th Thursday after the first day of such Auction Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Auction Rate Period, (d) each Conversion Date, and (e) the date of final maturity of such Bonds.

“Maximum Auction Rate” means, as of any Auction Date, the product of the Reference Rate multiplied by the Applicable Percentage, provided, however, the Maximum Auction Rate shall not exceed the Maximum Interest Rate.

“Maximum Interest Rate” means (i) 12% on the date hereof, and (ii) to the extent the maximum rate permitted by applicable law shall become less than 12%, then the maximum rate permitted by applicable law.

“Order” means a Hold Order, Bid or Sell Order.

“Payment Default” means any Event of Default resulting from a failure to pay principal, premium, purchase price or interest on any Bond when due.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

“Prevailing Rating” means (a) AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and a rating of Aaa or better by Moody’s, (b) if not AAA/Aaa, AA/Aa if the Bonds shall have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody’s, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody’s, (d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa, if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody’s, and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are rated by any Rating Agency. For purposes of this definition, S&P’s rating categories of “AAA,” “AA,” “A” and “BBB” and Moody’s rating categories of “Aaa,” “Aa3,” “A3” and “Baa” shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two of

the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be the Maximum Auction Rate.

“Principal Office” means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee, the Bond Insurer and each Broker-Dealer.

“Reference Rate” shall have the meaning specified in Section 2.07 of this Exhibit B.

“Securities Depository” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“Sell Order” has the meaning specified in subsection (a) of Section 2.02 of Exhibit B.

“Submission Deadline” means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Rate Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Rate Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

“Sufficient Clearing Bids” means, with respect to Bonds, an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

“Winning Bid Rate” means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

ARTICLE II

Auction Procedures

Section 2.01. General Procedures. While the Bonds bear interest at the Auction Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately

preceding (i) each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the Book-Entry System pursuant to this Indenture; (ii) each Auction Rate Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Rate Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Exhibit B.

Section 2.02.

Orders by Existing Owners and Potential Owners.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the succeeding Auction Rate Period without regard to the rate determined by the Auction Procedures for such Auction Rate Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the succeeding Auction Rate Period if the rate determined by the Auction Procedures for such Auction Rate Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the succeeding Interest Payment Date (or the same day in the case of a daily Auction Rate Period) if the rate determined by the Auction Procedures for the succeeding Auction Rate Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the succeeding Interest Payment Date (or on the same day in the case of a daily Auction Rate Period) without regard to the rate determined by the Auction Procedures for the succeeding Auction Rate Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the succeeding Auction Rate Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

- (b) (i) Subject to the provisions of Section 2.03 of this Exhibit B, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:
- (A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or
 - (B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in subsection (a)(v) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or
 - (C) a lesser principal amount of Bonds to be determined as set forth in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.
- (ii) Subject to the provisions of Section 2.03 of this Exhibit B, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:
- (A) the principal amount of Bonds specified in such Sell Order; or
 - (B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.
- (iii) Subject to the provisions of Section 2.03 of this Exhibit B, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:
- (A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or
 - (B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (a)(vi) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.
- (c) Anything herein to the contrary notwithstanding:
- (i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not \$5,000 or an integral multiple thereof shall be rounded down to the nearest \$5,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;
 - (ii) for purposes of any Auction other than during a daily Auction Rate Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Rate Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Issuer of the occurrence of a Payment Default but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.03. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

- (i) the name of the Bidder placing such Order;
- (ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;
- (iii) to the extent that such Bidder is an Existing Owner:
 - (A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;
 - (B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and
 - (C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and
- (iv) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; *provided, however*, that if there is a conversion from one Auction Rate Period to another Auction Rate Period and Orders have not been submitted to the Auction Agent prior to

the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Owner, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the aggregate principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to sub-clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d);

(C) subject to sub-clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to sub-paragraph (i) of this paragraph

(d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to sub-paragraph (ii) of this paragraph (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in ascending order of the respective rates in the Submitted Bids (as defined in Section 2.04).

(g) Neither the Issuer, the Bond Insurer, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.04. Determination of Auction Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) of this Section 2.04, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the succeeding Auction Rate Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Rate Period, (i) if the preceding Auction Rate Period was a period of 35 days or less, the new Auction Rate Period shall be the same as the preceding Auction Rate Period and the Auction Rate for the New Auction Rate Period shall be the same as the Auction Rate for the preceding Auction Rate Period, and (ii) if the preceding Auction Rate Period was a period of greater than 35 days, the preceding Auction Rate Period shall be extended to the seventh day following the day that would have been the last day of such Auction Rate Period had it not been extended (or if such seventh day is not followed by a Business Day then to the succeeding day which is followed by a Business Day) and the Auction Rate in effect for the preceding Auction Rate Period will continue in effect for the Auction Rate Period as so extended. In the event an Auction Rate Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Rate Period as so extended to take effect for an Auction Rate Period beginning on the Business Day

immediately following the last day of the Auction Rate Period as extended which Auction Rate Period will end on the date it would otherwise have ended on had the prior Auction Rate Period not been extended.

(e) In the event of a failed conversion from an Auction Rate Period to another Rate Period or in the event of a failure to change the length of the current Auction Rate Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Rate Period, the Auction Rate for the next Auction Rate Period shall be the Maximum Auction Rate and the Auction Rate Period shall be a seven-day Auction Rate Period.

(f) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry-only form by the Securities Depository then the Auction Rate shall be the Maximum Auction Rate.

Section 2.05. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii) and (iv) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the

remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii), (iv) or (v) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a

Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) of this Section 2.05, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) of this Section 2.05, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.06. Notice of Auction Rate.

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following with respect to Bonds for which an Auction was held on such Auction Date:

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Rate Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on

whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date with respect to Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Rate Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.07.

Reference Rate.

(a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Rate Period of 35 days or less shall be the offered rate for deposits in U.S. dollars for a one-month period which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the preceding day on which such dealings were transacted in such market. The Reference Rate with respect to Bonds in any Auction Rate Period of more than 35 days shall be the rate on the most recently auctioned Treasury securities having a maturity which most closely approximates the length of the Auction Rate Period, as last published in *The Wall Street Journal*. If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the

Auction Rate Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit B, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Indenture and the definitions contained therein and described in this Exhibit B, including without limitation the definitions of All Hold Rate, Interest Payment Date, Maximum Auction Rate, Reference Rate, Applicable Percentage and Auction Rate, may be amended pursuant to the Indenture by obtaining the consent of (i) the Owners of all Bonds bearing interest at a Auction Rate, and (ii) the Bond Insurer, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Indenture, (i) the Auction Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Issuer, the Company and the Trustee an Opinion of Bond Counsel to the effect that such amendment (1) is authorized and permitted under the Act and the Indenture and (2) will not adversely affect the Tax-Exempt status of the Bonds, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided that* (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.08 if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. Changes in Auction Rate Period or Auction Date.

(a) Changes in Auction Rate Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Rate Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Rate Period and the interest rate borne by such Bonds. Any such change in the Auction Rate Period shall be deemed to be a change in Rate Period. The Borrower shall initiate the change in length of the Auction Rate Period by giving written notice to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Rate

Period will change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Rate Period.

(ii) The change in the length of the Auction Rate Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Rate Period shall take effect only if (a) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Rate Period, and (b) on the proposed effective date, the Company provides the Trustee and the Issuer with an Opinion of Bond Counsel stating that change in the Auction Rate Period (1) is authorized and permitted under the Act and the Indenture and (2) will not adversely affect the Tax-Exempt status of the Bonds. For purposes of the Auction for such first Auction Rate Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this sub-paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then the Auction Rate for the next Auction Rate Period shall be the Maximum Auction Rate, and the Auction Rate Period shall be a seven-day Auction Rate Period.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Rate Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) **Changes in Auction Date.** During any Auction Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Rate Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Bond Insurer, the Company, the Broker-Dealers and the Securities Depository.

ARTICLE III

Auction Agent

Section 3.01. Auction Agent.

(a) The Auction Agent shall be appointed by the Company with the consent of the Bond Insurer, to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Issuer and each

Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Issuer, the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 90 days notice to the Company, the Issuer, the Bond Insurer and the Trustee. The Auction Agent may be removed at any time by the Company with the consent of the Bond Insurer by written notice, delivered to the Auction Agent, the Issuer, the Bond Insurer and the Trustee. Upon any such resignation or removal, the Company with the consent of the Bond Insurer shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Issuer, the Bond Insurer and the Trustee even if a successor Auction Agent has not been appointed.

ARTICLE IV

Broker-Dealers

Section 4.01. Broker-Dealers.

One or more Broker-Dealers shall be appointed by the Borrower to perform the functions specified herein with respect to the Bonds on or prior to the effective date of an adjustment of such Bonds to an Auction Rate Period. Each Broker-Dealer will signify its acceptance of the duties and obligations imposed upon it hereunder by entering into a Broker-Dealer Agreement, which will set forth such procedural and other matters relating to the performance of its functions as will be satisfactory to the Borrower, the Issuer and the Trustee.

Section 4.02. Resignation; Removal.

Any Broker-Dealer may at any time resign and be discharged of the duties and obligations created hereunder by giving such notice to the Borrower, the Issuer, the Auction Agent and the Trustee as may be agreed to between the Broker-Dealer and the Borrower. Any Broker-Dealer may be removed by the Borrower by such notice, deliver to the Broker-Dealer, the Issuer, the Auction Agent and the Trustee, as may be agreed to between the Broker-Dealer

and the Borrower. Upon any such resignation or removal, the Borrower will appoint a successor Broker-Dealer. In the event of the resignation or removal of any Broker-Dealer, such Broker-Dealer will pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

FINANCING AGREEMENT

Dated as of September 1, 2008

By and Between

CLARK COUNTY, NEVADA

and

SOUTHWEST GAS CORPORATION

relating to

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
SERIES 2008A

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THIS FINANCING AGREEMENT made and entered into as of September 1, 2008 (this "Agreement"), by and between CLARK COUNTY, NEVADA, a political subdivision of the State of Nevada, party of the first part (hereinafter sometimes referred to as the "Issuer"), and SOUTHWEST GAS CORPORATION, a California corporation, party of the second part (hereinafter sometimes referred to as the "Borrower"),

W I T N E S S E T H:

WHEREAS, concurrently with the execution and delivery of this Agreement, the Issuer is entering into an Indenture of Trust, dated as of September 1, 2008 (the "Indenture"), with The Bank of New York Mellon Trust Company N.A., as trustee (the "Trustee") thereunder, pursuant to which \$50,000,000 principal amount of Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 2008A (the "Bonds"), will be issued and secured; and

WHEREAS, the Issuer hereby confirms and the Borrower hereby acknowledges and adopts the recitals to the Indenture as though fully set forth here;

NOW, THEREFORE, in consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions of Terms. Except as defined below, for all purposes of this Agreement, unless the context clearly requires otherwise, all terms defined in Article I of the Indenture have the same meanings in this Agreement.

"Event of Default" under this Agreement is defined in Section 6.1.

SECTION 1.2 Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.02 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

SECTION 1.3 Articles, Sections. Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as originally executed. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II

REPRESENTATIONS

SECTION 2.1 Representations by the Issuer. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

- (a) The Issuer is a political subdivision of the State. Under the provisions of the Act, the Issuer has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. By proper action, the Issuer has been duly authorized to execute, deliver and duly perform this Agreement and the Indenture. To the extent the foregoing representation involves a legal conclusion, such representation is made in reliance on the opinion of Bond Counsel.
- (b) To refinance part of the Cost of the Project, including the refunding of the Refunded Bonds, the Issuer will issue the Bonds, which will mature, bear interest and be subject to redemption as provided in the Indenture.
- (c) The Issuer's interest in this Agreement (except certain rights of the Issuer to payment of fees and expenses and indemnification, to rights of inspection and to consents and rights to receive any notices, certificates, requests, requisitions and other communications) will be pledged to the Trustee as security for payment of the principal of, and premium, if any, and interest on the Bonds.
- (d) The Issuer has not pledged and will not pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture.
- (e) The Issuer is not in default under any of the provisions of the laws of the State which default would affect its existence or its powers referred to in subsection (a) of this Section 2.1.
- (f) The Issuer has found and determined and hereby finds and determines that all requirements of the Act with respect to the issuance of the Bonds and the execution of this Agreement and the Indenture have been complied with and that refinancing the Project, including the refunding of the Refunded Bonds, by issuing the Bonds and entering into this Agreement and the Indenture is in the public interest, serves the public purposes and meets the requirements of the Act.
- (g) On September 16, 2008, the Issuer adopted its resolution approving the issuance of the Bonds.
- (h) No member, officer or other official of the Issuer has any interest whatsoever in the Borrower or in the transactions contemplated by this Agreement.

SECTION 2.2 Representations by the Borrower. The Borrower makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Borrower is a corporation duly incorporated and in good standing in the State of California, is duly qualified to transact business and in good standing in the State, has power to enter into and by proper corporate action has been duly authorized to execute and deliver this Agreement and all other documents contemplated hereby to be executed by the Borrower in connection with the issuance and sale of the Bonds.

(b) Neither the execution and delivery of this Agreement or any other documents contemplated hereby to be executed by the Borrower in connection with the issuance and sale of the Bonds, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflicts with or results in a breach of any of the terms, conditions or provisions of the Borrower's articles of incorporation or by-laws or of any corporate actions or of any agreement or instrument to which the Borrower is now a party or by which it is bound, or constitutes a default (with due notice or the passage of time or both) under any of the foregoing, or result in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which it is bound.

(c) The Cost of the Project is as set forth in the Tax Certificate and has been determined in accordance with sound engineering/construction and accounting principles. All the information provided by, and all the representations made by, the Borrower in the Tax Certificate are true and correct as of the date thereof.

(d) The Project consists of those facilities described in Exhibit A to this Agreement and in the Southwest Gas Corporation Engineering Certificate dated the date of issuance of the Bonds (the "Engineering Certificate") which is incorporated by reference herein, and the Borrower shall not make any changes to the Project except as otherwise permitted hereunder or to the operation thereof which would affect the qualification of the Project under the Act or impair the Tax-Exempt status of the Bonds. In particular, the Borrower shall comply with all requirements set forth in the Tax Certificate. The Borrower intends to cause the Project to be used for the local furnishing of natural gas until the principal of, the premium, if any, and the interest on the Bonds shall have been paid.

(e) The Borrower has and will have title to and all necessary easements to install the Project, sufficient to carry out the purposes of this Agreement.

(f) At the time of original submission of an application to the Issuer for financial assistance in connection with the Project and on the dates on which the Issuer took action on such application, permanent financing for the Project had not otherwise been obtained or arranged.

(g) All certificates, approvals, permits and authorizations with respect to the construction of the Project of agencies of applicable local governments, the State and the federal government have been obtained or will be obtained in the normal course of business.

- (h) No event has occurred and no condition exists which would constitute an Event of Default or which with the passing of time or with the giving of notice or both would become such an Event of Default.
- (i) To the best of the knowledge of the Borrower, no member, officer, or other official of the Issuer has any interest whatsoever in the Borrower or in the transactions contemplated by this Agreement.
- (j) The Borrower has reviewed the Indenture and hereby accepts the terms thereof.

ARTICLE III

THE PROJECT; ISSUANCE OF THE BONDS

SECTION 3.1 The Project. The Borrower represents that the Borrower has acquired, constructed, equipped, and installed the Project and all other facilities and real and personal property necessary for the operation of the Project substantially in accordance with the Plans and Specifications for the Project. The Borrower agrees that it at all times shall operate the Project as a "project" within the meaning of the Act and so that the Project constitutes Exempt Facilities.

SECTION 3.2 Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds to lend to the Borrower to refinance part of the Cost of the Project as provided in Section 4.1 hereof, the Issuer agrees that it will issue under the Indenture and sell and cause to be delivered to the Initial Purchaser thereof the Bonds in an aggregate principal amount not to exceed \$50,000,000, each bearing interest and maturing as set forth in the Indenture. The Issuer will thereupon deposit the proceeds received from the sale of the Bonds as provided in Section 2.02(e) of the Indenture.

SECTION 3.3 Investment of Moneys. Any moneys held as a part of the Bond Fund shall be invested or reinvested by the Trustee at the written direction of an Authorized Borrower Representative as to specific investments, to the extent permitted by law, in accordance with Section 7.01 of the Indenture. The Borrower shall not direct the Trustee to make any investments or reinvestments other than those permitted by the Indenture and as permitted by law. In making any such investments, the Trustee may rely on directions delivered to it pursuant to this Section, and the Trustee and the Issuer shall be relieved of all liability with respect to making such investments in accordance with such directions. The Borrower agrees that to the extent any moneys in the Bond Fund represent moneys held for the payment of the principal of Bonds which have become due at maturity or on a redemption date and the premium, if any, on such Bonds or interest due on Bonds in all cases where Bonds have not been presented for payment and paid or such interest is unclaimed, or to the extent any moneys are held by the Trustee for the payment of the purchase price of Bonds which have not been presented for payment, such moneys shall not be invested.

SECTION 3.4 Costs of Issuance. The Borrower covenants and agrees to pay all costs incurred in connection with the issuance of the Bonds, and the Issuer shall have no obligation with respect to such costs.

ARTICLE IV

LOAN AND PROVISIONS FOR REPAYMENT

SECTION 4.1 Loan of Bond Proceeds. i) The Issuer agrees, upon the terms and conditions in this Agreement, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds in order to refinance a portion of the Cost of the Project. The Issuer's obligation herein shall be solely to deposit the proceeds of the Bonds with the Trustee as provided in Section 3.2 hereof. Upon such deposit, the Issuer will be deemed to have made a loan to the Borrower in an amount equal to the principal amount of the Bonds.

(b) The Issuer and the Borrower expressly reserve the right to enter into, to the extent permitted by law, an agreement or agreements other than this Agreement, with respect to the issuance by the Issuer, under an indenture or indentures other than the Indenture, of obligations to provide additional funds to pay costs of the Project or any other facilities for the Borrower or to refund all or any principal amount of the Bonds (or any portions thereof), or any combination thereof.

SECTION 4.2 Loan Repayments and Other Amounts Payable. ii) On each date provided in or pursuant to the Indenture for the payment of principal (whether at maturity or upon redemption or acceleration) of and/or premium, if any, and/or interest on any Bonds, until the principal of and premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower shall pay to the Trustee in immediately available funds, for deposit in the Bond Fund, as a repayment installment of the loan of the proceeds of the Bonds pursuant to Section 4.1 hereof, a sum equal to the amount payable on such interest payment or redemption or acceleration or maturity date as principal (whether at maturity or upon redemption or acceleration) of and premium, if any, and interest on the Bonds as provided in the Indenture. In the event the Borrower shall fail to make any of the payments required in this subsection, the payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid.

(b) The Borrower shall pay or cause to be paid to the Trustee amounts equal to the amounts to be paid by the Trustee for the purchase of Bonds which have not been remarketed pursuant to Article IV of the Indenture and the premium, if any, on the Bonds which have been remarketed pursuant to Article IV of the Indenture, in each case as and to the extent provided in the Indenture. Such amounts shall be paid or caused to be paid by the Borrower to the Trustee, acting as Tender Agent (or, for so long as the Bonds are Book-Entry Bonds, to the Securities Depository), in immediately available funds on the dates and no later than the times such payments pursuant to Section 4.05 of the Indenture are to be made. In the event the Borrower shall fail to make (or cause to be made) any of the payments required in this subsection, the payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid. The obligation of the Borrower to make any payment under this subsection shall be deemed to have been satisfied to the extent of any corresponding payment made by a Bank or a Liquidity Provider to the Trustee under any Letter of Credit or Liquidity Facility.

(c) The Borrower agrees to pay to the Trustee, (i) the reasonable fees, charges and expenses of the Trustee, as Registrar, and as Paying Agent and Tender Agent, as and when the same become due, and (ii) the reasonable fees, charges and expenses of the Trustee, as and when the same become due under the Indenture, including payments under Section 6.4 hereof, and including the annual fee of the Trustee for the services rendered by it and the expenses incurred by it under the Indenture. In the event the Borrower should fail to make any of the payments required in this subsection, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid; provided, however, that such failure of payment shall not be deemed an event of default during the period in which the Borrower is in good faith contesting, by appropriate proceedings promptly initiated and diligently conducted, such payment required by this subsection. The provision of this subsection shall survive the retirement of the Bonds and the termination of this Agreement.

(d) The Borrower shall pay to the Issuer upon demand all Administrative Expenses, including payments under Section 6.4 hereof. In the event the Borrower should fail to make any of the payments required in this subsection, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid.

(e) The Borrower releases the Issuer and the Trustee from, and covenants and agrees that neither the Issuer nor the Trustee shall be liable for, and covenants and agrees, to the extent permitted by law, to indemnify and hold harmless the Issuer and the Trustee and their directors, officers, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with (1) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof (including without limitation any of the foregoing relating to any federal, state or local environmental law, rule or regulation); (2) the issuance of any Bonds or any certifications, covenants or representations made in connection therewith and the carrying out of any of the transactions contemplated by the Bonds and this Agreement; (3) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (4) any untrue statement or alleged untrue statement of any material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering circular utilized by the Issuer or any underwriter or placement agent in connection with the sale or remarketing of any Bonds; provided that such indemnity shall not be required for damages that are determined to have been caused by willful misconduct (or, as to the Trustee, negligence), including willful misconduct (or, as to the Trustee, negligence) in the provision of any statements or information, on the part of the party seeking such indemnity. The Borrower further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Issuer and the Trustee and their respective officers, employees and agents for any and all costs, reasonable attorneys' fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same are determined to have been caused by the willful misconduct (or, as to the Trustee, negligence) of the party claiming such payment or reimbursement. The provisions of this Section shall survive the retirement of the Bonds and the expiration of this Agreement.

The indemnified party shall promptly notify the Borrower in writing of any claim or action (of which such indemnified party has received written notice) covered by this indemnity and brought against the indemnified party, or in respect of which indemnity may be sought against the Borrower, setting forth the particulars of such claim or action, and the Borrower will assume the defense thereof, including the employment of counsel satisfactory to the indemnified party and the payment of all expenses. The indemnified party may employ separate counsel in any such action and participate in the defense thereof, and the fees and expenses of such counsel shall be payable by the Borrower.

(f) The Borrower agrees to pay to the Remarketing Agent and the Auction Agent the reasonable fees, charges and expenses of such Remarketing Agent and Auction Agent, and the Issuer shall have no obligation or liability with respect to the payment of any such fees, charges or expenses.

(g) The Borrower agrees to pay any Rebate Requirement (as defined in the Tax Certificate) to the Trustee for deposit in the Rebate Fund.

(h) The Borrower also agrees to pay, (i) as soon as practicable after receipt of request for payment thereof, all expenses required to be paid by the Borrower under the terms of any bond purchase agreement relating to the sale of the Bonds; (ii) at the time of issuance of the Bonds, the Issuer's administrative fee in the amount of \$50,000; and (iii) at the time of issuance of any Bonds, all reasonable expenses of the Issuer related to such Bonds which are not otherwise required to be paid by the Borrower under the terms of this Agreement.

SECTION 4.3 Unconditional Obligation. The obligation of the Borrower to make the payments pursuant to this Agreement and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of this Agreement, the Borrower shall pay (or cause to be paid) absolutely the payments to be made on account of the loan as prescribed in Section 4.2 and all other payments as prescribed herein, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and premium, if any, and interest on the Bonds shall have been fully paid, or provisions for the payment thereof shall have been made as required by the Indenture, the Borrower (i) will not suspend or discontinue any payments required hereunder, including payments provided for in Section 4.2 hereof; (ii) will perform and observe all of its other covenants contained in this Agreement; and (iii) except as provided in Article VII hereof, will not terminate this Agreement for any cause, including, without limitation, the occurrence of any act or circumstance that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of them, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture, except to the extent permitted by this Agreement.

SECTION 4.4 Payments Pledged and Assigned. It is understood and agreed that all rights to the payment of moneys hereunder (except payments made to the Trustee pursuant to Sections 4.2(c), 4.2(e) 4.2(g), 4.2(h) and 6.4 hereof and payments to be made to the Remarketing

Agent and the Auction Agent pursuant to Section 4.2(f) hereof and the Reserved Rights of the Issuer) are pledged and assigned to the Trustee by the Indenture. The Borrower consents to such pledge and assignment. The Issuer hereby directs the Borrower and the Borrower hereby agrees to pay or cause to be paid to the Trustee all said amounts required to be paid by or for the account of the Borrower pursuant to Section 4.2 hereof (except payments to be made directly to the Remarketing Agent and the Auction Agent pursuant to Section 4.2(f) hereof and payments to be made directly to the Issuer pursuant to Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 hereof). The Project will not constitute any part of the security for the Bonds.

SECTION 4.5 Payment of the Bonds and Other Amounts. The Bonds shall be payable from payments made by the Borrower to the Trustee under Section 4.2(a) hereof and/or from amounts received by the Trustee from a draw on a Letter of Credit. Payments of principal of or premium, if any, or interest on the Bonds with moneys in the Bond Fund or earnings on investments made under the provisions of the Indenture shall be credited against the obligation to pay required by Section 4.2(a) hereof. To the extent provided in the Indenture, whenever any Bonds are redeemable in whole or in part at the option of the Borrower, the Trustee, on behalf of the Issuer, shall redeem the same upon the request of the Borrower and such redemption shall constitute payment of amounts required by Section 4.2(a) hereof equal to the redemption price of such Bonds.

Whenever payment or provision therefor has been made in respect of the principal of or premium, if any, or interest on all or any portion of the Bonds in accordance with the Indenture (whether at maturity or upon redemption or acceleration or upon provision for payment in accordance with Article VIII of the Indenture), payments shall be deemed paid to the extent such payment or provision therefor has been made and is considered to be a payment of principal of or premium, if any, or interest on such Bonds. If, pursuant to the terms of the Indenture, such Bonds are thereby deemed paid in full, the Trustee shall notify the Borrower and the Issuer that such payment requirement has been satisfied. Subject to the foregoing, or unless the Borrower is entitled to a credit under this Agreement or the Indenture, all payments shall be in the full amount required by Sections 4.2(a) and (b) hereof.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

SECTION 5.1 Right of Access to the Project and Records. The Borrower agrees that during the term of this Agreement the Issuer, the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times during normal business hours to examine the books and records of the Borrower with respect to the Project and to enter upon the site of the Project to examine and inspect the Project; provided, however, that this right is subject to federal and State laws and regulations applicable to the site of the Project. The rights of access hereby reserved to the Issuer and the Trustee may be exercised only after such agent shall have executed release of liability and secrecy agreements if requested by the Borrower in the form then currently used by the Borrower, and nothing contained in this Section or in any other provision of this Agreement shall be construed to entitle the Issuer or the Trustee to any information or inspection involving the confidential know-how of the Borrower.

(a) To the extent permitted by law and its articles of incorporation, the Borrower agrees that during the term of this Agreement it will maintain its corporate existence in good standing and its authorization to do business in the State and will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it; provided, however, that the Borrower may, without violating the covenants in this Section, merge into or consolidate with or transfer all or substantially all of its assets to a wholly-owned subsidiary of the Borrower; and provided further that the Borrower may, without violating the covenants in this Section, combine, consolidate with or merge into another Person qualified to do business in one of the states of the United States, or permit one or more other Persons to combine, consolidate with or merge into it, or sell to another Person all or substantially all of its assets, if:

(i) the surviving, resulting or transferee Person, as the case may be (A) assumes and agrees in writing to pay and perform all of the obligations of the Borrower hereunder, unless such obligations are assumed by operation of law, and (B) is qualified to do business in the State;

(ii) any existing Bond Insurance, Liquidity Facility or Letter of Credit will remain in full force and effect or will be replaced as provided in Sections 5.13 or 5.14, or 5.16, or the Bonds shall have been redeemed or have been converted to a different Rate Period following a mandatory tender;

(iii) the long-term ratings on the outstanding Bonds, as applicable, shall be no lower than the lower of (1) "Baa3" from Moody's or "BBB-" from S&P, as applicable, or (2) the long-term ratings on the outstanding Bonds immediately prior to the transaction; and

(iv) the short-term ratings on the outstanding Bonds, as applicable, shall be no lower than the lower of (1) "A-1" from Moody's, "P-1" from S&P and "F-1" from Fitch, as applicable, or (2) the short-term ratings on the outstanding Bonds immediately prior to the transaction.

The Borrower agrees to provide the Issuer such information as the Issuer may reasonably request in order to assure compliance with this Section 5.2(a).

Within ten (10) Business Days after the consummation of the merger or other transaction described above, the Borrower shall (except as provided in the next sentence) provide the Issuer, any Bond Insurer, any Bank, any Liquidity Provider and the Trustee with counterpart copies of the merger instruments or other documents constituting the transaction but only to the extent that such documents or instruments are available to the public and not subject to any confidentiality agreement or restriction, and an officer's certificate satisfactory to the Issuer executed by an Authorized Borrower Representative that all of the provisions of this Section 5.2(a) have been complied with. In the case of a (i) merger or consolidation of the Borrower and any wholly-owned subsidiary of the Borrower or (ii) the transfer to any wholly-owned subsidiary of the Borrower of all or substantially all of the assets of the Borrower, the Borrower shall send the Issuer, any Bond Insurer, any Bank, any Liquidity Provider and the Trustee a notice of such

merger within ten (10) Business Days after its completion, together with the officer's certificate described in the preceding sentence.

Notwithstanding any other provision of this Section 5.2, the Borrower need not comply with any of the provisions of Section 5.2(a) if, at the time of such merger, combination, sale of assets, dissolution or reorganization, the Bonds will be defeased as provided in Article VIII of the Indenture or redeemed in full as provided in Article III of the Indenture.

(b) The rights and obligations of the Borrower under this Agreement may be assigned and delegated, respectively, by the Borrower to any person in whole or in part, subject, however, to each of the following conditions:

(i) No assignment other than pursuant to subsection (a) of this Section shall relieve the Borrower from primary liability for any of its obligations hereunder, and in the event of any assignment not pursuant to said subsection (a) the Borrower shall continue to remain primarily liable for the payments specified in Section 4.2 hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it.

(ii) Any assignment from the Borrower shall retain for the Borrower such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from the Borrower shall assume in writing the obligations of the Borrower hereunder to the extent of the interest assigned, unless such obligations are assumed by operation of law.

(iii) The Borrower shall, within thirty (30) days of each such assignment, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with an instrument of assumption, if required, and an opinion of Counsel satisfactory to the Issuer that the Borrower has complied with the provision of this Section 5.2(b).

(c) In the case of any consolidation, merger or transfer pursuant to subsection (a) hereof or any assignment pursuant to subsection (b) hereof, the Borrower shall cause to be delivered to the Issuer and the Trustee, not later than the effective date of such consolidation, merger, transfer or assignment, an opinion of Bond Counsel to the effect that such consolidation, merger, transfer or assignment will not, in and of itself, adversely affect the Tax-Exempt status of any Bonds.

SECTION 5.3 Insurance . The Borrower agrees that it will keep, or cause to be kept, (i) the Project insured against such risks and in such amounts as are consistent with its insurance practices for similar types of facilities (which may include self-insurance), and (ii) insurance against all direct or contingent loss or liability for personal injury, death or property damage occasioned by the operation of the Project, which insurance may include self-insurance and may be a part of the policy or policies of insurance customarily maintained by the Borrower in connection with its general property and liability insurance upon all of the plants and properties operated by it (including such deductibles as may be provided in said policies).

SECTION 5.4 Maintenance and Repair; Taxes; Utility and Other Charges. The Borrower agrees to maintain, to the extent permitted by applicable law and regulation, the

Project, or cause the Project to be so maintained, during the term of this Agreement (i) in as reasonably safe condition as its operations shall permit and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

The Borrower agrees to pay or cause to be paid during the term of this Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Project or any part thereof, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the term of this Agreement. The Borrower may, at the Borrower's expense and in the Borrower's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Project or any part thereof will be subject to loss or forfeiture.

SECTION 5.5 Qualification in Nevada. The Borrower agrees that throughout the term of this Agreement it, or any successor or assignee as permitted by Section 5.2 hereof, will be qualified to do business in the State.

SECTION 5.6 No Warranty by the Issuer. The Issuer makes no warranty, either express or implied, as to the Project or that it will be suitable for the purposes of the Borrower or needs of the Borrower.

SECTION 5.7 Agreement as to Use of the Project. The Issuer and the Borrower agree that the Issuer shall have no interest in the Project.

SECTION 5.8 Notices and Certificates Required to be Delivered to the Trustee. The Borrower hereby agrees to provide the Trustee with the following:

(a) Within one hundred twenty (120) days of the end of the fiscal year of the Borrower, a certificate of an Authorized Borrower Representative to the effect that (i) all payments have been made under this Agreement and that, to the best of such Authorized Borrower Representative's knowledge, no Event of Default or event or condition which with the passage of time or giving of notice or both would constitute an Event of Default has occurred and is continuing and (ii) audited financial statements of the Borrower for such fiscal year;

(b) Upon knowledge of an Event of Default under this Agreement or the Indenture, notice of such Event of Default, such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default; and

(c) Prompt written disclosure of any significant change known to the Borrower that occurs which would adversely impact the Trustee's ability to perform its duties under the Indenture, or of any conflicts which may result because of other business dealings

between the Trustee and the Borrower (including, without limitation, removal or replacement of the Remarketing Agent, if any).

SECTION 5.9 Borrower to Furnish Notice of Adjustments of Interest Rate Periods. The Borrower is hereby granted the option to designate from time to time changes in Rate Periods (and to rescind such changes) in the manner and to the extent set forth in Section 2.03 of the Indenture. In the event the Borrower elects to exercise any such option, the Borrower agrees that it shall cause notices of adjustments of Rate Periods (or rescissions thereof) to be given to the Issuer, the Trustee, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent in accordance with Section 2.03 of the Indenture. The exercise of any such option, and all actions in connection therewith, may be taken by the Borrower through agents acting on its behalf, as provided in the Indenture, including without limitation, the Remarketing Agent. In connection with any change in Rate Periods, if the Indenture requires an opinion of Bond Counsel as a condition thereto, the Borrower shall, at its sole expense, cause such opinion to be delivered to the Issuer and the Trustee in accordance with the Indenture.

SECTION 5.10 Information Reporting. The Issuer covenants and agrees that, upon the direction of the Borrower or Bond Counsel, it will mail or cause to be mailed to the Secretary of the Treasury (or his designee as prescribed by regulation, currently the Internal Revenue Service Center, Ogden, UT 84201) a statement setting forth the information required by Section 149(e) of the 1986 Code, which statement shall be in the form of the Information Reporting Statement (Form 8038) of the Internal Revenue Service (or any successor form as may be necessary from time to time with respect to any Bonds).

SECTION 5.11 Tax Covenants: Rebate.

(a) The Borrower covenants that it will not take any action which would adversely affect the Tax-Exempt status of any of the Bonds, and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law or regulation to continue such Tax-Exempt status of such Bonds; and, in furtherance of such covenants, the Borrower agrees to comply with the Tax Certificate and the Engineering Certificate.

(b) The Borrower covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code.

(c) The Borrower covenants that it will not use or permit the use of any property refinanced with the proceeds of any of the Bonds by any person in such manner or to such extent as would result in loss of the Tax-Exempt status of any of the Bonds.

(d) The Borrower shall calculate, or cause to be calculated, its rebate liability at such times as are required by Section 148(f) of the 1986 Code and any temporary, proposed or final Regulations as may be applicable to such Bonds from time to time. The Borrower shall provide to the Trustee a copy of each calculation of rebate liability prepared by or on behalf of the Borrower, which documentation shall be made available to the Issuer upon request. The Borrower shall make any and all payments to the Trustee for deposit in the Rebate Fund, or as

otherwise required to be made to the United States Department of the Treasury in connection with any of the Bonds pursuant to Section 148(f) of the 1986 Code.

(e) Notwithstanding any other provisions of this Agreement to the contrary, so long as necessary in order to maintain the Tax-Exempt status of any of the Bonds, the covenants in this Section 5.11 shall survive the payment for such Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 8.01 of the Indenture.

SECTION 5.12 Continuing Disclosure. The Borrower shall undertake the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, if applicable, and the Issuer shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Borrower to comply with the requirements of S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default; however, the Trustee, subject to Article X of the Indenture, may (and, at the request of the Remarketing Agent or the holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall) or any Bondholder or beneficial owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under this Section 5.12.

SECTION 5.13 Liquidity Facility. At the time of initial issuance and delivery of the Bonds, there is no Liquidity Facility in effect with respect to the Bonds. The Borrower may at any time, upon notice to the Issuer, deliver to the Trustee a Liquidity Facility effective at the start of a Rate Period, or at another time consistent with the Indenture, subject to the conditions set forth in this Section 5.13 and in Section 5.15 and to the requirements of the Indenture.

Not less than thirty (30) days prior to the delivery of a Liquidity Facility, the Borrower shall (i) deliver to the Trustee and the Remarketing Agent a written commitment for the delivery of such Liquidity Facility, (ii) inform the Trustee and the Remarketing Agent of the date on which the Liquidity Facility will become effective and (iii) inform the Trustee of the rating expected to apply to the Bonds after the Liquidity Facility is delivered. On or prior to the date of the delivery of a Liquidity Facility to the Trustee, the Borrower shall cause to be furnished to the Trustee and the Issuer (i) an opinion of Bond Counsel to the effect that the delivery of such Liquidity Facility to the Trustee is authorized under the Indenture and complies with the terms hereof and thereof and will not adversely affect the Tax-Exempt status of the Bonds and (ii) an opinion to the effect that the Liquidity Facility is exempt from registration under the Securities Act of 1933, as amended, and is enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable rights.

SECTION 5.14 Letter of Credit. At the time of their initial issuance and delivery, the Bonds will be secured by an Initial Letter of Credit. Thereafter, the Borrower may at any time, upon notice to the Issuer, deliver a Letter of Credit at the start of a Rate Period, or at another time consistent with the Indenture, subject to the conditions set forth in this Section 5.14 and in Section 5.15 and to the requirements of the Indenture.

Not less than thirty (30) days prior to the delivery of a Letter of Credit, the Borrower shall (i) deliver to the Trustee and the Remarketing Agent a written commitment for the delivery of such Letter of Credit, (ii) inform the Trustee and the Remarketing Agent of the date on which the Letter of Credit will become effective and (iii) inform the Trustee of the rating expected to apply to the Bonds after the Letter of Credit is delivered. On or prior to the date of the delivery of a Letter of Credit to the Trustee, the Borrower shall cause to be furnished to the Trustee and the Issuer (i) an opinion of Bond Counsel to the effect that the delivery of such Letter of Credit to the Trustee is authorized under the Indenture and complies with the terms hereof and thereof and will not adversely affect the Tax-Exempt status of the Bonds and (ii) an opinion of counsel to the Bank to the effect that the Letter of Credit is exempt from registration under the Securities Act of 1933, as amended, and is enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable rights.

If a Letter of Credit is already in effect, upon delivery of a new Letter of Credit pursuant to this Section 5.14, the provider of the new Letter of Credit shall refund to the provider of the existing Letter of Credit the purchase price of all Outstanding Bank Bonds, including any accrued and unpaid interest on such Bank Bonds, calculated as set forth in the Reimbursement Agreement relating to the existing Letter of Credit, unless the Borrower pays such purchase price and interest directly to the Bank.

SECTION 5.15 Requirement to Deliver Letter of Credit or Liquidity Facility Under Certain Circumstances. The Borrower must, upon (i) any Expiration Date, if the Bonds will, immediately after such Expiration Date, bear interest at a Daily Rate, a Weekly Rate or a Flexible Rate or (ii) any change in Rate Period to a Daily Rate Period, Weekly Rate Period or Flexible Rate Period, other than a change from a Weekly Rate Period to a Daily Rate Period or from a Daily Rate Period to a Weekly Rate Period, deliver a Letter of Credit or Liquidity Facility conforming with the requirements of Section 5.13 or 5.14, as applicable, together with written evidence from each Rating Agency then rating the Bonds that, following the delivery of such Letter of Credit or Liquidity Facility, the rating on the Bonds shall not be lower than A-1, P-1 or F-1, as applicable, or the current short-term rating from such Rating Agency will not be reduced or withdrawn.

SECTION 5.16 Bond Insurance. At the time of initial issuance and delivery of the Bonds, there is no Bond Insurance in effect with respect to the Bonds. The Borrower may at any time, upon notice to the Issuer, deliver to the Trustee Bond Insurance effective at the start of a Rate Period, or at another time consistent with the Indenture, subject to the conditions set forth in this Section 5.16 and to the requirements of the Indenture.

Not less than thirty (30) days prior to the delivery of any Bond Insurance, the Borrower shall (i) deliver to the Trustee, the Remarketing Agent and the Auction Agent a written commitment for the delivery of such Bond Insurance, (ii) inform the Trustee, the Remarketing Agent and the Auction Agent of the date on which the Bond Insurance will become effective and (iii) inform the Trustee of the rating expected to apply to the Bonds after the Bond Insurance is delivered. On or prior to the date of the delivery of any Bond Insurance to the Trustee, the Borrower shall cause to be furnished to the Trustee and the Issuer (i) an opinion of Bond Counsel

to the effect that the delivery of such Bond Insurance to the Trustee is authorized under the Indenture and complies with the terms hereof and thereof and will not adversely affect the Tax-Exempt status of the Bonds and (ii) an opinion of counsel to the Bond Insurer to the effect that the Bond Insurance is exempt from registration under the Securities Act of 1933, as amended, and is enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable rights.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.1 Events of Default Defined. The following events shall be Events of Default under this Agreement, and the terms "Event of Default" or "Events of Default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay when due any amounts required to be paid under Section 4.2(a) or 4.2(b) hereof; or

(b) Failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Agreement, other than as referred to in (a) above, for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied and stating that such notice is a "Notice of Default" hereunder, given to the Borrower by the Trustee or to the Borrower and the Trustee by the Issuer, unless the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within the applicable period and diligently pursued until the failure is corrected and the fact of such non-correction, corrective action or diligent pursuit is evidenced to the Trustee by a certificate of an Authorized Borrower Representative; or

(c) A proceeding or case shall be commenced, without the application or consent of the Borrower, in any court of competent jurisdiction seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Borrower or of all or any substantial part of its assets, or (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or cause shall continue undismitted, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and shall continue in effect for a period of ninety (90) days; or an order for relief against the Borrower shall be entered against the Borrower in an involuntary case under the United States Bankruptcy Code (as now or hereafter in effect) or other applicable law; or

(d) The Borrower shall admit in writing its inability to pay its debts generally as they become due or shall file a petition in voluntary bankruptcy or shall make any general assignment for the benefit of its creditors, or shall consent to the appointment of a receiver or

trustee of all or substantially all of its property, or shall commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect), or shall file in any court of competent jurisdiction a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or shall fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such United States Bankruptcy Code or other applicable law; or

(e) Dissolution or liquidation of the Borrower; provided that the term "dissolution or liquidation of the Borrower" shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation or a dissolution or liquidation of the Borrower following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions contained in Section 5.2 hereof; or

(f) The occurrence of an "Event of Default" under the Indenture (other than an Event of Default described in Section 9.01(e) thereof); or

(g) Receipt by the Trustee from any Bond Insurer, Bank or Liquidity Provider of notice of the occurrence of an "event of default" relating to the Bond Insurance or under the Reimbursement Agreement or Liquidity Facility.

The foregoing provisions of Section 6.1(b) are subject to the following limitations: If by reason of Force Majeure the Borrower is unable in whole or in part to carry out its agreements on its part herein contained other than the obligations on the part of the Borrower contained in Article IV and Section 6.4 hereof the Borrower shall not be deemed in default during the continuance of such inability. The Borrower agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its agreements; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the sole judgment of the Borrower unfavorable to the Borrower.

SECTION 6.2 Remedies on Default. Subject to the rights of any Bond Insurer or Bank (except in the event of an Insurer Default or Bank Default, respectively), whenever any Event of Default referred to in Section 6.1 hereof shall have occurred and be continuing,

(a) The Trustee may, to the extent and in the manner set forth in Section 9.02 of the Indenture, by notice in writing to the Borrower declare the unpaid indebtedness under Section 4.2(a) hereof to be due and payable immediately, if concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable, and upon any such declaration the same (being an amount sufficient, together with other moneys available therefor in the Bond Fund, to pay the unpaid principal of and premium, if any, and interest accrued on the Bonds) shall become and shall be immediately due and payable as liquidated damages.

(b) The Issuer or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due and thereafter to become due hereunder or to enforce performance and observance of any obligation, agreement or covenant of the Borrower hereunder; provided, however, that nothing in Section 4.4 hereof shall be deemed to limit the rights of the Issuer under this Section 6.2(b); provided, nevertheless, that the Issuer will not exercise any remedies, with respect to any of the Issuer's rights assigned to the Trustee pursuant to Section 4.4 hereof unless, in the Issuer's reasonable judgment and after written request to a Responsible Officer of the Trustee, the Trustee has failed to enforce such rights. The Issuer has no obligation to take any action under this Section.

(c) Upon the occurrence of an Event of Default described in Section 6.1(a) hereof, the Trustee shall immediately draw upon any Bond Insurance, Liquidity Facility or Letter of Credit, if permitted by the terms thereof and required by the terms of the Indenture, and apply the amount so drawn in accordance with the Indenture and may exercise any remedy available to it thereunder.

The provisions of clause (a) of the preceding paragraph are subject to the condition that if, at any time after the unpaid indebtedness under Section 4.2(a) hereof shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable expenses of the Trustee and the Issuer, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Owners of all the Bonds, with the consent of the Bank or the Bond Insurer, if any (except in the event of a Bank Default or Insurer Default), rescind and annul such declaration and its consequences and waive such default; provided that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

In case the Trustee or the Issuer, as the case may be, shall have proceeded to enforce its rights under this Agreement, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Issuer, then, and in every such case, the Borrower, the Trustee and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Trustee and the Issuer shall continue as though no such action had been taken.

Any amounts collected pursuant to action taken under this Section 6.2 shall be paid into the Bond Fund (unless otherwise provided in this Agreement) and applied in accordance with the provisions of the Indenture. No action taken pursuant to this Section 6.2 shall relieve the Borrower from the Borrower's obligations pursuant to Section 4.2 hereof.

No recourse shall be had for any claim based on this Agreement against any officer, director or shareholder, past, present or future, of the Borrower as such, either directly or through the Borrower, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

Nothing herein contained, including, without limitation, the last two paragraphs of this Section 6.2, shall be construed to prevent the Issuer from enforcing directly any of its rights under Section 5.1 hereof and under Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 hereof.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due if for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

Anything in this Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default while Bond Insurance is in effect, except in the event of an Insurer Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Issuer, the Bondholders or the Trustee for the benefit of the Bondholders hereunder, including, without limitation: (i) the right to accelerate the payment, in the manner described in subsection (a) of this Section 6.2, of the Borrower's indebtedness hereunder and (ii) the right to annul any declaration of acceleration relating to the Borrower's indebtedness hereunder, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default hereunder.

Anything in this Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default while a Letter of Credit is in effect, except in the event of a Bank Default, the Bank shall be entitled to control and direct the enforcement of all rights and remedies granted to the Issuer, the Bondholders or the Trustee for the benefit of the Bondholders, including, without limitation: (i) the right to accelerate the payment, in the manner described in subsection (a) of this Section 6.2, of the Borrower's indebtedness hereunder and (ii) the right to annul any declaration of acceleration relating to the Borrower's indebtedness hereunder, and the Bank shall also be entitled to approve all waivers of Events of Default hereunder.

SECTION 6.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other

remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee and the Owners of the Bonds, subject to the provisions of the Indenture, and the Trustee and Owners of the Bonds shall be entitled to the benefit of all covenants and agreements herein contained.

SECTION 6.4 Agreement to Pay Fees and Expenses of Counsel. In the event the Borrower should default under any of the provisions of this Agreement and the Issuer or the Trustee should employ Counsel or incur other expenses for the collection of the indebtedness hereunder or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees that it will on demand therefor pay to the Trustee, the Issuer or, if so directed by the Issuer, to the Counsel for the Issuer, the reasonable fees of such Counsel and such other reasonable expenses so incurred by or on behalf of the Issuer or the Trustee. If the circumstances set forth in this Section 6.4 shall occur with the result that the Borrower is obligated to make payments to the Trustee under this Section 6.4, and so long as such obligation shall be continuing, in order to secure such obligation of the Borrower to the Trustee, the Trustee shall have a lien prior to the Bonds on all moneys held by the Trustee under the Indenture except those moneys held in trust to pay the principal of and premium, if any, and interest on, or the purchase price of, particular Bonds and except for moneys, if any, in the Rebate Fund. If the Trustee incurs fees and expenses in connection with a default specified in Section 6.1(c), 6.1(d) or 6.1(e) of this Agreement, such fees and expenses are understood to include expenses of administration under any bankruptcy law.

SECTION 6.5 No Additional Waiver Implied by One Waiver; Consents to Waivers. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be effective unless in writing and signed by the party making the waiver. The Issuer shall have no power to waive any default hereunder by the Borrower without the consent of the Trustee. The Trustee shall have power to waive any default by the Borrower hereunder, except a default under Sections 4.2(d), 4.2(e), 4.2(h) or 6.4, without the prior written concurrence of the Issuer.

ARTICLE VII

OPTION AND OBLIGATION OF BORROWER TO PREPAY

SECTION 7.1 Option to Prepay. The Borrower shall have, and is hereby granted, the option to prepay the payments due hereunder in whole or in part at any time or from time to time (a) to provide for the redemption of the Bonds pursuant to the provisions of Section 3.01(A) of the Indenture or (b) to provide for the defeasance of the Bonds pursuant to Article VIII of the Indenture. In the event the Borrower elects to provide for the redemption of Bonds as permitted by this Section, the Borrower shall notify and instruct the Trustee in accordance with Section 7.3 hereof to redeem all or any portion of the Bonds in advance of maturity.

SECTION 7.2 Obligation to Prepay. The Borrower shall be obligated to prepay amounts due hereunder, in whole or in part, to provide for the redemption of Bonds in whole or in part pursuant to the provisions of Section 3.01(B) of the Indenture. In the case of any of the events stated in Section 3.01(B) of the Indenture, the Borrower must satisfy its obligation by prepaying within 180 days after such event.

SECTION 7.3 Notice of Prepayment; Amount to be Prepaid. iii) In order to exercise the option granted to the Borrower in Section 7.1 hereof, or fulfill an obligation described in Section 7.2 hereof, the Borrower shall give at least 30 days written notice of such prepayment to the Issuer, the Trustee, the Auction Agent and the Remarketing Agent. On the date fixed for redemption of the Bonds or portions thereof, there shall be deposited with the Trustee from payments by the Borrower as required by Section 7.1 or 7.2, as appropriate, for payment into the Bond Fund the amount required in subsection (b) of this Section. The notice shall provide for the date of the application of the prepayment made by the Borrower hereunder to the redemption of the Bonds or portions thereof in whole or in part pursuant to call for redemption, shall specify the redemption date and shall be given to the Trustee, the Issuer, the Auction Agent and the Remarketing Agent in accordance with the provisions of the Indenture for the redemption of Bonds or portions thereof.

(b) The prepayment payable by the Borrower hereunder upon either (i) the exercise of the option granted to the Borrower in Section 7.1 hereof, or (ii) the fulfillment of an obligation specified in Section 7.2 shall be, to the extent applicable and except as otherwise provided in Article VIII of the Indenture, the sum of the following:

(1) the amount of money which, when added to the amount on deposit in the Bond Fund prior to the prepayment being made and available for such purpose, will be sufficient to provide all funds necessary to redeem the Bonds or portions thereof designated in the notice specified in subsection (a) of this Section to be redeemed on the date set forth in the notice, including, without limitation, principal, premium, if any, and all interest to accrue to said redemption date and redemption expenses; plus

(2) in the event all of the Bonds are to be redeemed, an amount of money equal to all Administrative Expenses and the Trustee's, Auction Agent's and Remarketing Agent's fees and expenses under the Indenture accrued and to accrue until the final payment and redemption of the Bonds.

(c) Any prepayment made pursuant to Section 7.1 or 7.2 hereof shall be deposited into the Bond Fund. No prepayment or investment of the proceeds thereof shall be made which shall cause any Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

SECTION 7.4 Cancellation at Expiration of Term. At the acceleration, termination or expiration of the term of this Agreement and following full payment of the Bonds or provision for payment thereof and of all other fees and charges having been made in accordance with the provisions of this Agreement and the Indenture, the Issuer shall deliver to the Borrower any documents and take or cause the Trustee to take such actions as may be necessary to effectuate the cancellation and evidence the termination of this Agreement.

ARTICLE VIII

NON-LIABILITY OF ISSUER

SECTION 8.1 Non-Liability of the Issuer. The Issuer shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues or the proceeds of Bond Insurance, and shall not be obligated to pay the purchase price of any Bonds, except from the proceeds of the remarketing of the Bonds or from moneys paid or caused to be paid by the Borrower pursuant to Section 4.2(b) hereof. The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made or caused to be made by the Borrower pursuant to this Agreement, together with other Revenues and the proceeds of Bond Insurance, including investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Notices. All notices, certificates or other communications shall be sufficiently given in writing and shall be deemed given on the day on which the same have been mailed by certified mail, postage prepaid, or by qualified overnight courier service, courier charges prepaid, addressed as set forth in Section 13.06 of the Indenture. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Borrower to the other shall also be given to the Trustee. The Issuer, the Borrower, the Trustee, the Bond Insurer, the Liquidity Provider, the Bank, the Remarketing Agent and the Auction Agent may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.2 Assignments. This Agreement may not be assigned by either party without consent of the other, except that (i) the Issuer shall assign to the Trustee its rights under this Agreement (except its Reserved Rights) as provided by Section 4.4 hereof, and (ii) the Borrower may assign its rights under this Agreement as provided by Section 5.2 hereof.

SECTION 9.3 Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

SECTION 9.4 Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument; provided, however, that for purposes of perfecting a

security interest in this Agreement by the Trustee, only the counterpart delivered, pledged and assigned to the Trustee shall be deemed the original.

SECTION 9.5 Amounts Remaining in Bond Fund. It is agreed by the parties hereto that after payment in full of (i) the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), (ii) the fees, charges and expenses of the Trustee in accordance with the Indenture, (iii) the Administrative Expenses of the Issuer, (iv) the fees and expenses of the Auction Agent and the Remarketing Agent, and (v) all other amounts required to be paid under this Agreement and the Indenture, any amounts remaining in the Bond Fund shall belong to and be paid to the Borrower by the Trustee. Notwithstanding any other provision of this Agreement or the Indenture, under no circumstances shall proceeds of Bond Insurance, a Liquidity Facility or a Letter of Credit be paid to the Issuer or the Borrower.

SECTION 9.6 Amendments, Changes and Modifications. This Agreement may be amended, changed, modified, altered or terminated only by written instrument executed by the Issuer and the Borrower and in accordance with Article XII of the Indenture.

SECTION 9.7 Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

SECTION 9.8 Authorized Issuer and Borrower Representatives. Whenever under the provisions of this Agreement the approval of the Issuer or the Borrower is required to take some action at the request of the other, such approval or such request shall be given for the Issuer by the Authorized Issuer Representative and for the Borrower by the Authorized Borrower Representative, and the other party hereto and the Trustee shall be authorized to act on any such approval or request and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

SECTION 9.9 Term of the Agreement. This Agreement shall be in full force and effect from its date to and including such date as all of the Bonds issued under the Indenture shall have been fully paid or retired (or provision for such payment shall have been made as provided in the Indenture) and all other fees and expenses shall have been paid pursuant to this Agreement or the Indenture, provided that all representations and certifications by the Borrower as to all matters affecting the Tax-Exempt status of interest on any Bonds and the covenants of the Borrower in Sections 4.2(c), 4.2(d), 4.2(e), 4.2(h), 5.11 and 6.4 hereof shall survive the termination of this Agreement.

SECTION 9.10 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower and their respective successors and assigns, subject, however, to the limitations contained in Section 5.2 hereof.

SECTION 9.11 Trustee as a Party in Interest and Third Party Beneficiary. The parties hereto acknowledge and agree that as to any right to indemnity or payment of fees and expenses provided in Section 4.2 hereof the Trustee is a party in interest and third party beneficiary under this Agreement entitled to enforce its rights as so stated herein as if it were a party hereto.

[REMAINDER OF THIS PAGE INTENTIONALLY BLANK]

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

CLARK COUNTY, NEVADA

By: /s/ Rory Reid

Chair, Board of County Commissioners

(SEAL)

Attest:

/s/ Shirley B. Parraguirre

County Clerk

SOUTHWEST GAS CORPORATION

By: /s/ Kenneth J. Kenny

Authorized Borrower Representative

DESCRIPTION OF THE PROJECT

[attached]



SOUTHWEST GAS CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Thousands of dollars)

| | For the Twelve Months Ended | | | | | |
|---|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Sep 30, 2008 | December 31, | | | | |
| | | 2007 | 2006 | 2005 | 2004 | 2003 |
| 1. Fixed charges: | | | | | | |
| A) Interest expense | \$ 92,551 | \$ 94,035 | \$ 92,878 | \$ 87,687 | \$ 84,138 | \$ 78,724 |
| B) Amortization | 2,867 | 2,783 | 3,467 | 3,700 | 3,059 | 2,752 |
| C) Interest portion of rentals | 8,081 | 7,952 | 6,412 | 6,333 | 6,779 | 6,665 |
| D) Preferred securities distributions | - | - | - | - | - | 4,015 |
| Total fixed charges | <u>\$ 103,499</u> | <u>\$ 104,770</u> | <u>\$ 102,757</u> | <u>\$ 97,720</u> | <u>\$ 93,976</u> | <u>\$ 92,156</u> |
| 2. Earnings (as defined): | | | | | | |
| E) Pretax income from continuing operations | \$ 117,948 | \$ 131,024 | \$ 128,357 | \$ 68,435 | \$ 87,012 | \$ 55,384 |
| Fixed Charges (1. above) | 103,499 | 104,770 | 102,757 | 97,720 | 93,976 | 92,156 |
| Total earnings as defined | <u>\$ 221,447</u> | <u>\$ 235,794</u> | <u>\$ 231,114</u> | <u>\$ 166,155</u> | <u>\$ 180,988</u> | <u>\$ 147,540</u> |
| | <u>2.14</u> | <u>2.25</u> | <u>2.25</u> | <u>1.70</u> | <u>1.93</u> | <u>1.60</u> |

Certification on Form 10-Q

I, Jeffrey W. Shaw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ JEFFREY W. SHAW
Jeffrey W. Shaw
Chief Executive Officer
Southwest Gas Corporation

Certification on Form 10-Q

I, George C. Biehl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southwest Gas Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ GEORGE C. BIEHL

George C. Biehl
Executive Vice President, Chief Financial Officer
and Corporate Secretary
Southwest Gas Corporation

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, Jeffrey W. Shaw, the Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 6, 2008

/s/ Jeffrey W. Shaw
Jeffrey W. Shaw
Chief Executive Officer

SOUTHWEST GAS CORPORATION

CERTIFICATION

In connection with the periodic report of Southwest Gas Corporation (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission (the "Report"), I, George C. Biehl, Executive Vice President, Chief Financial Officer and Corporate Secretary of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 6, 2008

/s/ George C. Biehl
George C. Biehl
Executive Vice President, Chief
Financial Officer and Corporate Secretary
