

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

COMMISSION FILE NUMBER 1-7850

SOUTHWEST GAS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA

88-0085720

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

5241 SPRING MOUNTAIN ROAD
POST OFFICE BOX 98510
LAS VEGAS, NEVADA

89193-8510

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, \$1 par value	New York Stock Exchange, Inc. Pacific Stock Exchange, Inc.
9.125% Trust Originated Preferred Securities	New York Stock Exchange, Inc. Pacific Stock Exchange, Inc.
Stock Purchase Rights	New York Stock Exchange, Inc. Pacific Stock Exchange, Inc.

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 [X] NO []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

AGGREGATE MARKET VALUE OF THE VOTING STOCK
HELD BY NONAFFILIATES OF THE REGISTRANT:
\$593,172,077 at March 14, 2000

THE NUMBER OF SHARES OUTSTANDING OF COMMON STOCK:
Common Stock, \$1 Par Value, 31,219,583 shares as of March 14, 2000

DOCUMENTS INCORPORATED BY REFERENCE

DESCRIPTION	PART INTO WHICH INCORPORATED
Annual Report to Shareholders for the Year Ended December 31, 1999	Parts I, II, and IV
Proxy Statement dated March 31, 2000	Part III

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PART I

ITEM 1. BUSINESS

The registrant, Southwest Gas Corporation (the Company), is incorporated under the laws of the State of California effective March 1931. The executive offices of the Company are located at 5241 Spring Mountain Road, P.O. Box 98510, Las Vegas, Nevada, 89193-8510, telephone number (702) 876-7237.

The Company is principally engaged in the business of purchasing, transporting, and distributing natural gas to residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California (Southwest or the natural gas operations segment).

In April 1996, the Company acquired all of the outstanding stock of Northern Pipeline Construction Co. (Northern or the construction services segment) pursuant to a definitive agreement dated November 1995. The construction services segment provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

In July 1996, the Company completed the sale of the assets and liabilities of PriMerit Bank, Federal Savings Bank, a wholly owned subsidiary, to Norwest Corporation. The financial services activities are designated as discontinued operations for consolidated financial reporting purposes.

Financial information with respect to industry segments is included in Note 12 of the Notes to Consolidated Financial Statements which is included in the 1999 Annual Report to Shareholders and is incorporated herein by reference.

In December 1998, the Board of Directors of the Company had announced an agreement for the Company to be acquired by ONEOK, Inc. (ONEOK). The transaction was subject to customary conditions, including approvals from the Company's shareholders and state regulators in Nevada, Arizona, and California.

The shareholders and Nevada regulators approved the merger agreement during the summer of 1999. However, the staff of the Arizona Corporation Commission (ACC) issued a report in January 2000 indicating they were unable to recommend approval of the merger due to concerns about ONEOK's actions and fitness to serve in Arizona. On January 18, 2000, the Company sent a letter to ONEOK demanding that ONEOK cure the deficiencies identified in the ACC staff report. On January 21, 2000, ONEOK responded to the Company's January 18th letter and stated that it was terminating the merger agreement with the Company. (See ITEM 3. LEGAL PROCEEDINGS herein for information concerning the status of litigation related to the proposed merger and Note 14 of the Notes to Consolidated Financial Statements, which is included in the 1999 Annual Report to Shareholders and incorporated herein by reference, for additional background information on the now terminated merger.)

NATURAL GAS OPERATIONS

GENERAL DESCRIPTION

Southwest is subject to regulation by the ACC, the Public Utilities Commission of Nevada (PUCN), and the California Public Utilities Commission (CPUC). These commissions regulate public utility rates, practices, facilities, and service territories in their respective states. The CPUC also regulates the issuance of all securities by the Company, with the exception of short-term borrowings. Certain accounting practices, transmission facilities, and rates are subject to regulation by the Federal Energy Regulatory Commission (FERC).

Southwest purchases, transports, and distributes natural gas to 1,274,000 residential, commercial, and industrial customers in geographically diverse portions of Arizona, Nevada, and California. There were 65,000 customers added to the system during 1999.

The table below lists the percentage of Southwest operating margin (operating revenues less net cost of gas) by major customer class for the years indicated:

FOR THE YEAR ENDED -----	RESIDENTIAL AND SMALL COMMERCIAL -----	OTHER SALES CUSTOMERS -----	TRANSPORTATION -----
December 31, 1999	83%	4%	13%
December 31, 1998	84	5	11
December 31, 1997	83	5	12

Southwest is not dependent on any one or a few customers to the extent that the loss of any one or several would have a significant adverse impact on earnings.

Transportation of customer-secured gas to end-users on the Southwest system accounted for 53 percent of total system throughput in 1999. Although the volumes were significant, these customers provide a much smaller proportionate share of operating margin. In 1999, customers who utilized this service transported 119 million dekatherms.

The demand for natural gas is seasonal. Variability in weather from normal temperatures can materially impact results of operations. It is the opinion of management that comparisons of earnings for interim periods do not reliably reflect overall trends and changes in Southwest operations. Also, earnings for interim periods can be significantly affected by the timing of general rate relief.

RATES AND REGULATION

Rates that Southwest is authorized to charge its distribution system customers are determined by the ACC, PUCN, and CPUC in general rate cases and are derived using rate base, cost of service, and cost of capital experienced in a historical test year, as adjusted in Arizona and Nevada, and projected for a future test year in California. The FERC regulates the northern Nevada transmission and liquefied natural gas (LNG) storage facilities of Paiute Pipeline Company (Paiute), a wholly owned subsidiary, and the rates it charges for transportation of gas directly to certain end-users and to various local distribution companies (LDCs). The LDCs transporting on the Paiute system are: Sierra Pacific Power Company (serving Reno and Sparks, Nevada), Avista Utilities (serving South Lake Tahoe, California), and Southwest Gas Corporation (serving North Lake Tahoe, California and various locations throughout northern Nevada).

Rates charged to customers vary according to customer class and rate jurisdiction and are set at levels allowing for the recovery of all prudently incurred costs, including a return on rate base sufficient to pay interest on debt, preferred securities distributions, and a reasonable return on common equity. Rate base consists generally of the original cost of utility plant in service, plus certain other assets such as working capital and inventories, less accumulated depreciation on utility plant in service, net deferred income tax liabilities, and certain other deductions. Rate schedules in all of the Southwest service areas contain purchased gas adjustment (PGA) clauses, which allow Southwest to file for rate adjustments as the cost of purchased gas changes. Generally, tariffs in Nevada and California service territories provide for annual adjustment dates for changes in purchased gas costs. However, Southwest may request to adjust its rates more often than once each year, if conditions warrant. In Arizona, beginning in June 1999, Southwest adjusts its rates monthly for changes in purchased gas costs. PGA rate changes affect cash flows but have no direct impact on profit margin. Filings to change rates in accordance with PGA clauses are subject to audit by state regulatory commission staffs. Information with respect to recent PGA filings is included in the Rates and Regulatory Proceedings section of Management's Discussion and Analysis (MD&A), which is included in the 1999 Annual Report to Shareholders.

The table below lists the docketed general rate filings last initiated and/or completed within each ratemaking area:

RATEMAKING AREA -----	TYPE OF FILING -----	MONTH FILED -----	MONTH FINAL RATES EFFECTIVE -----
Arizona.....	General rate case	November 1996	September 1997
California:			
Northern.....	Operational attrition	November 1997	January 1998
Southern.....	General rate case	January 1994	January 1995
Nevada:			
Northern and Southern.....	General rate case	December 1995	July 1996
FERC:			
Paiute.....	General rate case	July 1996	January 1997

RECENT REGULATORY AND LEGISLATIVE DEVELOPMENTS

Nevada

In 1997, the Nevada Legislature passed, and the Governor signed into law, Assembly Bill (AB) 366. AB 366 provides the statutory framework for restructuring both the natural gas and electric industries in the State of Nevada to allow competition. The legislature left most of the decision making on restructuring to the PUCN. In addition to several organizational changes, AB 366 required the PUCN to create an alternative plan of regulation by July 1, 1998.

During 1998, the PUCN issued two natural gas-related restructuring orders. The orders identified the distinct components of natural gas service and established the procedures to request that a component of service be declared potentially competitive. In 1999, the PUCN continued the restructuring effort by adopting regulations for licensing requirements and fees for alternate sellers. Large commercial and industrial customers who currently have competitive gas supply purchase options can continue to be served by non-utility gas suppliers if the suppliers obtain a license from the PUCN to provide discretionary services. To date, three applications for discretionary service licensing have been approved. No party has come forward to register as a provider of competitive natural gas services or to request any utility services currently provided by Southwest be declared potentially competitive. Further issues such as unbundling of rates, licensing of alternative sellers, and recovery of stranded costs have not yet been decided by the PUCN.

During the 1999 legislative session, the Nevada Legislature passed, and the Governor signed into law, Senate Bill (SB) 438. SB 438 further refines the statutory framework for restructuring established in 1997 by Assembly Bill 366. The recent legislation did not specifically address the natural gas industry.

California

The CPUC continued its investigation, initiated in late 1997, to further reform the California natural gas industry. The focus of the investigation is to examine options to promote greater competition in the offering of gas commodity, transmission, storage, balancing, and other services for all customers of regulated natural gas utilities. Reports from working groups to examine the options and evaluate statewide consistency were submitted to the CPUC in August 1998. Hearings on various settlement proposals and the options are scheduled for the first quarter of 2000. In addition, legislation adopted in 1999 established the incumbent utility as the provider of last resort and the provider of safety-related services under any restructuring that the CPUC might adopt.

Arizona

In July 1998, Southwest filed a proposal that would provide all customers with the option of choosing their own gas suppliers. This filing was made as a response to its prior agreement in the 1997 Arizona rate case settlement to expand the eligibility for customers to qualify for transportation service. The filing was indefinitely suspended to allow gas marketers and other interested parties additional time to study the proposal. During 1999, Southwest received ACC approval to allow for core aggregation transportation. Core aggregation provides qualifying customers with multiple meters the opportunity to aggregate their volumes and receive transportation service. There is currently one customer with over 80 individual meters taking advantage of this service. Southwest will continue to work with the ACC to accomplish the goals of natural gas restructuring in the state of Arizona.

COMPETITION

Electric utilities are Southwest's principal competitors for the residential and small commercial markets throughout its service areas. Competition for space heating, general household, and small commercial energy needs generally occurs at the initial installation phase when the customer/builder typically makes the decision as to which type of equipment to install and operate. The customer will generally continue to use the chosen energy source for the life of the equipment. As a result of its success in these markets, Southwest has experienced consistent growth among the residential and small commercial customer classes.

Unlike residential and small commercial customers, certain large commercial, industrial, and electric generation customers have the capability to switch to alternative energy sources. Southwest has been successful in retaining these customers by setting rates at levels competitive with alternative energy sources such as electricity, fuel oils, and coal. As a result, management does not anticipate any material adverse impact on its operating margin from fuel switching.

Southwest continues to compete with interstate transmission pipeline companies, such as El Paso Natural Gas Company (El Paso), Kern River Gas Transmission Company (Kern River), and Tuscarora Gas Transmission Company, to provide service to large end-users. End-use customers located in close proximity to these interstate pipelines pose a potential bypass threat and, therefore, require Southwest to closely monitor each customer situation and provide competitive service in order to retain the customer.

Southwest has maintained an intensive effort to mitigate these competitive threats through the use of negotiated transportation contract rates, special long-term contracts with electric generation and cogeneration customers, and new tariff programs. One such program provides an opportunity for potential bypass customers in Arizona to purchase natural gas-related services as a bundled package, including the procurement of gas supply. Southwest enters into gas supply contracts for eligible customers, which are not included in its system supply portfolio, and provides nomination and balancing services on behalf of the customer. This program, as well as other competitive response initiatives and otherwise competitive rates, has helped mitigate the financial impact from the threat of bypass and the potential loss of margin currently earned from large customers.

DEMAND FOR NATURAL GAS

Deliveries of natural gas by Southwest are made under a priority system established by each regulatory commission having jurisdiction over Southwest. The priority system is intended to ensure that the gas requirements of higher-priority customers, primarily residential customers and nonresidential customers who use 500 therms of gas per day or less, are fully satisfied on a daily basis before lower-priority customers, primarily electric utility and large industrial customers able to use alternative fuels, are provided any quantity of gas or capacity.

Demand for natural gas is greatly affected by temperature. On cold days, use of gas by residential and commercial customers may be as much as eight times greater than on warm days because of increased use of gas for space heating. To fully satisfy this increased high-priority demand, gas is withdrawn from storage, or peaking supplies are purchased from suppliers. If necessary, service to interruptible lower-priority customers may be curtailed to provide the needed delivery system capacity. Southwest maintains no backlog on its orders for gas service.

NATURAL GAS SUPPLY

Southwest is responsible for acquiring (purchasing) and arranging delivery of (transporting) natural gas to its system for all sales customers. Southwest believes that natural gas supplies and pipeline capacity for transportation will remain plentiful and readily available.

The primary objective of Southwest with respect to gas supply is to ensure that adequate, as well as economical, supplies of natural gas are available from reliable sources. Gas is acquired from a wide variety of sources and a mix of purchase provisions, including spot market purchases and firm supplies over short-term and longer-term durations. During 1999, Southwest acquired gas supplies from approximately 60 suppliers. This practice provides security against nonperformance by any one supplier.

Balancing reliable supply assurances with the associated costs results in a continually changing mix of purchase provisions within the supply portfolios. To address the unique requirements of its various market areas, Southwest assembles and administers separate natural gas supply portfolios for each of its jurisdictional areas. All natural gas purchases, firm and spot market, are made in a competitive bid environment. California purchases are pursuant to both index-based and fixed-price firm pricing arrangements as well as daily spot market purchases. For the Nevada and Arizona portfolios, the majority of purchases involve index-based firm pricing arrangements. However, at the direction of the respective state regulatory commissions, a portion of the firm supplies are contracted on a fixed-price basis. This process allows Southwest to acquire gas at current market prices with some mitigation of price volatility. In managing its gas supply portfolio, Southwest does not currently utilize stand-alone derivative financial instruments, but may do so in the future to hedge against possible price increases and help mitigate the regulatory risk of a gas cost disallowance during periods of rising prices. Any such change would be undertaken only with regulatory commission authorization.

Natural gas prices have historically demonstrated seasonal trends with higher prices in the winter heating season and lower prices during the summer or off-peak consumption period. However, the increased use of natural gas for electric power generation, with power generation loads in the west generally peaking during the summer, appears to be shrinking the historical winter/summer price differentials.

Gas supplies for the southern system of Southwest (Arizona, southern Nevada, and southern California properties) are primarily obtained from producing regions in New Mexico (San Juan basin), Texas (Permian basin), and Rocky Mountain areas. For its northern system (northern Nevada and northern California properties), Southwest primarily obtains gas from Rocky Mountain producing areas and from Canada.

Southwest arranges for transportation of gas to its Arizona, Nevada, and California service territories through the pipeline systems of El Paso, Kern River, Northwest Pipeline Corporation, and Southern California Gas Company. Supply and pipeline capacity availability on both short- and long-term bases are continually monitored by Southwest to ensure the continued reliability of service to its customers. Southwest currently receives firm transportation service, both on a short- and long-term basis, for all of its service territories on the four pipeline systems noted above, and has interruptible contracts in place that allow additional capacity to be acquired as needed.

The current level of contracted firm interstate capacity is sufficient to serve each of the service territories. As the need arises to acquire additional capacity on one of the interstate pipeline transmission systems, primarily due to customer growth, Southwest considers available options to obtain the capacity, either through the use of firm contracts with a pipeline company or by purchasing capacity on the open market. While firm contracts provide stability and guaranteed rights to capacity, they are generally a more expensive alternative.

Southwest continues to evaluate natural gas storage as an option to enable it to take advantage of daily and seasonal natural gas price differentials and as a resource to help meet both projected and unanticipated peak-day requirements of its rapidly growing customer base.

ENVIRONMENTAL MATTERS

Federal, state, and local laws and regulations governing the discharge of materials into the environment have had little direct impact upon Southwest. Environmental efforts, with respect to matters such as protection of endangered species and archeological finds, have increased the complexity and time required to obtain pipeline rights-of-way and construction permits. However, increased environmental legislation and regulation are also beneficial to the natural gas industry. Because natural gas is one of the most environmentally safe fossil fuels currently available, its use helps energy users comply with stricter environmental standards.

EMPLOYEES

At December 31, 1999, the natural gas operations segment had 2,482 regular full-time equivalent employees. Southwest believes it has a good relationship with its employees. In May 1999, non-exempt employees in the Central Arizona Division voted to have the International Brotherhood of Electrical Workers (IBEW) represent them in employee-related matters with Southwest. Nearly half of the approximately 500 eligible employees in the Central Arizona Division voted against representation by the IBEW. The Company has filed objections to the union's conduct during the organizing effort and has appealed to the National Labor Relations Board in Washington, D.C. to set aside the election. The appeals process could take up to two years to complete. No other natural gas operations segment employees are represented by a union.

Reference is hereby made to Item 10 in Part III of this report on Form 10-K for information relative to the executive officers of the Company.

CONSTRUCTION SERVICES

Northern Pipeline Construction Co. (Northern or the construction services segment) is a full-service underground piping contractor which provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. Northern contracts primarily with LDCs to install, repair, and maintain energy distribution systems from the town border station to the end-user meter. The primary focus of business operations is main and service replacement as well as new business installations. Construction work varies from relatively small projects to the piping of entire communities. Construction activity is seasonal. Peak construction periods are the summer and fall months in colder climate areas, such as the Midwest. In the warmer climate areas, such as the southwestern United States, construction continues year round.

Northern business activities are often concentrated in utility service territories where existing gas lines are scheduled for replacement. An LDC will typically contract with Northern to provide pipe replacement services and new line installations. Contract terms generally specify unit price or fixed-price arrangements. Unit price contracts establish prices for all of the various services to be performed during the contract period. These contracts often have annual pricing reviews. During 1999, approximately 94 percent of revenue was earned under unit price contracts. As of December 31, 1999 no significant backlog exists with respect to outstanding construction contracts.

Competition within the industry is limited to several regional competitors in what can be characterized as a largely fragmented industry. Northern currently operates in approximately 16 major markets nationwide. Its customers are the primary LDCs in those markets. During 1999, Northern served 40 major customers, with Southwest accounting for approximately 34 percent of their revenues. With the exception of one other customer that accounted for approximately 11 percent of revenues, no other customer had a significant contribution to Northern's revenues.

Employment fluctuates between seasonal construction periods, which are normally heaviest in the summer and fall months. At December 31, 1999, Northern had 1,523 regular full-time equivalent employees. Employment peaked in October 1999 when there were 1,824 employees. The majority of the employees are represented by collective bargaining agreements, which is typical of the utility construction industry.

Operations are conducted from 17 field locations with corporate headquarters located in Phoenix, Arizona. All buildings are leased from third parties. The lease terms are typically two to three years. Field location facilities consist of a small building for repairs and acreage to store equipment.

ITEM 2. PROPERTIES

The plant investment of Southwest consists primarily of transmission and distribution mains, compressor stations, peak shaving/storage plants, service lines, meters, and regulators which comprise the pipeline systems and facilities located in and around the communities served. Southwest also includes other properties such as land, buildings, furnishings, work equipment, and vehicles in plant investment. The northern Nevada and northern California properties of Southwest are referred to as the northern system; the Arizona, southern Nevada, and southern California properties are referred to as the southern system. Several properties are leased by Southwest, including an LNG storage plant on its northern Nevada system, a portion of the corporate headquarters office complex located in Las Vegas, Nevada, and the administrative offices in Phoenix, Arizona. Total gas plant, exclusive of leased property, at December 31, 1999 was \$2.2 billion, including construction work in progress. It is the opinion of management that the properties of Southwest are suitable and adequate for its purposes.

Substantially all gas main and service lines of Southwest are constructed across property owned by others under right-of-way grants obtained from the record owners thereof, on the streets and grounds of municipalities under authority conferred by franchises or otherwise, or on public highways or public lands under authority of various federal and state statutes. None of the numerous county and municipal franchises are exclusive, and some are of limited duration. These franchises are renewed regularly as they expire, and Southwest anticipates no serious difficulties in obtaining future renewals.

With respect to the right-of-way grants, Southwest has had continuous and uninterrupted possession and use of all such rights-of-way, and the associated gas mains and service lines, commencing with the initial stages of the construction of such facilities. Permits have been obtained from public authorities in certain instances to cross, or to lay facilities along, roads and highways. These permits typically are revocable at the election of the grantor, and Southwest occasionally must relocate its facilities when requested to do so by the grantor. Permits have also been obtained from railroad companies to cross over or under railroad lands or rights-of-way, which in some instances require annual or other periodic payments and are revocable at the grantors' elections.

Southwest operates two primary pipeline transmission systems: (i) a system owned by Paiute, a wholly owned subsidiary, extending from the Idaho-Nevada border to the Reno, Sparks, and Carson City areas and communities in the Lake Tahoe area in both California and Nevada and other communities in northern and western Nevada; and (ii) a system extending from the Colorado River at the southern tip of Nevada to the Las Vegas distribution area.

The following map shows the locations of major Southwest facilities and transmission lines, and principal communities to which Southwest supplies gas either as a wholesaler or distributor. The map also shows major supplier transmission lines that are interconnected with the Southwest systems.

The information appearing in Part I, Item 1, pages 6 and 7 with respect to the construction services segment is incorporated herein by reference.

[MAP]

[DESCRIPTION: Map of Arizona, Nevada, and California indicating the location of Southwest service areas. Service areas in Arizona include most of the central and southern areas of the state including Phoenix, Tucson, Yuma, and surrounding communities. Service areas in northern Nevada include Carson City, Yerington, Fallon, Lovelock, Winnemucca, and Elko. Service areas in southern Nevada include the Las Vegas valley (including Henderson and Boulder City) and Laughlin. Service areas in southern California include Barstow, Big Bear, Needles, and Victorville. Service areas in northern California include the north shore of Lake Tahoe and portions of Truckee. Companies providing gas transportation services for the Company are indicated by showing the location of their pipelines. Major transporters include El Paso Natural Gas Company, Kern River Gas Transmission Company, Northwest Pipeline Corporation, and Southern California Gas Company. The location of the Paiute Pipeline Company transmission pipeline (extending from the Idaho/Nevada border to the Reno/Tahoe area) and Southwest's pipeline (extending from Laughlin/Bullhead City to the Las Vegas valley) are indicated. The LNG facility is located near Lovelock, Nevada.]

ITEM 3. LEGAL PROCEEDINGS

In December 1998, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) pursuant to which the Company agreed to be acquired by ONEOK, Inc. (ONEOK). The Merger Agreement was amended on April 25, 1999 following the receipt of unsolicited offers to acquire the Company from Southern Union Company (Southern Union) which were rejected by the Company. On January 4, 2000, the staff of the ACC issued a report that stated it was unable to recommend approval of the merger of the Company and ONEOK due to concerns about ONEOK's actions and fitness to serve in Arizona. On January 18, 2000, the Company sent a letter to ONEOK demanding that ONEOK cure the deficiencies identified in the ACC staff report. On January 21, 2000, ONEOK responded to the Company's letter and stated that it was terminating the merger agreement with the Company. Litigation is pending in California, Arizona, and Oklahoma relating to the now terminated acquisition of the Company by ONEOK and the Company's rejection of Southern Union's unsolicited offers which is described below.

California Litigation

On December 16, 1998, Arthur Klein filed a purported class action complaint on behalf of himself and shareholders of the Company (excluding defendants and their affiliates and families) in the Superior Court of the State of California in San Diego County (Case No. 726615) against the Company and its directors. The complaint has been amended three times. As amended, the complaint alleges breach of the duties of loyalty, due care, candor and good faith and fair dealing and sets forth claims relating to the Company's proxy statement for its annual meeting of shareholders in 1999, including allegations of misrepresentations or omissions relating to the proposed acquisition of the Company by ONEOK and the rejection of the Southern Union offers. The complaint, as amended, further seeks to implement an auction of the Company or similar process, unspecified damages, and a declaration that the action is properly maintainable as a class action on behalf of all shareholders.

On March 31, 1999, the Court allowed John Mauricio to file a complaint in intervention. On May 4, 1999, Southern Union intervened in the purported shareholder class action and filed a complaint in intervention. Southern Union's complaint was thereafter severed from the purported shareholder class action and has been dismissed.

On June 9, 1999, the Company signed a Memorandum of Understanding (MOU) with the shareholder plaintiffs' counsel to settle the purported shareholder class action. The MOU set forth the parties' agreement in principle settling all of the shareholders' claims arising out of the actions of the Company and its directors relating to the proposed acquisition of the Company by ONEOK, including allegations of misrepresentations or omissions in the proxy statement, and was to be incorporated into a final Stipulation of Settlement. The MOU was subject to several conditions, including the consummation of the acquisition of the Company by ONEOK, a condition that will not be satisfied. The MOU was not an admission of any of the plaintiffs' allegations. The Company and its directors have denied and continue to deny that they have committed or attempted to commit any wrongdoing or breached any duty owed to the Company or its shareholders.

The case has been removed from the California Superior Court in San Diego to the U.S. District Court for the Southern District of California (Case No. 99 cv 1891B (JAH)). On October 6, 1999, GAMCO Investors, Inc. and Gabelli Funds LLC filed a notice of appearance in this matter.

Nevada Litigation

On April 30, 1999, the Company filed a complaint against Southern Union in the U.S. District Court, District of Nevada (Case No. CV-99-0530-JBF-LRL) alleging a breach of the confidentiality and standstill agreement between the Company and Southern Union, breach of the implied covenant of good faith and fair dealing, misappropriation of trade secrets, intentional interference with contract, intentional interference with prospective economic advantage and other violations of California and Nevada law. The Company amended its complaint on May 6, 1999, adding an additional claim against Southern Union pursuant to Section 14(a) of the Securities Exchange Act of 1934. On July 22, 1999, Southern Union filed a motion for leave to amend its answer in the Nevada federal action and to assert counterclaims

against the Company. The counterclaims mirror the contractual claims filed by Southern Union in the Arizona action described below. Southern Union's motion for leave to amend has been granted. On March 8, 2000, this action was transferred to the United States District Court of Arizona.

Arizona Litigation

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On July 19, 1999, Southern Union filed a complaint in the United States District Court of Arizona (Civ '99 1294 PHX ROS), which was amended on October 11, 1999. As amended, the complaint alleges that the Company, Michael O. Maffie, President and Chief Executive Officer of the Company, Thomas Y. Hartley, Chairman of the Board of the Company, and Edward Zub, Senior Vice President Regulation and Pricing of the Company, ONEOK, Larry W. Brummett, Chairman of the Board and Chief Executive Officer of ONEOK, James C. Kneale, Chief Financial Officer and Treasurer of ONEOK, John A. Gaberino, Jr., Senior Vice President and General Counsel of ONEOK, Eugene Dubay, President and Chief Operating Officer of Kansas Gas Service, a division of ONEOK, James Irvin, a Commissioner of the Arizona Corporation Commission, and Jack Rose, a resident of the State of Arizona, have conspired to block the Company's shareholders from voting upon Southern Union's offer and have acted to ensure that the Company's Board of Directors would approve and recommend the ONEOK offer to the Company's shareholders and to influence the vote of members of regulatory commissions required to approve the proposed acquisition of the Company by ONEOK in violation of state and federal criminal laws. The complaint, as amended, further alleges that the defendants fraudulently induced Southern Union to enter into the February 21, 1999 confidentiality and standstill agreement, Southwest breached the terms of that agreement and its covenant of good faith and fair dealing, and all defendants, other than Southwest and Mr. Hartley, intentionally interfered with a business relationship between the Company and Southern Union and tortiously interfered with contractual relations between the Company and Southern Union.

Southern Union seeks damages in an amount not less than \$750 million to be trebled for the alleged violations of state and federal criminal law, compensatory damages in an amount not less than \$750 million, plus interest, rescission of the confidentiality and standstill agreement between the Company and Southern Union and punitive damages.

On January 24, 2000, the Company filed a complaint against ONEOK and Southern Union in the United States District Court for the District of Arizona (Case No. CIV'00, 0119 PHX VAM). The lawsuit seeks unspecified damages from ONEOK for breach of contract, breach of the implied covenant of good faith and fair dealing, fraud in the inducement, and fraud related to its actions connected to the Merger Agreement and its cancellation of the Merger Agreement.

The Company has also sued Southern Union seeking unspecified damages for breach of contract, breach of the implied covenant of good faith and fair dealing, and interference with a contract, all related to Southern Union's attempts to block the proposed Southwest Gas-ONEOK combination after Southern Union's unsolicited offer was rejected by the Company.

Oklahoma Litigation

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On January 21, 2000, ONEOK filed a complaint against the Company in the United States District Court for the Northern District of Oklahoma (Case No. 00CV063 K) seeking a declaratory judgment that ONEOK properly terminated the merger agreement.

Other Proceedings

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal markets on which the common stock of the Company is traded are the New York Stock Exchange and the Pacific Stock Exchange. At March 14, 2000, there were 22,759 holders of record of common stock, and the market price of the common stock was \$19. The quarterly market price of and dividends on Company common stock required by this item are included in the 1999 Annual Report to Shareholders and are incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is included in the 1999 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is included in the 1999 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of Southwest Gas Corporation and Notes thereto, together with the report of Arthur Andersen LLP, Independent Public Accountants, are included in the 1999 Annual Report to Shareholders and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. Information with respect to Directors is set forth under the heading "Election of Directors" in the definitive Proxy Statement dated March 31, 2000, which by this reference is incorporated herein.

(b) Identification of Executive Officers. The name, age, position and period position held during the last five years for each of the Executive Officers of the Company are as follows:

NAMEAGE -----	POSITION -----	PERIOD POSITION HELD -----	
Michael O. Maffie	52	President and Chief Executive Officer	1995-Present
George C. Biehl	52	Senior Vice President/Chief Financial Officer and Corporate Secretary	1996-Present
James P. Kane	53	Senior Vice President and Chief Financial Officer	1995-1996
		Senior Vice President/Operations	1997-Present
		Vice President/Southern Arizona Division	1995-1997
James F. Lowman	53	Senior Vice President/Central Arizona Division	1995-Present
Dudley J. Sondeno	47	Senior Vice President/Chief Knowledge and Technology Officer	1995-Present
Edward S. Zub	51	Senior Vice President/Regulation and Product Pricing	1996-Present
		Vice President/Rates & Regulation	1995-1996

(c) Identification of Certain Significant Employees. None.

(d) Family Relationships. No Directors or Executive Officers are related to any other either by blood, marriage, or adoption.

(e) Business Experience. Information with respect to Directors is set forth under the heading "Election of Directors" in the definitive Proxy Statement dated March 31, 2000, which by this reference is incorporated herein. All Executive Officers have held responsible positions with the Company for at least five years as described in (b) above.

(f) Involvement in Certain Legal Proceedings. None.

(g) Promoters and Control Persons. None.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires officers and directors, and persons who own more than ten percent of a registered class of equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC) and the New York Stock Exchange. Officers, directors, and beneficial owners of more than ten percent of any class of equity securities are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

The Company has adopted procedures to assist its directors and executive officers in complying with Section 16(a) of the Securities and Exchange Act of 1934, as amended, which includes assisting in the preparation of forms for filing. For 1999, all required reports were filed timely.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is set forth under the heading "Executive Compensation and Benefits" in the definitive Proxy Statement dated March 31, 2000, which by this reference is incorporated herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners. Information with respect to security ownership of certain beneficial owners is set forth under the heading "Securities Ownership by Nominees, Executive Officers, and Beneficial Owners" in the definitive Proxy Statement dated March 31, 2000, which by this reference is incorporated herein.

(b) Security Ownership of Management. Information with respect to security ownership of management is set forth under the heading "Securities Ownership by Nominees, Executive Officers, and Beneficial Owners" in the definitive Proxy Statement dated March 31, 2000, which by this reference is incorporated herein.

(c) Changes in Control. None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

- (1) The Consolidated Financial Statements of the Company (including the Report of Independent Public Accountants) required to be reported herein are incorporated by reference to the information reported in the 1999 Annual Report to Shareholders under the following captions:

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- (2) All schedules have been omitted because the required information is either inapplicable or included in the Notes to Consolidated Financial Statements.

(3) See List of exhibits.

(b) Reports on Form 8-K.

The Company filed a Form 8-K, dated January 20, 2000 reporting that the Arizona Corporation Commission delayed hearings regarding the proposed merger between Southwest Gas Corporation and ONEOK to February 22, 2000.

The Company filed a Form 8-K on January 26, 2000 reporting that ONEOK had terminated the proposed merger between Southwest Gas Corporation and ONEOK. The Form 8-K also reported that on January 24, 2000 the Company filed a complaint against ONEOK and Southern Union Company in the United States District Court for the District of Arizona seeking unspecified damages against both companies.

The Company filed a Form 8-K dated February 3, 2000 reporting that the California Public Utilities Commission approved the Joint Petition relating to the Northern California Expansion Project.

The Company filed a Form 8-K, dated February 22, 2000 reporting summary financial information for the quarter and year ended December 31, 1999.

(c) See List of exhibits.

LIST OF EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
2.01(21)	Agreement and Plan of Merger by and among ONEOK, Inc., Oasis Acquisition Corporation, and Southwest Gas Corporation dated as of December 14, 1998.
2.02(23)	Amendment No. 1, dated as of April 25, 1999, to the Agreement and Plan of Merger, dated as of December 14, 1998, by and among ONEOK, Inc., Oasis Acquisition Corporation, and Southwest Gas Corporation.
3(i)(17)	Restated Articles of Incorporation, as amended.
3(ii)(22)	Amended Bylaws of Southwest Gas Corporation.
4.01(1)	Indenture between the Company and Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated August 1, 1986.
4.02(6)	Sixth Supplemental Indenture of the Company to Bank of America National Trust and Savings Association, as successor by merger to Security Pacific National Bank, as Trustee, dated as of June 16, 1992, supplementing and amending the Indenture dated as of August 1, 1986, with respect to 9 3/4% Debentures, Series F, due 2002.
4.03(7)	Indenture between Clark County, Nevada, and Bank of America Nevada as Trustee, dated September 1, 1992, with respect to the issuance of \$130,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), \$30,000,000 1992 Series A, due 2027, and \$100,000,000 1992 Series B, due 2032.
4.04(8)	Indenture between Clark County, Nevada, and Harris Trust and Savings Bank as Trustee, dated December 1, 1993, with respect to the issuance of \$75,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), 1993 Series A, due 2033.
4.05(8)	Indenture between City of Big Bear Lake, California, and Harris Trust and Savings Bank as Trustee, dated December 1, 1993, with respect to the issuance of \$50,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation Project), 1993 Series A, due 2028.
4.06(13)	Indenture between the Company and Harris Trust and Savings Bank dated July 15, 1996, with respect to Debt Securities.
4.07(14)	First Supplemental Indenture of the Company to Harris Trust and Savings Bank dated August 1, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to 7 1/2% and 8% Debentures, due 2006 and 2026, respectively.
4.08(16)	Second Supplemental Indenture of the Company to Harris Trust and Savings Bank dated December 30, 1996, supplementing and amending the Indenture dated as of July 15, 1996, with respect to Medium-Term Notes.
4.09(3)	Certificate of Trust of Southwest Gas Capital I.
4.10(10)	Amended and Restated Declaration of Trust of Southwest Gas Capital I.

- 4.11(10) Form of Preferred Security (attached as Annex I to Exhibit A to the Amended and Restated Declaration of Trust of Southwest Gas Capital I included as Exhibit 4.10 hereto).
- 4.12(4) Form of Guarantee with respect to Preferred Securities.
- 4.13(9) Southwest Gas Capital I Preferred Securities Guarantee by the Company and Harris Trust and Savings Bank, dated as of October 31, 1995.
- 4.14(9) Form of Subordinated Debt Security (included in the First Supplemental Indenture included as Exhibit 4.16 hereto).
- 4.15(9) Subordinated Debt Securities Indenture between the Company and Harris Trust and Savings Bank, dated as of October 31, 1995.
- 4.16(9) First Supplemental Indenture between the Company and Harris Trust and Savings Bank, dated as of October 31, 1995, supplementing and amending the Indenture dated as of October 31, 1995, with respect to the 9.125% Subordinated Debt Securities.
- 4.17(2) Form of Deposit Agreement.
- 4.18(2) Form of Depositary Receipt (attached as Exhibit A to Deposit Agreement included as Exhibit 4.17 hereto).
- 4.19(22) Amended and Restated Rights Agreement between the Company and Harris Trust Company, as Rights Agent, dated as of February 9, 1999.
- 4.20 Indenture between Clark County, Nevada, and Harris Trust and Savings Bank as Trustee, dated as of October 1, 1999, with respect to the issuance of \$35,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), Series 1999A and Taxable Series 1999B, due 2038.
- 4.21 The Company hereby agrees to furnish to the SEC, upon request, a copy of any instruments defining the rights of holders of long-term debt issued by Southwest Gas Corporation or its subsidiaries.
- 10.01(5) Participation Agreement among the Company and General Electric Credit Corporation, Prudential Insurance Company of America, Aetna Life Insurance Company, Merrill Lynch Interfunding, Bank of America through purchase of Valley Bank of Nevada, Bankers Trust Company and First Interstate Bank of Nevada, dated as of July 1, 1982.
- 10.02(15) Amended and Restated Lease Agreement between the Company and Spring Mountain Road Associates, dated as of July 1, 1996.
- 10.03(8) Financing Agreement between the Company and Clark County, Nevada, dated September 1, 1992.
- 10.04(8) Financing Agreement between the Company and Clark County, Nevada, dated as of December 1, 1993.
- 10.05(8) Project Agreement between the Company and City of Big Bear Lake, California, dated as of December 1, 1993.
- 10.06(19) Southwest Gas Corporation Management Incentive Plan, amended and restated January 1, 1995.
- 10.07(20) Form of Employment Agreement with Company Officers.

- 10.08(20) Form of Change in Control Agreement with Company Officers.
- 10.09(11) Merger Agreement among the Company and Northern Pipeline Construction Co., dated as of November 13, 1995.
- 10.10(12) Southwest Gas Corporation 1996 Stock Incentive Plan.
- 10.11(18) \$350 million Revolving Credit Agreement among the Company, Union Bank of Switzerland, et al., dated as of June 12, 1997.
- 10.12 Southwest Gas Corporation Supplemental Retirement Plan, amended and restated as of March 1, 1999.
- 10.13 Southwest Gas Corporation Executive Deferral Plan, amended and restated as of March 1, 1999.
- 10.14 Southwest Gas Corporation Directors Deferral Plan, amended and restated as of March 1, 1999.
- 10.15 Southwest Gas Corporation Board of Directors Retirement Plan, amended and restated as of March 1, 1999.
- 10.16 Financing Agreement between the Company and Clark County, Nevada, dated as of October 1, 1999.
- 12.01 Computation of Ratios of Earnings to Fixed Charges and Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends of the Company.
- 13.01 Portions of 1999 Annual Report incorporated by reference to the Form 10-K.
- 21.01 List of subsidiaries of Southwest Gas Corporation.
- 23.01 Consent of Arthur Andersen LLP, Independent Public Accountants.
- 27.01 Financial Data Schedule (filed electronically only).

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- (1) Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-7931.
- (2) Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-55621.
- (3) Incorporated herein by reference to the Registration Statement on Form S-3, No. 33-62143.
- (4) Incorporated herein by reference to Amendment No. 1 to Registration Statement on Form S-3, No. 33-62143.
- (5) Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1982.
- (6) Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 1992.
- (7) Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 1992.
- (8) Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1993.
- (9) Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 1995.

- (10) Incorporated herein by reference to the report on Form 8-K dated October 26, 1995.
- (11) Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1995.
- (12) Incorporated herein by reference to the Proxy Statement dated May 30, 1996.
- (13) Incorporated herein by reference to the report on Form 8-K dated July 26, 1996.
- (14) Incorporated herein by reference to the report on Form 8-K dated July 31, 1996.
- (15) Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 1996.
- (16) Incorporated herein by reference to the report on Form 8-K dated December 30, 1996.
- (17) Incorporated herein by reference to the report on Form 10-Q for the quarter ended March 31, 1997.
- (18) Incorporated herein by reference to the report on Form 10-Q for the quarter ended June 30, 1997.
- (19) Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1997.
- (20) Incorporated herein by reference to the report on Form 10-Q for the quarter ended September 30, 1998.
- (21) Incorporated herein by reference to the report on Form 8-K dated December 14, 1998.
- (22) Incorporated herein by reference to the report on Form 10-K for the year ended December 31, 1998.
- (23) Incorporated herein by reference to the report on Form 8-K dated April 25, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: March 24, 2000

By /s/ MICHAEL O. MAFFIE

 Michael O. Maffie,
 President and Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE

TITLE

DATE

/s/ GEORGE C. BIEHL

Senior Vice President,
 Chief Financial Officer and
 Corporate Secretary

March 24, 2000

 (George C. Biehl)

/s/ EDWARD A. JANOV

Vice President, Controller and
 Chief Accounting Officer

March 24, 2000

 (Edward A. Janov)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ GEORGE C. BIEHL ----- (George C. Biehl)	Director, Senior Vice President, Chief Financial Officer and Corporate Secretary	March 7, 2000
/s/ MANUEL J. CORTEZ ----- (Manuel J. Cortez)	Director	March 7, 2000
/s/ LLOYD T. DYER ----- (Lloyd T. Dyer)	Director	March 7, 2000
/s/ THOMAS Y. HARTLEY ----- (Thomas Y. Hartley)	Chairman of the Board of Directors	March 7, 2000
/s/ MICHAEL B. JAGER ----- (Michael B. Jager)	Director	March 7, 2000
/s/ LEONARD R. JUDD ----- (Leonard R. Judd)	Director	March 7, 2000
/s/ JAMES J. KROPID ----- (James J. Kropid)	Director	March 7, 2000
/s/ MICHAEL O. MAFFIE ----- (Michael O. Maffie)	Director, President and Chief Executive Officer	March 7, 2000
/s/ CAROLYN M. SPARKS ----- (Carolyn M. Sparks)	Director	March 7, 2000
/s/ ROBERT S. SUNDT ----- (Robert S. Sundt)	Director	March 7, 2000
/s/ TERRANCE L. WRIGHT ----- (Terrance L. Wright)	Director	March 7, 2000

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
4.20	Indenture between Clark County, Nevada, and Harris Trust and Savings Bank as Trustee, dated as of October 1, 1999, with respect to the issuance of \$35,000,000 Industrial Development Revenue Bonds (Southwest Gas Corporation), Series 1999A and Taxable Series 1999B, due 2038.
10.12	Southwest Gas Corporation Supplemental Retirement Plan, amended and restated as of March 1, 1999.
10.13	Southwest Gas Corporation Executive Deferral Plan, amended and restated as of March 1, 1999.
10.14	Southwest Gas Corporation Directors Deferral Plan, amended and restated as of March 1, 1999.
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21.01	List of Subsidiaries of Southwest Gas Corporation.
23.01	Consent of Arthur Andersen LLP, Independent Public Accountants.
27.01	Financial Data Schedule (filed electronically only).

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INDENTURE OF TRUST

between

CLARK COUNTY, NEVADA

and

HARRIS TRUST AND SAVINGS BANK,

as Trustee

relating to

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
SERIES 1999A

and

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
TAXABLE SERIES 1999B

Dated as of October 1, 1999

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THIS INDENTURE OF TRUST, made and entered into as of October 1, 1999 (this "Indenture"), by and between CLARK COUNTY, NEVADA, a political subdivision of the State of Nevada (the "Issuer"), and HARRIS TRUST AND SAVINGS BANK, not in its individual capacity, but solely as Trustee (the "Trustee"), a banking corporation organized, existing and authorized to accept and execute trusts of the character herein set out under the laws of the State of Illinois.

W I T N E S S E T H :
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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 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 1999A (the "Series 1999A Bonds") and the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Taxable Series 1999B (the "Series 1999B 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 1999A Bonds and the Series 1999B 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 \$35,000,000 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, in order to further enhance the payments of principal of and interest on the Bonds, the Borrower has obtained municipal bond insurance or financial guaranty insurance with respect to the Bonds, and in order to provide for the purchase of tendered Bonds, the Borrower has arranged for the provision of a liquidity facility with respect to certain of the Bonds;

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).

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 all sums of money due or to become due 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, 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 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:

"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.

"Alternate Liquidity Facility" means any standby bond purchase agreement or other liquidity facility meeting the requirements of Section 5.14 of the Agreement.

"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, if any, 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 or Taxable Term Rate Period, \$5,000 and any integral multiple thereof; and (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.

"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" has meaning herein with respect only to Taxable Weekly Bonds and Taxable Term Bonds (except Taxable Term Bonds where the term ends at maturity thereof) and means (1) moneys derived from drawings under a Liquidity Facility that are not commingled with any other moneys, (2) moneys held by the Trustee (other than in the Rebate Fund) and subject to a first-priority perfected lien under the Indenture for a period of at least ninety-one (91) 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 Borrower or the Issuer, or (3) moneys for 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 holders of such Bonds would not constitute transfers avoidable under 11 U.S.C. Section 547(b) and recoverable from the holders of such Bonds under 11 U.S.C. 550(a) should the Issuer or the Borrower be the debtor in a case under the United States Bankruptcy Code.

"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, collectively, a Municipal Bond Insurance Policy and any endorsements thereto with respect to the Series 1999A Bonds and any Tax-Exempt Series into which any Series 1999B Bonds may be converted, and a Financial Guaranty Insurance Policy and any endorsements thereto with respect to the Series 1999B Bonds, each issued by the Bond Insurer on the date of issuance of the Bonds.

"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.

"Bond Insurer" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto.

"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.

"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 or the office of the Liquidity Provider, if any, at which demands for payment of the 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.

"Code" means the Internal Revenue Code of 1986, 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 Project as certified under Section 5.3 of the Agreement.

"Construction Fund" means the fund created by Section 6.06 hereof.

"Cost" or "Cost of the 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 Code.

"Costs of Issuance Fund" means the fund by that name established pursuant to Section 6.07 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 or the Trustee, as applicable) 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 of a Tax-Exempt Series established in accordance with Section 2.03(a) hereof.

"Daily Rate Period" means each period during which Bonds of a Tax-Exempt Series bear interest at Daily Rates.

"Dated Date" means (i) with respect to the Series 1999A Bonds, the first day of the month in which such Bonds are issued, (ii) with respect to the Series 1999B Bonds, the date of issuance and delivery of such Bonds to the Initial Purchaser thereof, or (iii) with respect to Bonds of a Tax-Exempt Series other than the Series 1999A Bonds, the Tax-Exempt Conversion Date.

"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 electricity or natural gas within the meaning of Section 142(a) of the Code.

"Expiration Date" means the earliest of (i) the stated expiration date of the Liquidity Facility, (ii) the date on which the Liquidity Facility is terminated pursuant to the terms of the Agreement or (iii) a Termination Date under Section 7.2(b) of the Standby Bond Purchase Agreement.

"Flexible Rate" means the interest rate on any Bonds of a Tax-Exempt Series established in accordance with Section 2.03(d) hereof.

"Flexible Rate Period" means each period, comprised of Flexible Segments, during which Bonds of a Tax-Exempt Series bear interest at Flexible Rates.

"Flexible Segment" means, with respect to each Bond of a Tax-Exempt Series 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, collectively, Lehman Brothers Inc. and Ramirez & Co., Inc.

"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 (a) in the case of the Series 1999A Bonds, each April 1 and October 1, commencing April 1, 2000, and (b) in the case of all other Bonds (i) with respect to any Daily Rate Period, Weekly Rate Period or Taxable Weekly Rate Period, the first Business Day of each calendar month, (ii) with respect to any Term Rate Period or Taxable Term Rate Period, the first Business Day of the sixth calendar month following the effective date of such Term Rate Period or Taxable Term Rate Period and the first Business Day of each successive sixth calendar month, if any, of such Term Rate Period or Taxable Term Rate Period, (iii) with respect to any Taxable Flexible Rate Segment or Flexible Segment, the Business Day next succeeding the last day thereof, and (iv) with respect to each Rate Period, the Business Day next 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 and S&P and Moody's 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 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 or P-1 or better by Moody's 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 or P-1 or better by Moody's and approved in writing by the Bond Insurer and S&P and Moody's at the time of such investment.

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

"Liquidity Facility" means, at any time as applicable, (i) the Standby Bond Purchase Agreement among the Borrower, Bank One, NA and the Trustee, dated as of October 1, 1999, as the same may be amended pursuant to its terms, and (ii) in the event of delivery of an Alternate Liquidity Facility, such Alternate Liquidity Facility, in each case acceptable to the Bond Insurer.

"Liquidity Provider" means at any time 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 securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower, with notice to the Trustee and the Liquidity Provider, if any.

"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 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 6.16 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 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, and by Moody's of at least Aaa or P-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 and S&P and Moody's 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 described in Exhibit A to the Agreement.

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

"Rebate Fund" means the fund created by Section 6.18 hereof.

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

"Refunded Bonds" means the Issuer's Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 1998A.

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

"Remarketing Agent" means 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 2, 1999, 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, Secretary, Assistant Secretary 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.

"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) any accrued interest on the Bonds deposited with the Trustee under Section 6.03 hereof and (iii) 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 securities rating agency shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower, with notice to the Trustee, the Bond Insurer and the Liquidity Provider, if any.

"Series" means, as applicable, (i) the Series 1999A Bonds, (ii) the Series 1999B Bonds or (iii) a Tax-Exempt Series other than the Series 1999A 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 as of the Dated Date of the Series 1999A Bonds, executed by the Issuer and the Borrower, as the same may be amended and supplemented from time to time, and with respect to any Series 1999B Bonds, converted to a Tax-Exempt Series of Bonds on a particular Tax-Exempt Conversion Date, the Tax Certificate and Agreement, dated such Tax-Exempt Conversion Date, 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 any Tax-Exempt Series of 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 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 Code.

"Tax-Exempt Conversion Date" means any date on which all or a portion of the Series 1999B Bonds are converted to a Tax-Exempt Series as described in Section 2.15 hereof.

"Tax-Exempt Series" means, as applicable, the Series 1999A Bonds and any Series 1999B Bonds as to which a Tax-Exempt Conversion Date has occurred.

"Taxable Flexible Bonds" means any Bond that bears interest at a Taxable Flexible Rate.

"Taxable Flexible Rate" means with respect to any Taxable Flexible Bond, the rate of interest on such Bond established in accordance with Section 2.03(e) hereof.

"Taxable Flexible Rate Period" means with respect to each Taxable Flexible Bond, each period, comprised of Taxable Flexible Rate Segments, during which such Bond bears interest at a Taxable Flexible Rate.

"Taxable Flexible Rate Segment" means, with respect to any Bond bearing interest at the Taxable Flexible Rate, the period established in accordance with Section 2.03(e) hereof.

"Taxable Term Bond" means any Bond that bears interest at a Taxable Term Rate.

"Taxable Term Rate" means, as to any Bond, the interest rate on such Bond established in accordance with Section 2.03(g) hereof.

"Taxable Term Rate Period" means, as to any Taxable Term Bond, each period during which a Taxable Term Rate is in effect.

"Taxable Weekly Bonds" means any Bond that bears interest at a Taxable Weekly Rate.

"Taxable Weekly Rate" means with respect to any Taxable Weekly Bond, the rate of interest on such Bond established in accordance with Section 2.03(f) hereof.

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

"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 the Trustee, acting as tender agent for the Bonds.

"Term Bond" means any Bond that bears interest at a Term Rate.

"Term Rate" means the interest rate on the Bonds of a Tax-Exempt Series established in accordance with Section 2.03(c) hereof.

"Term Rate Period" means each period during which Bonds of a Tax-Exempt Series bear interest at a Term Rate.

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

"Trustee" means Harris Trust and Savings Bank, an Illinois banking corporation, 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 Tax-Exempt 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.

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 \$35,000,000, consisting of Series 1999A Bonds in an amount not to exceed \$12,410,000 and Series 1999B Bonds in an amount not to exceed \$22,590,000. 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 1999A Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 1999A." Until converted on a Tax-Exempt Conversion Date, the Series 1999B Bonds shall be designated "Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Taxable Series 1999B." The Bonds shall be issuable as fully registered bonds without coupons, in Authorized Denominations. Unless the Issuer shall otherwise direct, the Series 1999A Bonds shall be numbered A-1 and upwards and the Series 1999B Bonds shall be numbered TB-1 and upwards. It is anticipated that all or a portion of the Series 1999B Bonds will be converted from time to time to Bonds of one or more Tax-Exempt Series at the option of the Borrower. On and after any Tax-Exempt Conversion Date with respect to Bonds of a Tax-Exempt Series, such Bonds, at the option of the Borrower, may either (i) have the same designation except that the Series designation shall be changed from "Taxable Series 1999B" to "Series 1999_" with the blank completed by the next consecutive letter designation or (ii) be combined with any Bonds of a Tax-Exempt Series (other than Series 1999A Bonds) that are Outstanding, such that such Bonds shall have the same Series designation as the Outstanding Tax-Exempt Series. Unless the Issuer shall otherwise direct, the Bonds of each Tax-Exempt Series shall be numbered separately from 1 and upwards and shall bear a letter designation corresponding to the series of such Bonds. Bonds of each Tax-Exempt Series shall bear a distinct CUSIP number from the Series 1999A Bonds, the Series 1999B Bonds and from Bonds of any other Tax-Exempt Series.

(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 December 1, 2038; provided, however, that on any Tax-Exempt Conversion Date on which any Series 1999B Bonds may be converted to a new Tax-Exempt Series, the Borrower may designate a new maturity date for the Bonds of such Tax-Exempt Series, which maturity date shall be any date on or prior to December 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 or a Taxable Flexible Rate 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 next 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, Taxable Weekly Rate Period, Flexible Rate Period or Taxable 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 Taxable Term Rate Period, interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve (12) thirty (30) day months.

(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 1999A

Bonds to be deposited in the Series 1999A Account in the Bond Fund, and such accrued interest on the Series 1999B Bonds, if any, to be deposited in the Taxable Series 1999B Account in the Bond Fund;

(ii) to the Costs of Issuance Fund, the sum of \$-0-, consisting of \$-0- from proceeds of the Series 1999A Bonds to be deposited in the Series 1999A Costs of Issuance Account, and \$-0- from proceeds of the Series 1999B Bonds to be deposited into the Series 1999B Costs of Issuance Account;

(iii) to the Refunding Account created pursuant to this Section, the sum of \$720,000 from proceeds of the Series 1999A Bonds; and

(iv) to the Construction Fund, the balance of such proceeds, consisting of \$11,248,343.37 from proceeds of the Series 1999A Bonds to be deposited in the Series 1999A Construction Account and \$21,839,339.13 from proceeds of the Series 1999B Bonds to be deposited in the Series 1999B Construction Account.

The Trustee shall create a separate account, designated 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 Harris Trust and Savings Bank, as trustee for the Refunded Bonds, 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 the Bonds shall bear interest at the Daily Rate, the Weekly Rate, the Flexible Rate, the Taxable Flexible Rate, the Taxable Weekly Rate, the Term Rate or the Taxable Term Rate as the case may be. The first Rate Period (i) with respect to the Series 1999A Bonds shall be a Term Rate Period commencing on the Dated Date of such Bonds and ending on the date prior to the maturity date of such bonds at the Term Rate indicated thereon per annum; and (ii) with respect to the Series 1999B Bonds shall be the Taxable Weekly Rate Period with the initial Taxable Weekly Rates established on or before the Dated Date in accordance with the provisions of this Indenture. Each Series of Bonds shall bear interest at the rate or rates per annum established from time to time in accordance with the provisions of this Indenture. Prior to the Tax-Exempt Conversion Date for any Series 1999B Bonds, all of the Series 1999B Bonds shall be in the Taxable Flexible Rate Period, Taxable Term Rate Period or the Taxable Weekly Rate Period, and such Bonds shall bear interest only at a Taxable Flexible Rate, Taxable Term Rate or a Taxable Weekly Rate; however, Taxable Flexible Bonds may be in different Taxable Flexible Rate Segments and may bear interest at different Taxable Flexible Rates.

(a) (i) Determination of Daily Rate. During each Daily Rate Period for any Tax-Exempt 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 lowest rate determined by the Remarketing Agent to be the 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 15% 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, and the Remarketing Agent, may elect that the Bonds of a Tax-Exempt Series (including Series 1999B Bonds on a Tax-Exempt Conversion Date) 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 or Taxable Term Rate Period, the day immediately following the last day of the then current Term Rate Period or Taxable 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 Flexible Rate Period or Taxable Flexible Rate Period shall be either the day immediately following the last day of the then current Flexible Rate Period or Taxable Flexible Rate Period or the day immediately following the last day of the last Flexible Segment or Taxable Flexible Segment for each such Bond in the then current Flexible Rate Period or Taxable Flexible Rate Period all as determined in accordance with Section 2.03(d)(iv) or 2.03(e)(iv) hereof; and (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 (1) is authorized or permitted by the Act and this Indenture and (2) will not adversely affect the Tax-Exempt status of such Bonds. During each Daily Rate Period commencing on the date so specified or determined (provided that an opinion of Bond Counsel described in clause (B) above, if required, is delivered on such date) and ending on the day immediately preceding the effective date of the next 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 or an adjustment occurring on a Tax-Exempt Conversion Date with respect to Taxable Flexible Bonds, 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(i) hereof), (2) the effective date of such Daily Rate Period, (3) that all such Bonds are subject to mandatory purchase on such

effective date, (4) the procedures of such purchase and the payment of the purchase price and (5) if applicable, that the adjustment will also be a Tax-Exempt Conversion Date.

(b) (i) Determination of Weekly Rate. During each Weekly Rate Period for any Tax-Exempt 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 10:00 a.m. New York time on the first day of such Weekly Rate Period and thereafter no later than the Business Day next preceding Wednesday of each week 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 15% 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 next succeeding Tuesday. Thereafter, each Weekly Rate shall apply to the period commencing on each Wednesday and ending on the next 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, and the Remarketing Agent, may elect that the Bonds of a Tax-Exempt Series (including Series 1999B Bonds on a Tax-Exempt Conversion Date) 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 (1) in the case of an adjustment from a Term Rate Period or Taxable Term Rate Period, shall be the day immediately following the last day of the then current Term Rate Period or Taxable 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 Flexible Rate Period or Taxable Flexible Rate Period, shall be either the day immediately following the last day of the then current Flexible Rate Period or Taxable Flexible Rate Period or the day immediately following the last day of the last Flexible Segment or Taxable Flexible Segment for each such Bond in the then-current Flexible Rate Period, all as determined in accordance with Section 2.03(d)(iv) or 2.03(e)(iv) hereof; and (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 (1) is authorized or permitted by the Act and this Indenture and (2) will not adversely affect the Tax-Exempt status of such Bonds. During each Weekly Rate Period commencing on

the date so specified or determined (provided that an opinion of Bond Counsel described in clause (B) above, if required, is delivered on such date) and ending on the day immediately preceding the effective date of the next 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 or an adjustment occurring on a Tax-Exempt Conversion Date with respect to Taxable Flexible Bonds, the Trustee shall give notice of an adjustment to a Weekly Rate Period to Owners of the Bonds of a Tax-Exempt Series, 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(i) hereof), (2) the effective date of such Weekly Rate Period, (3) that all such Bonds are subject to mandatory purchase on such effective date, (4) the procedures of such purchase and the payment of the purchase price, and (5) if applicable, that the adjustment will also be a Tax-Exempt Conversion Date.

(c) (i) Determination of Term Rate. During each Term Rate Period for any Tax-Exempt 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 15% 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 Liquidity Provider, the Trustee and the Remarketing Agent, may elect that the Bonds of a Tax-Exempt Series (including Series 1999B Bonds on a Tax-Exempt Conversion Date) 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 (1) in the case of an adjustment from a Flexible Rate Period or Taxable Flexible Rate Period, shall be either the day immediately following the last day of the then current Flexible Rate Period or Taxable Flexible Rate Period or the day immediately following the last day of the last Flexible Segment or Taxable Flexible Segment for such Bond in the then-current Flexible Rate Period or Taxable Flexible Rate Period, all as determined in accordance with Section 2.03(d) (iv) or 2.03(e) (iv) hereof and (2) in the case of an adjustment from a Term Rate Period or Taxable Term Rate Period, shall be the day immediately following the last day of the then current Term Rate Period or Taxable 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; (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); and (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. The opinion of Bond Counsel described in clause (C) above, if required, must be delivered on the effective date of such adjustment. 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 next succeeding Rate Period, the Bonds of a Tax-Exempt Series shall bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate or a Term Rate, the next 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 or an adjustment occurring on a Tax-Exempt Conversion Date with respect to Taxable Flexible Bonds, 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(i) 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, (8) the redemption provisions set forth in Section 3.01 hereof which will apply during such Term Rate Period, and (9) if applicable, that the adjustment will also be a Tax-Exempt Conversion Date.

(d) (i) Determination of Flexible Segments and Flexible Rates. During each Flexible Rate Period for any Tax-Exempt Series of 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 of such Tax-Exempt 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 Tax-Exempt Series then Outstanding, will result in the lowest overall interest expense on the Bonds of such Tax-Exempt Series over the next 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 next 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 interest 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 15% 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, and the Remarketing Agent, may elect that the Bonds of a Tax-Exempt Series (including Series 1999B Bonds on a Tax-Exempt Conversion Date) 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, in the case of an adjustment from a Term Rate Period or Taxable Term Rate Period, the day immediately following the last day of the then current Term Rate Period or Taxable 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 (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 (1) is authorized or permitted by the Indenture and the Act and (2) will not adversely affect the Tax-Exempt status of such Bonds. During each Flexible Rate Period commencing on the date so specified (provided that the opinion of Bond Counsel described in clause (B) above, if required, is delivered on such date) and ending on the

day immediately preceding the effective date of the next succeeding Rate Period, each Bond shall bear interest at a Flexible Rate during each Flexible Segment for such Bond.

(iii) Notice of Adjustment to Flexible Rates. Except with respect to adjustment to a Flexible Rate Period from a Flexible Rate Period or an adjustment occurring on a Tax-Exempt Conversion Date with respect to Taxable Flexible Bonds, the Trustee shall give notice of an adjustment to a Flexible Rate Period to Owners of the Bonds of a Tax-Exempt 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(i) hereof), (2) the effective date of such Flexible Rate Period, (3) that all such Bonds are subject to mandatory purchase on such effective date, (4) the procedures of such purchase and the payment of the purchase price, and (5) if applicable, that the adjustment will also be a Tax-Exempt Conversion Date.

(iv) Adjustment from Flexible Rates. At any time during a Flexible Rate Period, the Borrower may elect that the Bonds of a Tax-Exempt 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 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 next 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 next 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 next 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 and the Trustee. During any transitional period from a Flexible Rate Period to the next 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 Taxable Flexible Rates and Taxable Flexible Rate Segments. During the Taxable Flexible Rate Period, each Taxable Flexible Bond shall bear interest during each Taxable Flexible Rate Segment for such Bond at the Taxable Flexible Rate for such Bond as described herein. Different Taxable Flexible Rate Segments and Taxable Flexible Rates may apply to different Taxable Flexible Bonds at any time and from time to time. The Taxable Flexible Rate Segment for each Taxable Flexible 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 other Taxable Flexible Segments for all other Taxable Flexible Bonds then Outstanding, will result in the lowest overall interest expense on the Taxable Flexible Bonds over the next succeeding 270 days. The Taxable Flexible Rate for each Taxable Flexible Rate Segment for each such Bond shall be determined by the Remarketing Agent no later than 1:00 p.m., New York time on the Business Day next preceding the first day of such Taxable Flexible Rate 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 Taxable Flexible Segment or a Taxable Flexible Rate for a Taxable Flexible Rate Segment is not determined or effective, the Taxable Flexible Rate Segment for such Bond shall be a Taxable Flexible Rate Segment of one day, and the interest rate for such Taxable Flexible Rate Segment of one day shall be 105% of the Federal Reserve H.15 Non-Financial Commercial Paper 7-day rate until a new Taxable Flexible Rate and Taxable Flexible Rate Segment shall be established. In no event shall the Taxable Flexible Rate for any Taxable Flexible Rate Segment exceed the lesser of 15% 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 Taxable Flexible Rate Segment and Taxable Flexible Rate, as provided in Section 4.04(c) hereof.

If the Borrower has given notice of a Tax-Exempt Conversion Date with respect to any Taxable Flexible Bonds, no new Taxable Flexible Rate Segment for such Bonds shall be established unless the last day of such Taxable Flexible Rate Segment occurs prior to such Tax-Exempt Conversion Date.

(ii) Adjustment to Taxable Flexible Rates. At any time while the Taxable Weekly Bonds are bearing interest at Taxable Weekly Rates or while the Taxable Term Bonds bear interest at Taxable Term Rates, the Borrower, by written direction to the Issuer, the Liquidity Provider, the Trustee and the Remarketing Agent, may elect that the Taxable Term Bonds or Taxable Weekly Bonds shall bear interest at Taxable Flexible Rates. Such direction shall specify the effective date of the Taxable Flexible Rate Period during which such Bonds shall bear interest at Taxable Flexible Rates, which shall be a Business Day not earlier than the fifteenth (15th) day after the date such direction (or such shorter period of time to which the Trustee agrees) and shall be, in the case of adjustment from a Taxable Term Rate Period, the day immediately following the last day of the then current Taxable 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. During each Taxable

Flexible Rate Period commencing on the date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, each Bond shall bear interest at a Taxable Flexible Rate during each Taxable Flexible Segment for such Bond.

(iii) Notice of Adjustment to Taxable Flexible Rates. The Trustee shall give notice of an adjustment to a Taxable Flexible Rate Period to the Owners of Taxable Weekly Bonds or Taxable Term Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Taxable Flexible Rate Period. Such notice shall state (1) that the interest rate on such Taxable Weekly Bonds or Taxable Term Bonds will be adjusted to a Taxable Flexible Rate (subject to the Borrower's ability to rescind its election as described in Section 2.03(i) hereof), (2) the effective date of such Taxable Flexible Rate Period, (3) that all such Bonds to be adjusted 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 Taxable Flexible Rates. At any time during a Taxable Flexible Rate Period, the Borrower may elect that the Taxable Flexible Bonds shall no longer bear interest at Taxable Flexible Rates and shall instead bear interest at Taxable Weekly Rates or Taxable Term Rates. The Borrower shall give written notice to the Issuer, the Liquidity Provider, the Trustee and the Remarketing Agent of such election and shall specify the Taxable Weekly Rate Period or Taxable Term Period to follow with respect to such Bonds upon cessation of the Taxable Flexible Rate Period and instruct the Remarketing Agent to (1) determine Taxable Flexible Rate Segments of such duration that, as soon as possible, all Taxable Flexible Rate 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 Taxable Flexible Rate Segments the day next succeeding the last day of all such Taxable Flexible Rate Segments shall be the effective date of the Taxable Weekly Rate Period or Taxable Term Rate Period, as applicable; or (2) determine Taxable Flexible Rate Segments that will best promote an orderly transition to the next 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 next succeeding the last day of the Taxable Flexible Rate Segment for each such Bond shall be, with respect to such Bond, the effective date of the new Taxable Weekly Rate Period or Taxable Term Rate Period, as applicable. 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 and the Trustee. During any transitional period from a Taxable Flexible Period in accordance with clause (2) above, the provisions of this Indenture shall apply as follows: such Bonds continuing to bear interest at Taxable Flexible Rates shall have applicable to them the provisions hereunder theretofore applicable to such Bonds as if all such Bonds were continuing to bear interest at Taxable Flexible Rates and such Bonds bearing interest in the Rate Period to which the transition being made will have applicable to them the provisions hereunder as if all such Bonds were bearing interest in such Rate Period.

(v) Adjustment from Taxable Flexible Rate Period; Failure to Convert to Tax-Exempt Series. All or a portion of the Taxable Flexible Bonds may be converted to Bonds of a Tax-Exempt Series in accordance with Section 2.15 hereof. If the conditions to such conversion are not satisfied on a Tax-Exempt Conversion Date with respect to any Taxable Flexible Bonds, such Bonds shall automatically adjust to a Taxable Weekly Rate Period and shall bear interest at Taxable Weekly Rates from and after the date of such failed conversion until a Tax-Exempt Conversion Date, if any, occurs with respect to such Bonds, and shall be in a Taxable Weekly Rate Period and bear interest at the Taxable Weekly Rates established in accordance with paragraph (f) (i) below, until adjusted to another Rate Period.

(f) (i) Determination of Taxable Weekly Rate. During each Taxable Weekly Rate Period for any Taxable Weekly Bonds, such Bonds shall bear interest at the Taxable Weekly Rate, which, in the case of the first Taxable Weekly Rate determined for each Taxable Weekly Rate Period, shall be determined by the Remarketing Agent not later than 10:00 a.m. New York time on the first day of such Taxable Weekly Rate Period and thereafter no later than the Business Day next preceding Wednesday of each week during such Taxable Weekly Rate Period. The Taxable 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 the Taxable Weekly 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 Taxable Weekly Rate for any period or a Taxable Weekly Rate is not effective, the Taxable Weekly Rate for such period shall be a rate per annum equal to 100% of the 30-day London Interbank Offered Rate until a new Taxable Weekly Rate is established. In no event shall the Taxable Weekly Rate exceed the lesser of 15% per annum or the maximum rate per annum then permitted by applicable law. The first Taxable Weekly Rate determined for each Taxable Weekly Rate Period shall apply to the period commencing on the first day of such period and ending on the next succeeding Tuesday. Thereafter, each Taxable Weekly Rate shall apply to the period commencing on each Wednesday and ending on the next succeeding Tuesday; provided, however, if a Taxable Weekly Rate Period shall end on a day other than Tuesday, the last Taxable Weekly Rate for such Taxable Weekly Rate Period shall apply to the period commencing on the Wednesday preceding the last day of such Taxable 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 Taxable Weekly Rate Period of each Taxable Weekly Rate as so determined.

(ii) Adjustment to Taxable Weekly Rate. At any time while the Taxable Flexible Bonds are bearing interest at Taxable Flexible Rates or Taxable Term Bonds are bearing interest at Taxable Term Rates, the Borrower, by written direction to the Issuer, the Trustee, the Liquidity Provider and the Remarketing Agent, may elect that such Bonds shall bear interest at a Taxable Weekly Rate. Such direction shall specify the effective date of such adjustment to a Taxable Weekly Rate Period, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such written direction (or such shorter period of time to which the Trustee agrees), and (1) in the case of an adjustment from a Taxable Term Rate Period, shall be the day immediately

following the last date of the then current Taxable Term Rate Period or any day on which such Taxable Term Bonds are subject to redemption by the Issuer hereunder at the direction of the Borrower, and (2) shall be either the day immediately following the last day of the then current Taxable Flexible Rate Period or the day immediately following the last day of the last Taxable Flexible Rate Segment for each such Bond in the then-current Taxable Flexible Rate Period, all as determined in accordance with Section 2.03(e) (iv) hereof.

(iii) Notice of Adjustment to Taxable Weekly Rate. The Trustee shall give notice of an adjustment to a Taxable Weekly Rate Period to the Owners of Taxable Flexible Bonds or Taxable Term Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Taxable Weekly Rate Period. Such notice shall state (1) that the interest rate on the Taxable Flexible Bonds or Taxable Term Bonds will be adjusted to a Taxable Weekly Rate (subject to the Borrower's ability to rescind its election as described in Section 2.03(i) hereof), (2) the effective date of such Taxable Weekly Rate Period, (3) that all Taxable Flexible Bonds or Taxable Term 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 Taxable Weekly Rate; Failure to Convert to Tax-Exempt Series. All or a portion of the Taxable Weekly Bonds may be converted to Bonds of a Tax-Exempt Series in accordance with Section 2.15 hereof. If the conditions to such conversion do not occur on a Tax-Exempt Conversion Date with respect to any Taxable Weekly Bonds, on and after the date of such failed conversion until a Tax-Exempt Conversion Date, if any, occurs with respect to such Bonds, such Bonds shall continue in a Taxable Weekly Rate Period and bear interest at the Taxable Weekly Rates established in accordance with paragraph (f) (i) above until adjusted to another Rate Period.

(g) (i) Determination of Taxable Term Rate. During each Taxable Term Rate Period for any Taxable Term Bonds (which shall be at least 180 days in duration), such Bonds shall bear interest at the Taxable 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 Taxable Term Rate Period. The Taxable 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 Taxable Term Rate at a price equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Taxable Term Rate for any Taxable Term Rate Period shall not be determined or become effective, then the Rate Period for the Bonds of such Series shall automatically adjust to a Taxable Weekly Rate Period, and bear interest at a Taxable Weekly Rate established in accordance with (f) (i) above until adjusted to another Rate Period. In no event shall any Taxable Term Rate exceed the lesser of 15% per annum or the maximum rate per annum then permitted by applicable law.

(ii) Adjustment to or Continuation of Taxable Term Rate. At any time the Borrower, upon written direction to the Issuer, the Trustee, the Liquidity Provider, and

the Remarketing Agent, may elect that the interest rate borne by the Taxable Flexible Bonds, Taxable Weekly Bonds, or Taxable Term Bonds shall be adjusted to or continued as a Taxable Term Rate, and if it shall so elect that such Bonds shall bear or continue to bear, interest at a Taxable Term Rate, then the Borrower shall determine the duration of the Taxable Term Rate Period during which the Bonds shall bear interest at such Taxable Term Rate. As a part of such election, the Borrower also may determine that the initial Taxable Term Rate Period shall be followed by successive Taxable Term Rate Periods and, if the Borrower so elects, shall specify the duration of each such successive Taxable Term Rate Period as provided in this paragraph (ii). Such direction shall (A) specify the Series of Bonds and the effective date of each Taxable Term Rate Period, which shall be a Business Day not earlier than the fifteenth (15th) day after the date of such written direction (or such shorter period of time to which the Trustee agrees), and (1) in the case of an adjustment from a Taxable Flexible Rate Period, shall be either the day immediately following the last day of the then current Taxable Flexible Rate Period or the day immediately following the last day of the last Taxable Flexible Segment for each Bond in the then-current Taxable Flexible Rate Period, all as determined in accordance with Section 2.03(e)(iv) hereof and (2) in the case of adjustment or continuation of a Taxable Term Rate Period, shall be the day immediately following the last day of the then current Taxable 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; (B) specify the last day of such Taxable Term Rate Period or, if successive Taxable Term Rate Periods shall have been designated, the last day of each such Taxable Term Rate Period (which shall be for each Taxable Term Rate Period either the date immediately preceding the final maturity of the Series 1999B Bonds, or a day which both immediately precedes a Business Day and is at least 180 days after the effective date thereof). Notwithstanding the stated date of termination of any Taxable 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 Taxable Term Rate Period, the Trustee shall not have received notice of the Borrower's election that, during the next succeeding Rate Period, such Bonds shall bear interest at a Taxable Flexible Rate, Taxable Term Rate or a Taxable Weekly Rate, the next succeeding Rate Period of such Bonds shall be a Taxable 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 Taxable Term Rates. The Trustee shall give notice of an adjustment to or continuation of a Taxable Term Rate Period to the Owners of Taxable Weekly Bonds, Taxable Term Bonds, or Taxable Flexible Bonds, by first class mail, postage prepaid, not less than twelve (12) days prior to the effective date of such Taxable Term Rate Period. Such notice shall state (1) that the interest rate on such Bonds will be adjusted to or continued in a Taxable Term Rate (subject to the Borrower's ability to rescind its election as described in Section 2.03(i) hereof), (2) the effective date and last date of such Term Rate Period, (3) that the Taxable Term Rate for such Taxable Term Rate Period will be determined on or prior to the effective date thereof, (4) how such Taxable Term Rate may be obtained from the

Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that all such Taxable Term Bonds, Taxable Flexible Bonds or Taxable Weekly 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 that will pertain to the Taxable Term Bonds during such Taxable Term Rate Period.

(iv) Adjustment from Taxable Term Rate Period; Failure to Convert to Tax-Exempt Series. All or a portion of the Taxable Term Bonds may be converted to Bonds of a Tax-Exempt Series in accordance with Section 2.15 hereof. If the conditions to such conversion do not occur on a Tax-Exempt Conversion Date with respect to any Taxable Term Bonds, such Bonds shall bear interest at a Taxable Weekly Rate from and after the date of such failed conversion until a Tax-Exempt Conversion Date, if any, occurs with respect to such Bonds at Taxable Weekly Rates established in accordance with paragraph (f) (i) above until adjusted to another Rate Period.

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

(i) 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 or Taxable Term Rate Period, continue a Rate Period pursuant to Section 2.03(a) (ii), (b) (ii), (c) (ii), (d) (ii), (e) (ii), (f) (ii) or (g) (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, and the Remarketing 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 or Taxable Term Rate Period, continue a Rate Period pursuant to Section 2.03(a) (ii), (b) (ii), (c) (ii), (d) (ii), (e) (ii), (f) (ii) or (g) (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 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 for (i) the Taxable Flexible Bonds, the Taxable Term Bonds, or the Taxable Weekly Bonds shall be the Taxable Weekly Rate Period, and (ii) the Bonds of a Tax-Exempt Series 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(i) 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(i) 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), (e)(iii), (f)(iii) or (g)(iii), the Bonds shall be subject to mandatory purchase as specified in such notice.

(j) 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 Bond which is acquired by a Liquidity Provider pursuant to a Liquidity Facility shall bear interest at the rate, payable at the times and in the manner, specified by such Liquidity Facility.

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 next 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 or Taxable Flexible Rate, such Flexible Rate or Taxable Flexible Rate, the day next succeeding the last day of the applicable Flexible Segment or Taxable Flexible Segment, the number of days comprising such Flexible Segment or Taxable Flexible Segment and the amount of interest to accrue during such Flexible Segment or Taxable Flexible Segment.

SECTION 2.07. FORM OF BONDS. The Series 1999A Bonds and the certificate of authentication to be executed thereon and the Series 1999B Bonds and the certificate of authentication to be executed thereon shall be in substantially the forms attached hereto as Exhibit A1 and Exhibit A2, respectively, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture. The Bonds of any Tax-Exempt Series other than the Series 1999A Bonds and the certificate of authentication to be executed thereon shall be in substantially the form attached hereto as Exhibit B, with such appropriate variations, omissions and insertion as are permitted or required by this Indenture.

Prior to conversion to a Tax-Exempt Series, each Taxable Flexible Bond, Taxable Term Bond and Taxable Weekly Bond shall contain a legend substantially to the following effect:

"By its acceptance of this Bond, each purchaser of this Bond will be deemed to have represented and agreed as follows: (1) the purchaser understands that the Bonds are being issued only in transactions not involving any public offering within the meaning of the Securities Act; (2) the purchaser is (A) a sophisticated institutional investor who (i) is an "Accredited Investor" as that term is defined in Rule 501(a) of Regulation D under the Securities Act (or is a fiduciary or agent (other than a U.S. bank or savings and loan association) that is purchasing the Bonds for the account of an Accredited Investor), (ii) has such knowledge and experience (or is a fiduciary or agent with sole investment discretion having such knowledge and experience) in financial and business matters that it (or such fiduciary or agent) is capable of evaluating the merits and risks of investing in such Bond, (iii) has had access to such information as the purchaser deems necessary in order to make an informed investment decision, and (iv) is purchasing the Bond for investment and not with a view to distribution; or (B) in the case of sale of Bonds pursuant to Rule 144A under the Securities Act, a "Qualified Institutional Buyer" as defined in Rule 144A (or is a Qualified Institutional Buyer purchasing the Bonds on behalf of one or more other Qualified Institutional Buyers); (3) if in the future the purchaser (or any such other investor or any other fiduciary or agent representing such investor) decides to sell such Bond prior to the maturity date, any redemption date, or the date fixed for mandatory purchase, it will be sold only in a transaction exempt from registration under or are not subject to the Securities Act and only to (i) [name of Remarketing Agent] or through [name of Remarketing Agent] to an institutional investor approved by [name of Remarketing Agent] as an institutional Accredited Investor or a Qualified Institutional Buyer, or (ii) a Qualified Institutional Buyer in a transaction made pursuant to Rule 144A under the Securities Act; (4) the purchaser understands that, although [name of Remarketing Agent] may repurchase Bonds, [name of Remarketing Agent] is not obligated to do so, and accordingly the purchaser (or any such other investor) should be prepared to hold such Bond until the mandatory purchase thereof at the end of the Taxable Flexible Rate Segment, Taxable Weekly Rate Period or Taxable Term Rate Period, as applicable or until a Tax-Exempt Conversion Date, if any; and (5) the purchaser acknowledges that the Bond sold to the purchaser by [name of Remarketing Agent] may be sold to it pursuant to Rule 144A."

The Trustee shall not transfer any such Bond to a new owner if a Responsible Officer of the Trustee has actual knowledge that such transfer would violate the terms of the legend set forth above. The Trustee may request documentation from a transferor or transferee thereof, including opinions or certificates, to ensure compliance with the terms of such legend prior to effecting any such transfer.

Upon adjustment to a Term Rate Period or Taxable 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 Taxable Term Rate Period, or a statement to the effect that the Bonds will not be optionally redeemed during such Term Rate Period or Taxable Term Rate Period, and a statement indicating the applicable Term Rate or Taxable Term Rate and the duration of the applicable Term Rate Period or Taxable Term Rate Period, provided that the Registrar shall not authenticate such a revised Bond form prior to receiving an opinion of Bond Counsel 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 if such Bonds are Bonds of a Tax-Exempt Series.

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 Series 1999A and Series 1999B Bonds and deliver them to the purchasers 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, the Bond Insurance and, in the case of any Bonds that may be remarketed from time to time, a Liquidity Facility.

(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 Initial Purchaser, upon payment by the Initial Purchaser to the Trustee of the sum specified in such request and authorization for deposit in the Construction Fund and Costs of Issuance Fund, 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 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 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 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 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, if any, 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, if any, 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 of a Tax-Exempt Series.

(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] 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."

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, if any, 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, if any, 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 and the Remarketing 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 and the Remarketing 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 of each Series (including any Bond issued on a Tax-Exempt Conversion Date) 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 and the Remarketing Agent, if any, 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.

SECTION 2.15. CONVERSION OF SERIES 1999B BONDS TO TAX-EXEMPT SERIES.

The Borrower may give written notice at any time to the Issuer, the Remarketing Agent, the Liquidity Provider, the Bond Insurer and the Trustee that it intends to effect a conversion of all or a portion of the Series 1999B Bonds to Bonds of a new or existing Tax-Exempt Series (other than Series 1999A Bonds) on the day specified in such notice, which date shall be the Tax-Exempt Conversion Date for such Bonds and shall be not less than 15 days after the date of such notice (or such shorter period of time as to which the Trustee agrees) and shall be the day following the end of a Taxable Flexible Rate Segment with respect to any Taxable Flexible Bonds, the day specified in such notice with respect to any Taxable Weekly Bonds, or the day following the end of the Taxable Term Rate Period or a day on which such Bonds are subject to redemption pursuant to Section 3.01(A)(3) with respect to any Taxable Term Bonds to be converted. If less than all of the Taxable Flexible Bonds, Taxable Term Bonds or Taxable Weekly Bonds are being converted to a Tax-Exempt Series, the notice shall state the amount and the identity of such Bonds to be so converted as provided in Section 2.02(a). Together with such notice, the Borrower shall file with the Issuer, the Remarketing Agent, and the Trustee a form of opinion of Bond Counsel acceptable to the Issuer, the Remarketing Agent, and the Trustee (which opinion may be based on rulings of the Internal Revenue Service) to the effect that (i) the conversion of such Bonds will not adversely affect the validity thereof, (ii) the interest on such Bonds shall be Tax-Exempt, and (iii) that such conversion is permitted by the terms hereof. No proposed conversion of such Bonds to a Tax-Exempt Series shall become effective unless (i) the Borrower shall also file with the Issuer, the Remarketing Agent, the Liquidity Provider, and the Trustee such an opinion dated the Tax-Exempt Conversion Date, and (ii) except in the case of a conversion to a Term Rate with a Term Rate Period fixed to maturity, a Liquidity Facility meeting the requirements of Section 5.14 of the Agreement will be in full force and effect after the Tax-Exempt Conversion Date and the Borrower is not in default thereunder. Upon compliance with the applicable provisions of Section 2.03 of this Indenture simultaneously with the provisions of this Section 2.15, the Borrower may, on the Tax-Exempt Conversion Date, either (i) convert the Rate Period of the Series 1999B Bonds to be converted to a Tax-Exempt Series to a new Rate Period on the Tax-Exempt Conversion Date, or (ii) convert the Rate Period of such Bonds to be converted to an Outstanding Tax-Exempt Series (other than the Series 1999A Bonds) to the existing Rate Period of such Outstanding Bonds, all as stated in the notice from the Borrower to the Trustee, the Issuer, the Liquidity Provider and the Remarketing Agent.

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, a Weekly Rate Period or a Taxable Weekly Rate Period for any Bonds, 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 (but, with respect to Taxable Weekly Bonds, only to the extent of Available Moneys).

(2) On the day next succeeding the last day of any Flexible Segment or of any Taxable Flexible Rate 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 or Taxable Term Rate Period for 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, during the periods specified below, in whole at any time or in part from time to time on any date (but, with respect to Taxable Term Bonds, only to the extent of Available Moneys), at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued interest, if any, to the redemption date:

Length of Term Rate Period (expressed in years)	Redemption Prices
greater than or equal to 15	after 10 years at 102%, declining by 1% annually to 100%
less than 15 and 10 or greater	after 8 years at 101.5%, declining by 0.75% annually to 100%
less than 10 and 5 or greater	after 5 years at 101%, declining by 0.5% annually to 100%
less than 5	only on commencement of next Term Rate Period or Taxable Term Rate Period at 100%

With respect to any Term Rate Period or Taxable Term Rate Period, the Borrower may specify in its notice of adjustment to or continuation of a Term Rate Period or Taxable 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) if applicable, will not adversely affect the Tax-Exempt status of the Bonds of any Tax-Exempt Series.

(4) 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 (but, as applicable, only to the extent of Available Moneys) 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 of any Tax-Exempt Series 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 of such Tax-Exempt Series or any of them 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, the Tax-Exempt Series will be redeemed in whole unless, in the opinion of Bond Counsel delivered to the Trustee, the redemption of a portion of such Tax-Exempt Series would have the result that interest payable on the Tax-Exempt Series 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 Bond which is acquired by a Liquidity Provider pursuant to a Liquidity Facility shall be subject to redemption at the time and in the amount and at the price specified by such Liquidity Facility.

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, if any, the Bond Insurer, and the Liquidity Provider, if any. 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, and 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). 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 Bond Insurer, the Trustee or the Remarketing 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 The Depository Trust Company, New York, New York and Midwest Securities Trust Company, Chicago, Illinois).

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 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 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 Tax-Exempt Series of Bonds, any such 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 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 11:00

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 for any Tax-Exempt Series of Bonds, any such 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 next 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.

(c) Taxable Weekly Rate Period. On any Business Day, during any Taxable Weekly Rate Period for any Taxable Weekly Bonds, any such Taxable Weekly 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 Taxable Weekly 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 Taxable Weekly Bond (if such Taxable Weekly 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 next succeeding the date of the delivery of such notice to the Trustee, and (ii) delivery of such Taxable Weekly Bond (if such Taxable Weekly 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, other than the Series 1999A Bonds, shall be subject to mandatory purchase at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon, unless the Mandatory Purchase Date is an Interest Payment Date, on the dates stated below:

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

(ii) As to each Taxable Weekly Bond, on the effective date of change from a Taxable Weekly Rate Period to a new Rate Period other than a Taxable Weekly Rate Period;

(iii) As to each Term Bond or Taxable Term Bond, on the effective date of change from a Term Rate or Taxable Term Rate, as the case may be, to a new Rate Period, including a change from one Term Rate Period or Taxable Term Rate Period to another Term Rate Period or Taxable Term Rate Period, respectively, of the same duration; provided that Bonds in a Term Rate Period or Taxable 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;

(iv) On the Business Day prior to the Expiration Date of the applicable Liquidity Facility (including any such Expiration Date which occurs by reason of the delivery of an Alternate Liquidity Facility); and

(v) As to each Bond in a Daily Rate Period or Weekly Rate Period, on the effective date of change to a new Rate Period, other than a change from one Daily Rate Period to another Daily Rate Period or a change from one Weekly Rate Period to another Weekly Rate Period.

Notwithstanding the foregoing, the Bonds will not be subject to mandatory purchase under (iv) if the Borrower is no longer required to maintain a Liquidity Facility under Section 5.15 of the Agreement. In addition, notwithstanding the foregoing, the Bonds will not be subject to mandatory purchase pursuant to Section 4.02(a)(iv) if at least 25 days before the Expiration Date (i) the Trustee has received written notice from the Liquidity Provider that the Liquidity Facility then in effect has been extended, or (ii) an Alternate Liquidity Facility is delivered to the Trustee and is effective, together with written evidence that the replacement of the Liquidity Facility theretofore in effect with such Alternate Liquidity Facility will not result in any suspension, withdrawal or reduction of the short-term ratings, if any, assigned to the Bonds by S&P and Moody's.

(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 Section 2.03(a)(iii), 2.03(b)(iii), 2.03(c)(iii), 2.03(d)(iii), 2.03(e)(iii), 2.03(f)(iii) or 2.03(g)(iii), as the case may be, to be included in the notice given pursuant to such Section or by delivery of an Alternate Liquidity Facility which does not require a mandatory purchase. 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 11:30 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) or (c) 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, if a Liquidity Facility 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), (b) or (c) 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 or Taxable 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 only remarket Taxable Flexible Bonds, Taxable Weekly Bonds and Taxable Term Bonds to investors who meet the requirements described in the legend set forth in Section 2.07 hereof. 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 next preceding the date 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, or the Taxable Flexible Rate Segments and the Taxable Flexible Rates for, as applicable, 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 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.

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 or Taxable 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 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 the Liquidity Facility, if any;

(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, provided that such moneys shall not be used to pay accrued interest, if any, on such Bonds.

(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, 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 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.

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"), shall be held by the Trustee, as Tender Agent (upon written directions from the Liquidity Provider) or registered in the name of the Liquidity Provider on the registration books of DTC, with respect to Book-Entry Bonds. The Remarketing Agent shall seek to remarket any Liquidity Provider Bonds prior to remarketing any other Bonds tendered for purchase. The proceeds of any remarketing of Liquidity Provider Bonds shall be transferred by the Trustee to the Liquidity Provider. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Liquidity Provider Bonds, Bonds in place of such Liquidity Provider Bonds 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, and the Trustee as Tender Agent shall have received written confirmation from the Liquidity Provider of the reinstatement of the Liquidity Facility; 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 Lehman Brothers Inc., provided, however, that the Issuer may at its own discretion, and shall, at the written direction of the Borrower, remove the Remarketing Agent upon at least five (5) Business Days' notice in writing; provided, further, the appointment of any Remarketing Agent shall terminate upon the defeasance of all Series 1999B Bonds (and all Bonds of Tax-Exempt

Series into which they may be converted) in accordance with the provisions of Article VIII hereof, or the date in which all Series 1999B Bonds (and all Bonds of Tax-Exempt Series into which they may be converted) are in a Term Rate Period or Taxable Term Rate Period ending on the maturity date of such Bonds. The Issuer shall, with the concurrence of the Borrower and the Liquidity Provider, appoint a successor Remarketing Agent for such Bonds upon the removal or resignation of a Remarketing Agent unless all Bonds are in a Term Rate Period or Taxable Term Rate Period ending on the maturity date for such Bonds. The Remarketing Agent 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. No removal of 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, or by automatic termination as described above) 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.

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. The Remarketing Agent may at any time resign and be discharged of its duties and obligations as described 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. No resignation of the Remarketing Agent, however, shall become effective until a successor Remarketing Agent has been appointed and accepted such appointment as provided in Section 4.08 hereof.

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), 4.01(b)(i) or 4.01(c)(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), 4.01(b)(ii), 4.01(c)(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 UPON THE LIQUIDITY FACILITY.

(a) The Trustee or Tender Agent, as applicable, shall draw funds under any Liquidity Facility supporting a Series of the Bonds in an amount necessary and in sufficient time (as set forth by the terms of such Liquidity Facility) so as to provide to the Trustee the balance of the funds needed to purchase tendered Bonds of such Series, taking into account the remarketing proceeds received by the Trustee or Tender Agent, as applicable, in the Remarketing Agent's notice pursuant to Section 4.04(c) hereof 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. 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, the Trustee shall still draw on the Liquidity Facility for such Bonds in an amount necessary and in sufficient time (as set forth by the terms of such Liquidity Facility) 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 any excess moneys received from a draw on the Liquidity Facility 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.

(b) If a commitment to renew the Liquidity Facility for the Series 1999B Bonds (or any Tax-Exempt Series into which such Bonds may be converted) or to provide an Alternate Liquidity Facility for such Bonds shall not be provided prior to the 30th day before the scheduled expiration date of such Liquidity Facility, then such Bonds shall not be remarketed after the 15th day prior to such expiration.

(c) (i) Whenever the Borrower has delivered to the Trustee a commitment for the delivery of an Alternate Liquidity Facility for a Series of Bonds pursuant to Section 5.14 of the Agreement, the Trustee shall mail by first class mail a notice to all Bondholders (and the Bond Insurer) stating: (i) the name of the issuer of the Alternate Liquidity Facility; (ii) the date on which the Alternate Liquidity Facility will become effective, which date shall not be less than five (5) calendar days prior to the stated expiration date of the existing Liquidity Facility for the Bonds; and (iii) the rating expected to apply to such series of Bonds after the Alternate Liquidity Facility is delivered. Such notice shall be mailed at least ten (10) days prior to the effective date of the Alternate Liquidity Facility.

(ii) Upon receipt of any Alternate Liquidity Facility, the Trustee shall provide notice thereof to the Issuer, each rating agency then rating the Bonds and the Borrower.

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. The provisions of this Section 5.08 shall only apply to the Series 1999A Bonds or any portion of the Series 1999B Bonds which have been converted to Bonds of a Tax-Exempt Series pursuant to Section 2.15.

(a) Pursuant to the Agreement and the Tax Certificate, the Borrower covenants to maintain the Tax-Exempt status of such Bonds pursuant to Section 103(a) of the Code, 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 such 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 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 such Bonds pursuant to Section 148(f) of the 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

such 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 such 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 such Bonds under Section 103(a) of the Code, the covenants in this Section 5.08 shall survive the payment of such 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.

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 6.14 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 of Nevada, 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 of Nevada 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 1999 - 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 1999A Account" and the "Taxable Series 1999B Account" of the Bond Fund. The Trustee is hereby authorized to create additional accounts as necessary upon conversion of any Series 1999B Bonds to Bonds of a Tax-Exempt Series.

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:

(a) all accrued interest, if any, paid by the Initial Purchaser of the applicable Series of Bonds;

(b) any amounts transferred from the Construction Fund pursuant to the provisions of Sections 6.06, 6.08, 6.09 and 6.10 of this Indenture;

(c) all payments specified in Section 4.2(a) of the Agreement; 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. USE OF MONEYS IN THE BOND FUND AND CERTAIN OTHER MONEYS. Except as provided in Sections 4.11, 6.11, 6.14 and 10.03 hereof and subject to the provisions of the Tax Certificate, moneys in the Bond Fund shall be used solely for 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. Funds for such payments of the principal of and premium, if any, and interest on the Bonds held by Owners other than the Bond Insurer or the Borrower shall be derived from the following sources in the order of priority indicated:

(a) 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;

(b) 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;

(c) 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;

(d) from moneys retained in the Construction Fund following the Completion Date pursuant to Section 6.06 of the Indenture and amounts withdrawn from the Construction Fund and deposited into the Bond Fund pursuant to the provisions of Sections 6.06, 6.08, 6.09 or 6.10 of this Indenture; 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 6.05. 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 6.04 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 6.06. 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 1999 - Construction Fund" (the "Construction Fund") and accounts within such fund to be designated "Series 1999A Construction Account" and "Series 1999B Construction Account". The Trustee shall create further accounts as necessary upon conversions of the Series 1999B

Bonds from time to time. Proceeds from the sale of a Series of Bonds shall be deposited in the account of the Construction Fund relating to such Series of Bonds 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 such Series of 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 6.07. 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 accounts within such fund to be designated the "Series 1999A Costs of Issuance Account" (the "Series 1999A Costs of Issuance Account") and another account within such Fund to be designated the "Series 1999B Costs of Issuance Account" (the "Series 1999B Costs of Issuance Account" and, collectively, the "Costs of Issuance Accounts"). The moneys in each account of the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance for the related Series of Bonds upon a requisition filed with the Trustee, in the form attached hereto as Exhibit D, 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 Bonds shall be transferred to the Construction Fund.

SECTION 6.08. 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 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 6.09. 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 6.10 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 6.10. 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 6.11. 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 6.12. 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 6.13. 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 6.11 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 6.14. 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, if any, the Remarketing Agent, if any, and all other amounts required to be paid under the Agreement, the Bond Insurance, the Liquidity Facility, if any, and this Indenture shall be paid to the Borrower as provided in Section 9.5 of the Agreement.

SECTION 6.15. 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 6.16. PAYMENTS OF PRINCIPAL AND INTEREST. The Trustee shall pay from Revenues received by the Trustee, in the order of priority indicated in Section 6.04 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 6.17. 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, 6.11 and 6.14 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 6.18. 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 1999 - 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 6.19. BOND INSURANCE PAYMENTS. As long as the 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, if any, 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, if any, determines that there will be insufficient funds in such Bond Fund, the Trustee or Paying Agent, if any, 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, if any, 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 next following the date on which Bond Insurer shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) the Trustee or Paying Agent, if any, 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 the United States Trust Company of New York, as 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, if any, and all records relating to the funds maintained under the Indenture.

(c) the Trustee or Paying Agent, if any, 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, if any, 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, if any, 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, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, 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, if any, 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, if any, 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, if any, 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, if any, 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, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, 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, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, 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 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 6.11 and 6.17 hereof, shall be held uninvested. Moneys

that are "Available Moneys" under the definition thereof may be invested in (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 at such time as will insure availability at the time of the required payments.

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 of any Tax-Exempt Series to be treated as "arbitrage bonds" within the meaning of Section 148(a) of the 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 6.14 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 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, a Taxable Term Rate, a Taxable 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 or Taxable Flexible Rate no later than the Interest Payment Date for the then current Flexible Segment or Taxable Segment, as applicable, 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 or Taxable 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 Tax-Exempt Series of 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 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 next 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.

For purposes of paragraph (B) above, if the Bonds to be deemed paid are Taxable Weekly Bonds which are rated by S&P, such Bonds shall not be deemed paid unless the Trustee shall receive, prior to the defeasance thereof, written evidence from S&P that the short-term rating on such Taxable Weekly Bonds will not be reduced or withdrawn due to such defeasance pursuant to Section 8.01(B) hereof.

(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, 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;

(d) The occurrence of an "Event of Default" under the Agreement;

(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 contained and failure to remedy the same after notice thereof pursuant to Section 9.10 hereof; and

(f) Receipt by the Trustee of notice of an Insurer Default.

SECTION 9.02. ACCELERATION. Upon the occurrence and continuance of an Event of Default under Section 9.01 hereof, the Trustee may with the consent of the Bond Insurer, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding with the consent of the Bond Insurer, shall, by notice in writing delivered to the Borrower, with copies to the Issuer, the Bond Insurer, the Liquidity Provider, if any, and the Remarketing Agent, if any, declare the principal of all Bonds then outstanding 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. Upon any such declaration, the Trustee shall declare all indebtedness 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.

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.

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 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 as the Trustee being advised by Counsel shall deem most expedient in the interests of the Bondholders.

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 other than an Insurer Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders hereunder including, without limitation: (i) the right to accelerate the principal of the Bonds as described herein, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default hereunder.

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 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, or for the appointment of a receiver or any other proceedings hereunder; 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 pursuant to any right given or action taken under the provisions of this Article or pursuant to 6.08 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 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 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 of the Bonds which shall have become due (other than 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 any 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 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 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 6.14 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, (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 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 paragraph of Section 9.03, the Trustee may in its discretion waive any Event of Default 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 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 and the Remarketing Agent, if any.

The provisions of Sections 9.01 and 9.02 hereof are subject to the conditions that if, after the principal of all Bonds 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 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 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, including reasonable attorneys' fees paid or incurred, and if no other defaults shall have occurred and be continuing, then and in every such case, the Trustee shall annul such declaration of maturity and its consequences, which waiver and annulment shall be binding upon all Bondholders; 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 Bondholders 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 Borrower and the Remarketing Agent, if any.

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.

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 Tax-Exempt Series to be "arbitrage bonds" within the meaning of Section 148(a) of the 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 oral communication or direction, 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 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 or the Owners of at least a majority in aggregate principal amount of all Bonds then outstanding or the Remarketing Agent.

(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 Bondholders, the Trustee may require that a satisfactory indemnity bond be furnished by the Bondholders, 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 negligence or willful default 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.

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 and necessarily made or incurred by the Trustee in connection with such services hereunder; provided, that if such expenses are occasioned 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.

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, if any, the Bond Insurer, the Owner of each Bond and the Remarketing Agent, if any, 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, 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) 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; 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 and the Remarketing Agent, if any, 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 all securities and moneys held by it as Trustee hereunder to its successor and transfer any Liquidity Facility 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 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 and the Liquidity Provider, if any, with the following:

(A) On or before December 15 of each year during which any of the Bonds are outstanding, commencing December 15, 1999, 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 written notice to the Issuer within five (5) Business Days of such occurrence and such notice shall include a statement setting forth the steps the Trustee is taking to remedy such failure or Event of Default, as applicable.

(C) As of June 30 and December 31 of each year (beginning December 31, 1999) in which Bonds are Outstanding, a Trustee's report in the form of Exhibit C attached hereto. This report shall be received no later than January 15 or July 15 next following each such June 30 or December 31, as the case may be.

SECTION 10.14. NOTICES TO RATING AGENCY AND LIQUIDITY PROVIDER; NOTICES TO BOND INSURER. (a) The Trustee shall provide any rating agency then rating the Bonds and the Liquidity Provider with written notice upon the occurrence of: (i) the expiration, termination, extension of or substitution for any Liquidity Facility; (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, or Remarketing Agent; (iv) acceptance of appointment as successor Trustee, Tender Agent, or Remarketing Agent hereunder; (v) the redemption of all Bonds; (vi) any conversion of the Series 1999B Bonds to a Tax-Exempt Series, or to a Rate Period not requiring a Liquidity Facility; (vii) a material change in the Indenture, the Agreement, or Liquidity Facility; (viii) any mandatory tender of a Series of Bonds hereunder 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.

(a) While the 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, 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 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 immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required 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 permit the Bond Insurer to have access to and to make copies of all books and records relating to the Bonds 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.

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 and the Bond Insurer 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;

(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 of a Tax-Exempt Series);

(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 of any Tax-Exempt Series);

(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 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 of any Tax-Exempt Series);

(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 next 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 of a Tax-Exempt Series; 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 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 such Series 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 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 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 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 entitled to so consent and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders. 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 and Bond Insurer shall have consented to the execution and delivery of such supplemental indenture.

SECTION 11.04. CONSENT OF REMARKETING AGENT AND LIQUIDITY PROVIDER.

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 which affects any Liquidity Facility shall not become effective unless and until the Remarketing Agent or the Liquidity Provider, 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 may receive and 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 of a Tax-Exempt Series. 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 of a Tax-Exempt Series.

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 and the Liquidity Provider, if a Liquidity Facility is in effect, 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 any Liquidity Facility, (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 of a Tax-Exempt Series, 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 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 Bond Insurer's consent 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 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 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, 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 in the same 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, 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 adversely 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 may receive and 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 of a Tax-Exempt Series.

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, if any, the Bond Insurer, the Remarketing Agent, if any, 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, if any, 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 mutually acceptable to the delivering and recipient parties, courier charges prepaid, addressed as follows:

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 89192-8510
Phone: (702) 876-7252
Telecopy: (702) 876-7037

If to the Trustee,
the Paying Agent or the
Tender Agent: Harris Trust and Savings Bank
Indenture Trust Administration
311 West Monroe, 12th Floor
Chicago, IL 60606
Phone: (312) 461-2908
Telecopy: (312) 461-3525

If to the Bond Insurer: Ambac Assurance Corporation
Utilities Group
One State Street Plaza
New York, NY 10004
Telecopy: (212) 797-5725

If to the
Remarketing Agent: Lehman Brothers
3 World Financial Center, 9th Floor
New York, NY 10285
Attention: Short-Term Municipal Desk
Telecopy: (212) 526-1386

If to any
Liquidity Provider: The address provided by such Liquidity Provider to
the Issuer, the Borrower, the Trustee, the Bond
Insurer and the Remarketing Agent

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, telecopy 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, the Bond Insurer, the Liquidity Provider, if any, and the Remarketing Agent, if any, by notice pursuant to this Section 13.06, 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 of Nevada or any department, board or agency of the Issuer or the State of Nevada 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 next 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 of any Tax-Exempt Series, 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 of any Tax-Exempt Series 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 of Nevada.

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, stockholder, 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.

[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/ Bruce L. Woodbury

Chair, Board of County Commissioners

(SEAL)

Attest:

/s/ Shirley B Parraguirre

County Clerk

HARRIS TRUST AND SAVINGS BANK,
as Trustee

By /s/ J. Bartolini

Authorized Officer

No. A-1

CUSIP: _____

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 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 1999A

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: _____, _____

Interest Rate: [TERM RATE OF _____ %]

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 herein and 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 Harris Trust and Savings Bank, an Illinois banking corporation, 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 Harris Trust and Savings Bank, an Illinois banking corporation, 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 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 an authorized issue of bonds limited in the initial aggregate principal amount of \$35,000,000 (the "Bonds") issued pursuant to a resolution duly adopted by the governing body of the Issuer on March 2, 1999, and the applicable 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"), and issued under an Indenture of Trust, dated as of October 1, 1999 (the "Indenture"), between the Issuer and the Trustee, for the purpose of financing or refinancing 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 in Clark County, Nevada for the local furnishing of natural gas (the "Project"). Proceeds from the sale of the Bonds are to be loaned by the Issuer to Southwest Gas Corporation, a California corporation (the "Borrower"), under the terms of a Financing Agreement, dated as of October 1, 1999 (the "Agreement"). The Bonds are all issued under and 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 all receipts of the Trustee credited under the provisions of the Indenture against such payments, including amounts realized by the Trustee from repayments by the Borrower under the Agreement 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. Payments of principal of, and interest on the Bonds are guaranteed by Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

This Bond may be transferred or exchanged by the registered owner hereof in person or by his 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 or exchange a new registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

IN NO EVENT SHALL THE INTEREST RATE ON ANY BOND EXCEED THE LESSER OF 15% PER ANNUM OR THE MAXIMUM RATE PER ANNUM THEN PERMITTED BY APPLICABLE LAW.

Interest on this Bond shall be payable on each Interest Payment Date for the period commencing on the next preceding Interest Payment Date (or if no interest has been paid hereon, commencing on the Dated Date) and ending on the day next preceding 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. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

The term "Interest Payment Date" means April 1 and October 1 of each year, commencing April 1, 2000. The term "Record Date" means the fifteenth day of the calendar month next preceding such Interest Payment Date.

The Bonds shall be deliverable in the form of registered Bonds without coupons in the denominations of \$5,000 and any integral multiple thereof.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION AS PROVIDED IN THE INDENTURE.

This Bond is issued pursuant to and in full compliance with the Constitution and laws of the State of Nevada, particularly the Act, and pursuant to further proceedings adopted by the governing authority of the Issuer, which proceedings authorize the execution and delivery of the Indenture. This Bond and the series of which it forms a part are limited obligations of the Issuer payable solely from the amounts derived under the Agreement and pledged under the Indenture, including all amounts payable from time to time by the Borrower in respect of the indebtedness under the Agreement and all receipts of the Trustee credited under the provisions of the Indenture against said amounts payable. No owner of any Bond issued under the Act has the right to compel any exercise of the taxing power of the Issuer to pay the Bonds, or the interest or premium, if any, thereon. The Project is not security for the Bonds.

No recourse shall be had for the payment of the principal of and 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 member, director, officer, employee or agent of the Issuer or the Borrower, or through the Issuer or the Borrower, or any successor to the Issuer or the Borrower, 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, the Agreement and the issuance of any of the Bonds.

The owner 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 under 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 and accrued interest thereon to the date of declaration may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

The Issuer, the Trustee, the Paying Agent, the Tender Agent, the Registrar and any other agent of the Issuer or the Trustee 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, the Paying Agent, the Tender Agent, the Registrar, nor any such agent shall be affected by notice to the contrary.

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 payment, registration, transfer or exchange of Bonds, including a provision that under certain circumstances the Bonds shall be deemed to be paid if there shall have been deposited with the Trustee certain government obligations, as provided in the Indenture, 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 and premium, if any, and interest on the Bonds and all necessary and proper fees, compensation and expenses of the Trustee.

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.

Terms which are used herein as defined terms and which are not otherwise defined shall have the meanings assigned to them in the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED 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 Law (as hereinafter defined) and 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 valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed 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

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds referred to in the within-mentioned Indenture of Trust.

HARRIS TRUST AND SAVINGS BANK,
not in its individual capacity,
but solely as Trustee

By: -----
Authorized Signatory

Date of Authentication: -----

[BOND INSURANCE LEGEND TO BE ADDED]

[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 under Uniform Gifts to Minors Act
of survivorship and not as _____
tenants in common (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]

[At such time as the Bonds are no longer held in Book-Entry form, the references herein to the book-entry system may be deleted.]

EXHIBIT A2

[FORM OF TAXABLE SERIES 1999B BOND]

No. TB- _____

CUSIP: _____

By its acceptance of this Bond, each purchaser of this Bond will be deemed to have represented and agreed as follows: (1) the purchaser understands that the Bonds are being issued only in transactions not involving any public offering within the meaning of the Securities Act; (2) the purchaser is (A) a sophisticated institutional investor who (i) is an "Accredited Investor" as that term is defined in Rule 501(a) of Regulation D under the Securities Act (or is a fiduciary or agent (other than a U.S. bank or savings and loan association) that is purchasing the Bonds for the account of an Accredited Investor), (ii) has such knowledge and experience (or is a fiduciary or agent with sole investment discretion having such knowledge and experience) in financial and business matters that it (or such fiduciary or agent) is capable of evaluating the merits and risks of investing in such Bond, (iii) has had access to such information as the purchaser deems necessary in order to make an informed investment decision, and (iv) is purchasing the Bond for investment and not with a view to distribution; or (B) in the case of sale of Bonds pursuant to Rule 144A under the Securities Act, a "Qualified Institutional Buyer" as defined in Rule 144A (or is a Qualified Institutional Buyer purchasing the Bonds on behalf of one or more other Qualified Institutional Buyers); (3) if in the future the purchaser (or any such other investor or any other fiduciary or agent representing such investor) decides to sell such Bond prior to the maturity date, any redemption date, or the date fixed for mandatory purchase, it will be sold only in a transaction exempt from registration under, or not subject to, the Securities Act and only to (i) the Remarketing Agent (as defined in the hereinafter referred to Indenture) or through the Remarketing Agent to an institutional investor approved by the Remarketing Agent as an institutional Accredited Investor or a Qualified Institutional Buyer, or (ii) a Qualified Institutional Buyer in a transaction made pursuant to Rule 144A under the Securities Act; (4) the purchaser understands that, although the Remarketing Agent may repurchase Bonds, the Remarketing Agent is not obligated to do so, and accordingly the purchaser (or any such other investor) should be prepared to hold such Bond until the maturity date or any earlier redemption date or date of mandatory purchase thereof; (5) the purchaser acknowledges that the Bond sold to the purchaser by the Remarketing Agent may be sold to it pursuant to Rule 144A; and (6) the purchaser acknowledges that the Trustee or the Borrower may request reasonable documentation from the purchaser (including opinions and certificates) to ensure compliance with the terms of this legend in connection with a transfer.

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 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) TAXABLE SERIES 1999B

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF 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: [TAXABLE WEEKLY RATE]

CLARK COUNTY, NEVADA (the "Issuer"), a 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 herein and 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 Harris Trust and Savings Bank an Illinois banking corporation, 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 Harris Trust and Savings Bank an Illinois banking corporation, 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 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 on the first Interest Payment Date with respect to a Taxable Flexible Rate

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 as provided in the Indenture. 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 an authorized issue and series of bonds limited in aggregate principal amount to \$35,000,000 (the "Bonds") issued pursuant to a resolution duly adopted by the governing body of the Issuer on March 2, 1999, and the applicable provisions of the County Economic Development Revenue Bond Law, Sections 244A.669 to 244A.763, inclusive, of the Nevada Revised Statutes (the "Act"), and issued under an Indenture of Trust, dated as of October 1, 1999 (the "Indenture"), between the Issuer and the Trustee, for the purpose of financing or refinancing 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 in Clark County, Nevada, for the purpose of local furnishing of natural gas (the "Project"). Proceeds from the sale of the Bonds are to be loaned by the Issuer to Southwest Gas Corporation, a California corporation (the "Borrower"), under the terms of a Financing Agreement, dated as of October 1, 1999 (the "Agreement"). The Bonds are all issued under and 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 all receipts of the Trustee credited under the provisions of the Indenture against such payments, including amounts realized by the Trustee from repayments by the Borrower under the Agreement 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. Payments of principal of and interest on the Bonds are guaranteed by Ambac Assurance Corporation. While the Bonds are subject to tender for purchase, payments of the purchase price of Bonds tendered for purchase and not remarketed are initially supported by a Standby Bond Purchase Agreement (together with any replacement facility, the "Liquidity Facility") between the Borrower and Bank One, NA (together with any successor or the provider of any replacement Liquidity Facility, the "Liquidity Provider"), pursuant to the terms of which the Trustee or Tender Agent, as applicable, may draw for such payments hereunder. Notwithstanding any other provision hereof or of the Indenture, if this Bond is acquired by the Liquidity Provider pursuant to the provisions of the Liquidity Facility, such Bond will bear interest and be subject to redemption as provided in the Liquidity Facility.

The Bonds initially have been issued as taxable weekly variable rate bonds (defined in the Indenture as Taxable Weekly Bonds), the interest on which is includable in gross income for federal income tax purposes, but all or any portion of the Bonds may be converted to bonds, the interest on which is excludable from gross income for federal income tax purposes as provided in the Indenture.

This Bond may be transferred or exchanged by the registered owner hereof in person or by his 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 or exchange a

new registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and in the same series will be issued to the transferee in exchange herefor.

IN THE MANNER PROVIDED AND SUBJECT TO THE PROVISIONS OF THE INDENTURE, THE TERM OF THE BONDS WILL BE DIVIDED INTO CONSECUTIVE RATE PERIODS DURING EACH OF WHICH THE BONDS SHALL BEAR INTEREST AT TAXABLE WEEKLY RATES OR AT TAXABLE FLEXIBLE RATES OR AT TAXABLE TERM RATES, EACH OF WHICH SHALL BE DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE, UNTIL CONVERSION OF ALL OR ANY PORTION OF THE BONDS AS AFORESAID. IN NO EVENT SHALL THE INTEREST RATE ON ANY BOND EXCEED THE LESSER OF 15% PER ANNUM OR THE MAXIMUM INTEREST RATE PERMITTED BY LAW. THE DETERMINATION OF THE TAXABLE WEEKLY RATE, THE TAXABLE FLEXIBLE RATE FOR ANY TAXABLE RATE SEGMENT AND THE TAXABLE TERM RATE SHALL BE BINDING ON THE REMARKETING AGENT, THE TRUSTEE, THE ISSUER, THE BORROWER AND THE OWNER OF THIS BOND, Absent manifest error.

Interest on this Bond shall be payable on each Interest Payment Date for the period commencing on the next preceding Interest Payment Date and ending on the day next preceding 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. Interest in the case of any Taxable Weekly Rate Period or any Taxable Flexible Rate Period shall be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed, and in the case of a Taxable Term Rate shall be computed on the basis of a year consisting of twelve 30-day months.

The terms used herein but not otherwise defined, including "Interest Payment Date," "Record Date," "Tax-Exempt Conversion Date," "Taxable Flexible Rate Segment," and "Taxable Term Rate Period," have the meanings assigned to such terms in the Indenture.

The Bonds shall be deliverable in the form of registered Bonds without coupons in the denominations authorized by the Indenture.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY TENDER AND PURCHASE AS PROVIDED IN THE INDENTURE.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION, IN SOME INSTANCES AT PAR, AS PROVIDED IN THE INDENTURE.

This Bond and all other Bonds of the series of which it forms a part are issued pursuant to and in full compliance with the Constitution and laws of the State of Nevada, particularly the Act, and pursuant to further proceedings adopted by the governing authority of the Issuer, which proceedings authorize the execution and delivery of the Indenture. This Bond and the series of which it forms a part are limited obligations of the Issuer payable solely from the amounts derived under the Agreement and pledged under the Indenture, including all

amounts payable from time to time by the Borrower in respect of the indebtedness under the Agreement and all receipts of the Trustee credited under the provisions of the Indenture against said amounts payable. No owner of any Bond issued under the Act has the right to compel any exercise of the taxing power of the Issuer to pay the Bonds, or the interest or premium, if any, thereon. The Project is not security for the Bonds.

No recourse shall be had for the payment of the principal of and 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 member, director, officer, employee or agent of the Issuer or the Borrower, or through the Issuer or the Borrower, or any successor to the Issuer or the Borrower, 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, the Agreement and the issuance of any of the Bonds.

The Owner 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 under 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 and accrued interest thereon to the date of declaration may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

The Issuer, the Trustee, the Remarketing Agent, the Tender Agent, the Paying Agent and any other agent of the Issuer or the Trustee 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, the Remarketing Agent, the Paying Agent nor any such agent shall be affected by notice to the contrary.

This Bond is subject to, and is executed in accordance with, all of the terms, conditions and provisions of 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 payment, registration, transfer or exchange of Bonds, including a provision that under certain circumstances the Bonds shall be deemed to be paid if there shall have been deposited with the Trustee certain government obligations, as provided in the Indenture, 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 and premium, if any, and interest on the Bonds and all necessary and proper fees, compensation and expenses of the Trustee.

Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

Terms which are used herein as defined terms and which are not otherwise defined shall have the meanings assigned to them in the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED 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 Law (as hereinafter defined) and 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 valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed by the Trustee.

[Remainder of page intentionally blank.]

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

FOR CONVERSIONS ONLY

Conversion Date	Principal Amount of Converted Bonds	Principal Amount of Tax-Exempt Bonds After Conversion	Authorized Signatory of Trustee
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds referred to in the within-mentioned Indenture of Trust.

HARRIS TRUST AND SAVINGS BANK,
not in its individual capacity,
but solely as Trustee

By: _____
Authorized Signatory

Date of Authentication: _____

[BOND INSURANCE LEGEND TO BE ADDED]

[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 under Uniform Gifts to Minors Act
of survivorship and not as _____
tenants in common _____ (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

[FORM OF TAX-EXEMPT SERIES BOND]

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 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) TAX-EXEMPT SERIES 1999 ____

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEVADA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR ANY INTEREST ON THIS BOND.

Registered
No. __-__

Registered
\$

For Flexible Rate Periods Only

Interest Rate -----	Number of Days in Flexible Segment -----	Mandatory Purchase and Interest Payment Date -----	Amount of Interest Due for Flexible Segment -----
_____	_____	_____	_____
_____ %	_____	_____	_____ %

Maturity Date: _____ CUSIP: _____
 Dated Date: _____, _____
 Registered Owner: Cede & Co.
 Initial Principal Amount: _____ DOLLARS
 [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 herein and 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 Harris Trust and Savings Bank, an Illinois banking corporation, 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 Harris Trust and Savings Bank, an Illinois banking corporation, 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 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 as provided in the Indenture. 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 an authorized issue of bonds limited in the initial aggregate principal amount of \$35,000,000 (the "Bonds") issued pursuant to a resolution duly adopted by the governing body of the Issuer on March 2, 1999, and the applicable 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"), and issued under an Indenture of Trust, dated as of October 1, 1999 (the "Indenture"), between the Issuer and the Trustee, for the purpose of financing or refinancing 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 in Clark County, Nevada for the local furnishing of natural gas (the "Project"). Proceeds from the sale of the Bonds are to be loaned by the Issuer to Southwest Gas Corporation, a California corporation (the "Borrower"), under the terms of a Financing Agreement, dated as of October 1, 1999 (the "Agreement"). The Bonds are all issued under and 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 all receipts of the Trustee credited under the provisions of the Indenture against such payments, including amounts realized by the Trustee from repayments by the Borrower under the Agreement 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. Payments of principal of and interest on the Bonds are guaranteed by Ambac Assurance Corporation. [While the Bonds are subject to tender for purchase, payments of the purchase price of Bonds tendered for purchase and not remarketed are initially supported by a Standby Bond Purchaser Agreement (together with any replacement facility, the "Liquidity Facility") between the Borrower and _____ (together with any successor or the provider of any replacement Liquidity Facility, the "Liquidity Provider"), pursuant to the terms of which the Trustee or Tender Agent, as applicable, may draw for such payments hereunder. Notwithstanding any other provision hereof or of the Indenture, if this Bond is acquired by the Liquidity Provider pursuant to the provisions of the Liquidity Facility, such Bond will bear interest and be subject to redemption as provided in the Liquidity Facility.]

This Bond may be transferred or exchanged by the registered owner hereof in person or by his 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 or exchange a new registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

IN THE MANNER PROVIDED AND SUBJECT TO THE PROVISIONS OF THE INDENTURE, THE TERM OF THE BONDS WILL BE DIVIDED INTO CONSECUTIVE RATE PERIODS DURING EACH OF WHICH THE BONDS SHALL BEAR INTEREST AT EITHER A DAILY RATE, A WEEKLY RATE, A TERM RATE OR FLEXIBLE RATES FOR ANY FLEXIBLE RATE SEGMENT, EACH OF WHICH SHALL BE DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE. IN NO EVENT SHALL THE INTEREST RATE ON ANY BOND EXCEED THE LESSER OF 15% PER ANNUM OR THE MAXIMUM RATE PER ANNUM THEN PERMITTED BY APPLICABLE LAW. THE FIRST RATE PERIOD SHALL BE SELECTED BY THE BORROWER IN ACCORDANCE WITH THE INDENTURE AND THE AGREEMENT ON OR BEFORE THE DATE OF ISSUANCE OF THE BONDS.

Interest on this Bond shall be payable on each Interest Payment Date for the period commencing on the next preceding Interest Payment Date (or if no interest has been paid hereon, commencing on the Dated Date) and ending on the day next preceding 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. Interest shall be computed (1) in the case of a Term Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and (2) in the case of any other Rate Period, on the basis of a 365 or 366-day year, as appropriate, and the actual number of days elapsed.

The terms used herein and not otherwise defined, including "Interest Payment Date" and "Record Date," have the meanings assigned to such terms in the Indenture.

The Bonds shall be deliverable in the form of registered Bonds without coupons in the denominations authorized by the Indenture.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY TENDER AND PURCHASE AS PROVIDED IN THE INDENTURE.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION AS PROVIDED IN THE INDENTURE.

This Bond and all other Bonds of the series of which it forms a part are issued pursuant to and in full compliance with the Constitution and laws of the State of Nevada, particularly the Act, and pursuant to further proceedings adopted by the governing authority of the Issuer, which proceedings authorize the execution and delivery of the Indenture. This Bond and the series of which it forms a part are limited obligations of the Issuer payable solely from the amounts derived under the Agreement and pledged under the Indenture, including all amounts payable from time to time by the Borrower in respect of the indebtedness under the Agreement and all receipts of the Trustee credited under the provisions of the Indenture against said amounts payable. No owner of any Bond issued under the Act has the right to compel any exercise of the taxing power of the Issuer to pay the Bonds, or the interest or premium, if any, thereon. The Project is not security for the Bonds.

No recourse shall be had for the payment of the principal of and 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 member, director, officer, employee or agent of the Issuer or the Borrower, or through the Issuer or the Borrower, or any successor to the Issuer or the Borrower, 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, the Agreement and the issuance of any of the Bonds.

The owner 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 under 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 and accrued interest thereon to the date of declaration may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

The Issuer, the Trustee, the Paying Agent, the Tender Agent, the Registrar, the Remarketing Agent and any other agent of the Issuer or the Trustee 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, the Paying Agent, the Tender Agent, the Registrar, the Remarketing Agent nor any such agent shall be affected by notice to the contrary.

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 payment, registration, transfer or exchange of Bonds, including a provision that under certain circumstances the Bonds shall be deemed to be paid if there shall have been deposited with the Trustee certain government obligations, as provided in the Indenture, 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 and premium, if any, and interest on the Bonds and all necessary and proper fees, compensation and expenses of the Trustee.

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.

Terms which are used herein as defined terms and which are not otherwise defined shall have the meanings assigned to them in the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED 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 Law (as hereinafter defined) and 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 valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed 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

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds referred to in the within-mentioned Indenture of Trust.

HARRIS TRUST AND SAVINGS BANK,
not in its individual capacity,
but solely, as Trustee

By _____
Authorized Officer

Date of Authentication: _____

[BOND INSURANCE LEGEND TO BE ADDED]

[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 under Uniform Gifts to Minors Act
of survivorship and not as _____
tenants in common (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 C

TRUSTEE CERTIFICATE

Harris Trust and Savings Bank
311 West Monroe Street
Chicago, Illinois 60606

- | 1. Name of Bond Issue
----- | Principal
Amount Issued
----- | Bonds outstanding
6/30/___ or 12/31/___
----- |
|--|-------------------------------------|---|
| Clark County, Nevada
Industrial Development
Revenue Bonds (Southwest
Gas Corporation Project)
Series 1999A and Taxable
Series 1999B | | |
2. During the past six months, did the Borrower make all required payments to the Trustee at the proper time and in the manner required by the Indenture?
Yes ___ No ___
If no, please explain on a separate page.
3. If the Borrower failed to make required payments, please attach copies of any correspondence between the Trustee and the Borrower discussing the failure and any steps to correct such failure.
4. Has the Trustee received a copy of the latest annual financial statements of the Borrower as required by the Financing Agreement?
Yes ___ No ___
If no, please explain what steps have been taken to secure them.
5. Has the Trustee received a certificate of an officer of the Borrower, signed within 120 days of the close of the fiscal year, stating whether there exists any default under the terms of the Indenture, and if a default exists, what steps will be taken to correct the default?
Yes ___ No ___
If no, please explain what steps have been taken to secure it.
6. If a credit enhancement supports this bond issue, will such credit enhancement continue in full force during the next 12 months?
Yes ___ No ___ Not Applicable
If no, please explain on a separate page.
7. Has the Trustee received a copy of any rebate calculations prepared by or on behalf of the borrower company? Yes ___ No ___

If no, and the Trustee has any actual knowledge of why it did not receive such calculations, please explain on a separate page.

By: _____ Date _____
 Authorized Signature

Title: _____ Phone No. _____

EXHIBIT D

[FORM OF COST OF ISSUANCE FUND REQUISITION]

REQUISITION FOR MONEY FROM THE COSTS OF ISSUANCE FUND

[Series A Account][Series B Account]

To: Harris Trust and Savings Bank

Re: Clark County, Nevada
Industrial Development Revenue Bonds
Southwest Gas Corporation Project
[Series 1999A][Taxable Series 1999B]
(the "1999 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 1999 Bonds. The payee(s), the purpose and the amount of the disbursement requested are as follows:

Payee ----- [name and address]	Purpose -----	Amount -----
		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 1999 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

SOUTHWEST GAS CORPORATION
SUPPLEMENTAL RETIREMENT PLAN

Effective October 7, 1980

Amended March 1, 1986

Amended December 7, 1987

Amended and Restated Effective January 1, 1989

Amended January 1, 1990

Amended and Restated Effective March 5, 1991

Amended and Restated Effective March 2, 1993

Amended and Restated Effective May 10, 1994

Amended and Restated Effective March 1, 1999

SOUTHWEST GAS CORPORATION
SUPPLEMENTAL RETIREMENT PLAN

PURPOSE

The principal objective of this Supplemental Retirement Plan (Plan) is to ensure that a competitive level of retirement income is paid in order to attract, retain, and motivate officers of the Company. The Plan is designed to provide a benefit which, when added to an officer's other retirement income, will meet that objective. All elected officers of the Company are Participants in the Plan, subject to meeting the eligibility requirements for retirement under the Plan.

The Plan is also designed to eliminate reductions in benefits under the Basic Plan for those employees who have participated in the Company's Executive Deferral Plan and do not qualify for the full scope of benefits under the Plan.

The original Plan was effective on October 7, 1980, and as restated or amended, is effective with respect to each Participant starting on the effective date of election to officer status or selection for Executive Deferral Plan participation by the Board of Directors of Southwest Gas Corporation.

I. DEFINITIONS AND CONSTRUCTION OF TERMS

1.1 For purposes of the Plan, the following words and phrases will have the meanings stated below unless a different meaning is clearly required by the context. In the event there is a conflict in the meaning of any defined terms used in this Plan because of the reference to the Basic Plan, the definition contained in the Basic Plan shall prevail.

"AFFILIATE" means any corporation, partnership, or other organization which, during any period of a Participant's employment, was at least 50 percent controlled by the Company or an affiliate of the Company.

"AVERAGE EARNINGS" means the 12-month average of the highest consecutive 36-months of Earnings with the Company and its successors and assigns.

"BASIC PLAN" means the defined benefit plans of the Company and/or PriMerit Bank, its former Affiliate, in effect prior to a Change in Control, whether maintained by the Company, PriMerit Bank or their successor or assigns.

"BASIC PLAN BENEFITS" means the amount of benefit payable from the Basic Plan to a Participant, including benefits payable from any employer funded defined benefit plans of any of the Company's successors or assigns, as if the form of a straight life annuity was selected by the Participant.

"BOARD OF DIRECTORS" means the Board of Directors of the Company and its successors and assigns.

"CHANGE IN CONTROL" means the first to occur of any of the following events:

- (a) Any "person" (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of the Company's capital stock entitled to vote in the election of directors; or
- (b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the board of directors of the Company, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this definition) whose election by the board of directors or nomination for election by the Company's shareholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

"COMMITTEE" means the Compensation Committee of the Board of Directors, to which the Board of Directors has given the authority to administer this Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.

"COMPANY" means Southwest Gas Corporation and such of its Affiliates as the Board of Directors may select to become parties to the Plan.

"CONTINUOUS SERVICE" means a Participant's Benefit Service with the Company and its successors or assigns, as defined in the Basic Plan.

"EARNINGS" means the yearly compensation paid to a Participant, including salary deferrals, but excluding bonuses, commissions, overtime, special income (as defined in the Company's Executive Deferral Plan) and nonmonetary awards for employment services to the Company and its successors and assigns.

"ELIGIBLE SPOUSE" means the surviving spouse of a Participant as defined in the Basic Plan.

"PARTICIPANT" means an employee of the Company who is or was an officer, including a Senior Officer, of the Company and any participant in the Company's Executive Deferral Plan prior to a Change in Control.

"PLAN" means the Company's Supplemental Retirement Plan.

"RETIREMENT" means the termination of a Participant's employment with the Company under the provisions of Sections II and VI. Continued employment with a successor or assign of the Company will not qualify as Retirement, unless otherwise agreed by the Participant and such successors or assigns.

"SENIOR OFFICER" means an officer of the Company with the title "Senior Vice President" or above.

"THIRD PARTY FIDUCIARY" means an independent third party (a corporate entity with no other relationship with the Company) selected by the Company, or its successors or assigns, to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.

"THIRD PARTY FIDUCIARY SERVICES AGREEMENT" means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.

"TRUST AGREEMENT" means an agreement establishing a "grantor trust" of which the Company, or its successors or assigns, is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code").

"TRUST FUND OR FUNDS" means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.

"TRUSTEE" means any person or entity selected by the Company, or its successors or assigns, to act as trustee under any Trust Agreement at any time of reference.

II. ELIGIBILITY FOR PARTICIPATION AND BENEFITS

- 2.1 An individual shall become a Participant in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such officer will not become eligible to participate in the Plan) or the effective date of his selection to participate in the Company's Executive Deferral Plan.
- 2.2 A Participant with 20 or more years of Continuous Service is eligible to retire and receive benefits under the Plan after attaining age 55.

- 2.3 A Senior Officer with 10 or more years of Continuous Service is eligible to retire and receive a benefit under this Plan after attaining age 65.
- 2.4 A Participant who is vested under the Basic Plan, but who fails to satisfy the requirements of Sections 2.2 or 2.3 of this Section, is eligible to receive benefits only under the provisions of Section 3.3 of the Plan.
- 2.5 Anything herein to the contrary notwithstanding, if a Participant who is receiving, or may be entitled to receive, a benefit hereunder engages in competition with the Company (without the Committee's prior authorization in writing), or is discharged for cause, or performs acts of willful malfeasance or gross negligence in a matter of material importance to the Company, payments thereafter payable hereunder to such Participant or such Participant's Eligible Spouse will, at the Board of Directors' discretion, be forfeited and the Company will have no further obligation to such Participant or Eligible Spouse. This Section 2.5 shall not apply after a Change in Control.

III. AMOUNT AND FORM OF RETIREMENT BENEFIT

- 3.1 The annual retirement benefit payable will be 50 percent (60 percent for Senior Officers) of the Participant's Average Earnings, less any Basic Plan Benefits.
- 3.2 If a Participant qualifies for benefits under Section 2.2 of the Plan and retires before age 60, the benefits he receives under the provisions of Section 3.1 of this Section will be reduced in the same manner as the benefits under the Basic Plan are adjusted for early retirement.
- 3.3 The annual retirement benefit payable to a Participant who only satisfies the provisions of Section 2.4 of the Plan will be the benefit payable under the Basic Plan as if Compensation, as defined in the Basic Plan, includes compensation deferred under the Company's Executive Deferral Plan or other non-qualified deferral plan offered by any successors or assigns (but not any incentive or bonus award or special income (as defined in the Company's Executive Deferral Plan)) and without regard to any statutory limitation on the compensation that can be considered under the Basic Plan, less any Basic Plan Benefits.
- 3.4 The benefits determined under this Plan will be payable in the form of a straight life annuity except as Section V otherwise provides.

IV. PAYMENT OF RETIREMENT BENEFITS

- 4.1 One-twelfth of the annual benefit determined in accordance with Section III will be payable beginning on the first day of the month following the date the Participant is eligible to retire and has retired. Benefits will continue to be paid on

the first day of each succeeding month. The last benefit payment will be paid on the first day of the month in which the retired Participant dies unless otherwise provided in accordance with Section V of the Plan.

V. DEATH BENEFITS PAYABLE

- 5.1 If a Participant should die before retirement and after becoming eligible for retirement as provided for in Sections 2.2 and 2.3 of the Plan, the Eligible Spouse will receive a benefit equal to 50 percent of the amount of the Participant's benefit under the Plan, determined in accordance with Section III as if the Participant had retired and begun receiving a benefit in accordance with Section IV of the Plan on the first of the month before the date of his death.
- 5.2 If a Participant should die after retirement benefits under Section 3.1 of the Plan have begun, the Participant's Eligible Spouse will receive a benefit equal to 50 percent of the benefit the Participant was receiving under the Plan.
- 5.3 If a Participant should die before becoming eligible for retirement as provided for in Sections 2.2 and 2.3 of the Plan, any benefits available to the Eligible Spouse under the Basic Plan will be determined using Compensation as defined in Section 3.3 of the Plan.
- 5.4 If a disabled Participant should die while receiving benefits in accordance with Section VI of the Plan, such Participant's Eligible Spouse will receive a benefit equal to 50 percent of the benefit the Participant was receiving under the Plan.
- 5.5 If an Eligible Spouse is under age 50 and is more than 5 years younger than the Participant, the Eligible Spouse's benefit described in this Section, except as provided for in Section 5.3 of this Section, will be reduced by 2 percent for each year over 5 by which such Eligible Spouse is younger than the Participant.
- 5.6 Eligible Spouse's benefits described herein will commence on the first day of the month following the Participant's death and continue on the first of each succeeding month, ending on the first day of the month in which the Eligible Spouse dies. No benefits under this Plan will be payable thereafter.
- 5.7 If, on the date of his death, a Participant has no Eligible Spouse, no further benefits are payable under this Plan.

VI. DISABILITY BENEFITS PAYABLE

- 6.1 Notwithstanding the provisions of Sections 2.2 or 2.3 of the Plan, if the Committee determines that a Participant has become totally disabled before

attaining age 65, the Participant shall be entitled to retire and receive a benefit under this Plan.

- 6.2 The annual disability benefit will be 50 percent (60 percent for Senior Officers) of the Participant's Average Earnings, less any benefits payable under the Company's salary continuation and long-term disability plans or like plans offered by any of its successors and assigns, and any Basic Plan Benefits.
- 6.3 Disability benefits will be payable on the same basis as retirement benefits under Section IV of the Plan. The last payment will occur on the first of the month during which the disabled Participant either recovers, as determined solely by the Committee, or dies.
- 6.4 If a disabled Participant dies, a benefit will be paid to the Eligible Spouse as provided in Section 5.4 of the Plan.
- 6.5 The Committee may require, no more frequently than once in any calendar year, that a disabled Participant submit medical evidence of disability satisfactory to the Committee. The Committee may discontinue a disability benefit after considering such evidence or lack thereof.
- 6.6 If a Participant is determined to no longer be disabled, the period of time he was disabled will be added to his Continuous Service for the purposes of determining further eligibility for benefits under the Plan.

VII. GENERAL

- 7.1 Amounts payable to a Participant or his Eligible Spouse shall be paid from the general assets of the Company, the general assets of its successors or assigns, or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "Rabbi Trust."
- 7.2 The Company, or its successors or assigns, shall have no obligation under the Plan to a Participant or his Eligible Spouse, except as provided in this Plan.
- 7.3 The Participant or his Eligible Spouse shall cooperate with the Committee in furnishing all information requested by the Company, or its successors or assigns, to facilitate the payment of his benefit.
- 7.4 Participants and their Eligible Spouses, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company, or its successors or assigns. No assets of the Company, or that of its successors or assigns, shall be held under any trust, or held in any way as collateral security for the fulfilling its obligations under the Plan. Any and all assets of the Company, or that of its successors or assigns, shall be, and

remain, the general unpledged, unrestricted assets of such entities. The obligations of the Company, or its successors or assigns, under the Plan shall be merely that of an unfunded and unsecured promise of the Company, or its successors or assigns, to pay money in the future, and the rights of the Participants shall be no greater than those of unsecured general creditors. It is the intention of the Company, or its successors or assigns, that this Plan (and the Trust Funds described in Section VII) be unfunded for purposes of the Code and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

- 7.5 There shall be deducted from each payment made under the Plan or other compensation payable to the Participant or his Eligible Spouse all taxes which are required to be withheld by the Company, or its successors or assigns, in respect to such payment or this Plan. The Company, or its successors or assigns, shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the payment amount of said taxes.
- 7.6 Nothing contained herein will confer on any Participant the right to be retained in the service of the Company, or its successors or assigns, nor will it interfere with the rights of such entities to discharge or otherwise deal with Participants without regard to the Plan's existence.

VIII. TRUSTS

- 8.1 The Company, or its successors or assigns, may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreement(s). Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA), the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Section 8.1 will cease with a Change in Control.

IX. TERMINATION, SUSPENSION OR AMENDMENT

- 9.1 The Board of Directors may, at its sole discretion, amend or modify the Plan or by resolution reduce the eligibility requirements or increase the benefits for an individual Participant at any time or from time to time, in whole or in part.

However: (i) no amendment or modification of the Plan will affect or reduce (a) the rights and benefits available to Participants under terms of the Plan as in effect at the time of their selection and during their participation in the Plan, (b) their Eligible Spouses' rights to receive death benefits in accordance with this Plan, (c) the continued accrual of benefits under the Plan on terms at least as favorable as the terms of the Plan applicable to each Participant in effect immediately prior to a Change in Control, taking into account service and compensation earned after such an event, or (d) a retired Participant's right or the right of an Eligible Spouse to continue to receive a benefit in accordance with this Plan (as in effect on the date such Participant began to receive a benefit under this Plan); and (ii) effective March 1, 1999, no amendment or modification of this Section IX, Section XI, or Section XII of the Plan shall be effective.

9.2 The Board shall not terminate the Plan until all benefits have been paid in full under the provisions of the Plan.

X. RESTRICTIONS ON ALIENATION OF BENEFITS

10.1 To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment, or encumbrances of any kind.

XI. ADMINISTRATION OF THE PLAN

11.1 Except as otherwise provided in this Section XI, and subject to Section XII, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Members of the Committee may be Participants under the Plan.

11.2 Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as

otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company, or its successors or assigns, shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Section XII. The Third Party Fiduciary may not be terminated by the Company, or its successors or assigns, without the consent of 50% of the Participants in the Plan.

- 11.3 In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company, or counsel of any of its successors or assigns.
- 11.4 The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Section 11.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 11.5 The Company, or its successors or assigns, shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company, or its successors or assigns, to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 11.6 To enable the Committee and the Third Party Fiduciary to perform their functions, the Company, or its successors or assigns, shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for termination of service, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

XII. BENEFIT CLAIMS PROCEDURE

- 12.1 Any Participant or Eligible Spouse (such being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

- 12.2 The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Section 12.3.
- 12.3 Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 12.4 The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (i) the specific reason(s) for the decision; (ii) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (iii) such other matters as the Third Party Fiduciary deems relevant.
- 12.5 A Claimant's compliance with the foregoing provisions of this Section XII is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

XIII. MISCELLANEOUS

- 13.1 No Participant will participate in an action of the Committee or the Board of Directors on a matter that solely applies to that Participant. Such matters will be determined by a majority of the rest of the Committee or the Board of Directors.

- 13.2 Each Participant will receive a copy of this Plan and the Committee will make available for any Participant's inspection a copy of the rules and regulations the Committee uses in administering the Plan.
- 13.3 Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- 13.4 The Plan shall be binding upon the Company and its successors and assigns, and upon a Participant, his Eligible Spouse, and their assigns, heirs, executors, and administrators.
- 13.5 Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 13.6 In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.
- 13.7 Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
 Supplemental Retirement Plan
 Compensation Committee
 5241 Spring Mountain Road
 Las Vegas, NV 89102

and

CRG Fiduciary Services, Inc.
 633 West Fifth Street, 53rd floor
 Los Angeles, CA 90071-2086
 Attn: Managing Director

IN WITNESS WHEREOF, Southwest Gas Corporation has caused this Amended and Restated Plan to be executed this 30th day of July 1999.

SOUTHWEST GAS CORPORATION

By _____
 Michael O. Maffie
 President & Chief Executive Officer

SOUTHWEST GAS CORPORATION

EXECUTIVE DEFERRAL PLAN

Effective March 1, 1986

Amended and Restated March 1, 1988

Amended and Restated March 1, 1989

Amended and Restated March 1, 1990

Amended and Restated October 29, 1992

Amended and Restated May 10, 1994

Amended and Restated Effective March 1, 1999

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION EXECUTIVE DEFERRAL PLAN

PURPOSE

The purpose of this Plan is to provide specified benefits to a select group of key employees who contribute materially to the continued growth, development and future business success of SOUTHWEST GAS CORPORATION.

ARTICLE 1
DEFINITIONS

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 "Account Balance" means a Participant's individual fund comprised of Deferrals, Company Contributions and interest earnings credited thereon up to the time of Benefit Distribution.
- 1.2 "Base Annual Salary" means the yearly compensation paid to an Executive, excluding bonuses, commissions, overtime, and nonmonetary awards for employment services to the Company.
- 1.3 "Beneficiary" means the person or persons, or the estate of a Participant, named to receive any benefits under the Plan upon the death of a Participant.
- 1.4 "Benefit Account Balance" shall have the meaning set forth in Article 5.3.
- 1.5 "Benefit Distribution" means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.
- 1.6 "Board of Directors" means the Board of Directors of Southwest Gas Corporation and any Successor Corporation.
- 1.7 "Bonus" means the portion of actual awards, if any, paid in cash under the terms of Southwest Gas Corporation's 1993 Management Incentive Plan, as amended ("Management Incentive Plan").

- 1.8 "Change in Control" means the first to occur of any of the following events:
- (a) Any "person" (as the term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of the Company's capital stock entitled to vote in the election of directors; or
 - (b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the board of directors of the Company, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the board of directors or nomination for election by the Company's shareholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.9 "Committee" means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.10 "Company" means Southwest Gas Corporation and such of its Subsidiaries as the Board of Directors may select to become parties to the Plan. The term "Company" shall also include any Successor Corporation.
- 1.11 "Company Contributions" means the amount added, if any, to a Participant's Account Balance in accordance with Article 3.2.
- 1.12 "Deferral(s)" means the amount of Base Annual Salary, Bonus and special income, as referred to in Article 3.9, transferred to the Plan accounts.
- 1.13 "Employee" means any full-time employee of Southwest Gas Corporation as determined under the personnel policies and practices of Southwest Gas Corporation prior to a Change in Control.
- 1.14 "Executive" means any officer of Southwest Gas Corporation prior to a Change in Control.
- 1.15 "Master Plan Document" means this legal instrument containing the provisions of the Plan.

- 1.16 "Moody's Rate" means Moody's Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.
- 1.17 "Moody's Composite Rate" means the average of the Moody's Rate on January 1 for the five (5) years prior to Benefit Distribution.
- 1.18 "Participant" means any Executive who executes a Plan Agreement or an Employee who has been selected to participate in the Plan and who executes a Plan Agreement.
- 1.19 "Plan" means the Executive Deferral Plan of the Company evidenced by this Master Plan Document.
- 1.20 "Plan Agreement" means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.
- 1.21 "Plan Year" means the year beginning on March 1 of each year.
- 1.22 "Retire" or "Retirement" means the severance from employment with the Company on or after attaining age 55, other than by death, disability or Termination of Employment.
- 1.23 "Subsidiary" means any corporation, partnership, or other organization which is at least 50% owned by the Company or a Subsidiary of the Company.
- 1.24 "Successor Corporation" means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.25 "Terminates Employment" or "Termination of Employment" means the ceasing of employment with the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.
- 1.26 "Third Party Fiduciary" means an independent third party (a corporate entity with no other relationship with the Company) selected by the Company to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.

- 1.27 "Third Party Fiduciary Services Agreement" means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.28 "Trust Agreement" means an agreement establishing a "grantor trust" of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code").
- 1.29 "Trust Fund or Funds" means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.30 "Trustee" means any person or entity selected by the Company to act as trustee under any Trust Agreement at any time of reference.
- 1.31 "Years of Service" means a Participant's Benefit Service as defined in the Retirement Plan for Employees of Southwest Gas Corporation, plus service with a Successor Corporation which is not taken into account for such plan.

ARTICLE 2
ELIGIBILITY

- 2.1 SELECTION OF PARTICIPANTS. An Executive shall become eligible to participate in the Plan as of the effective date of his election by the Board of Directors as an officer of the Company (unless the Board of Directors determines, at that time, that such Executive will not become eligible to participate in the Plan). The Committee in its sole discretion may select any other Employee to become eligible to participate in the Plan.
- 2.2 CONTINUED ELIGIBILITY. If a Participant ceases to be an Executive and he continues as an Employee, the Committee in its sole discretion will determine whether such Employee will continue to be eligible to participate in the Plan. Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will continue to participate in the Plan.
- 2.3 PARTICIPANT ACCEPTANCE. Once eligible to participate in the Plan, an Executive or an Employee has to complete, execute and return to the Committee a Plan Agreement to become a Participant in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee. Notwithstanding the foregoing and upon the occurrence of a Change in Control, no additional conditions regarding continued participation in the Plan may be established by the Committee or any Successor Corporation.

ARTICLE 3
DEFERRAL COMMITMENT AND COMPANY CONTRIBUTION

- 3.1 DEFERRALS. A Participant may defer up to 100% of his Base Annual Salary and Bonus received during a Plan Year; provided, that such Deferral exceeds \$2,000 per Plan Year. Notwithstanding the foregoing, no election shall be effective to reduce the Base Annual Salary and Bonus paid to a Participant for a calendar year to an amount which is less than the amount that the Company is required to withhold from such Participant's Base Annual Salary and Bonus for the calendar year for (a) applicable income and employment taxes (including Federal Insurance Contributions Act tax), (b) contributions to any employee benefit plan (other than this Plan), and (c) payroll transfers, in place, prior to such elections.
- 3.2 COMPANY MATCHING CONTRIBUTIONS. If a Participant makes a Deferral commitment with respect to Base Annual Salary and/or Bonus, the Company will contribute an amount equal to 50% of such Deferral, up to a maximum of 3% of the Participant's Base Annual Salary, to the Participant's Account Balance.
- 3.3 TIMING OF DEFERRAL ELECTION. Prior to the commencement of each Plan Year, a Participant will (a) advise the Committee, in writing, of his Base Annual Salary Deferral commitment for the upcoming Plan Year and (b) make his Deferral commitment for any Bonus earned during the calendar year ending in such Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Base Annual Salary or Bonus during the upcoming Plan Year.
- 3.4 EXERCISE OF DEFERRAL COMMITMENT. A Participant's Deferral commitment will be exercised on a per pay period basis for the portion of his Base Annual Salary that is deferred. The exercise of a Participant's Deferral commitment with respect to his Bonus will occur at the time the Bonus is paid.
- 3.5 ADJUSTMENT TO DEFERRAL COMMITMENT. The Committee reserves the right to adjust any Participant's Deferral commitment during a Plan Year to ensure that a Participant's actual Deferral does not exceed the maximum allowable amount.
- 3.6 DEFERRAL ELECTIONS BY NEW PARTICIPANTS. In the event an Executive or an Employee becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100% of the remaining portion of his Base Annual Salary for the current Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.
- 3.7 DEFERRAL COMMITMENT DEFAULT. In the event a Participant defaults on his Base Annual Salary Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for

the subsequent Plan Year. In the event a Participant defaults on his Bonus Deferral commitment for a particular Plan Year, the Participant will not be able to defer any of his Bonus for that Plan Year or the subsequent Plan Year.

3.8 WAIVER OF DEFERRAL COMMITMENT DEFAULT. The Committee may waive for good cause the default penalty specified in Article 3.7 upon the request of the Participant.

3.9 DEFERRAL OF SPECIAL INCOME. A Participant who is entitled to receive cash (a) from the cancellation of stock options granted under the 1996 Stock Incentive Plan as a result of a Change in Control, (b) from the cancellation of outstanding performance shares issued pursuant to the Management Incentive Plan as a result of a Change in Control, or (c) under an employment, severance or special pay arrangement payable on account of termination of employment resulting from a Change in Control, may elect to defer receipt of all or a portion of such income; provided that such election is filed with the Committee at least six (6) months prior to the date such income would otherwise have become payable to the Participant. If the Participant makes such an election, such income shall not be paid to the Participant but rather shall be treated as a Deferral and added to the Participant's Account Balance as of the date such income would otherwise have been paid to the Participant. In addition, for such election to be effective with respect to the deferral of income resulting from the cancellation of an option, the Participant must agree in writing that such option shall not be exercised at all after the date of the election. Notwithstanding the foregoing, a Participant's election to defer income resulting from cancellation of an option shall terminate and the option may be exercised in accordance with its terms without regard to the election if the option would otherwise expire prior to cancellation (for example, because of the Participant's termination of employment) or if the cancellation does not occur.

ARTICLE 4
INTEREST, CREDITING AND VESTING

4.1 INTEREST RATE. A Participant's Account Balance at the start of a Plan Year and any Deferrals and Company contributions made during a Plan Year will earn, except as provided for in Article 4.2, interest annually at 150% of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals and Company contributions made during the Plan Year, as if all Deferrals and contributions were made on the first day of the Plan Year.

4.2 ADJUSTMENT TO INTEREST RATE. If a Participant Terminates Employment prior to completing five (5) Years of Service with the Company, interest credited for all Deferrals and vested Company contributions to a Participant's Account Balance will be adjusted based on the Moody's Rate during the period he participated in the Plan.

- 4.3 VESTING OF COMPANY CONTRIBUTIONS. Company contributions and interest earned on such contributions will vest to a Participant at the rate of 20% per Year of Service and will vest completely once a Participant has five (5) Years of Service with the Company.
- 4.4 INTEREST DURING POSTPONEMENT OF BENEFIT DISTRIBUTION. In the event a Participant is allowed to postpone Benefit Distribution under the Plan, his Account Balance will earn interest annually under the provisions of Article 4.1, until Benefit Distribution.

ARTICLE 5
PLAN BENEFIT PAYMENTS

- 5.1 LUMP-SUM PAYMENT. A Participant's Account Balance will be paid to the Participant in a lump-sum payment at the time of Benefit Distribution, unless the Participant qualifies to receive benefit payments over a specific benefit payment period.
- 5.2 INTEREST PRIOR TO BENEFIT DISTRIBUTION. A Participant's Account Balance will earn interest under the provisions of Article 4.1 or, if applicable, Article 4.2 until the time of Benefit Distribution.
- 5.3 BENEFIT PAYMENT PERIODS. If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate, thereby creating a Benefit Account Balance. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.
- 5.4 PAYMENT PRIOR TO BENEFIT DISTRIBUTION. If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balance shall be reduced accordingly.

ARTICLE 6
RETIREMENT AND TERMINATION BENEFIT PAYMENTS

- 6.1 BENEFIT PAYMENT PERIODS; ELECTIONS. A Participant who Retires or Terminates Employment with more than five (5) Years of Service qualifies to receive his Account Balance over a period of 120, 180 or 240 months. The Participant shall

elect the payment period; provided that written notice of such election is filed with the Committee at least one (1) year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months.

6.2 BENEFIT PAYMENT DEFERRAL; ELECTIONS. A Participant who Retires or Terminates Employment with more than five (5) Years of Service, may elect to defer his Benefit Distribution for up to five (5) years from the date on which he Retires or Terminates Employment; provided that written notice of such election is filed with the Committee at least one (1) year prior to his Retirement or Termination of Employment. If a Participant makes an election under this Article 6.2, the Participant's Account Balance shall be paid in one of the optional forms of distribution set forth in Article 6.1 as elected by the Participant.

6.3 CHANGING ELECTIONS. A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one (1) year prior to the date on which the Participant Retires or Terminates Employment shall be effective. Notwithstanding the foregoing, if a Participant Terminates Employment or Retires as a result of a Change in Control or within one year after March 1, 1999, the date of amendment and restatement of this Plan, the foregoing provisions of this Article 6 shall be applied by substituting "six (6) months" for "one (1) year."

6.4 INTEREST ON BENEFIT PAYMENTS. The interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150% of the Moody's Composite Rate.

ARTICLE 7 PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

7.1 BENEFIT PAYMENTS. Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is an employee of the Company, his Account Balance will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period.

7.2 INTEREST ON BENEFIT PAYMENTS. The interest rate used to determine the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant's death, will be 150% of the Moody's Composite Rate.

ARTICLE 8
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- 8.1 BENEFIT PAYMENTS. If a Participant dies after the commencement of Retirement, Termination of Employment or disability benefit payments under Articles 6 or 9 but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the originally awarded benefit payment period, except as provided for in Article 10.7.
- 8.2 DELAYED BENEFIT PAYMENTS. If a Participant who has elected to postpone Benefit Distribution under the provisions of Article 6, dies after he Retires or Terminates Employment but prior to the commencement of benefit payments, payment of benefits to his Beneficiary will be made consistent with such elections.

ARTICLE 9
DISABILITY BENEFIT PAYMENTS

- 9.1 DISABILITY DETERMINATION. A Participant shall be considered disabled if he qualifies for a disability benefit under the Company's group long-term disability plan. In the event a Participant does not qualify for benefits under the group long-term disability plan, the Committee may determine that a Participant is disabled under the provisions of the Plan.
- 9.2 VESTING OF COMPANY CONTRIBUTIONS. Notwithstanding the provisions of Article 4.3, Company contributions and interest earned on such contributions will be fully vested to the Participant at the time he is determined to be disabled under this Article.
- 9.3 BENEFIT PAYMENTS DURING FIRST FIVE (5) YEARS OF SERVICE. If a Participant is disabled within the first five (5) Years of Service with the Company, he will receive his Account Balance in a lump sum payment at Benefit Distribution.
- 9.4 BENEFIT PAYMENTS AFTER FIVE (5) YEARS OF SERVICE. Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five (5) Years of Service with the Company, his Account Balance will be paid to him in equal monthly installments over the 180 month disability payment period.
- 9.5 INTEREST ON BENEFIT PAYMENTS. If a Participant qualifies to receive his Account Balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150% of the Moody's Composite Rate.

ARTICLE 10
BENEFICIARIES

- 10.1 DESIGNATION OF BENEFICIARIES. A Participant shall have the right to designate any person as his Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balance under the Plan. If greater than 50% of the Benefit Account Balance is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime.
- 10.2 CHANGING BENEFICIARY DESIGNATION. A Participant shall have the right to change the Beneficiary designation, subject to spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.
- 10.3 ACKNOWLEDGMENT. The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.
- 10.4 DISCHARGE OF COMPANY OBLIGATION. The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.
- 10.5 MINOR OR INCOMPETENT BENEFICIARIES. If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- 10.6 EFFECT OF NO BENEFICIARY DESIGNATION. If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (a) the surviving spouse; (b) if there is no surviving spouse, then his issue per stirpes; or (c) if no surviving spouse or issue, then his estate.
- 10.7 PAYMENT TO CONTINGENT BENEFICIARY. If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the contingent Beneficiary designated by the Participant under the provisions of Article 10.1. If the Participant has failed to designate a contingent

Beneficiary, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's estate. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

ARTICLE 11
LEAVE OF ABSENCE

- 11.1 CONTINUATION OF DEFERRAL COMMITMENT. If a Participant is authorized by the Company for any reason to take a paid leave of absence, the Participant's Deferral commitment shall remain in full force and effect.
- 11.2 SUSPENSION OF DEFERRAL COMMITMENT. If a Participant is authorized by the Company for any reason to take an unpaid leave of absence, the Participant's Deferral commitment shall be suspended until the leave of absence ends and the Participant's employment resumes.

ARTICLE 12
GENERAL

- 12.1 PAYMENT OBLIGATION. Amounts payable to a Participant shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."
- 12.2 LIMITATION ON PAYMENT OBLIGATION. The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.
- 12.3 FURNISHING INFORMATION. The Participant must cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.
- 12.4 UNSECURED GENERAL CREDITOR. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an

unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 14.1) be unfunded for purposes of the Code and for the purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

- 12.5 WITHHOLDING. There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

ARTICLE 13
NO GUARANTEE OF CONTINUING EMPLOYMENT

- 13.1 FUTURE EMPLOYMENT. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and a Participant. Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

ARTICLE 14
TRUSTS

- 14.1 TRUSTS. The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Article 14.1 will cease with a Change in Control.

ARTICLE 15
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 15.1 PLAN AMENDMENT AND TERMINATION. The Board of Directors may, at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (a) no amendment or modification shall be effective to decrease or restrict (i) the amount of interest to be credited to a Participant's Account Balance under the provisions of the Plan, (ii) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (iii) benefit payments to Participants or Beneficiaries once such payments have commenced, and (b) effective March 1, 1999, no amendment or modification of this Article 15, Article 17, or Article 18 of the Plan shall be effective.
- 15.2 PLAN TERMINATION. The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.
- 15.3 PARTIAL PLAN TERMINATION. Except for the Participants' ability to defer special income under the provisions of Article 3.9, the Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination.
- 15.4 CHANGE OF CONTROL. In the event of a hostile or non-negotiated Change of Control of the Company, the benefits of this Plan will become 100% vested for all Participants and the interest credited to a Participant's Account Balance under any provision of this Plan will be adjusted, retroactively to the date an individual became a Participant and prospectively thereafter, to 200% of the Moody's Rate.

ARTICLE 16
RESTRICTIONS ON ALIENATION OF BENEFITS

- 16.1 ALIENATION OF BENEFITS. To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 17
ADMINISTRATION OF THE PLAN

- 17.1 COMMITTEE DUTIES. Except as otherwise provided in this Article 17, and subject to Article 18, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee

may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

- 17.2 ADMINISTRATION AFTER A CHANGE IN CONTROL. Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 18. The Third Party Fiduciary may not be terminated by the Company without the consent of 50% of the Participants in the Plan.
- 17.3 AGENTS. In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 17.4 BINDING EFFECT OF DECISIONS. The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 17.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 17.5 INDEMNITY BY COMPANY. The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.

17.6 EMPLOYER INFORMATION. To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

17.7 MANNER AND TIMING OF BENEFIT PAYMENTS. The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the federal treasury regulations.

ARTICLE 18
CLAIMS PROCEDURE

18.1 PRESENTATION OF CLAIMS. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.

18.2 NOTIFICATION OF DECISION. The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:

(a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or

(b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Article 18.3.

18.3 REVIEW OF A DENIED CLAIM. Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or

the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.

- 18.4 DECISION ON REVIEW. The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (i) the specific reason(s) for the decision; (ii) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (iii) such other matters as the Third Party Fiduciary deems relevant.
- 18.5 LEGAL ACTION. A Claimant's compliance with the foregoing provisions of this Article 18 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

ARTICLE 19
MISCELLANEOUS

- 19.1 NOTICE. Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Executive Deferral Plan
Administrative Committee
5241 Spring Mountain Road
Las Vegas, NV 89102

and

CRG Fiduciary Services, Inc.
633 West Fifth Street, 53rd floor
Los Angeles, CA 90071-2086
Attn: Managing Director

- 19.2 ASSIGNMENT. The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, Participant's Beneficiary, assigns, heirs, executors and administrators.

- 19.3 GOVERNING LAWS. Except to the extent that federal law applies, the Plan shall be governed by and construed under the laws of the State of Nevada.
- 19.4 HEADINGS. Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
- 19.5 GENDER AND NUMBER. Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 19.6 EFFECT OF ILLEGALITY OR INVALIDITY. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document this 30th day of July 1999.

SOUTHWEST GAS CORPORATION

By

Michael O. Maffie
President & Chief Executive Officer

MASTER PLAN DOCUMENT

SOUTHWEST GAS CORPORATION

DIRECTORS DEFERRAL PLAN

Effective October 29, 1992
Amended Effective March 5, 1996
Amended and Restated Effective March 1, 1999

MASTER PLAN DOCUMENT
SOUTHWEST GAS CORPORATION DIRECTORS DEFERRAL PLAN

PURPOSE

The purpose of this Plan is to provide specified benefits to Directors of SOUTHWEST GAS CORPORATION.

ARTICLE 1
DEFINITIONS

For purposes hereof, unless otherwise clearly apparent from the context, the words and phrases listed below shall be defined as follows:

- 1.1 "Account Balance" means a Participant's individual fund comprised of Deferrals, rollovers contributions from the PriMerit Bank, Federal Savings Bank directors deferral plan and interest earnings credited thereon up to the time of Benefit Distribution.
- 1.2 "Beneficiary" means the person or persons, or the estate of a Participant, named to receive any benefits under the Plan upon the death of a Participant.
- 1.3 "Benefit Account Balance" shall have the meaning set forth in Article 5.3.
- 1.4 "Benefit Distribution" means the date benefits under the Plan commence or are paid in full to a Participant, or because of his death, to his Beneficiary, which will occur within 90 days of notification to the Company of the event that gives rise to such distribution.
- 1.5 "Board Fees" means the compensation received by a Director for serving on the Board of Directors of Southwest Gas Corporation and the committees of the board.
- 1.6 "Board of Directors" means the Board of Directors of the Company.
- 1.7 "Change in Control" means the first to occur of any of the following events:
- (a) Any "person" (as the term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of the Company's capital stock entitled to vote in the election of directors; or
 - (b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the board of directors of the Company, and any new

director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Article 1.8) whose election by the board of directors or nomination for election by the Company's shareholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.

- 1.8 "Committee" means the administrative committee appointed by the Board of Directors to manage and administer the Plan in accordance with the provisions of the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.9 "Company" means Southwest Gas Corporation and any Successor Corporation.
- 1.10 "Deferral(s)" means the amount of Board Fees and special income, as referred to in Article 3.8, transferred to the Plan accounts.
- 1.11 "Director" means any person on the board of directors of Southwest Gas Corporation prior to a Change in Control.
- 1.12 "Master Plan Document" means this legal instrument containing the provisions of the Plan.
- 1.13 "Moody's Rate" means Moody's Seasoned Corporate Bond Rate which is an economic indicator consisting of an arithmetic average of yields of representative bonds (industrial and AAA, AA and A rated public utilities) as of January 1 prior to each Plan Year as published by Moody's Investors Service, Inc. (or any successor thereto), or, if such index is no longer published, a substantially similar index selected by the Board of Directors.
- 1.14 "Moody's Composite Rate" means the average of the Moody's Rate on January 1 for the five years prior to Benefit Distribution.
- 1.15 "Participant" means any Director who executes a Plan Agreement.
- 1.16 "Plan" means the Director Deferral Plan of the Company evidenced by this Master Plan Document.
- 1.17 "Plan Agreement" means the form of written agreement which is entered into from time to time, by and between the Company and a Participant.
- 1.18 "Plan Year" means the year beginning on March 15 of each year.
- 1.19 "Retire" or "Retirement" means the cessation of service on the Board of Directors

of the Company after attaining five Years of Service, other than by death, disability or Termination of Service.

- 1.20 "Successor Corporation" means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.21 "Subsidiaries" means any corporation, partnership, or other organization which is at least 50 percent owned by the Company or a Subsidiary of the Company.
- 1.22 "Terminates Service" or "Termination of Service" means the cessation of service on the Board of Directors of the Company, either voluntarily or involuntarily, excluding Retirement, disability or death.
- 1.23 "Third Party Fiduciary" means an independent third party (a corporate entity with no other relationship with the Company) selected by the Company to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.24 "Third Party Fiduciary Services Agreement" means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.25 "Trust Agreement" means an agreement establishing a "grantor trust" of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code").
- 1.26 "Trust Fund or Funds" means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.27 "Trustee" means any person or entity selected by the Company to act as trustee under any Trust Agreement at any time of reference.
- 1.28 "Years of Service" means the length of time, in discrete 12-month periods, a Participant has served on the board of directors of Southwest Gas Corporation.

ARTICLE 2
ELIGIBILITY

- 2.1 A Director shall become eligible to participate in the Plan as of the effective date of his election as a Director.
- 2.2 Once eligible to participate in the Plan, a Director has to complete, execute and

return to the Committee a Plan Agreement to become a Participant in the Plan. Continued participation in the Plan is subject to compliance with any further conditions as may be established by the Committee.

ARTICLE 3
DEFERRAL COMMITMENT

- 3.1 A Participant may defer up to 100 percent of his Board Fees received during a Plan Year; provided, that such Deferral exceeds \$2,000 per Plan Year.
- 3.2 Prior to the commencement of each Plan Year, a Participant will advise the Committee, in writing, of his deferral commitment for the upcoming Plan Year. If a Participant fails to so advise the Committee, through no fault of the Company, he will not be permitted to defer any of his Board Fees during the upcoming Plan Year.
- 3.3 A Participant's Deferral commitment will be exercised on a per pay period basis.
- 3.4 In the event a Director becomes a Participant in the Plan during a Plan Year, such Participant may defer up to 100 percent of the remaining portion of his Board Fees for the Plan Year. Such Participant must make his Deferral commitment by advising the Committee, in writing, at the time he elects to become a Participant in the Plan.
- 3.5 In the event a Participant defaults on his Deferral commitment, the Participant will not be allowed to make any further Deferrals during the current Plan Year and may not make any Deferrals for the subsequent Plan Year.
- 3.6 The Committee may waive for good cause the default penalty specified in Article 3.5 upon the request of the Participant.
- 3.7 The Plan will accept rollover contributions for Participants from the PriMerit Bank, Federal Savings Bank directors deferral plan.
- 3.8 A Participant who is entitled to receive cash from the cancellation of stock options granted under the 1996 Stock Incentive Plan as a result of a Change in Control may elect to defer receipt of all or a portion of such income; provided that such election is filed with the Committee at least six (6) months prior to the date such income would otherwise have become payable to the Participant. If the Participant makes such an election, such income shall not be paid to the Participant but rather shall be treated as a Deferral and added to the Participant's Account Balance as of the date such income would otherwise have been paid to the Participant. In addition, for such election to be effective, the Participant must agree in writing that such option shall not be exercised at all after the date of the election. Notwithstanding the foregoing, a Participant's election to defer income resulting from cancellation of an option shall terminate and the option may be exercised in accordance with its terms without regard to the election if the option would otherwise expire prior to cancellation (for example, because of the Participant's Termination of Service) or

if the agreement setting forth the terms of the Change in Control is terminated prior to the closing date set forth in such agreement.

ARTICLE 4
INTEREST, CREDITING AND VESTING

- 4.1 A Participant's Account Balance at the start of a Plan Year and any Deferrals made during a Plan Year and rollover contributions from the PriMerit Bank, Federal Savings Bank directors deferral plan will earn interest annually at 150 percent of the Moody's Rate. Interest will be credited to a Participant's account for Deferrals made during the Plan Year, as if all Deferrals were made on the first day of the Plan Year. Interest will be credited to a Participant's account for rollover contributions, from the date such contributions are accepted by the Plan.

ARTICLE 5
PLAN BENEFIT PAYMENTS

- 5.1 A Participant's Account Balance will be paid to the Participant as provided for under the provisions of the Plan.
- 5.2 A Participant's Account Balance will earn interest under the provisions of Article 4.1 until the time of Benefit Distribution.
- 5.3 If a Participant is entitled to receive Plan benefit payments over a specific benefit payment period, his Account Balance at the commencement of Benefit Distribution will be credited with an amount equal to the interest such balance would have earned assuming distribution in equal monthly installments over the specific benefit payment period, at a specified interest rate, thereby creating a Benefit Account Balance. The Benefit Account Balance will then be paid to the Participant in equal monthly installments over the specific benefit payment period.
- 5.4 If there shall be a final determination by the Internal Revenue Service or a court of competent jurisdiction that the election by a Participant to defer the payment of any amount in accordance with the terms of this Plan was not effective to defer the taxation of such amount, then the Participant shall be entitled to receive a distribution of the amount determined to be taxable and the Participant's Account Balance shall be reduced accordingly.

ARTICLE 6
RETIREMENT AND TERMINATION BENEFIT PAYMENTS

- 6.1 A Participant who Retires or Terminates Service qualifies to receive his Account Balance over a period of 60, 120, 180 or 240 months. The Participant shall elect the payment period; provided that written notice of such election is filed with the Committee at least one (1) year prior to his Retirement or Termination of Employment. If a Participant fails to make such election prior to the time specified, the payment period will be 240 months.
- 6.2 A Participant who Retires or Terminates Service may elect to defer his Benefit Distribution for up to five (5) years from the date on which he Retires or Terminates Service; provided that written notice of such election is filed with the Committee at least one (1) year prior to his Retirement or Termination of Service. If a Participant makes an election under this Article 6.2, the Participant's Account Balance shall be paid in one of the optional forms of distribution set forth in Article 6.1, as elected by the Participant.
- 6.3 A Participant who has made an election under this Article may subsequently revoke such election and make another election under this Article by providing written notice to the Committee; provided, however, that only the last such election or revocation in effect on the date which is one (1) year prior to the date on which the Participant Retires or Terminates Service shall be effective. Notwithstanding the foregoing, if a Participant Retires or Terminates Service as a result of a Change in Control or within one (1) year after March 1, 1999, the date of amendment and restatement of this Plan, the foregoing provisions of this Article 6 shall be applied by substituting "six (6) months" for "one (1) year."
- 6.4 The interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate.

ARTICLE 7
PRE-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- 7.1 Notwithstanding any elections made pursuant to Article 6, if a Participant dies while he is on the Board of Directors, his Account Balance will be paid to his Beneficiary in equal monthly installments over the 180 month survivor benefit payment period.
- 7.2 The interest rate used to determine the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3 following the Participant's death, will be 150% of the Moody's Composite Rate.

ARTICLE 8
POST-RETIREMENT SURVIVOR BENEFIT PAYMENTS

- 8.1 If a Participant dies after the commencement of benefit payments under Articles 6 or 9 but prior to such benefits having been paid in full, the Participant's benefit payments will continue to be paid to the Participant's Beneficiary through the end of the originally awarded benefit payment period, except as provided for in Article 10.7.
- 8.2 If a Participant who has elected to postpone Benefit Distribution under the provisions of Article 6, dies after he Retires or Terminates Service but prior to the commencement of benefit payments, payment of benefits to his Beneficiary will be made consistent with such elections.

ARTICLE 9
DISABILITY BENEFIT PAYMENTS

- 9.1 The Committee will, in its sole discretion, determine whether a Participant is disabled under the provisions of the Plan.
- 9.2 If a Participant is disabled within the first five Years of Service with the Company, he will receive his Account Balance in a lump sum payment at Benefit Distribution.
- 9.3 Notwithstanding any elections made pursuant to Article 6, if a Participant is disabled after five Years of Service with the Company, his Account Balance will be paid to him in equal monthly installments over the 180-month disability benefit payment period.
- 9.4 If a Participant qualifies to receive his Account Balance over the disability benefit payment period, the interest rate used to calculate the amount that will be credited to a Participant's Account Balance, to determine his Benefit Account Balance under the provisions of Article 5.3, will be 150 percent of the Moody's Composite Rate.

ARTICLE 10
BENEFICIARIES

- 10.1 A Participant shall have the right to designate any person as his Beneficiary to whom benefits under this Plan shall be paid in the event of the Participant's death prior to the total distribution of his Benefit Account Balance under the Plan. If greater than 50 percent of the Benefit Account Balance is designated to a Beneficiary other than the Participant's spouse, such Beneficiary designation must be consented to by the Participant's spouse. Each Beneficiary designation must be in written form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime.
- 10.2 A Participant shall have the right to change the Beneficiary designation, subject to

spousal consent under the provisions of Article 10.1, without the consent of any designated Beneficiary by filing a new Beneficiary designation with the Committee. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.

- 10.3 The Committee shall acknowledge, in writing, receipt of each Beneficiary designation form.
- 10.4 The Committee shall be entitled to rely on the Beneficiary designation last filed by the Participant prior to his death. Any payment made in accordance with such designation shall fully discharge the Company from all further obligations with respect to the amount of such payments.
- 10.5 If a Beneficiary entitled to receive benefits under the Plan is a minor or a person declared incompetent, the Committee may direct payment of such benefits to the guardian or legal representative of such minor or incompetent person. The Committee may require proof of incompetency, minority or guardianship as it may deem appropriate prior to distribution of any Plan benefits. Such distribution shall completely discharge the Committee and the Company from all liability with respect to such payments.
- 10.6 If no Beneficiary designation is in effect at the time of the Participant's death, or if the named Beneficiary predeceased the Participant, then the Beneficiary shall be: (1) the surviving spouse; (2) if there is no surviving spouse, then his issue per stirpes; or (3) if no surviving spouse or issue, then his estate.
- 10.7 If a Beneficiary receiving benefit payments under the provisions of the Plan dies prior to the completion of the benefit payment period, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the contingent Beneficiary designated by the Participant under the provisions of Article 10.1. If the Participant has failed to designate a contingent Beneficiary, the present value of the remaining benefit payments will be paid, in a lump sum amount, to the Beneficiary's estate. The present value of the remaining benefit payments will be calculated using the same methodology, including the same interest rate, as was used to calculate the Participant's annuity payment calculation, under Article 5.3.

ARTICLE 11
GENERAL

- 11.1 Amounts payable to a Participant shall be paid exclusively from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "rabbi trust."

- 11.2 The Company shall have no obligation under the Plan to a Participant or a Participant's Beneficiary, except as provided in this Master Plan Document.
- 11.3 The Participant shall cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his Benefit Account Balance. Such information may include the results of a physical examination if any is required for participation in the Plan.
- 11.4 Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Article 13.1) be unfunded for purposes of the Code.
- 11.5 There shall be deducted from each payment made under the Plan or other compensation payable to the Participant (or Beneficiary) all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the amount of said taxes.

ARTICLE 12
NO GUARANTEE OF CONTINUING DIRECTORSHIP

- 12.1 The Company is without power to lawfully assure a Participant continued tenure as a Director, and nothing herein constitutes a contract of continuing directorship between the Company and the Participant.

ARTICLE 13
TRUSTS

- 13.1 The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreements. Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board of Directors and shall have such powers as provided in the Trust Agreement. The Committee or the Board of Directors may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board of Directors may

vest in the Trustee, or in one or more investment managers (as defined in ERISA) the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Article 13.1 will cease with a Change in Control.

ARTICLE 14
TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 14.1 The Board of Directors may at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that (i) no amendment shall be effective to decrease or restrict (a) the amount of interest to be credited under the provisions of the Plan, (b) the benefits the Participant qualifies for or may elect to receive under the provisions of the Plan, or (c) benefit payments to Participants or Beneficiaries once such payments have commenced, and (ii) effective March 1, 1999, no amendment or modification of this Article 14, Article 16, or Article 17 of the Plan shall be effective.
- 14.2 The Board of Directors shall not terminate the Plan until all accrued benefits have been paid in full under the provisions of the Plan to the Participants and Beneficiaries.
- 14.3 The Board of Directors may partially terminate the Plan by instructing the Committee not to accept any additional Deferral commitments. In the event of a partial termination, the remaining provisions of the Plan shall continue to operate and be effective for all Participants in the Plan, as of the date of such partial termination.

ARTICLE 15
RESTRICTIONS ON ALIENATION OF BENEFITS

- 15.1 To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

ARTICLE 16
ADMINISTRATION OF THE PLAN

- 16.1 Except as otherwise provided in this Article 16, and subject to Article 17, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Members of the Committee may be Participants under the Plan. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself.

The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

- 16.2 Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Article 17. The Third Party Fiduciary may not be terminated by the Company without the consent of 50% of the Participants in the Plan.
- 16.3 In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.
- 16.4 The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Article 16.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 16.5 The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 16.6 To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for Termination of Employment, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.
- 16.7 The Committee or the Third Party Fiduciary, as the case may be, may alter, at or after Benefit Distribution, the manner and time of payments to be made to a

Participant or Beneficiary from that set forth herein, if requested to do so by such Participant or Beneficiary to meet existing financial hardships, which the Committee or the Third Party Fiduciary, as the case may be, determine are the same as or similar in nature to those identified in Section 1.401(k)-1(d)(2)(iv) of the federal treasury regulations.

ARTICLE 17
CLAIMS PROCEDURE

- 17.1 Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
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was based; and (iii) such other matters as the Third Party Fiduciary deems relevant.

- 17.5 A Claimant's compliance with the foregoing provisions of this Article 17 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

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MISCELLANEOUS

- 18.1 Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

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Directors Deferral Plan
Administrative Committee
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and

CRG Fiduciary Services, Inc.
633 West Fifth Street, 53rd floor
Los Angeles, CA 90071-2086
Attn: Managing Director

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- 18.4 Headings in this Master Plan Document are inserted for convenience of reference only. Any conflict between such headings and the text shall be resolved in favor of the text.
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- 18.6 In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Master Plan Document this 30th day of July 1999.

SOUTHWEST GAS CORPORATION

By

Michael O. Maffie
President & Chief Executive Officer

SOUTHWEST GAS CORPORATION

BOARD OF DIRECTORS

RETIREMENT PLAN

Effective January 1, 1988
Amended Effective May 9, 1990
Amended and Restated Effective October 1, 1993
Amended and Restated Effective March 1, 1999

SOUTHWEST GAS CORPORATION
BOARD OF DIRECTORS RETIREMENT PLAN

PURPOSE

The principal objective of this Board of Directors Retirement Plan is to ensure that a competitive level of retirement income is paid in order to attract and retain Directors of Southwest Gas Corporation. The Plan is designed to provide a benefit that will meet this objective. Eligibility for participation in the Plan shall be limited to outside, non-employee Directors retiring after January 1, 1988. The original Plan was effective on January 1, 1988, and amended May 9, 1990, October 1, 1993 and March 1, 1999.

I. DEFINITIONS

- 1.1 "Board" means the Board of Directors of the Company.
- 1.2 "Change in Control" means the first to occur of any of the following events:
- (a) Any "person" (as the term is used in Sections 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) who becomes a beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of 50% or more of the Company's capital stock entitled to vote in the election of directors; or
 - (b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the board of directors of the Company, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a) of this Section 1.2) whose election by the board of directors or nomination for election by the Company's shareholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute at least a majority thereof.
- 1.3 "Committee" means the Compensation Committee of the Board to which the Board has given authority to administer the Plan. After a Change in Control, the Committee shall cease to have any powers under the Plan and all powers previously vested in the Committee under the Plan will then be vested in the Third Party Fiduciary.
- 1.4 "Company" means Southwest Gas Corporation and any Successor Corporation.

- 1.5 "Director" means an outside, non-employee member of the board of directors of Southwest Gas Corporation prior to a Change in Control.
- 1.6 "Effective Date" previously was October 1, 1993. This amended and restated Plan is effective March 1, 1999.
- 1.7 "Participant" means an outside, non-employee Director. Inside Directors and retired employees of the Company are excluded from participation in the Plan.
- 1.8 "Plan" is the Southwest Gas Board of Directors Retirement Plan as described in this document.
- 1.9 "Retiree" means a former Director eligible for receiving benefits from the Plan.
- 1.10 "Retire" or "Retirement" means the termination of a Director's service on the Board on one of the dates specified in Section II.
- 1.11 "Successor Corporation" means any corporation or other legal entity which is the successor to Southwest Gas Corporation, whether resulting from merger, reorganization or transfer of substantially all of the assets of Southwest Gas Corporation, regardless of whether such entity shall expressly agree to continue the Plan.
- 1.12 "Third Party Fiduciary" means an independent third party (a corporate entity with no other relationship with the Company) selected by the Company to take over the administration of the Plan upon and after a Change in Control and to determine appeals of claims denied under the Plan before and after a Change in Control pursuant to a Third Party Fiduciary Services Agreement.
- 1.13 "Third Party Fiduciary Services Agreement" means the agreement with the Third Party Fiduciary to perform services with respect to the Plan.
- 1.14 "Trust Agreement" means an agreement establishing a "grantor trust" of which the Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended (the "Code").
- 1.15 "Trust Fund or Funds" means the assets of every kind and description held under any Trust Agreement forming a part of the Plan.
- 1.16 "Trustee" means any person or entity selected by the Company to act as trustee under any Trust Agreement at any time of reference.
- 1.17 "Years of Service" means the length of time, in discrete 12-month periods, a Participant has served on the board of directors of Southwest Gas Corporation.

II. ELIGIBILITY FOR BENEFITS

- 2.1 Each Participant is eligible to Retire and receive a benefit under this Plan beginning on one of the following dates, provided he qualifies:
- (a) "Normal Retirement Date," which is the first day of the month following the month in which the Participant reaches age 65, provided he has at least ten Years of Service.
 - (b) "Mandatory Retirement Date," which is the first day of the month following the month in which the Participant reaches age 72.
 - (c) "Postponed Retirement Date," which is the first day of the month following the Participant's Normal Retirement Date, but no later than the Mandatory Retirement Date, in which the Participant terminates service on the Board, provided he has at least ten Years of Service.
 - (d) "Disability Retirement Date," which is the first day of the month following the month in which the Participant's total and permanent disability began, as determined by the Committee, but no later than the Participant's Normal Retirement Date, provided he has at least ten Years of Service at the time of the disability.
- 2.2 A Participant is eligible to take "Early Retirement" from the Board prior to age 65 provided he has at least ten Years of Service. The Participant taking "Early Retirement" will be eligible to receive benefits pursuant to Section 3.3 when he reaches age 65.
- 2.3 Notwithstanding the foregoing and upon the occurrence of a Change in Control, a Participant will Retire immediately prior to such an event and receive the Normal Retirement Benefit beginning the first day of the month following such an event, provided he has at least eight Years of Service at such time.

III. AMOUNT AND FORM OF RETIREMENT BENEFIT

- 3.1 Normal Retirement Benefit. The annual benefit payable under the Plan will be the amount of the Participant's annual retainer fee on his Normal Retirement Date and will be paid for life.
- 3.2 Mandatory Retirement Benefit. The annual benefit payable under the Plan will be the amount of the Participant's annual retainer fee on his Mandatory Retirement Date and will be paid for life.
- 3.3 Early Retirement Benefit. The annual benefit payable for Early Retirement under the Plan will be the amount of the Participant's annual retainer fee on his Early

Retirement date and will be paid for life commencing when the Participant reaches age 65.

- 3.4 Postponed Retirement Benefit. The annual benefit payable at a Postponed Retirement Date under the Plan will be the amount of the Participant's annual retainer fee on the date of his postponed retirement and will be paid for life.
- 3.5 Disability Retirement Benefit. The annual benefit under the Plan for a totally and permanently disabled Participant, payable at a Disability Retirement Date, will be the amount of the Participant's annual retainer fee on the date of the disability and will be paid for life.
- 3.6 Discretionary Benefits. The Board may, at its sole discretion, grant to an eligible Participant an increased benefit of \$1,000 per year for life for each ten-year period of service beyond the minimum qualifying service period of ten years.

IV. PAYMENT OF RETIREMENT BENEFITS

- 4.1 One-quarter of the benefit determined in accordance with Section III will be payable on the first day of each calendar quarter. The initial benefit payment will be paid at the time of Retirement or within 30 days thereof, and will be prorated for a partial quarter if the Retirement date is not on the first day of a quarter.
- 4.2 Benefit payments will cease on the first day of the calendar quarter following the Retiree's death.

V. NO DEATH BENEFITS

- 5.1 No benefits are payable under this Plan in the event of death.

VI. GENERAL

- 6.1 Amounts payable to a Participant shall be paid from the general assets of the Company or from the assets of a grantor trust within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, established for use in funding executive compensation arrangements and commonly known as a "Rabbi Trust."
- 6.2 The Company shall have no obligation under the Plan to a Participant, except as provided in this Plan.
- 6.3 The Participant must cooperate with the Committee in furnishing all information requested by the Company to facilitate the payment of his benefit.

- 6.4 Participants and their heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under the Plan. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay money in the future, and the rights of the Participants shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Plan (and the Trust Funds described in Section VII) be unfunded for purposes of the Code.
- 6.5 There shall be deducted from each payment made under the Plan or other compensation payable to the Participant all taxes which are required to be withheld by the Company in respect to such payment or this Plan. The Company shall have the right to reduce any payment (or other compensation) by the amount of cash sufficient to provide the payment amount of said taxes.
- 6.6 The Company is without power to lawfully assure a Participant continued tenure as a Director, and nothing herein constitutes a contract for continuing service between the Company and the Participant.

VII. TRUSTS

- 7.1 The Company may maintain one or more Trust Funds to finance all or a portion of the benefits under the Plan by entering into one or more Trust Agreement(s). Any Trust Agreement is designated as, and shall constitute, a part of the Plan, and all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of such Trust Agreement. A Trustee shall be appointed by the Committee or the Board and shall have such powers as provided in the Trust Agreement. The Committee or the Board may modify any Trust Agreement, in accordance with its terms, to accomplish the purposes of the Plan and appoint a successor Trustee under the provisions of such Trust Agreement. By entering into such Trust Agreement, the Committee or the Board may vest in the Trustee, or in one or more investment managers (as defined in ERISA), the power to manage and control the Trust Fund. The Committee's authority under the provisions of this Section 7.1 will cease with a Change in Control.

VIII. TERMINATION, AMENDMENT OR MODIFICATION OF THE PLAN

- 8.1 The Board may, at any time, without notice, amend or modify the Plan in whole or in part; provided, however, that: (i) no amendment or modification shall be effective to decrease or restrict (a) the benefit the Participant qualifies for under the provisions of the Plan, or (b) benefit payments to Participants once such payments

have commenced; and (ii) effective March 1, 1999, no amendment or modification of this Section VIII, Section X, or Section XI of the Plan shall be effective.

- 8.2 The Board shall not terminate the Plan until all benefits have been paid in full under the provisions of the Plan.

IX. RESTRICTIONS ON ALIENATION OF BENEFITS

- 9.1 To the maximum extent permitted by law, no interest or benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment, or encumbrances of any kind.

X. ADMINISTRATION OF THE PLAN

- 10.1 Except as otherwise provided in this Section X, and subject to Section XI, the general administration of the Plan, as well as construction and interpretation thereof, shall be vested in the Committee. Specifically, the Committee shall have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretations of the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. The number of members of the Committee shall be established by, and the members shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Members of the Committee may be Participants under the Plan.

- 10.2 Upon and after a Change in Control, the administration of the Plan shall be vested in a Third Party Fiduciary, as provided for herein and pursuant to the terms of a Third Party Fiduciary Services Agreement. Any Third Party Fiduciary Services Agreement is designated as, and shall constitute, a part of the Plan. The Third Party Fiduciary shall also have the discretion and authority to: (a) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan; and (b) decide or resolve any and all questions including interpretation of the Plan and the Trust Agreement. Except as otherwise provided for in any Trust Agreement, the Third Party Fiduciary shall have no power to direct the investment of Plan or Trust Funds or select any investment manager or custodial firm for the Plan or Trust Agreement. The Company shall pay all reasonable administrative expenses and fees of the Third Party Fiduciary when it acts as the administrator of the Plan or pursuant to Section XI. The Third Party Fiduciary may not be terminated by the Company without the consent of 50% of the Participants in the Plan.

- 10.3 In the administration of the Plan, the Committee or the Third Party Fiduciary, as the case may be, may from time to time employ such agents, consultants, advisors, and managers as it deems necessary or useful in carrying out its duties as it sees fit (including acting through a duly authorized representative) and may from time to time consult with counsel to the Company.

- 10.4 The decision or action of the Committee or the Third Party Fiduciary, as the case may be, with respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan (and the Trust Agreement to the extent provided for in Section 10.2) and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 10.5 The Company shall indemnify and save harmless each member of the Committee, the Third Party Fiduciary, and any employee of the Company to whom the duties of the Committee may be delegated against any and all claims, losses, damages, expenses, and liabilities arising from any action or failure to act with respect to the Plan, except in the case of fraud, gross negligence, or willful misconduct by the Committee, any of its members, the Third Party Fiduciary, or any such employee.
- 10.6 To enable the Committee and the Third Party Fiduciary to perform their functions, the Company shall supply full and timely information to the Committee and the Third Party Fiduciary, as the case may be, on all matters relating to the compensation of all Participants, their Retirement, death or other cause for termination of service, and such other pertinent facts as the Committee or the Third Party Fiduciary may require.

XI. CLAIMS PROCEDURE

- 11.1 Any Participant (such Participant being referred to below as a "Claimant") may deliver to the Committee a written claim for determination with respect to benefits available to such Claimant from the Plan. The claim must state with particularity the determination desired by the Claimant.
- 11.2 The Committee shall consider a claim and notify the Claimant within 90 calendar days after receipt of a claim in writing:
- (a) That the Claimant's requested determination has been made, and that the claim has been allowed in full; or
 - (b) That the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant: (i) the specific reason(s) for the denial of the claim, or any part thereof; (ii) the specific reference(s) to pertinent provisions of the Plan upon which the denial was based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and (iv) an explanation of the claim review procedure set forth in Section 11.3.

- 11.3 Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Third Party Fiduciary a written request for a review of the denial of the claim. Thereafter, the Claimant (or the Claimant's duly authorized representative) may review pertinent documents, submit written comments or other documents, and request a hearing, which the Third Party Fiduciary, in its sole discretion, may grant.
- 11.4 The Third Party Fiduciary shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of a denial, unless a hearing is held or other special circumstances require additional time, in which case the Third Party Fiduciary's decision must be rendered within 120 calendar days after such date. Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain: (i) the specific reason(s) for the decision; (ii) the specific reference(s) to the pertinent Plan provisions upon which the decision was based; and (iii) such other matters as the Third Party Fiduciary deems relevant.
- 11.5 A Claimant's compliance with the foregoing provisions of this Section XI is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

XII. MISCELLANEOUS

- 12.1 No Director will participate in an action of the Committee or the Board on a matter that solely applies to that Director. Such matters will be determined by a majority of the rest of the Committee or the Board.
- 12.2 Each Participant will receive a copy of this Plan, and the Committee will make available for any Participant's inspection a copy of the rules and regulations the Committee uses in administering the Plan.
- 12.3 This Plan is established under, and will be construed according to, the laws of the state of Nevada.
- 12.4 The Plan shall be binding upon the Company and any of its successors and assigns, and upon a Participant, Participant's beneficiary, assigns, heirs, executors, and administrators.
- 12.5 Masculine pronouns wherever used shall include feminine pronouns and when the context dictates, the singular shall include the plural.
- 12.6 In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

12.7 Any notice given under the Plan shall be in writing and shall be mailed or delivered to:

SOUTHWEST GAS CORPORATION
Board of Directors Retirement Plan
Compensation Committee
5241 Spring Mountain Road
Las Vegas, NV 89102

and

CRG Fiduciary Services, Inc.
633 West Fifth Street, 53rd floor
Los Angeles, CA 90071-2086
Attn: Managing Director

IN WITNESS WHEREOF, the Company has executed this Amended and Restated Board of Directors Retirement Plan this 30th day of July 1999.

SOUTHWEST GAS CORPORATION

By -----
Thomas Y. Hartley
Chairman of Board of Directors

By -----
Michael O. Maffie
President & Chief Executive Officer

=====

FINANCING AGREEMENT

Dated as of October 1, 1999

By and Between

CLARK COUNTY, NEVADA

and

SOUTHWEST GAS CORPORATION

relating to

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
SERIES 1999A

and

CLARK COUNTY, NEVADA
INDUSTRIAL DEVELOPMENT REVENUE BONDS
(SOUTHWEST GAS CORPORATION PROJECT)
TAXABLE SERIES 1999B

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THIS FINANCING AGREEMENT made and entered into as of October 1, 1999 (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 October 1, 1999 (the "Indenture"), with Harris Trust and Savings Bank, as trustee (the "Trustee") thereunder, pursuant to which the Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Series 1999A, and its Clark County, Nevada Industrial Development Revenue Bonds (Southwest Gas Corporation Project) Taxable Series 1999B, will be issued and secured, and providing for the further security and liquidity for such Bonds by Bond Insurance and, if applicable, a Liquidity Facility, as such terms are defined in the Indenture; 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 of Nevada. 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 finance or 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 of Nevada 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 financing or 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 15, 1998, the Issuer adopted an initial resolution authorizing the issuance of bonds in an amount not to exceed \$50,000,000 to finance a portion of the Cost of the Project. On March 2, 1999, 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 Series 1999A 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, after the conversion of any Bonds to a Tax-Exempt Series, impair the Tax-Exempt status of the Bonds of a Tax-Exempt Series. 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 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 of Nevada 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 II

THE PROJECT; ISSUANCE OF THE BONDS

SECTION 3.1 The Project. The Borrower agrees that it will acquire, construct, equip, and install, or complete the acquisition, construction, equipping, and installation of the Project and all other facilities and real and personal property necessary for the operation of the Project and at all times shall operate the Project as a "project" within the meaning of the Act and so that the Project constitutes Exempt Facilities and substantially in accordance with the Plans and Specifications. The Borrower agrees to proceed with due diligence to complete the Project within three years from the date hereof.

SECTION 3.2 Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds to lend to the Borrower to finance or 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 Purchasers thereof its Series 1999A Bonds and its Series 1999B Bonds in an aggregate principal amount not to exceed \$35,000,000, 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 Disbursements from the Construction Fund and Costs of Issuance Fund. The Company will request pursuant to the terms of the Indenture, authorize and direct the Trustee to disburse the moneys in the Construction Fund to or on behalf of the Borrower, upon compliance with Section 6.06 of the Indenture, for the following purposes (but, subject to the provisions of Section 3.4 hereof, for no other purpose):

(a) Payment to the Borrower of such amounts, if any, as shall be necessary to reimburse the Borrower, in full for all advances and payments made by it at any time prior to or after the delivery of the Bonds for expenditures incurred in connection with the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof) and the acquisition, construction and installing of the Project.

(b) Payment for labor, services, materials and supplies used or furnished in site improvement and in the acquisition, construction and installing of the Project and miscellaneous expenditures incidental to any of the foregoing items.

(c) Payment of the fees, if any, for architectural, engineering, legal, underwriting and supervisory services with respect to the Project and the Bonds.

(d) Payment of the premiums on all insurance that was required to be acquired and maintained in connection with the Project during the construction period with respect to the Project.

(e) Payment of the taxes, assessments and other charges, if any, that may have become payable during the construction period with respect to the Project.

(f) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor or any other third party in respect of any default under a contract relating to the Project.

(g) Payment of any other costs which constitute a part of the Cost of the Project in accordance with generally accepted accounting principles, which are permitted by the Act and which will not adversely affect the Tax-Exempt status of the Bonds of a Tax-Exempt Series.

Each of the payments referred to in Sections 3.3(a)-(g) shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 6.06 of the Indenture, signed by the Authorized Borrower Representative.

The Borrower will authorize and direct the Trustee, upon compliance with Section 6.07 of the Indenture, to disburse the moneys in the Costs of Issuance Fund to or on behalf of the Borrower only for Costs of Issuance. Each of the payments referred to in this paragraph shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 6.07 of the Indenture.

The Borrower covenants and agrees that at all times at least 97% of the moneys so disbursed out of the Construction Fund will be used to pay or reimburse the Borrower for the payment of qualifying costs of Exempt Facilities as described in the Tax Certificate. The Borrower further covenants and agrees that it will not take any action or authorize or permit, any action to be taken which would adversely affect the Tax-Exempt status of the Bonds of a Tax-Exempt Series.

The Borrower understands that the Tax Certificate may impose additional restrictions on withdrawals from the Construction Fund, and the Borrower agrees to be bound by such restrictions, if any.

SECTION 3.4 Investment of Moneys . Any moneys held as a part of the Bond Fund or the Construction Fund or the Costs of Issuance 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 3.5 Costs of Issuance. The Borrower covenants and agrees to pay all costs incurred in connection with the issuance of the Bonds, which may be reimbursed or paid out of the proceeds of the Bonds to the extent permitted by the Act, the Code and the Tax Certificate, 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. (a) 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 finance or 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 two loans to the Borrower, one in an amount equal to the principal amount of the Series 1999A Bonds and one in an amount equal to the principal amount of the Series 1999B 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 the Cost of the Project 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. (a) 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 the 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 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. Such amounts shall 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 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 the Liquidity Provider to the Trustee under a 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 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 result from willful misconduct (or, as to the Trustee, negligence) on the part of the party seeking such indemnity or result from statements or information provided by 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 arise out of 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 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 the reasonable fees, charges and expenses of such Remarketing 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 any Bonds, the Issuer's administrative fee in the amount of \$35,000; 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 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 of Nevada 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 pursuant to Section 4.2(f) hereof and payments to be made to the Issuer pursuant to Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 hereof and its rights of indemnification and inspection and rights to receive notices, certificates, requests, requisitions or other communications and to give consents hereunder) 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 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. 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. 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 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.

SECTION 5.2 Borrower's Maintenance of Its Existence; Assignments.

(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, and (B) is qualified to do business in the State;

(ii) the existing Liquidity Facility, if any, will remain in full force and effect or will be replaced as provided in Section 5.14 or the Series 1999B Bonds shall have been redeemed; and

(iii) the rating on the outstanding Bonds shall be no lower than the rating 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, the Bond Insurer 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, the Bond Insurer 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.

(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.

(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 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 Tax-Exempt Bonds.

SECTION 5.3 Establishment of Completion Date; Obligation of Borrower to Complete. As soon as the Project is completed, the Authorized Borrower Representative, on behalf of the Borrower, shall evidence the Completion Date by providing a certificate to the Trustee and the Issuer stating the Cost of the Project and further stating that (i) the acquisition, equipping and construction of the Project has been completed substantially in accordance with the plans, specifications and work orders therefor, and all labor, services, materials and supplies used in the acquisition, equipping, rehabilitation and construction have been paid or provided for, and (ii) all other facilities necessary in connection with the Project have been acquired, constructed and installed in accordance with the plans and specifications and work orders therefor and all costs and expenses incurred in connection therewith have been paid or provided for. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for any claims or for the payment of any amount not then due and payable which exists at the date of such certificate or which may subsequently exist. At the time

such certificate is delivered to the Trustee, moneys remaining in the Construction Fund, including any earnings resulting from the investment of such moneys, shall be used as provided in Section 6.06 of the Indenture.

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.

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 5.5 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 of Nevada.

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 and the Remarketing 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, Philadelphia, PA 19255) a statement setting forth the information required by Section 149(e) of the 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 Tax-Exempt Series of Bonds).

SECTION 5.11 Tax Covenants; Rebate. The provisions of this Section 5.11 shall apply only to the Series 1999A Bonds, or all or any portion of the Series 1999B Bonds, after they have been converted to Tax-Exempt status.

(a) The Borrower covenants that it will not take any action which would adversely affect the Tax-Exempt status of any of the Bonds of a Tax-Exempt Series, 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 of a Tax-Exempt Series; 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 of a Tax-Exempt Series which would cause any of the Bonds of a Tax-Exempt Series to be "arbitrage bonds" within the meaning of Section 148 of the Code.

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

(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 Code and any temporary, proposed or final Regulations as may be applicable to such Bonds of a Tax-Exempt Series 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 of a Tax-Exempt Series pursuant to Section 148(f) of the 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 of a Tax-Exempt Series, the covenants in this Section 5.11 shall survive the payment for such Bonds of a Tax-Exempt Series and the interest thereon, including any payment or defeasance thereof pursuant to Section 8.01 of the Indenture.

SECTION 5.12 [Reserved].

SECTION 5.13 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 5.13.

SECTION 5.14 Alternate Liquidity Facility. The Borrower may deposit with the Trustee an Alternate Liquidity Facility, in lieu of keeping the Liquidity Facility in place as may be required by Section 5.15 hereof.

Upon deposit with the Trustee, an Alternate Liquidity Facility must meet the following conditions:

(a) the Alternate Liquidity Facility must be approved by the Issuer or any successors and assigns;

(b) provisions of the Alternate Liquidity Facility must be acceptable to the Bond Insurer and the Trustee;

(c) the term of the Alternate Liquidity Facility must extend at least 364 days or to at least the first date on which the related Series of Bonds is subject to redemption, pursuant to the Indenture, whichever is longer; and

(d) the Alternate Liquidity Facility must be in an amount sufficient to pay the purchase price of any Bonds purchased pursuant to Article IV of the Indenture.

Not less than thirty (30) days prior to the delivery of an Alternate Liquidity Facility, the Borrower shall (i) deliver to the Trustee and the Remarketing Agent a written commitment for the delivery of such Alternate Liquidity Facility, (ii) inform the Trustee and the Remarketing Agent of the date on which the Alternate Liquidity Facility will become effective, which date shall not be less than five (5) calendar days prior to the stated expiration date of the existing Liquidity Facility and (iii) inform the Trustee of the rating expected to apply to the applicable Series of Bonds after the related Alternate Liquidity Facility is delivered. On or prior to the date of the delivery of an Alternate Liquidity Facility to the Trustee, the Borrower shall cause to be furnished to the Trustee (i) an opinion of Bond Counsel to the effect that the delivery of such Alternate Liquidity Facility to the Trustee is authorized under the Indenture and complies with the terms hereof and will not adversely affect the Tax-Exempt status of any Tax-Exempt Bonds, (ii) an opinion to the effect that the Alternate Liquidity Facility is exempt from registration under the Securities Act of 1933, as amended, and is enforceable in accordance with the terms of such Alternate Liquidity Facility, 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, and (iii) written evidence from each Rating Agency then rating the Bonds that following the delivery of such Alternate Liquidity Facility the rating on the related Series of Bonds shall not be lower than A-1 or P-1, as applicable, or the current rating from such Rating Agency will not be reduced or withdrawn.

SECTION 5.15 Bond Insurance, Liquidity Facility. Subject to Section 5.14 hereof and except as may be permitted under the Indenture, the Borrower agrees that throughout the term of this Agreement it, or any successor or assignee as permitted by Section 5.2 hereof, will maintain or cause to be maintained (i) the Bond Insurance for each Series of Bonds and (ii) a Liquidity Facility with respect to Series 1999B Bonds and any Tax-Exempt Series of Bonds created upon conversion of such Series 1999B Bonds. Notwithstanding the foregoing, if any Tax-Exempt Series of Bonds or the Series 1999B Bonds are fixed in a Term Rate Period or Taxable Term Rate Period ending on the maturity date for such Bonds, no Liquidity Facility need be maintained with respect to such Bonds. At any time the Borrower may, at its option, provide for the delivery to the Trustee of an Alternate Liquidity Facility and the Borrower shall, in any

event, cause to be delivered an Alternate Liquidity Facility at least five (5) days before the expiration date of any existing Liquidity Facility, unless otherwise permitted by the Indenture, or any existing Alternate Liquidity Facility.

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 if corrective action is instituted within the applicable period and the failure 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 undismissed, 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 the Bond Insurer of notice of the occurrence of an "Event of Default" under the Insurance Agreement dated as of October 1, 1999, between the Borrower and the Bond Insurer, as the same may be amended from time to time.

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 the Bond Insurer, whenever any Event of Default referred to in Section 6.1 hereof shall have occurred and be continuing,

(a) The Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall, 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) The Trustee shall immediately draw upon any Bond Insurance and Liquidity Facility, if any, 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, 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 stockholder, 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 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 other than 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 of the indebtedness of the Borrower hereunder as described herein, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer 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. (a) 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 and the Remarketing Agent, if any. 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 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 and the 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 Tax-Exempt Series of 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 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 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, 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 Remarketing Agent, if any, and the Liquidity Provider, if any, 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 under Sections 4.2(d), 4.2(e), 4.2(h) and 6.4 hereof and rights of the Issuer to make inspections or to receive any notices, certificates, requests, requisitions or communications hereunder and to give consent hereunder) 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 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, the Liquidity Facility, or remarketing proceeds 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 only if the written consent thereto of the Trustee or, if applicable, the Bond Insurer or the Owners of the requisite percentage in aggregate principal amount of the Bonds, is obtained 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 of Nevada.

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 Tax-Exempt Series of 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.

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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/ Bruce L. Woodbury

Chair, Board of County Commissioners

(SEAL)

Attest:

/s/ Shirley B Parraguirre

County Clerk

SOUTHWEST GAS CORPORATION

By: /s/ Jeffrey W. Shaw

Authorized Borrower Representative

DESCRIPTION OF THE PROJECT

The Project consists of the Company's construction program with respect to the following capital additions, improvements and equipment located in Clark County, Nevada:

The Distribution Facilities

The Project includes Distribution Facilities consisting of the meters, customer service connections, mains, pressure regulators, and other additions, improvements, replacements of obsolete, damaged or worn out components, and relocations and enhancements of existing components to the lower-pressure (under 500 psig) gas distribution facilities by which the Company furnishes gas to customers within its retail service area in Clark County, Nevada, together with additions, relocations and improvements to the Company's other plant, property and equipment to be acquired, installed, or constructed by the Company for use in connection therewith, for the same purposes.

Transmission Facilities

The Project also includes Transmission Facilities consisting of the pressure regulators, mains, compressor facilities and other additions and improvements to the Company's higher-pressure (500 psig and over) gas transmission facilities by which it transports gas within its retail service area in Clark County, Nevada, together with additions and improvements to the Company's other plant, property and equipment to be acquired, installed, or constructed by the Company for use in connection therewith, for the same purposes.

Included in the foregoing Facilities are associated land and land rights and such modifications' additions and supplements or changes to the Facilities as may prove necessary or desirable for the same purposes.

SOUTHWEST GAS CORPORATION

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Thousands of dollars)

	FOR THE YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
CONTINUING OPERATIONS					
1. Fixed charges:					
(A) Interest expense	\$ 63,110	\$ 63,416	\$63,247	\$54,674	\$52,844
(B) Amortization	1,366	1,243	1,164	1,494	1,569
(C) Interest portion of rentals	8,217	7,531	6,973	6,629	4,435
(D) Preferred securities distributions	5,475	5,475	5,475	5,475	913
Total fixed charges	\$ 78,168	\$ 77,665	\$76,859	\$68,272	\$59,761
2. Earnings (as defined):					
(E) Pretax income from continuing operations	\$ 60,955	\$ 83,951	\$21,328	\$10,448	\$ 3,493
Fixed Charges (1. above)	78,168	77,665	76,859	68,272	59,761
Total earnings as defined	\$139,123	\$161,616	\$98,187	\$78,720	\$63,254
3. Ratio of earnings to fixed charges	1.78	2.08	1.28	1.15	1.06

	FOR THE YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
ADJUSTED FOR INTEREST ALLOCATED TO DISCONTINUED OPERATIONS					
1. Fixed charges:					
(A) Interest expense	\$ 63,110	\$ 63,416	\$63,247	\$54,674	\$52,844
(B) Amortization	1,366	1,243	1,164	1,494	1,569
(C) Interest portion of rentals	8,217	7,531	6,973	6,629	4,435
(D) Preferred securities distributions	5,475	5,475	5,475	5,475	913
(E) Allocated interest (1)	--	--	--	--	9,636
Total fixed charges	\$ 78,168	\$ 77,665	\$76,859	\$68,272	\$69,397
2. Earnings (as defined):					
(F) Pretax income from continuing operations	\$ 60,955	\$ 83,951	\$21,328	\$10,448	\$ 3,493
Fixed Charges (1. above)	78,168	77,665	76,859	68,272	69,397
Total earnings as defined	\$139,123	\$161,616	\$98,187	\$78,720	\$72,890
3. Ratio of earnings to fixed charges	1.78	2.08	1.28	1.15	1.05

(1) Represents allocated interest through the period ended December 31, 1995. Carrying costs for the period subsequent to year end through the disposition of the discontinued operations were accrued and recorded as disposal costs.

SOUTHWEST GAS CORPORATION
 COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS
 (THOUSANDS OF DOLLARS)

	FOR THE YEAR ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
CONTINUING OPERATIONS					
1. Combined fixed charges:					
A) Total fixed charges	\$ 78,168	\$ 77,665	\$76,859	\$68,272	\$59,761
B) Preferred dividends [1]	--	--	--	--	404
Total fixed charges and preferred dividends	\$ 78,168	\$ 77,665	\$76,859	\$68,272	\$60,165
2. Earnings	\$139,123	\$161,616	\$98,187	\$78,720	\$63,254
3. Ratio of earnings to fixed charges and preferred dividends	1.78	2.08	1.28	1.15	1.05
ADJUSTED FOR INTEREST ALLOCATED TO DISCONTINUED OPERATIONS					
1. Combined fixed charges:					
A) Total fixed charges	\$ 78,168	\$ 77,665	\$76,859	\$68,272	\$69,397
B) Preferred dividends [1]	--	--	--	--	404
Total fixed charges and preferred dividends	\$ 78,168	\$ 77,665	\$76,859	\$68,272	\$69,801
2. Earnings	\$139,123	\$161,616	\$98,187	\$78,720	\$72,890
3. Ratio of earnings to fixed charges and preferred dividends	1.78	2.08	1.28	1.15	1.04

[1] Preferred dividends have been adjusted to represent the pretax earnings necessary to cover such dividend requirements.

CONSOLIDATED SELECTED FINANCIAL STATISTICS

Year Ended December 31	1999	1998	1997	1996	1995
(Thousands of dollars, except per share amounts)					
Operating revenues	\$ 936,866	\$ 917,309	\$ 732,010	\$ 644,061	\$ 563,502
Operating expenses	805,654	763,139	629,749	572,488	505,090
Operating income	\$ 131,212	\$ 154,170	\$ 102,261	\$ 71,573	\$ 58,412
Income from continuing operations	\$ 39,310	\$ 47,537	\$ 16,469	\$ 6,574	\$ 2,654
Loss from discontinued operations, net of tax(1)	--	--	--	--	(17,536)
Net income (loss)	\$ 39,310	\$ 47,537	\$ 16,469	\$ 6,574	\$ (14,882)
Net income (loss) applicable to common stock	\$ 39,310	\$ 47,537	\$ 16,469	\$ 6,574	\$ (15,189)
Total assets at year end	\$ 1,923,442	\$ 1,830,694	\$ 1,769,059	\$ 1,560,269	\$ 1,532,527
Capitalization at year end					
Common equity	\$ 505,425	\$ 476,400	\$ 385,979	\$ 379,616	\$ 356,050
Trust originated preferred securities	60,000	60,000	60,000	60,000	60,000
Long-term debt	859,291	812,906	778,693	665,221	607,945
	\$ 1,424,716	\$ 1,349,306	\$ 1,224,672	\$ 1,104,837	\$ 1,023,995
Common stock data					
Return on average common equity	8.0%	11.0%	4.3%	1.8%	(4.1)%
Earnings (loss) per share					
Continuing operations	\$ 1.28	\$ 1.66	\$ 0.61	\$ 0.25	\$ 0.10
Discontinued operations	--	--	--	--	(0.76)
Earnings (loss) per share	\$ 1.28	\$ 1.66	\$ 0.61	\$ 0.25	\$ (0.66)
Diluted earnings (loss) per share	\$ 1.27	\$ 1.65	\$ 0.61	\$ 0.25	\$ (0.66)
Dividends paid per share	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82	\$ 0.82
Payout ratio	64%	49%	N/A	N/A	N/A
Book value per share at year end	\$ 16.31	\$ 15.67	\$ 14.09	\$ 14.20	\$ 14.55
Market value per share at year end	\$ 23.00	\$ 26.63	\$ 18.69	\$ 19.25	\$ 17.63
Market value per share to book value per share	141%	170%	133%	136%	121%
Common shares outstanding at year end (000)	30,985	30,410	27,387	26,733	24,467
Number of common shareholders at year end	22,989	24,489	25,833	26,371	25,133
Ratio of earnings to fixed charges					
Continuing operations	1.78	2.08	1.28	1.15	1.06
Adjusted for interest allocated to discontinued operations	1.78	2.08	1.28	1.15	1.05

1. Includes the 1995 loss on sale of the Bank.

NATURAL GAS OPERATIONS

Year Ended December 31	1999	1998	1997	1996	1995

(Thousands of dollars)					
Sales	\$ 740,900	\$ 753,338	\$ 569,542	\$ 506,200	\$ 524,914
Transportation	50,255	46,259	45,123	40,161	38,588

Operating revenue	791,155	799,597	614,665	546,361	563,502
Net cost of gas sold	330,031	329,849	209,338	187,580	227,456

Operating margin	461,124	469,748	405,327	358,781	336,046
Expenses					
Operations and maintenance	221,258	209,172	201,159	198,364	187,969
Depreciation and amortization	88,254	80,231	74,528	67,443	62,492
Other	27,610	31,646	29,393	28,156	27,173

Operating income	\$ 124,002	\$ 148,699	\$ 100,247	\$ 64,818	\$ 58,412
=====					
Contribution to consolidated net income (loss)	\$ 35,473	\$ 44,830	\$ 15,825	\$ 3,919	\$ 2,654
=====					
Total assets at year end	\$ 1,855,114	\$ 1,772,418	\$ 1,717,025	\$ 1,498,099	\$ 1,357,034
=====					
Net gas plant at year end	\$ 1,581,102	\$ 1,459,362	\$ 1,360,294	\$ 1,278,457	\$ 1,137,750
=====					
Construction expenditures and property additions	\$ 207,773	\$ 179,361	\$ 164,528	\$ 210,743	\$ 166,183
=====					
Cash flow, net					
From operating activities	\$ 165,220	\$ 189,465	\$ 45,923	\$ 47,931	\$ 97,754
From investing activities	(207,024)	(176,731)	(170,455)	(41,804)	(163,718)
From financing activities	40,674	(12,632)	132,349	(11,456)	71,056

Net change in cash	\$ (1,130)	\$ 102	\$ 7,817	\$ (5,329)	\$ 5,092
=====					
Total throughput (thousands of therms)					
Sales	1,037,409	1,103,264	914,732	818,329	805,884
Transportation	1,186,859	1,001,372	1,030,857	968,208	1,016,011

Total throughput	2,224,268	2,104,636	1,945,589	1,786,537	1,821,895
=====					
Weighted average cost of gas purchased (\$/therm)	\$ 0.28	\$ 0.27	\$ 0.35	\$ 0.27	\$ 0.21
Customers at year end	1,274,000	1,209,000	1,151,000	1,092,000	1,029,000
Employees at year end	2,482	2,429	2,447	2,420	2,383
Degree days - actual	1,928	2,321	1,976	1,896	1,781
Degree days - ten-year average	2,031	2,043	2,022	2,033	2,021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion of Southwest Gas Corporation and subsidiaries (the Company) includes information related to its regulated natural gas transmission and distribution activities and nonregulated activities. In 1996, the Company completed the sale of PriMerit Bank, Federal Savings Bank (the Bank), which was reported as discontinued operations. The loss on disposition was included in the 1995 results of operations.

The Company is principally engaged in the business of purchasing, transporting, and distributing natural gas (Southwest or natural gas operations segment). Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of southern, central, and northwestern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor and transporter of natural gas in Nevada, and serves 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 in northern California and high desert and mountain areas in San Bernardino County.

As of December 31, 1999 Southwest had 1,274,000 residential, commercial, industrial, and other customers, of which 722,000 customers were located in Arizona, 431,000 in Nevada, and 121,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During 1999, Southwest added 65,000 customers, a five percent increase, of which 33,000 customers were added in Arizona, 28,000 in Nevada, and 4,000 in California. Customer growth over the past three years averaged over five percent annually. These additions are largely attributed to population growth in the service areas. Based on current commitments from builders, customer growth is expected to approximate five percent in 2000. During 1999, 56 percent of operating margin was earned in Arizona, 34 percent in Nevada, and 10 percent in California. During this same period, Southwest earned 83 percent of operating margin from residential and small commercial customers, 4 percent from other sales customers, and 13 percent from transportation customers. These patterns are similar to prior years and are expected to continue.

In April 1996, the Company acquired all of the outstanding stock of Northern Pipeline Construction Co. (Northern or construction services segment) pursuant to a definitive agreement dated November 1995. The Company issued approximately 1,439,000 shares of common stock valued at \$24 million in connection with the acquisition. The acquisition was accounted for as a purchase. Goodwill in the amount of approximately \$10 million was recorded by Northern and is being amortized over 25 years. Northern provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

In December 1998, the Company entered into a merger agreement with ONEOK, Inc. (ONEOK). The merger agreement was amended in April 1999 following receipt of unsolicited offers to acquire the Company from Southern Union Company (Southern Union) that were rejected by the Company. On January 4, 2000, the staff of the Arizona Corporation Commission (ACC) issued a

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report that stated it was unable to recommend approval of the acquisition of the Company by ONEOK due to concerns about ONEOK's actions and fitness to serve in Arizona. On January 21, 2000, ONEOK informed the Company that it was terminating the merger agreement. Additional information is provided in Note 14 of the Notes to Consolidated Financial Statements. Litigation is pending in California, Arizona, and Oklahoma relating to the now terminated acquisition of the Company by ONEOK and the Company's rejection of the Southern Union offers. This litigation is described in Item 3, "Legal Proceedings" in the 1999 Form 10-K filed with the Securities and Exchange Commission.

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 the construction services segment are not material to the overall capital requirements and resources of the Company.

Southwest continues to experience significant population growth throughout its service territories. This growth has required large amounts of capital to finance the investment in infrastructure, in the form of new transmission and distribution plant, to satisfy consumer demand. For example, during the three-year period ended December 31, 1999, total gas plant increased from \$1.7 billion to \$2.2 billion, or at an annual rate of eight percent.

During 1999, capital expenditures for the gas operations segment were \$208 million. Approximately 74 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. Cash flows from operating activities of Southwest (net of dividends) provided \$140 million of the required capital resources pertaining to these construction expenditures. The remainder was provided from net external financing activities.

Southwest estimates construction expenditures during the three-year period ending December 31, 2002 will be approximately \$630 million. During the three-year period, cash flow from operating activities (net of dividends) is estimated to fund approximately 60 percent of the gas operations total construction expenditures. A portion of the construction expenditure funding will be provided by \$13 million of funds held in trust, at December 31, 1999, from the issuance of industrial development revenue bonds (IDRB). The remaining cash requirements are expected to be provided by external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, and growth levels in Southwest service areas. These external

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financings may include the issuance of both debt and equity securities, bank and other short-term borrowings, and other forms of financing.

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to meet its cash requirements. General factors that could significantly affect capital resources and liquidity in future years include inflation, growth in the economy, changes in income tax laws, changes in the ratemaking policies of regulatory commissions, interest rates, and the level of natural gas prices.

The rate schedules in all of the service territories of Southwest contain purchased gas adjustment (PGA) clauses which permit adjustments to rates as the cost of purchased gas changes. Southwest must first obtain regulatory approval before changing the rates it charges for recovery of gas costs. The PGA mechanism allows Southwest 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. 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. Generally, tariffs in Nevada and California service territories of Southwest provide for annual adjustment dates for changes in purchased gas costs. In addition, Southwest may request to adjust rates more often than once each year, if conditions warrant. In Arizona, beginning in June 1999, Southwest adjusts its rates monthly for changes in purchased gas costs. PGA rate changes impact cash flows but have no direct impact on profit margin. See RATES AND REGULATORY PROCEEDINGS for details of these filings.

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. The quarterly common stock dividend was 20.5 cents per share throughout 1999. A dividend of 20.5 cents per share has been paid quarterly since September 1994.

Securities ratings issued by nationally recognized ratings agencies provide a method for determining the credit worthiness of an issuer. Company debt ratings are important because long-term debt constitutes a significant portion of total capitalization. These debt ratings are a factor considered by lenders when determining the cost of debt for the Company (i.e., the better the rating, the lower the cost to borrow funds).

Since January 1997, Moody's Investor Service has rated Company unsecured long-term debt at Baa2. Moody's debt ratings range from Aaa (best quality) to C (lowest quality). Moody's applies a Baa2 rating to obligations which are considered medium grade obligations (i.e., they are neither highly protected nor poorly secured).

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Since September 1997, Duff & Phelps Credit Rating Co. has rated Company unsecured long-term debt at BBB. Duff & Phelps debt ratings range from AAA (highest rating possible) to DD (defaulted debt obligation). The Duff & Phelps rating of BBB indicates a credit quality that is considered prudent for investment.

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

The three rating agencies above recently affirmed the Company's credit ratings following the termination of the proposed merger with ONEOK.

A securities rating is not a recommendation to buy, sell, or hold a security and is subject to change or withdrawal at any time by the rating agency.

The impact of inflation on results of operations has diminished in recent years. Natural gas, labor, and construction costs are the categories most significantly impacted by inflation. Changes to Company cost of gas are generally recovered through PGA mechanisms and do not significantly impact net earnings when approved as filed. Labor is a component of the cost of service, and construction costs are the primary component of rate base. In order to recover increased costs, and earn a fair return on rate base, general rate cases are filed by Southwest, when deemed necessary, for review and approval by its regulatory authorities. Regulatory lag, that is, the time between the date increased costs are incurred and the time such increases are recovered through the ratemaking process, can impact earnings. See RATES AND REGULATORY PROCEEDINGS for discussion of recent rate case proceedings.

CONSOLIDATED RESULTS
OF OPERATIONS

Contribution to Net Income Year Ended December 31	1999	1998	1997

(Thousands of dollars)			
Natural gas operations	\$35,473	\$44,830	\$15,825
Construction services	3,837	2,707	644

Net income	\$39,310	\$47,537	\$16,469
=====			

1999 VS. 1998

Earnings per share for the year ended December 31, 1999 were \$1.28, a \$0.38 decrease from per share earnings of \$1.66 recorded for the year ended December 31, 1998. Current-year earnings were composed of \$1.16 per share from natural gas operations and \$0.12 per share from construction services. Results for 1999 included merger-related costs of \$2.5 million, net of tax, which reduced

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earnings per share by \$0.08. Average shares outstanding increased by 2.1 million shares between years, primarily resulting from a 2.5 million share common stock issuance in August 1998.

1998 VS. 1997

Earnings per share for the year ended December 31, 1998 were \$1.66, a \$1.05 increase from per share earnings of \$0.61 recorded for the year ended December 31, 1997. Current-year earnings were composed of \$1.57 per share from natural gas operations and \$0.09 per share from construction services. Prior-year results included the impact of three nonrecurring events which reduced earnings by \$4.1 million, or \$0.15 per share. Average shares outstanding increased by 1.5 million shares between years, primarily resulting from a 2.5 million share common stock issuance in August 1998.

RESULTS OF NATURAL GAS OPERATIONS

Year Ended December 31	1999	1998	1997

(Thousands of dollars)			
Gas operating revenues	\$ 791,155	\$ 799,597	\$ 614,665
Net cost of gas sold	330,031	329,849	209,338

Operating margin	461,124	469,748	405,327
Operations and maintenance expense	221,258	209,172	201,159
Depreciation and amortization	88,254	80,231	74,528
Taxes other than income taxes	27,610	31,646	29,393

Operating income	124,002	148,699	100,247
Other income (expense)	(2,925)	(2,115)	(12,979)

Income before interest and income taxes	121,077	146,584	87,268
Net interest deductions	61,597	62,284	61,751
Preferred securities distributions	5,475	5,475	5,475
Income tax expense	18,532	33,995	4,217

Contribution to consolidated net income	\$ 35,473	\$ 44,830	\$ 15,825
=====			

1999 VS. 1998

The gas segment contribution to consolidated net income decreased \$9.4 million from 1998. The decrease in earnings was attributed to a return to more normal weather conditions from last year's colder-than-normal temperatures.

Operating margin decreased \$8.6 million, or two percent, in 1999. Differences in heating demand between periods caused a \$23 million reduction in operating margin. Customer growth mitigated the impact of weather as Southwest added 65,000 customers during the year, a five percent increase, contributing \$14 million in incremental margin. The 1999 customer additions were a record for the Company, surpassing the 63,000 customers who signed up for service during 1996.

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Operations and maintenance expense increased \$12.1 million, or six percent, reflecting increases in labor and other costs, including the incremental expenses associated with meeting the needs of a growing customer base.

Depreciation expense increased \$8 million, or ten percent, as a result of construction activities. Average gas plant in service increased \$163 million, or eight percent, compared to the prior year. This was attributed to the upgrade of existing operating facilities and the expansion of the system to accommodate record customer growth.

General taxes decreased \$4 million, or 13 percent, resulting from a negotiated reduction in the taxable property base in Arizona and Nevada and a reduced assessment rate. During 2000, general taxes are anticipated to increase consistent with the estimated volume of construction activities.

Other income (expense) for 1999 includes approximately \$4.8 million (pretax) of costs associated with the now terminated merger agreement with ONEOK. (See Note 14 of the Notes to Consolidated Financial Statements for additional information on the status of merger-related issues). Southwest also recorded a \$2 million expense in connection with the CPUC approval of the settlement agreement with the town of Truckee (see NORTHERN CALIFORNIA EXPANSION PROJECT discussion below). Partially offsetting these expenses was a \$1.6 million litigation settlement by a non-construction, non-utility subsidiary and \$1.4 million from the increase in value of other investments. In 1998, other income (expense) included \$1.1 million of pretax merger-related costs.

Net interest deductions decreased \$687,000, or one percent. Strong cash flows related to the recovery of deferred purchased gas costs, particularly during the first half of the year, reduced the need for new borrowings to finance construction. This trend is not expected to continue into 2000 as additional financing will be needed to fund construction.

1998 VS. 1997

The gas segment contribution to consolidated net income increased \$29 million from 1997. The increase was the result of record first quarter earnings driven by cooler temperatures, rate relief, and customer growth. The second and third quarters were substantially better than the prior year, primarily as a result of customer growth, second quarter weather, and rate design improvements. Fourth quarter results were about the same as the prior year.

Operating margin increased \$64 million, or 16 percent, in 1998. Arizona rate relief, effective September 1997, contributed \$23 million towards the increase. Customer growth accounted for \$16 million as Southwest added 58,000 customers during the year, a five percent increase. The remaining \$25 million was due to differences in heating demand caused by weather variations between periods.

Operations and maintenance expense increased \$8 million, or four percent, reflecting increases in labor and other costs, including the incremental expenses associated with meeting the needs of a growing customer base.

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Depreciation expense and general taxes increased \$8 million, or eight percent, as a result of construction activities. Average gas plant in service increased \$136 million, or eight percent, compared to the prior year. This was attributed to the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

Net interest deductions increased less than one percent between years. Stronger-than-expected cash flows from operating activities, coupled with a 2.5 million share common stock offering, reduced the need to issue net new debt during the year.

The effective income tax rate in 1997 was 21 percent. This resulted from the recognition of a \$3.4 million income tax benefit related to the successful settlement in November 1997 of open tax issues dating back as far as 1988.

Other income (expense) improved \$10.9 million. Results for 1997 included two nonrecurring charges related to cost overruns on two separate construction projects. An \$8 million pretax charge resulted from cost overruns experienced during expansion of the northern California service territory (see NORTHERN CALIFORNIA EXPANSION PROJECT discussion below). A second pretax charge, for \$5 million, related to cost overruns on a non-utility construction project, which was completed in 1998. In connection with the then proposed merger into ONEOK, the Company incurred approximately \$1.1 million (pretax) of financial advisor and legal costs, which were included in other income (expense), during the fourth quarter of 1998.

RATES AND REGULATORY PROCEEDINGS

CALIFORNIA GENERAL RATE CASES. Southwest last filed general rate applications for its California jurisdictions with the California Public Utilities Commission (CPUC) in 1994. Increased rates went into effect in January 1995 and continued through 1998 as part of a settlement agreement. In addition, annual operational attrition increases have been received in northern California. However, primarily as a result of the northern California expansion proposal described below, Southwest filed a petition with the CPUC in March 1999 requesting an extension of the rate case cycle. As part of the settlement agreement and mutual release approved in February 2000, rates will remain at currently authorized levels in both rate jurisdictions and Southwest agreed not to file a general rate case applicable to its California service territories to be effective prior to January 1, 2002.

NEVADA GENERAL RATE CASES. In December 1995, Southwest filed general rate cases for its northern and southern Nevada jurisdictions. Increased rates went into effect in July 1996 as part of a settlement agreement. The settlement agreement also specified a moratorium on future general rate increase requests until April 1999. There are currently no plans to file a general rate case during 2000.

ARIZONA GENERAL RATE CASE. In November 1996, Southwest filed its most recent general rate application with the Arizona Corporation Commission (ACC) to increase revenues for both the central and southern Arizona rate jurisdictions. In August 1997, the ACC approved a settlement of

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the general rate case providing Southwest with a \$32 million annualized general rate increase effective September 1997. In addition, both Arizona rate jurisdictions were consolidated for ratemaking purposes. There is no rate moratorium in Arizona on future general rate filings. Southwest is considering filing a general rate case during 2000.

FERC GENERAL RATE CASE. In July 1996, Paiute Pipeline Company, a wholly owned subsidiary of the Company, filed its most recent general rate case with the Federal Energy Regulatory Commission (FERC) to increase rates. Effective January 1997, the FERC authorized a \$3.2 million annualized general rate increase. The settlement prohibited Paiute from filing for a rate increase until December 1999. No general rate case filing is currently planned during 2000.

NORTHERN CALIFORNIA EXPANSION PROJECT. In 1995, Southwest initiated a multi-year, three-phase construction project to expand its northern California service territory and extend service into Truckee, California. The CPUC established a \$29.1 million cost cap for the project. In 1995, Southwest completed Phase I of the project, which included transmission system reinforcement and distribution system expansion to accommodate approximately 940 customers. Construction costs of \$7.1 million were on target with the cost estimate approved by the CPUC.

Phase II of the project, completed in 1997, extended the transmission system to Truckee, California and expanded the distribution system to serve an additional 4,200 customers. The cost cap apportioned to Phase II was approximately \$13.8 million. The incurred cost of Phase II was \$28.8 million. An estimated \$9.2 million of the Phase II cost overrun was due to changes in project scope, such as adjustments for design changes required by governmental bodies, changes in facilities necessitated by requirements beyond Southwest's control, and costs incurred to accommodate customer service requests. Due to the Phase II cost overruns and difficult construction environment experienced, construction of Phase III was postponed to reevaluate the economics of completing the project.

In July 1997, Southwest filed an application requesting authorization from the CPUC to modify the terms and conditions of the original certificate of public convenience and necessity. In January 1998, a settlement agreement involving all parties to the proceeding was executed and filed with the CPUC which redefined the terms and conditions for completing the project and recovering the additional project costs. Under the settlement agreement, Southwest agreed to absorb \$8 million in cost overruns experienced in Phase II. There was no opposition to the settlement agreement by the Truckee Town Council. Anticipating approval of the settlement agreement by the CPUC, Southwest recognized an \$8 million pretax charge in the fourth quarter of 1997.

In May 1998, the presiding Administrative Law Judge (ALJ) issued an unexpected proposed decision rejecting the settlement agreement and directing Southwest to complete the project under the terms and conditions of the original certificate. Subsequent to the decision, the Truckee Town Council

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took a formal position in opposition to the settlement agreement although they were not a party to the proceeding.

In July 1998, the CPUC voted to adopt the proposed decision and reject the settlement agreement, ordering Southwest to complete the project under the terms of the original certificate. Southwest filed a motion for stay of order and petitioned the CPUC for rehearing in August 1998. In September 1998, the CPUC denied the motion for stay and in January 1999, the petition was denied.

In September 1998, Southwest filed a civil lawsuit in the United States Federal District Court naming the town of Truckee as a defendant for an indeterminate amount of damages. Southwest asserted that actions taken by the town of Truckee resulted in unanticipated changes in project scope, which materially contributed to the cost overruns experienced during construction of Phase II of the project.

In February 1999, Southwest petitioned the Supreme Court of the state of California for review of the July 1998 CPUC decision ordering Southwest to complete the project under the terms and scope of the original certificate. The petition for review was denied in June 1999.

In April 1999, following six months of mediation, Southwest and the town of Truckee negotiated a settlement agreement and mutual release (Agreement) that reconciled disputes and claims against each other. The Agreement provides for natural gas service to be offered to all areas of Truckee, California, consistent with the original scope of the project. The estimated remaining cost to complete the project was reduced from \$25 million to \$18 million following receipt of new construction bids. Service to potential customers in certain areas would be provided pursuant to mains and services extension rules. Southwest agreed to provide a \$2 million subsidy to assist customers in covering the mains and services extension costs. Southwest also agreed not to file a general rate case applicable to its California service territories to be effective before January 1, 2002. The Agreement also provides for the dismissal by Southwest of the aforementioned lawsuit subsequent to the approval of the terms of the Agreement by the CPUC.

In June 1999, Southwest and the town of Truckee filed the Agreement as part of a joint petition with the CPUC to modify the certificate of public convenience and necessity and the related cost recovery mechanism. Southwest resumed construction on the project during the summer of 1999. Through December 1999, Southwest has spent \$39.5 million of the estimated \$54 million in construction costs it expects to incur to complete the entire project.

In February 2000, the CPUC approved the joint petition, including the terms and conditions of the Agreement, with the modifications that Southwest file a project status report within two months following each construction season through project completion, and that the project be completed with due diligence, but in no event later than January 1, 2004, subject to delays in construction for any cause beyond the control of Southwest. All parties have consented to the Agreement and accepted the modifications ordered by the CPUC.

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Based on the approval of the joint petition, Southwest's additional regulatory disallowance exposure was reduced from \$17 million to \$2 million. A \$2 million pretax charge was recognized in the fourth quarter of 1999, representing the customer subsidy for mains and services extension costs Southwest has committed to provide. Southwest expects to complete the project by January 1, 2004, at or below the total cost estimate of \$54 million. Therefore, no additional write-offs related to the expansion project are anticipated.

PGA FILINGS

ARIZONA PGA FILING. In October 1998, the ACC approved a proposal by the ACC staff, to modify the methodology used by Arizona natural gas utilities in calculating and revising customer rates to reflect changes in the cost of gas. The modifications, which became effective in June 1999, use a twelve-month rolling average of the commodity cost of gas and related transportation costs. The updated rates are reflected in customer bills each month. The changes are designed to reduce volatility on customer bills and in the PGA balance. The mechanism also provides for a twelve-month recovery from customers of the transitional balance (\$17.9 million at December 31, 1999) in the deferred purchased gas cost account and for interest charges on amounts accumulated under the new monthly method.

NEVADA PGA FILING. In June 1999, Southwest submitted its annual PGA filing in compliance with the Nevada Gas Tariff. Effective November 1999, new rates were approved by the Public Utilities Commission of Nevada (PUCN). The new rates, reflecting a lower average cost of purchased gas, resulted in annualized revenue decreases of \$20.9 million, or 12 percent, in the southern Nevada rate jurisdiction, and \$3.9 million, or 6 percent, in the northern Nevada rate jurisdiction. These PGA changes impact cash flows but have no direct impact on profit margin.

CALIFORNIA PGA FILINGS. In December 1997 and January 1998, the CPUC approved PGA filings for the southern California and northern California rate jurisdictions, respectively. These filings resulted in annualized revenue increases of \$10 million, or 19 percent, in the southern California rate jurisdiction, and \$2.6 million, or 19 percent, in the northern California rate jurisdiction. The revenue increase was designed to recover the PGA balance over a twenty-four month period. PGA changes impact cash flows but have no direct impact on profit margin.

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RESULTS OF CONSTRUCTION SERVICES

Year Ended December 31	1999	1998	1997

(Thousands of dollars)			
Construction revenues	\$145,711	\$117,712	\$117,345
Cost of construction	134,790	108,911	112,194

Gross profit	10,921	8,801	5,151
General and administrative expenses	3,312	2,931	2,777

Income from operations	7,609	5,870	2,374
Other income (expense)	946	326	379

Income before interest and income taxes	8,555	6,196	2,753
Interest expense	1,605	1,070	1,467
Income tax expense	3,113	2,419	642

Contribution to consolidated net income	\$ 3,837	\$ 2,707	\$ 644
=====			

1999 VS. 1998

The 1999 construction segment contribution to consolidated net income increased \$1.1 million from the prior year. The improvement was due to additional revenues that resulted from obtaining several new contracts and favorable winter weather conditions. With revenues increasing approximately 24 percent, the gross margin percentage remained relatively constant, thus increasing gross profit \$2.1 million.

General and administrative expenses, as a percent of revenue, remained relatively constant. Other income (expense) improved during 1999 due to increased gains from the sale of equipment. The majority of the increase in interest costs was due to an increase in the amount of financing for new equipment purchases that were necessary to accommodate the new work obtained during the year.

1998 VS. 1997

The construction services segment contribution to consolidated net income increased \$2.1 million from 1997. The increase was the result of a fundamental improvement in gross profit margin coupled with favorable weather conditions.

With comparable revenues of approximately \$117 million, gross profit increased \$3.6 million from 1997. The improvement was attributed to obtaining more profitable new contracts, eliminating less profitable contracts, implementing cost containment measures, and favorable winter weather conditions in several of the cold-climate operating areas during the first and fourth quarters of 1998.

of Financial Condition and Results of Operations

General and administrative expenses remained relatively constant, while interest expense decreased approximately \$397,000. Timely billings to customers coupled with collections of accounts receivable and the timing of equipment purchases had a direct impact on reducing interest costs.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." As it applies to the Company, SFAS No. 137 postpones the effective date of SFAS No. 133 to January 2001.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 also requires that changes in the fair value of derivative instruments be recognized currently in earnings in the income statement unless specific hedge accounting criteria are met. Special hedge accounting for qualified hedges allows changes in the fair value of derivative instruments to be offset in the income statement in the period in which the related changes in the fair value of the item being hedged occurs. Hedge accounting requires an entity to formally document, designate, and assess hedge effectiveness.

The Company does not currently utilize stand-alone derivatives for speculative purposes or for hedging, and does not have foreign currency exposure. However, the Company has fixed-price gas supply contracts, which may be considered derivatives under the requirements of this complex statement, even though they are part of the Company's normal gas purchase portfolio. In March 2000, the FASB issued an Exposure Draft that would exclude these contracts from the scope of SFAS No. 133. The Company will continue to review the terms of these contracts and monitor the progress of the Exposure Draft to determine if SFAS No. 133 accounting requirements apply.

YEAR 2000 READINESS DISCLOSURE

In 1994, the Company initiated a comprehensive review of its computer systems to identify processes that could be adversely affected by Year 2000 issues. By early 1995, the Company identified computer application systems that required modification or replacement. Since that time, the Company has focused on converting all business-critical systems to be Year 2000 compliant.

In addition to the evaluation and remediation of computer application systems and components, the Company developed a comprehensive Year 2000 compliance plan. As part of this plan, the Company formed a Year 2000 project team with the mission of ensuring that all critical systems, facilities, and processes were identified and analyzed for Year 2000 compliance. The project

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team consisted of representatives from several strategic departments of the Company. By the end of the third quarter of 1999, all business critical systems were Year 2000 compliant, and contingency plans were developed.

The Company has experienced no significant events related to Year 2000 readiness issues. The Company estimates that the cost of remediation was approximately \$2 million. The remediation costs included internal labor costs, as well as fees and expenses paid to outside contractors, specifically associated with reprogramming or replacing noncompliant components. Such expenditures did not have a material impact on results of operations or financial condition.

FORWARD-LOOKING STATEMENTS

This annual report contains statements which constitute "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995 (Reform Act). All such 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, natural gas prices, the effects of regulation/deregulation, the timing and amount of rate relief, changes in capital requirements and funding, acquisitions, and competition.

COMMON STOCK PRICE AND DIVIDEND INFORMATION

	1999		1998		Dividends Paid	
	High	Low	High	Low	1999	1998
First Quarter	\$29	\$ 25 1/4	\$21 1/2	\$17 5/16	\$ 0.205	\$ 0.205
Second Quarter	29 1/2	26 7/8	25	20 3/8	0.205	0.205
Third Quarter	29 1/8	26 7/8	24 1/2	17 3/8	0.205	0.205
Fourth Quarter	27 5/16	20 3/8	26 7/8	20 3/16	0.205	0.205
					\$ 0.820	\$ 0.820

The principal markets on which the common stock of the Company is traded are the New York Stock Exchange and the Pacific Stock Exchange. At March 14, 2000, there were 22,759 holders of record of common stock and the market price of the common stock was \$19.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS,
SOUTHWEST GAS CORPORATION:

We have audited the accompanying consolidated balance sheets of Southwest Gas Corporation (a California corporation, hereinafter referred to as the Company) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Las Vegas, Nevada
February 11, 2000

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31	1999	1998	1997

(In thousands, except per share amounts)			
Operating revenues:			
Gas operating revenues	\$ 791,155	\$ 799,597	\$ 614,665
Construction revenues	145,711	117,712	117,345

Total operating revenues	936,866	917,309	732,010

Operating expenses:			
Net cost of gas sold	330,031	329,849	209,338
Operations and maintenance	221,258	209,172	201,159
Depreciation and amortization	98,525	88,804	84,661
Taxes other than income taxes	27,610	31,646	29,393
Construction expenses	128,230	103,668	105,198

Total operating expenses	805,654	763,139	629,749

Operating income	131,212	154,170	102,261

Other income and (expenses):			
Net interest deductions	(63,202)	(63,354)	(63,218)
Preferred securities distributions (Note 5)	(5,475)	(5,475)	(5,475)
Other income (deductions) (Note 11)	(1,580)	(1,390)	(12,240)

Total other income and (expenses)	(70,257)	(70,219)	(80,933)

Income before income taxes	60,955	83,951	21,328
Income tax expense (Note 10)	21,645	36,414	4,859

Net income	\$ 39,310	\$ 47,537	\$ 16,469
=====			
Basic earnings per share (Note 13)	\$ 1.28	\$ 1.66	\$ 0.61
=====			
Diluted earnings per share (Note 13)	\$ 1.27	\$ 1.65	\$ 0.61
=====			
Average number of common shares outstanding	30,690	28,611	27,069
Average shares outstanding (assuming dilution)	30,965	28,815	27,193

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

December 31	1999	1998

(Thousands of dollars)		
ASSETS		
Utility plant:		
Gas plant	\$ 2,203,223	\$ 2,020,139
Less: accumulated depreciation	(662,510)	(612,138)
Acquisition adjustments	3,503	3,881
Construction work in progress	36,886	47,480

Net utility plant (Note 2)	1,581,102	1,459,362

Other property and investments	84,850	73,926

Current assets:		
Cash and cash equivalents	17,126	18,535
Accounts receivable, net of allowances (Note 3)	88,476	88,037
Accrued utility revenue	56,373	56,873
Deferred income taxes (Note 10)	6,141	--
Deferred purchased gas costs (Note 4)	9,051	57,595
Prepays and other current assets	31,971	26,346

Total current assets	209,138	247,386

Deferred charges and other assets (Note 4)	48,352	50,020

Total assets	\$ 1,923,442	\$ 1,830,694
=====		

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

December 31	1999	1998

(Thousands of dollars, except par value)		
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized -- 45,000,000 shares; issued and outstanding -- 30,985,120 and 30,409,616 shares)	\$ 32,615	\$ 32,040
Additional paid-in capital	439,262	424,840
Retained earnings	33,548	19,520

Total common equity	505,425	476,400
Company-obligated mandatorily redeemable preferred securities of the Company's subsidiary, Southwest Gas Capital I, holding solely \$61.8 million principal amount of 9.125% subordinated notes of the Company due 2025 (Note 5)	60,000	60,000
Long-term debt, less current maturities (Note 6)	859,291	812,906

Total capitalization	1,424,716	1,349,306

Commitments and contingencies (Note 8)		
Current liabilities:		
Current maturities of long-term debt (Note 6)	7,931	5,270
Short-term debt (Note 7)	61,000	52,000
Accounts payable	64,247	64,295
Customer deposits	27,408	24,333
Accrued taxes	40,611	33,480
Accrued interest	14,270	13,872
Deferred taxes (Note 10)	--	12,627
Other current liabilities	49,423	44,917

Total current liabilities	264,890	250,794

Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits (Note 10)	178,438	179,666
Other deferred credits (Note 4)	55,398	50,928

Total deferred income taxes and other credits	233,836	230,594

Total capitalization and liabilities	\$1,923,442	\$1,830,694
=====		

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31	1999	1998	1997

(Thousands of dollars)			
Cash flow from operating activities:			
Net income	\$ 39,310	\$ 47,537	\$ 16,469
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	98,525	88,804	84,661
Deferred income taxes	(19,996)	(152)	47,476
Changes in current assets and liabilities:			
Accounts receivable, net of allowances	(439)	(10,021)	(7,913)
Accrued utility revenue	500	(2,500)	(7,873)
Deferred purchased gas costs	48,544	29,357	(96,384)
Accounts payable	(48)	1,971	12,373
Accrued taxes	7,131	31,780	(8,277)
Other current assets and liabilities	2,737	15,763	2,004
Other	2,296	978	13,889

Net cash provided by operating activities	178,560	203,517	56,425

Cash flow from investment activities:			
Construction expenditures and property additions	(229,503)	(194,621)	(169,614)
Other	3,521	4,327	(1,308)

Net cash used in investing activities	(225,982)	(190,294)	(170,922)

Cash flow from financing activities:			
Issuance of common stock, net	14,997	67,180	12,205
Dividends paid	(25,164)	(23,676)	(22,177)
Issuance of long-term debt, net	53,348	40,864	120,321
Retirement of long-term debt, net	(6,168)	(6,623)	(7,565)
Issuance (repayment) of short-term debt	9,000	(90,000)	21,000

Net cash provided by (used in) financing activities	46,013	(12,255)	123,784

Change in cash and temporary cash investments	(1,409)	968	9,287
Cash at beginning of period	18,535	17,567	8,280

Cash at end of period	\$ 17,126	\$ 18,535	\$ 17,567
=====			
Supplemental information:			
Interest paid, net of amounts capitalized	\$ 61,321	\$ 61,164	\$ 58,771
=====			
Income taxes paid (received), net	\$ 30,090	\$ 4,968	\$ (33,954)
=====			

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
(In thousands, except per share amounts)					
December 31, 1996	26,733	\$ 28,363	\$349,132	\$ 2,121	\$379,616
Common stock issuances	654	654	11,551		12,205
Net income				16,469	16,469
Dividends declared					
Common: \$0.82 per share				(22,311)	(22,311)
December 31, 1997	27,387	29,017	360,683	(3,721)	385,979
Common stock issuances	3,023	3,023	64,157		67,180
Net income				47,537	47,537
Dividends declared					
Common: \$0.82 per share				(24,296)	(24,296)
December 31, 1998	30,410	32,040	424,840	19,520	476,400
Common stock issuances	575	575	14,422		14,997
Net income				39,310	39,310
Dividends declared					
Common: \$0.82 per share				(25,282)	(25,282)
December 31, 1999	30,985*	\$ 32,615	\$439,262	\$ 33,548	\$505,425

*At December 31, 1999, 2 million common shares were registered and available for issuance under provisions of the Employee Investment Plan, the Stock Incentive Plan, and the Dividend Reinvestment and Stock Purchase Plan.

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS. Southwest Gas Corporation (the Company) is comprised of two segments: natural gas operations (Southwest or the natural gas operations segment) and construction services. Southwest purchases, transports, and distributes natural gas to customers in portions of Arizona, Nevada, and California. Southwest's public utility rates, practices, facilities, and service territories 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. Variability in weather from normal temperatures can materially impact results of operations. Northern Pipeline Construction Co. (Northern or the construction services segment), a wholly owned subsidiary, is a full-service underground piping contractor which provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

BASIS OF PRESENTATION. The Company follows generally accepted accounting principles (GAAP) in accounting for all of its businesses. Accounting for the natural gas utility operations conforms with GAAP as applied to regulated companies and as prescribed by federal agencies and the commissions of the various states in which the utility operates. The preparation of financial statements in conformity with GAAP 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.

CONSOLIDATION. The accompanying financial statements are presented on a consolidated basis and include the accounts of Southwest Gas Corporation and all wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated with the exception of transactions between Southwest and Northern. Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," provides that intercompany profits on sales to regulated affiliates should not be eliminated in consolidation if the sales price is reasonable and if future revenues approximately equal to the sales price will result from the rate-making process. Management believes these two criteria are being met.

NET UTILITY PLANT. Net utility plant includes gas plant at original cost, less the accumulated provision for depreciation and amortization, plus the unamortized balance of acquisition adjustments. Original cost includes contracted services, material, payroll and related costs such as taxes and benefits, general and administrative expenses, and an allowance for funds used during construction less contributions in aid of construction.

DEFERRED PURCHASED GAS COSTS. The various regulatory commissions have established procedures to enable Southwest to adjust its billing rates for changes in the cost of gas purchased. The difference between the current cost of gas purchased and the cost of gas recovered in billed rates is deferred.

Generally, these deferred amounts are recovered or refunded within one year. Southwest must first obtain regulatory approval before changing the rates it charges for recovery of gas costs.

INCOME TAXES. The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

For regulatory and financial reporting purposes, investment tax credits (ITC) related to gas utility operations are deferred and amortized over the life of related fixed assets.

GAS OPERATING REVENUES. Revenues are recorded when customers are billed. Customer billings are based on monthly meter reads and are calculated in accordance with applicable tariffs. Southwest also recognizes accrued utility revenues for the estimated amount of services rendered between the meter-reading dates in a particular month and the end of such month.

CONSTRUCTION REVENUES. The majority of the Northern contracts are performed under unit price contracts. These contracts state prices per unit of installation. Revenues are recorded as installations are completed. Fixed-price contracts use the percentage of completion method of accounting and, therefore, take into account the cost, estimated earnings, and revenue to date on contracts not yet completed. The amount of revenue recognized is based on costs expended to date relative to anticipated final contract costs. Revisions in estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts requiring revision become known. If a loss on a contract becomes known or is anticipated, the entire amount of the estimated ultimate loss is recognized at that time in the financial statements.

DEPRECIATION AND AMORTIZATION. Utility plant depreciation is computed on the straight-line remaining life method at composite rates considered sufficient to amortize costs over estimated service lives, including components which adjust for salvage value and removal costs, as approved by the appropriate regulatory agency. When plant is retired from service, the original cost of plant, including costs of removal, less salvage, is charged to the accumulated provision for depreciation. Acquisition adjustments are amortized, as ordered by regulators, over periods which approximate the remaining estimated life of the acquired properties. Costs related to refunding utility debt and debt issuance expenses are deferred and amortized over the weighted-average lives of the new issues. Other regulatory assets, when appropriate, are amortized over time periods authorized by regulators. Nonutility property and equipment are depreciated on a straight-line method based on the estimated useful lives of the related assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC). AFUDC represents the cost of both debt and equity funds used to finance utility construction. AFUDC is capitalized as part of the cost of utility plant. The Company capitalized \$2.3 million in 1999, \$2.4 million in 1998, and \$1.6 million in 1997 of AFUDC related to natural gas utility operations. The debt portion of AFUDC is reported in the consolidated statements of income as an offset to net interest deductions and the equity portion is reported as other income. Utility plant construction costs, including AFUDC, are recovered in authorized rates through depreciation when completed projects are placed into operation, and general rate relief is requested and granted.

EARNINGS PER SHARE. Basic earnings per share (EPS) are calculated by dividing net income by the weighted-average number of shares outstanding during the period. Diluted EPS includes additional weighted-average common stock equivalents (stock options and performance shares). Unless otherwise noted, the term "Earnings Per Share" refers to Basic EPS. A reconciliation of the shares used in the Basic and Diluted EPS calculations is shown in the following table. Net income was the same for Basic and Diluted EPS calculations.

(In thousands)	1999	1998	1997
Average basic shares	30,690	28,611	27,069
Effect of dilutive securities			
Stock options	176	108	61
Performance shares	99	96	63
Average diluted shares	30,965	28,815	27,193

CASH FLOWS. For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and financial instruments with a maturity of three months or less, but exclude funds held in trust from the issuance of industrial development revenue bonds.

RECLASSIFICATIONS. Certain reclassifications have been made to amounts shown for prior years to conform to the current-year presentation.

NOTE 2 - UTILITY PLANT

Net utility plant as of December 31, 1999 and 1998 was as follows (thousands of dollars):

December 31	1999	1998

Gas plant:		
Storage	\$ 3,842	\$ 3,316
Transmission	174,563	170,512
Distribution	1,762,341	1,598,703
General	185,344	186,468
Other	77,133	61,140

	2,203,223	2,020,139
Less: accumulated depreciation	(662,510)	(612,138)
Acquisition adjustments, net	3,503	3,881
Construction work in progress	36,886	47,480

Net utility plant	\$ 1,581,102	\$ 1,459,362
=====		

Depreciation expense on gas plant was \$85.6 million in 1999, \$78.4 million in 1998, and \$73.5 million in 1997.

LEASES AND RENTALS. Southwest leases the liquefied natural gas (LNG) facilities on its northern Nevada system, a portion of its corporate headquarters office complex in Las Vegas, and its administrative offices in Phoenix. The leases provide for current terms which expire in 2003, 2017, and 2004, respectively, with optional renewal terms available at the expiration dates. The rental payments for the LNG facilities are \$6.7 million annually and \$23.3 million in the aggregate. The rental payments for the corporate headquarters office complex are \$1.8 million for each of the years 2000 through 2002, \$1.9 million in 2003, \$2 million in 2004, and \$26.2 million cumulatively thereafter. The rental payments for the Phoenix administrative offices are \$1.2 million for 2000, \$1.3 million for each of the years 2001 through 2003, and \$1 million in the final year of the lease. In addition to the above, the Company leases certain office and construction equipment. The majority of these leases are short-term. These leases are accounted for as operating leases, and for the gas segment are treated as such for regulatory purposes. Rentals included in operating expenses for all operating leases were \$24.7 million in 1999, \$22.6 million in 1998, and \$20.7 million in 1997. These amounts include Northern lease expenses of approximately \$8.4 million in 1999, \$7.6 million in 1998, and \$6.7 million in 1997 for various short-term leases of equipment and temporary office sites.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a schedule of future minimum lease payments for noncancellable operating leases (with initial or remaining terms in excess of one year) as of December 31, 1999 (thousands of dollars):

Year Ending December 31

2000	\$11,243
2001	11,078
2002	10,762
2003	6,719
2004	2,950
Thereafter	26,247
Total minimum lease payments	\$68,999

NOTE 3 - RECEIVABLES AND RELATED ALLOWANCES

Business activity with respect to gas utility operations is conducted with customers located within the three-state region of Arizona, Nevada, and California. At December 31, 1999, gas utility customer accounts receivable were \$68.3 million. Approximately 57 percent of the gas utility customers were in Arizona, 34 percent in Nevada, and 9 percent in California. Although the Company seeks to minimize its credit risk related to utility operations by requiring security deposits from new customers, imposing late fees, and actively pursuing collection on overdue accounts, some accounts are ultimately not collected. Provisions for uncollectible accounts are recorded monthly, as needed, and are included in the ratemaking process as a cost of service. Activity in the allowance for uncollectibles is summarized as follows (thousands of dollars):

	Allowance for Uncollectibles
Balance, December 31, 1996	\$ 1,510
Additions charged to expense	1,495
Accounts written off, less recoveries	(1,427)
Balance, December 31, 1997	1,578
Additions charged to expense	2,057
Accounts written off, less recoveries	(2,290)
Balance, December 31, 1998	1,345
Additions charged to expense	1,897
Accounts written off, less recoveries	(1,512)
Balance, December 31, 1999	\$ 1,730

NOTE 4 - REGULATORY ASSETS AND LIABILITIES

Natural gas operations are subject to the regulation of the Arizona Corporation Commission (ACC), the Public Utilities Commission of Nevada (PUCN), the California Public Utilities Commission

(CPUC), and the Federal Energy Regulatory Commission (FERC). Company accounting policies conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process. Such effects concern mainly the time at which various items enter into the determination of net income in accordance with the principle of matching costs with related revenues.

The following table represents existing regulatory assets and liabilities (thousands of dollars):

December 31	1999	1998

Regulatory assets:		
Deferred purchased gas costs	\$ 9,051	\$ 57,595
SFAS No. 109 - Income taxes, net	6,251	7,870
Unamortized premium on reacquired debt	15,347	16,107
Other	20,277	21,478
	-----	-----
	50,926	103,050
Regulatory liabilities:		
Supplier and other rate refunds due customers	(29)	(2,809)
Other	(2,264)	(241)
	-----	-----
Net regulatory assets	\$ 48,633	\$ 100,000
	=====	=====

NOTE 5 - PREFERRED SECURITIES

PREFERRED SECURITIES OF SOUTHWEST GAS CAPITAL I. In October 1995, Southwest Gas Capital I (the Trust), a consolidated wholly owned subsidiary of the Company, issued \$60 million of 9.125% Trust Originated Preferred Securities (the Preferred Securities). In connection with the Trust issuance of the Preferred Securities and the related purchase by the Company of all of the Trust common securities (the Common Securities), the Company issued to the Trust \$61.8 million principal amount of its 9.125% Subordinated Deferrable Interest Notes, due 2025 (the Subordinated Notes). The sole assets of the Trust are and will be the Subordinated Notes. The interest and other payment dates on the Subordinated Notes correspond to the distribution and other payment dates on the Preferred Securities and Common Securities. Under certain circumstances, the Subordinated Notes may be distributed to the holders of the Preferred Securities and holders of the Common Securities in liquidation of the Trust. The Subordinated Notes are redeemable at the option of the Company on or after December 31, 2000, at a redemption price of \$25 per Subordinated Note plus accrued and unpaid interest. In the event that the Subordinated Notes are repaid, the Preferred Securities and the Common Securities will be redeemed on a pro rata basis at \$25 per Preferred Security and Common Security plus accumulated and unpaid distributions. Company obligations under the Subordinated Notes, the Declaration of Trust (the agreement under which the Trust was formed), the

guarantee of payment of certain distributions, redemption payments and liquidation payments with respect to the Preferred Securities to the extent the Trust has funds available therefor and the indenture governing the Subordinated Notes, including the Company agreement pursuant to such indenture to pay all fees and expenses of the Trust, other than with respect to the Preferred Securities and Common Securities, taken together, constitute a full and unconditional guarantee on a subordinated basis by the Company of payments due on the Preferred Securities. As of December 31, 1999, 2.4 million Preferred Securities were outstanding.

The Company has the right to defer payments of interest on the Subordinated Notes by extending the interest payment period at any time for up to 20 consecutive quarters (each, an Extension Period). If interest payments are so deferred, distributions will also be deferred. During such Extension Period, distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at an annual rate of 9.125% per annum compounded quarterly. There could be multiple Extension Periods of varying lengths throughout the term of the Subordinated Notes. If the Company exercises the right to extend an interest payment period, the Company shall not during such Extension Period (i) declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its capital stock, or (ii) make any payment of interest, principal or premium, if any, on or repay, repurchase, or redeem any debt securities issued by the Company that rank equal with or junior to the Subordinated Notes; provided, however, that restriction (i) above does not apply to any stock dividends paid by the Company where the dividend stock is the same as that on which the dividend is being paid. The Company has no present intention of exercising its right to extend the interest payment period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT

December 31	1999		1998	
(Thousands of dollars)	Carrying Amount	Market Value	Carrying Amount	Market Value
Debentures:				
9 3/4% Series F, due 2002	\$ 100,000	\$ 105,114	\$ 100,000	\$ 111,672
7 1/2% Series, due 2006	75,000	73,845	75,000	83,063
8% Series, due 2026	75,000	73,339	75,000	84,301
Medium-term notes, 7.59% series, due 2017	25,000	23,964	25,000	26,817
Medium-term notes, 7.78% series, due 2022	25,000	24,032	25,000	27,458
Medium-term notes, 7.92% series, due 2027	25,000	24,212	25,000	27,852
Medium-term notes, 6.89% series, due 2007	17,500	16,547	17,500	18,242
Medium-term notes, 6.76% series, due 2027	7,500	6,316	7,500	7,277
Medium-term notes, 6.27% series, due 2008	25,000	22,520	25,000	24,997
Unamortized discount	(3,119)	--	(3,452)	--
	371,881		371,548	
Revolving credit facility	200,000	200,000	200,000	200,000
Industrial development revenue bonds:				
Variable-rate bonds				
Tax-exempt Series A, due 2028	50,000	50,000	50,000	50,000
Taxable Series B, due 2038	22,590	22,590	--	--
Less funds held in trust	(12,768)	--	(19,684)	--
	59,822		30,316	
Fixed-rate bonds				
7.30% 1992 Series A, due 2027	30,000	31,203	30,000	28,484
7.50% 1992 Series B, due 2032	100,000	104,518	100,000	96,777
6.50% 1993 Series A, due 2033	75,000	71,082	75,000	63,591
6.10% 1999 Series A, due 2038	12,410	12,139	--	--
Unamortized discount	(3,490)	--	(3,448)	--
	213,920		201,552	
Other	21,599	--	14,760	--
	867,222		818,176	
Less current maturities	(7,931)		(5,270)	
Long-term debt, less current maturities	\$ 859,291		\$ 812,906	

The Company has a \$350 million revolving credit agreement, which bears interest at either the London Interbank Offering Rate (LIBOR) plus or minus a competitive margin or prime rate plus one half of one percent of the Federal Funds rate. Any amounts borrowed under the revolving credit agreement become payable in June 2002. The Company has designated \$200 million of the total facility as long-term debt and uses the remaining \$150 million for working capital purposes and has designated the related outstanding amounts as short-term debt.

In October 1999, the Company issued \$35 million in Clark County, Nevada industrial development revenue bonds (IDRB) due 2038. The issuance included \$12.4 million of tax-exempt bonds bearing interest at 6.10 percent and \$22.6 million of taxable bonds with a variable interest rate. Net proceeds were used to finance the cost of the acquisition, construction, completion, extension, and improvement of Southwest pipeline systems in Clark County, Nevada. The Company anticipates that it will convert the taxable bonds to tax-exempt bonds in amounts corresponding to the private activity volume cap allocation designated from time to time by Clark County, Nevada.

The interest rate on the taxable variable-rate IDRBs averaged 6.13 percent in 1999. The interest rate on the tax-exempt variable-rate IDRBs averaged 3.74 percent in 1999, 3.74 percent in 1998, and 4.18 percent in 1997. The rates for the variable-rate IDRBs are established on a weekly basis. The Company has the option to convert from the current weekly rates to daily-term or variable-term rates.

The fair value of the revolving credit facility approximates carrying value. Market values for the debentures and fixed-rate IDRB were determined based on dealer quotes using trading records for December 31, 1999 and 1998, as applicable, and other secondary sources which are customarily consulted for data of this kind. The carrying values of variable-rate IDRBs were used as estimates of fair value based upon the variable interest rates of the bonds.

Estimated maturities of long-term debt for the next five years are expected to be \$7.9 million, \$5.7 million, \$305 million, \$2.6 million, and \$0, respectively.

NOTE 7 - SHORT-TERM DEBT

As discussed in Note 6, a portion of the \$350 million revolving credit facility is designated as short-term debt. Short-term borrowings were \$61 million and \$52 million at December 31, 1999 and 1998, respectively. The weighted-average interest rates on these borrowings were 8.10 percent at December 31, 1999 and 7.62 percent at December 31, 1998.

NOTE 8- COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS. In connection with activities surrounding the now terminated merger (see Note 14), the Company is a party to various legal proceedings including claims by certain shareholders and Southern Union. The Company has also been named as defendant in various other legal proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that no litigation to which the Company is subject will have a material adverse impact on its financial position or results of operations.

NOTE 9 - EMPLOYEE BENEFITS

Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees. Southwest also provides postretirement benefits other than pensions (PBOP) to its qualified retirees for health care, dental, and life insurance benefits.

The following tables set forth the qualified retirement plan and PBOP funded status and amounts recognized on the Consolidated Balance Sheets and Statements of Income.

(Thousands of dollars)	Qualified Retirement Plan		PBOP	
	1999	1998	1999	1998
Change in benefit obligations				
Benefit obligation for service rendered to date at beginning of year (PBO/APBO)	\$ 222,832	\$ 190,389	\$ 23,977	\$ 21,698
Service cost	9,976	9,130	572	504
Interest cost	15,406	14,092	1,643	1,591
Actuarial loss (gain)	(6,096)	14,221	(300)	1,334
Benefits paid	(5,500)	(5,000)	(1,010)	(1,150)
Benefit obligation at end of year (PBO/APBO)	236,618	222,832	24,882	23,977
Change in plan assets				
Market value of plan assets at beginning of year	255,685	232,413	6,679	3,581
Actual return on plan assets	21,695	28,272	543	487
Employer contributions	--	--	1,724	2,611
Benefits paid	(5,500)	(5,000)	--	--
Market value of plan assets at end of year	271,880	255,685	8,946	6,679
Funded status				
Unrecognized net actuarial loss (gain)	(51,992)	(44,467)	(210)	(231)
Unrecognized transition obligation (2004/2012)	3,305	4,142	11,270	12,137
Unrecognized prior service cost	237	295	--	--
Prepaid (accrued) benefit cost	\$ (13,188)	\$ (7,177)	\$ (4,876)	\$ (5,392)
Weighted-average assumptions as of December 31,				
Discount rate	7.25%	7.00%	7.25%	7.00%
Expected return on plan assets	9.00%	9.00%	9.00%	9.00%
Rate of compensation increase	4.75%	4.50%	4.75%	4.50%

For PBOP measurement purposes, a 6.5 percent annual rate of increase in the per capita cost of covered health care benefits is assumed for 2000. The rate is assumed to decrease one-half of one percent per year until 2003, at which time the average annual increase is projected to be five percent. The Company makes fixed contributions for health care benefits of employees who retire after 1988, but pays up to 100 percent of covered health care costs for employees who retired prior to 1989. The assumed annual rate of increase noted above applies to the benefit obligations of pre-1989 retirees only.

COMPONENTS OF NET PERIODIC BENEFIT COST:

(Thousands of dollars)	Qualified Retirement Plan			PBOP		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 9,976	\$ 9,130	\$ 9,630	\$ 572	\$ 504	\$ 567
Interest cost	15,406	14,092	12,945	1,643	1,591	1,638
Expected return on plan assets	(20,266)	(18,199)	(16,270)	(664)	(349)	(244)
Amortization of prior service costs	58	57	57	--	--	--
Amortization of unrecognized transition obligation	837	837	837	867	867	867
Amortization of net (gain) loss	--	(32)	--	--	--	12
Net periodic benefit cost	\$ 6,011	\$ 5,885	\$ 7,199	\$ 2,418	\$ 2,613	\$ 2,840

In addition to the qualified retirement plan, Southwest has a separate unfunded supplemental retirement plan which is limited to officers. The plan is noncontributory with defined benefits. Plan costs were \$2 million in 1999, 1998, and 1997. The accumulated benefit obligation of the plan was \$17.2 million at December 31, 1999.

The Employees' Investment Plan provides for purchases of Company common stock or certain other investments by eligible Southwest employees through deductions of up to 16 percent of base compensation, subject to IRS limitations. Southwest matches one-half of amounts deferred. The maximum Company contribution is three percent of an employee's annual compensation. The cost of the plan was \$2.8 million in 1999, \$2.6 million in 1998, and \$2.5 million in 1997. Northern has a separate plan, the cost and liability for which are not significant.

Southwest has a deferred compensation plan for all officers and members of the Board. The plan provides the opportunity to defer up to 100 percent of annual cash compensation. Southwest matches one-half of amounts deferred by officers. The maximum Company contribution is three percent of an officer's annual salary. Payments of compensation deferred, plus interest, are made in equal monthly installments over 5, 10, 15, or 20 years, as elected by the participant. Deferred compensation earns interest at a rate determined each January. The interest rate represents 150 percent of Moody's Seasoned Corporate Bond Index.

At December 31, 1999, the Company had two stock-based compensation plans. These plans are accounted for in accordance with APB Opinion No. 25 "Accounting for Stock Issued to

Employees." In connection with the stock-based compensation plans, the Company recognized compensation expense of \$2.2 million in 1999, \$2.1 million in 1998, and \$1 million in 1997. Had compensation cost been determined based on the fair value of the awards at the grant dates, net income and earnings per share would have reflected the pro forma amounts indicated below (thousands of dollars, except per share amounts):

	1999	1998	1997
Net income			
As reported	\$39,310	\$47,537	\$16,469
Pro forma	38,995	47,869	16,318
Basic earnings per share			
As reported	1.28	1.66	0.61
Pro forma	1.27	1.67	0.60

With respect to the first plan, the Company may grant options to purchase shares of common stock to key employees and outside directors. Each option has an exercise price equal to the market price of Company common stock on the date of grant and a maximum term of 10 years. The options vest 40 percent at the end of year one and 30 percent at the end of years two and three. The grant date fair value of the options was estimated using the extended binomial option pricing model. The following assumptions were used in the valuation calculation:

	1999	1998	1997
Dividend yield	4.62%	3.15%	4.09%
Risk-free interest rate range	4.91 to 5.76%	5.36 to 5.63%	5.28 to 5.38%
Expected volatility range	22 to 28%	22 to 25%	22 to 24%
Expected life	1 to 3 years	1 to 3 years	1 to 3 years

The following tables summarize Company stock option plan activity and related information (thousands of options):

	1999		1998		1997	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding at the beginning of the year	587	\$ 17.38	472	\$ 15.96	380	\$ 15.00
Granted during the year	118	28.91	118	23.04	121	18.78
Exercised during the year	(1)	15.00	--	--	--	--
Forfeited during the year	--	--	(3)	15.80	(29)	15.14
Expired during the year	--	--	--	--	--	--
Outstanding at year end	704	\$ 19.32	587	\$ 17.38	472	\$ 15.96
Exercisable at year end	481	\$ 17.77	295	\$ 16.19	141	\$ 15.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The weighted-average grant-date fair value of options granted was \$4.34 for 1999, \$2.68 for 1998, and \$2.26 for 1997. The exercise prices for the options outstanding range from \$15.00 to \$28.94. On December 31, 1999, the options outstanding had a weighted-average remaining contractual life of approximately 7.5 years.

In addition to the option plan, the Company may issue restricted stock in the form of performance shares to encourage key employees to remain in its employment to achieve short-term and long-term performance goals. Plan participants are eligible to receive a cash bonus (i.e., short-term incentive) and performance shares (i.e., long-term incentive). The performance shares vest after three years from issuance and are subject to a final adjustment as determined by the Board of Directors. The following table summarizes the activity of this plan (thousands of shares):

Year Ending December 31	1999	1998	1997
Nonvested performance shares at beginning of year	172	126	93
Performance shares granted	83	67	59
Performance shares forfeited	(1)	--	--
Shares vested and issued	(61)	(21)	(26)
Nonvested performance shares at end of year	193	172	126
Grant date fair value of award	\$26.63	\$18.69	\$19.25

NOTE 10 - INCOME TAXES

Income tax expense (benefit) consists of the following (thousands of dollars):

Year Ending December 31	1999	1998	1997
Current:			
Federal	\$ 33,152	\$ 32,267	\$ (42,921)
State	6,736	2,519	(2,227)
	39,888	34,786	(45,148)
Deferred:			
Federal	(15,126)	(268)	47,614
State	(3,117)	1,896	2,393
	(18,243)	1,628	50,007
Total income tax expense	\$ 21,645	\$ 36,414	\$ 4,859

Deferred income tax expense consists of the following significant components (thousands of dollars):

Year Ended December 31	1999	1998	1997

Deferred federal and state:			
Property-related items	\$ 11,405	\$ 15,586	\$ 19,006
Purchased gas cost adjustments	(19,201)	(10,344)	37,156
Employee benefits	(5,816)	(2,320)	(1,265)
Merger costs	(1,822)	--	--
All other deferred	(1,941)	(426)	(4,022)

Total deferred federal and state	(17,375)	2,496	50,875
Deferred investment tax credit, net	(868)	(868)	(868)

Total deferred income tax expense	\$ (18,243)	\$ 1,628	\$ 50,007
=====			

The consolidated effective income tax rate for the period ended December 31, 1999 and the two prior periods differs from the federal statutory income tax rate. The sources of these differences and the effect of each are summarized as follows:

Year Ended December 31	1999	1998	1997

Federal statutory income tax rate	35.0%	35.0%	35.0%
Net state tax liability	3.0	5.5	4.2
Property-related items	1.4	1.3	3.8
Effect of Internal Revenue Service examinations	(1.8)	--	(16.0)
Tax credits	(1.4)	(1.0)	(4.0)
Tax exempt interest	(0.3)	(0.3)	(1.7)
Corporate owned life insurance	(1.0)	1.0	(1.0)
All other differences	0.6	1.9	2.5

Consolidated effective income tax rate	35.5%	43.4%	22.8%
=====			

Deferred tax assets and liabilities consist of the following (thousands of dollars):

December 31	1999	1998

Deferred tax assets		
Deferred income taxes for future amortization of ITC	\$ 10,372	\$ 11,673
Employee benefits	15,595	9,779
Merger costs	1,822	--
Other	8,438	8,996
Valuation allowance	--	--
	-----	-----
	36,227	30,448

Deferred tax liabilities:		
Property-related items, including accelerated depreciation	160,541	149,095
Regulatory balancing accounts	4,090	23,280
Property-related items previously flowed-through	16,622	19,543
Unamortized ITC	16,403	17,271
Debt-related costs	5,397	6,258
Other	5,471	7,294
	-----	-----
	208,524	222,741

Net deferred tax liabilities	\$ 172,297	\$ 192,293
=====		
Current	\$ (6,141)	\$ 12,627
Noncurrent	178,438	179,666
	-----	-----
Net deferred tax liabilities	\$ 172,297	\$ 192,293
=====		

NOTE 11 - CALIFORNIA EXPANSION AND LNG CONSTRUCTION PROJECTS

NORTHERN CALIFORNIA EXPANSION PROJECT. In 1995, Southwest initiated a multi-year, three-phase construction project to expand its northern California service territory and extend service into Truckee, California. The California Public Utilities Commission (CPUC) established a \$29.1 million cost cap for the project. In 1995, Southwest completed Phase I of the project, which included transmission system reinforcement and distribution system expansion to accommodate approximately 940 customers. Construction costs of \$7.1 million were on target with the cost estimate approved by the CPUC.

Phase II of the project, completed in 1997, extended the transmission system to Truckee, California and expanded the distribution system to serve an additional 4,200 customers. The cost cap apportioned to Phase II was approximately \$13.8 million. The incurred cost of Phase II was \$28.8 million. An estimated \$9.2 million of the Phase II cost overrun was due to changes in project scope, such as adjustments for design changes required by governmental bodies, changes in facilities necessitated by requirements beyond Southwest's control, and costs incurred to accommodate customer service requests. Due to the Phase II cost overruns and difficult construction environment experienced, construction of Phase III was postponed to reevaluate the economics of completing the project.

In July 1997, Southwest filed an application requesting authorization from the CPUC to modify the terms and conditions of the original certificate of public convenience and necessity. In January 1998, a settlement agreement involving all parties to the proceeding was executed and filed with the CPUC

which redefined the terms and conditions for completing the project and recovering the additional project costs. Under the settlement agreement, Southwest agreed to absorb \$8 million in cost overruns experienced in Phase II. There was no opposition to the settlement agreement by the Truckee Town Council. Anticipating approval of the settlement agreement by the CPUC, Southwest recognized an \$8 million pretax charge in the fourth quarter of 1997.

In May 1998, the presiding Administrative Law Judge (ALJ) issued an unexpected proposed decision rejecting the settlement agreement and directing Southwest to complete the project under the terms and conditions of the original certificate. Subsequent to the decision, the Truckee Town Council took a formal position in opposition to the settlement agreement although they were not a party to the proceeding.

In July 1998, the CPUC voted to adopt the proposed decision and reject the settlement agreement, ordering Southwest to complete the project under the terms of the original certificate. Southwest filed a motion for stay of order and petitioned the CPUC for rehearing in August 1998. In September 1998, the CPUC denied the motion for stay and in January 1999, the petition was denied.

In September 1998, Southwest filed a civil lawsuit in the United States Federal District Court naming the town of Truckee as a defendant for an indeterminate amount of damages. Southwest asserted that actions taken by the town of Truckee resulted in unanticipated changes in project scope, which materially contributed to the cost overruns experienced during construction of Phase II of the project.

In February 1999, Southwest petitioned the Supreme Court of the state of California for review of the July 1998 CPUC decision ordering Southwest to complete the project under the terms and scope of the original certificate. The petition for review was denied in June 1999.

In April 1999, following six months of mediation, Southwest and the town of Truckee negotiated a settlement agreement and mutual release (Agreement) that reconciled disputes and claims against each other. The Agreement provides for natural gas service to be offered to all areas of Truckee, California, consistent with the original scope of the project. The estimated remaining cost to complete the project was reduced from \$25 million to \$18 million following receipt of new construction bids. Service to potential customers in certain areas would be provided pursuant to mains and services extension rules. Southwest agreed to provide a \$2 million subsidy to assist customers in covering the mains and services extension costs. Southwest also agreed not to file a general rate case applicable to its California service territories to be effective before January 1, 2002. The Agreement also provides for the dismissal by Southwest of the aforementioned lawsuit subsequent to the approval of the terms of the Agreement by the CPUC.

In June 1999, Southwest and the town of Truckee filed the Agreement as part of a joint petition with the CPUC to modify the certificate of public convenience and necessity and the related

cost recovery mechanism. Southwest resumed construction on the project during the summer of 1999. Through December 1999, Southwest has spent \$39.5 million of the estimated \$54 million in construction costs it expects to incur to complete the entire project.

In February 2000, the CPUC approved the joint petition, including the terms and conditions of the Agreement, with the modifications that Southwest file a project status report within two months following each construction season through project completion, and that the project be completed with due diligence, but in no event later than January 1, 2004, subject to delays in construction for any cause beyond the control of Southwest. All parties have consented to the Agreement and accepted the modifications ordered by the CPUC.

Based on the approval of the joint petition, Southwest's additional regulatory disallowance exposure was reduced from \$17 million to \$2 million. A \$2 million pretax charge was recognized in the fourth quarter of 1999, representing the customer subsidy for mains and services extension costs Southwest has committed to provide. Southwest expects to complete the project by January 1, 2004, at or below the total cost estimate of \$54 million. Therefore, no additional write-offs related to the expansion project are anticipated.

LNG STORAGE AND DISTRIBUTION SYSTEM. A subsidiary of the Company entered into an agreement to build Liquefied Natural Gas (LNG) storage and distribution systems to serve several small towns. The subsidiary contracted to provide project management services, materials, two gas distribution systems, and two LNG storage and vaporization systems. The project was completed in 1998. The total project cost exceeded the contract price by approximately \$5 million. A pretax charge of \$5 million was recorded in 1997 and was included in Other income (deductions) on the Consolidated Statements of Income.

NOTE 12 - SEGMENT INFORMATION

Company operating segments are determined based on the nature of their activities. The natural gas operations segment is engaged in the business of purchasing, transporting, and distributing natural gas. Revenues are generated from the sale and transportation of natural gas. The construction services segment is engaged in the business of providing utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

The accounting policies of the reported segments are the same as those described within Note 1 - Summary of Significant Accounting Policies. Northern accounts for the services provided to Southwest at contractual (market) prices. At December 31, 1999 and 1998, consolidated accounts receivable included \$4.4 million and \$5 million, respectively, which were not eliminated during consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The financial information pertaining to natural gas operations and construction services segments for each of the three years in the period ended December 31, 1999, is as follows (thousands of dollars):

1999				
	Gas Operations	Construction Services	Adjustments	Total
Revenues from unaffiliated customers	\$ 791,155	\$ 95,744		\$ 886,899
Intersegment sales	--	49,967		49,967
Total	\$ 791,155	\$ 145,711		\$ 936,866
Interest expense	\$ 61,597	\$ 1,605		\$ 63,202
Depreciation and amortization	\$ 88,254	\$ 10,271		\$ 98,525
Income tax expense	\$ 18,532	\$ 3,113		\$ 21,645
Segment income	\$ 35,473	\$ 3,837		\$ 39,310
Segment assets	\$1,855,114	\$ 68,630	\$ (302)	\$1,923,442
Capital expenditures	\$ 207,773	\$ 21,730		\$ 229,503

1998				
	Gas Operations	Construction Services	Adjustments	Total
Revenues from unaffiliated customers	\$ 799,597	\$ 79,736		\$ 879,333
Intersegment sales	--	37,976		37,976
Total	\$ 799,597	\$ 117,712		\$ 917,309
Interest expense	\$ 62,284	\$ 1,070		\$ 63,354
Depreciation and amortization	\$ 80,231	\$ 8,573		\$ 88,804
Income tax expense	\$ 33,995	\$ 2,419		\$ 36,414
Segment income	\$ 44,830	\$ 2,707		\$ 47,537
Segment assets	\$1,772,418	\$ 59,285	\$ (1,009)	\$1,830,694
Capital expenditures	\$ 179,361	\$ 15,260		\$ 194,621

1997				
	Gas Operations	Construction Services	Adjustments	Total
Revenues from unaffiliated customers	\$ 614,665	\$ 81,421		\$ 696,086
Intersegment sales	--	35,924		35,924
Total	\$ 614,665	\$ 117,345		\$ 732,010
Interest expense	\$ 61,751	\$ 1,467		\$ 63,218
Depreciation and amortization	\$ 74,528	\$ 10,133		\$ 84,661
Income tax expense	\$ 4,217	\$ 642		\$ 4,859
Segment income	\$ 15,825	\$ 644		\$ 16,469
Segment assets	\$1,717,025	\$ 52,919	\$ (885)	\$1,769,059
Capital expenditures	\$ 164,528	\$ 5,086		\$ 169,614

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Construction services segment assets include an income tax receivable of \$302,000 in 1999, which was netted against gas operations segment accrued taxes during consolidation. Construction services segment assets include deferred tax assets of \$1 million in 1998 and \$885,000 in 1997, which were netted against gas operations segment deferred tax liabilities during consolidation.

NOTE 13 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarter Ended	March 31	June 30	September 30	December 31
(Thousands of dollars, except per share amounts)				
1999				
Operating revenues	\$ 308,025	\$ 200,292	\$ 166,289	\$ 262,260
Operating income (loss)	62,725	11,530	(2,904)	59,861
Net income (loss)	28,266	(3,596)	(14,188)	28,828
Basic earnings (loss) per common share*	0.93	(0.12)	(0.46)	0.93
Diluted earnings (loss) per common share*	0.92	(0.12)	(0.46)	0.93
1998				
Operating revenues	\$ 292,601	\$ 192,897	\$ 162,508	\$ 269,303
Operating income (loss)	75,502	12,951	(529)	66,246
Net income (loss)	35,953	(2,514)	(10,945)	25,043
Basic earnings (loss) per common share*	1.31	(0.09)	(0.38)	0.83
Diluted earnings (loss) per common share*	1.30	(0.09)	(0.38)	0.82
1997				
Operating revenues	\$ 235,231	\$ 136,938	\$ 128,698	\$ 231,143
Operating income (loss)	51,515	(3,982)	(7,248)	61,976
Net income (loss)	21,568	(12,748)	(15,686)	23,335
Basic earnings (loss) per common share*	0.80	(0.47)	(0.58)	0.85
Diluted earnings (loss) per common share*	0.80	(0.47)	(0.58)	0.85

*The sum of quarterly earnings (loss) per average common share may not equal the annual earnings (loss) per share due to the ongoing change in the weighted average number of common shares outstanding.

The demand for natural gas is seasonal, and it is the opinion of management that comparisons of earnings for the interim periods do not reliably reflect overall trends and changes in the operations of the Company. Also, the timing of general rate relief can have a significant impact on earnings for interim periods. See Management's Discussion and Analysis for additional discussion of operating results.

NOTE 14 - MERGER-RELATED ISSUES

In December 1998, the Boards of Directors of the Company and ONEOK, Inc. (ONEOK), headquartered in Tulsa, Oklahoma, announced an agreement for the Company to be acquired by ONEOK. The agreement called for ONEOK to pay \$28.50 in cash for each outstanding share of Company common stock.

In February 1999, the Company announced that it had received an unsolicited proposal from Southern Union Company (Southern Union), headquartered in Austin, Texas, offering to acquire the Company for \$32 per share in cash. Under the terms of the original agreement with ONEOK, and as a result of certain preliminary determinations made by the Board of Directors of the Company, the Board of Directors authorized management to commence substantive discussions with Southern Union regarding its proposal.

In April 1999, the Board of Directors approved an amendment to the agreement with ONEOK, which reflected among other things a revised cash purchase price of \$30 per share, and rejected the unsolicited bid by Southern Union. In late April 1999, Southern Union revised its offer to \$33.50 per share. In May 1999, the Board of Directors rejected the revised bid.

In June 1999, regulatory approval for the merger was obtained from the Public Utilities Commission of Nevada. The shareholders of the Company approved the principal terms of the merger at the annual shareholders meeting held in August 1999. Merger filings were also made with the California and Arizona regulatory bodies.

Hearings before the Arizona Corporation Commission (ACC), scheduled during the third quarter of 1999, were delayed several times. The ACC staff requested additional time to review the voluminous information filed in the merger application (including merger-related litigation documents).

On January 4, 2000, the staff of the ACC issued a report that stated it was unable to recommend approval of the merger of the Company and ONEOK due to concerns about ONEOK's actions and fitness to serve in Arizona. On January 18, 2000, the Company sent ONEOK a letter demanding that ONEOK cure the deficiencies identified in the ACC staff report. On January 21, 2000, ONEOK responded to the Company's January 18th letter and stated that it was terminating the merger agreement with the Company.

Operating results of the Company included merger-related costs of \$2.5 million (net of tax) in 1999 and \$666,000 (net of tax) in 1998.

SOUTHWEST GAS CORPORATION

LIST OF SUBSIDIARIES OF THE REGISTRANT
AT DECEMBER 31, 1999

SUBSIDIARY NAME -----	STATE OF INCORPORATION OR ORGANIZATION TYPE -----
LNG Energy, Inc.	Nevada
Paiute Pipeline Company	Nevada
Northern Pipeline Construction Co.	Nevada
Southwest Gas Transmission Company	Partnership between Southwest Gas Corporation and Utility Financial Corp.
Southwest Gas Capital I	Delaware
Utility Financial Corp.	Nevada

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated February 11, 2000, incorporated by reference in this Form 10-K, into Southwest Gas Corporation's previously filed registration statements on Form S-3 (File No. 333-14605), Form S-8 (File No. 333-31223), Form S-8 (File No. 333-31267), and Form S-3 (File No. 333-81603).

ARTHUR ANDERSEN LLP

Las Vegas, Nevada
March 24, 2000

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This schedule contains summary financial information extracted from Southwest Gas Corporation's Form 10-K for the year ended December 31, 1999 and is qualified in its entirety by reference to such financial statements.

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YEAR	DEC-31-1999	DEC-31-1999
		PER-BOOK
	1,581,102	
	84,850	
	209,138	
	0	
		48,352
		1,923,422
		32,615
	439,262	
		33,548
505,425		
	0	
		0
	859,291	
	61,000	
	0	
	0	
7,931		
	0	
		0
		0
489,795		
1,923,442		
	936,866	
		21,645
	805,654	
	805,654	
	131,212	
		(7,055)
124,157		
	63,202	
		39,310
	0	
39,310		
	25,164	
	0	
	178,560	
		1.28
		1.27

Includes: trust originated preferred securities of \$60,000, current liabilities, net of current long-term debt maturities and short-term debt, of \$195,959 and deferred income taxes and other credits of \$233,836.

Includes distributions related to trust originated preferred securities of \$5,475.