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[Space above for Recorder's use]

07020018JL

DIRECTOR OF THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY,
as Lessor

and

TAHOE REGIONAL PLANNING AGENCY,
as Lessee

FINANCING SUBLEASE

Dated as of May 1, 2007

Relating to
\$13,820,000

DIRECTOR OF THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
LEASE REVENUE BONDS
(TAHOE REGIONAL PLANNING AGENCY PROJECT)
SERIES A AND SERIES B (TAXABLE)

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FINANCING SUBLEASE

This FINANCING SUBLEASE (the "Sublease"), dated as of May 1, 2007, between the DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY, being the duly appointed director of said department (the "Issuer"), as lessor, and TAHOE REGIONAL PLANNING AGENCY, a separate legal entity created by Tahoe Regional Planning Compact (the "Compact") between the States of California and Nevada and consented to by the Congress of the United States of America (the "Agency"), as lessee;

WITNESSETH:

WHEREAS, the Director of the State of Nevada Department of Business and Industry is the duly appointed director of said department, which is a duly created department in the executive branch of the government of the State of Nevada (the "State"), created and existing under Section 232.510 of the Nevada Revised Statutes, and is authorized pursuant to Sections 349.400 through 349.670, inclusive, of the Nevada Revised Statutes, as supplemented and amended (collectively, the "Act"), to provide financing for certain projects; and

WHEREAS, in furtherance of the purposes of the Act and in order to promote the prosperity, health, safety and welfare of the citizens of the State of Nevada, the Issuer proposes to finance the cost of the acquisition, construction and installation of a publicly owned office building and related improvements located in Douglas County, Nevada (the "Project") more particularly set forth on Exhibit A attached to this Sublease and by this reference made a part hereof.; and

WHEREAS, pursuant to and in accordance with the Act, the Issuer has authorized and undertaken to issue its Lease Revenue Bonds (Tahoe Regional Planning Agency Project), Series A (the "Series A Bonds") and Series B (Taxable)(the "Series B Bonds" and together with the Series A Bonds, the "Bonds"), pursuant to an Indenture (the "Indenture") of even date herewith between the Issuer and Zions First National Bank, as trustee (the "Trustee"), in order to provide funds to finance the cost of acquiring, constructing and installation of the Project; and

WHEREAS, the Issuer has undertaken to finance the cost of the acquisition, construction and installation of the Project by applying the proceeds derived from the sale of the Bonds to a single, lump sum rental payment to the Tahoe Regional Planning Agency (the "Agency") pursuant to a Lease, dated as of May 1, 2007 (the "Lease"), between the Agency, as lessor and the Issuer, as lessee; and

WHEREAS, the Agency, acting as sublessee, has agreed to sublease the Project from the Issuer, acting as sublessor, and to make rental payments to the Issuer pursuant to this Sublease, which rental payments are designed to be fully sufficient to pay when due the principal of, premium, if any, and interest on the Bonds and related expenses; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the acquisition, construction and installation of the Project, including necessary expenses incidental to the issuance of the Bonds, will require the issuance, sale and delivery of the Bonds in the aggregate amount of \$13,820,000; and

WHEREAS, pursuant to the Indenture, the Bonds will be issued and the Issuer will assign to the Trustee its right to receive payments, and certain other rights, under this Sublease and the Lease;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definition of Terms. Unless the context otherwise requires, the terms used in this Sublease shall have the meanings specified in Section 1.01 of the Indenture, as originally executed or as it may from time to time be supplemented or amended as provided therein.

Section 1.2. Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.01 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, Etc. Unless otherwise specified, references to Articles, Sections and other subdivisions of this Sublease are to the designated Articles, Sections and other subdivisions of this Sublease as amended from time to time. The words "hereof," "herein," "hereunder" and words of similar import refer to this Sublease 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 AND WARRANTIES OF THE ISSUER AND THE AGENCY

Section 2.1. Representations of the Issuer. The Issuer makes the following representations as the basis for its undertakings contained herein:

(a) The Issuer is the duly appointed Director of the Department of Business and Industry, a duly created department in the executive branch of the government of the State performing essential government functions for the State, and duly organized and existing under

Section 232.510 of the Nevada Revised Statutes. Under the provisions of the Act, the Issuer has the power to enter into the transactions contemplated by the Lease, this Sublease and the Indenture and to carry out its obligations hereunder. The Project constitutes and will constitute a "project" as that term is defined in the Act. By proper action, the Issuer has been duly authorized to execute, deliver and duly perform its obligations under the Lease, this Sublease and the Indenture.

(b) The Bonds will be issued under and secured by an Indenture, pursuant to which the Issuer's interest in the Lease and this Sublease (except certain rights of the Issuer to payment for expenses and indemnification) will be pledged to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(c) All Revenues to be derived by the Issuer under this Sublease and the rights of the Issuer hereunder (except for indemnification rights and the rights of the Issuer to receive fees and reimbursement of its expenses and to receive notices) have been assigned to the Trustee pursuant to the Indenture to provide for the payment of the Bonds. The Issuer has not pledged and will not pledge any interest in the Lease or in this Sublease for any purpose other than to secure the Bonds under the Indenture.

(d) All public hearings by, authorizations, consents, and approvals of, and registrations or filings with, governmental bodies or agencies (other than approvals which might be required under the securities laws of any jurisdiction) required for the delivery, issuance and sale of the Bonds and the execution and delivery of the Lease, this Sublease and the Indenture, or in connection with the carrying out by the Issuer of the obligations hereunder and thereunder, have been obtained or made and are in full force and effect.

(e) 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 the Lease and this Sublease have been complied with and that issuing the Bonds and entering into the Lease and this Sublease will be in furtherance of the purposes of the Act.

(f) No member, officer or other official of the Department of Business and Industry or the Issuer has any interest whatsoever in the Agency or in the transactions contemplated by the Lease or this Sublease.

(g) The Issuer makes no representation or warranty concerning the suitability of the Project for the purpose for which it is being undertaken by the Agency. The Issuer has not made any independent investigation as to the feasibility or creditworthiness of the Agency. Any bond purchaser, assignee of the Lease or this Sublease or any other party with any interest in this transaction shall make its own independent investigation as to the creditworthiness and feasibility of the Project, independent of any representation or warranties of the Issuer.

Section 2.2. Representations and Warranties of the Agency. The Agency represents and warrants to the Issuer that, as of the date of execution of the Lease and this Sublease and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and



warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the Issuer or the results thereof):

(a) The Agency is a separate legal entity created by the Compact. The Agency has full legal right, power and authority (i) to enter into the Lease, this Sublease and the Tax Certificate (collectively, the "Agency Lease Documents"), (ii) to agree to be bound by the terms of the Indenture, (iii) to perform its obligations hereunder and thereunder, (iv) to consummate the transactions contemplated by the Agency Lease Documents; and (v) by proper action of the governing body of the Agency has duly authorized the execution, delivery and performance of the Agency Lease Documents.

(b) The officers of the Agency executing the Agency Lease Documents are duly and properly in office and fully authorized to execute the same.

(c) The Agency Lease Documents have been duly authorized, executed and delivered by the Agency.

(d) The Lease and this Sublease, when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Agency with the Trustee enforceable against the Agency in accordance with their respective terms for the benefit of the Holders of the Bonds, and any rights of the Issuer and obligations of the Agency not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Agency with the Issuer enforceable against the Agency in accordance with their respective terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of the Agency Lease Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Compact creating the Agency, or to the best knowledge of the Agency and with respect to the Agency, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, sublease, contract or other agreement or instrument to which the Agency is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Agency, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Agency Lease Documents, or the financial condition, assets, properties or operations of the Agency.

(f) No consent or approval of any trustee or holder of any indebtedness or other obligation of the Agency, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities

or "blue sky" laws) is necessary in connection with the execution and delivery of the Agency Lease Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(g) Except as disclosed in the Official Statement relating to the Bonds, there is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Agency, after reasonable investigation, threatened, against or affecting the Agency or the assets, properties or operations of the Agency which, if determined adversely to the Agency or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Agency Lease Documents, or upon the financial condition, assets, properties or operations of the Agency, and the Agency is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Agency Lease Documents, or the financial condition, assets, properties or operations of the Agency. The Agency enjoys the peaceful and undisturbed possession of all of the premises from which it operates its governmental programs.

(h) No written information, exhibit or report furnished to the Issuer by the Agency in connection with the negotiation of the Agency Lease Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) The Agency is exempt from federal income tax under Section 115 of the Code.

(j) The Agency has good and marketable title to the Project sufficient to permit the construction of improvements to, and operation of, the Project.

(k) No member, officer or other official of the Department of Business and Industry or the Issuer has any financial interest whatsoever in the Agency or the Project.

(l) All certificates, approvals, permits and authorizations with respect to the construction of improvements to the Project of the Agency or applicable local governmental agencies, the State and the federal government have been obtained, or if not yet obtained, are expected to be obtained in due course.

(m) No event has occurred and no condition exists which would constitute a Sublease Default Event (as defined herein and in the Indenture) or which, with the passing of time or with the giving of notice or both, would become such a Sublease Default Event.

ARTICLE III

ISSUANCE OF THE BONDS; APPLICATION OF PROCEEDS

Section 3.1. Agreement to Issue Bonds; Application of Bond Proceeds. (a) To provide funds to finance costs of the Project, the Issuer agrees that it will issue under the Indenture, sell and cause to be delivered to the purchasers thereof, the Bonds. The Issuer will thereupon apply the proceeds received from the sale of the Bonds as provided in the Indenture, which shall be deemed to constitute payment of a single, lump sum rental payment to the Agency as set forth in Section 4 of the Lease.

(b) The Agency agrees that it will acquire, construct, install, or complete the acquisition, construction and installation of, the Project, substantially in accordance with the description of the Project prepared by the Agency and submitted to the Issuer, including any and all supplements, amendments and additions or deletions thereto or therefrom, it being understood that the approval of the Issuer shall not be required for changes in such description which do not substantially alter the purpose and description of the Project as set forth in Exhibit A hereto. The Agency further agrees to proceed with due diligence to complete the Project within three years from the date hereof. The Agency shall not make any changes to the Project or to the operation thereof which would affect the qualification of the Project as a "project" and the Agency as an "obligor" under the Act or impair the exemption from federal income taxation of the interest on the Series A Bonds. In particular, the Agency agrees to comply with all requirements set forth in the Tax Certificate.

(c) In the event that the Agency desires to alter or change the Project, and such alteration or change substantially alters the purpose and description of the Project as described in Exhibit A hereto (such altered or changed property being referred to in this paragraph (c) as the "Altered Project"), the Issuer may consent (which consent shall not be unreasonably withheld) to such changes in its discretion and, if it shall so consent, will instruct the Trustee to consent to such amendment or supplement to Exhibit A as shall be required to accurately describe the Altered Project upon receipt of each of the following documents:

(i) a certificate of an Authorized Representative of the Agency describing in detail the proposed changes and stating that (A) they will not have the effect of disqualifying the Project as facilities that may be financed pursuant to the Act; (B)(1) the annual fair rental value of the Altered Project in each year during the remaining term of this Sublease is at least equal to the annual Base Rental and reasonably expected Additional Rental attributable to the Project during the remaining term of this Sublease; and (2) the total fair market value of the Altered Project is at least equal to the principal amount of Bonds then Outstanding (annual fair rental value or total fair market value shall be determined by the Agency on the basis of an appraisal of the Altered Project conducted by a member of the American Institute of Real Estate Appraisers or the American Society of Appraisers designated by the Agency or on such other basis and with such other evidence of annual fair rental value or total fair market value as may be

approved by the Issuer in its discretion); (C) the Agency has not received notice from any of the rating agencies then rating the Bonds that such alteration or change will result in a down-grade of the rating on the Bonds; and (D) the Agency has complied with the insurance covenants contained in Section 5.4 hereof with respect to the Altered Project;

(ii) a copy of the proposed form of amended or supplemented Exhibit A hereto;

(iii) an opinion of Bond Counsel concerning such proposed changes to the effect that (A) the Sublease amendment containing the alteration or change has been duly authorized, executed and delivered by the Agency and constitutes the valid and binding obligation of the Agency enforceable in accordance with its terms; and (B) the alteration or change will not, in and of itself, cause the interest with respect to the Series A Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(iv) a policy of title insurance covering the Altered Project in an amount at least equal to the then Outstanding principal amount of the Bonds, insuring the Issuer's and the Trustee's interests in the Altered Project (except any portion thereof which is not real property) subject to Permitted Encumbrances accompanied by an Approving Opinion of counsel to the Agency or endorsement by a title company acceptable to the Issuer to the effect that the exceptions, if any, contained in such title insurance policy do not interfere with the beneficial use and occupancy of the Altered Project by the Agency for the purposes of leasing or using the Altered Project.

(d) In order to effectuate the purposes of this Sublease, the Agency will make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, all contracts, orders, receipts, writings and instructions, in the name of the Agency or otherwise, with or to other persons, firms or corporations, and in general do or cause to be done all such other things as may be requisite or proper for the acquisition, construction and installation of the Project and fulfillment of the obligations of the Agency under this Sublease.

Section 3.2. Disbursements from the Project Fund; Disbursement from the Costs of Issuance Fund. (a) The Agency will authorize and direct the Trustee, upon compliance with Section 3.03 of the Indenture, to disburse the moneys in the Series A Subaccount and the Series B Subaccount within the 2007 Project Fund to pay costs of the Project. Each of the payments referred to in this Section 3.2(a) shall be made upon receipt by the Trustee of a written requisition in the form prescribed by Section 3.03 of the Indenture, signed by an Authorized Representative of the Agency.

(b) The Agency will authorize and direct the Trustee, upon compliance with Section 3.04 of the Indenture, to disburse the moneys in the Series A Account or the Series B Account within the Costs of Issuance Fund to or on behalf of the Agency only for Costs of Issuance. Each of the payments referred to in this Section 3.2(b) shall be made upon receipt by



the Trustee of a written requisition in the form prescribed by Section 3.04 of the Indenture, signed by an Authorized Representative of the Agency.

(c) All disbursements from the Project Fund and the Costs of Issuance Fund must comply with the requirements of the Tax Certificate.

Section 3.3. Acquisition of Project; Establishment of Completion Date; Obligation of Agency to Complete. The Agency shall acquire the Project on the date of execution and delivery of this Sublease and shall take immediate possession thereof and enjoy the beneficial use and occupancy thereof immediately. As soon as practicable after the construction of the improvements to the Project are completed, an Authorized Representative of the Agency, on behalf of the Agency, shall evidence the Completion Date by providing a certificate to the Trustee and the Issuer (if so requested by the Issuer) stating that the construction of the improvements to the Project have been completed substantially in accordance with the plans, specifications and work orders therefor, and all labor, services, materials and supplies used in the construction have been paid or provided for. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Agency 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.

All moneys remaining in the Project Fund after the Completion Date (other than moneys relating to provisional payments) and after payment or provision for payment of all other costs of the Project have been provided for shall be transferred to the Revenue Fund in accordance with Section 3.03 of the Indenture and applied as provided therein.

In the event the moneys in the Project Fund available for payment of the costs of the Project are or will be insufficient to pay the costs of acquisition, construction, and installation of the Project in full, the Agency agrees to pay directly, or to deposit in the Project Fund moneys sufficient to pay, any costs of completing the acquisition, construction and installation of the Project in excess of the moneys available for such purpose in the Project Fund. The Issuer makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the costs of the Project, under the provisions of this Sublease, will be sufficient to pay all the amounts which may be incurred for such cost. The Agency agrees that if, after exhaustion of the moneys in the Project Fund, the Agency should pay, or deposit moneys in the Project Fund for the payment of, any portion of the costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Issuer, from the Trustee or from the holders of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under Section 4.2.

Section 3.4. Investment of Moneys in Funds. Any moneys in any fund or account held by the Trustee shall, at the written request of an Authorized Representative of the Agency, be invested or reinvested by the Trustee as provided in the Indenture. Such investments shall be held by the Trustee and shall be deemed at all times a part of the fund or account from which such investments were made, and the interest accruing thereon, and any profit or loss realized therefrom, shall be credited or charged to such fund or account. The Agency acknowledges that

to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions from the Trustee as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law.

Section 3.5. Limitation of Issuer's Liability. Anything contained in this Sublease to the contrary notwithstanding, any obligation the Issuer may incur in connection with the undertaking of the Project for the payment of money shall not be deemed to constitute a debt or general obligation of the Issuer, the State or any political subdivision thereof, but shall be payable solely from the revenues and receipts received by it under this Sublease. No provision in this Sublease or any obligation herein imposed upon the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer, the State or any political subdivision thereof a pecuniary liability or a charge upon its general credit or taxing powers. Neither the Director, the Issuer nor any officer or members of the State of Nevada Department of Business and Industry shall be personally liable on this Sublease.

ARTICLE IV

ISSUANCE OF BONDS; TERM OF SUBLEASE; RENTAL PAYMENTS

Section 4.1. Issuance of Bonds; Term of Sublease. The Issuer covenants and agrees, upon the terms and conditions in this Sublease, to make a single, lump sum rental payment to the Agency from the proceeds of the Bonds as provided in the Lease for the purpose of financing the costs of the Project and the Costs of Issuance. The Issuer further covenants and agrees that it shall take all actions within its authority to keep this Sublease in effect in accordance with its terms. Pursuant to said covenants and agreements, the Issuer will issue the Bonds upon the terms and conditions contained in this Sublease and the Indenture and will cause the Bond proceeds to be applied as provided in Article III of the Indenture.

The Issuer leases the Project to the Agency on the terms and conditions hereinafter set forth and subject to all easements, encumbrances and restrictions of record. The Agency agrees and covenants during the term of this Sublease that, except as hereinafter provided, it will use the Project as a civic enterprise and as otherwise contemplated by the Act and by this Sublease and so as to permit the Issuer to carry out its agreements and covenants contained in the Indenture. The Agency further agrees that it will not abandon the Project.

The term of this Sublease will commence on the date of issuance of the Bonds and shall end on June 1, 2037, unless such term is extended or sooner terminated as hereinafter provided. If on June 1, 2037, the Bonds shall not have been fully paid and retired, or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Sublease shall be extended until the date upon which all the Bonds shall have been fully paid and retired, except that the term of this Sublease shall in no event be extended beyond June 1, 2046. If prior to June 1, 2037, the Bonds shall have been fully paid and retired, and the Lease shall have been terminated, then the term of this Sublease shall end simultaneously therewith.



Section 4.2. Base Rental Payments and Additional Rental Payments.

The Agency agrees to pay to the Issuer, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Project, the following amounts at the following times:

(a) **Base Rental Payments.** In order to pay the principal of and interest on the Bonds, subject to the provisions of Section 4.2(g) below, the Agency shall pay to the Issuer Base Rental hereunder in the semiannual installments set forth on Exhibit B attached to this Sublease and by this reference made a part hereof. Such Base Rental shall be due and payable on or before May 15 and November 15 in each year through May 15, 2037 (unless this Sublease is extended pursuant to Section 4.1 above) and the first Base Rental installment will be due on November 15, 2007. If any date for the payment of Base Rental is not a Business Day, such Base Rental shall be paid on or before the next succeeding Business Day. The payments of the Base Rental due on May 15 and November 15 of a calendar year as set forth in the attached Schedule I shall be for the right to the use and occupancy of the Project for the preceding six-month period. Such Base Rental shall be paid in federal funds or other funds immediately available at the Corporate Trust Office of the Trustee.

Each payment made pursuant to this Section 4.2(a) is designed to be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) becoming due and payable on the Bonds on each Bond Payment Date; provided that any amount held by the Trustee in the Revenue Fund on any due date for a Base Rental Payment hereunder shall be credited against the Base Rental Payment due on such date, to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Agency shall be relieved of any obligation to make any further payments under the provisions of this Section.

(b) **Additional Rental.** The Agency shall pay to or upon the order of the Issuer as Additional Rental hereunder such reasonable amounts in each year as shall be required by the Issuer for the payment of all administrative costs and other expenses of the Issuer in connection with the Project, including all expenses, compensation and indemnification of the Trustee payable by the Issuer under the Indenture, fees of accountants, fees of the Issuer's attorneys, litigation costs, insurance premiums, reimbursements to the Bond Insurer incurred by the Issuer, and all other necessary costs of the Issuer and the Trustee or charges required to be paid by them in order to comply with the terms of the Act, the Indenture or the Bonds. The Trustee's compensation shall not be limited by any provision of law regarding the compensation of a trustee of an express trust. The Agency covenants and agrees to pay as Additional Rental hereunder the reasonable fees and expenses of the Issuer in connection with the Lease, this Sublease, the Bonds or the Indenture, including, without limitation, any and all fees and expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds. The Agency further agrees to pay any amounts required to be deposited in the Rebate Fund to comply

with the provisions of the Tax Certificate and to pay the fees, charges and expenses of any rebate analyst.

Fees of the Issuer to be paid by the Agency shall include an annual fee in an amount equal to twelve and one-half basis points (0.00125) of the aggregate principal amount of Bonds Outstanding under the Indenture as of the date such annual fee is due and payable. One-half of this annual fee shall be payable semi-annually on or before May 31 and November 30 of each year, commencing November 30, 2007, based upon the aggregate principal amount of Bonds Outstanding as of such May 31 and November 30.

Such Additional Rental shall be billed by the Issuer or the Trustee from time to time, together with a statement certifying that the amount so billed has been paid by the Issuer or by the Trustee on behalf of the Issuer for one or more of the items above described, or that such amount is then payable by the Issuer or the Trustee on behalf of the Issuer for such items. Amounts so billed shall be due and payable by the Agency within thirty (30) days after receipt of the bill by the Agency.

(c) Such payments of Base Rental and Additional Rental for each rental payment period during the term of this Sublease shall constitute the total rental for such rental payment period, and shall be paid by the Agency in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Project during each such rental payment period for which such rental is paid. The parties hereto have agreed and determined that the amount of such total rental is consistent with and does not exceed the fair rental value of the Project. In making such determination, consideration has been given to the costs of the acquisition of the Project and the costs of improvements thereto to be financed by the Issuer with the proceeds of the Bonds, other obligations of the parties under this Sublease, the uses and purposes which may be served by the Project and the benefits therefrom which will accrue to the Agency and the general public.

(d) Except as may be required by Section 4.2(b), all rental payments made hereunder shall be made directly to the Trustee at its Corporate Trust Office for the account of the Issuer for deposit in the Revenue Fund or other fund or account in accordance with the terms of the Indenture and Section 4.4 of this Sublease. Any such installment of rental accruing hereunder which shall not be paid when due shall bear interest at the legal rate of interest per annum at which judgments for money in the State bear interest from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the Issuer and the Agency, the Agency shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute.

(e) The Agency covenants to take such action as may be necessary to include or cause to be included all such rental payments due hereunder in the budget of the Agency and to make or cause to be made the necessary annual allocations for all such rental payments. For each fiscal year, the Agency will furnish to the Issuer and the Trustee copies of the approved budget of the Agency that contains the appropriation to pay rent hereunder, within ten (10) days after the Budget is adopted by the governing body of the Agency. The Agency further covenants

to take all actions necessary and appropriate to make rental payments under this Sublease if the required rental payments have not been included in the annual budget adopted by the Agency or the Agency is operating without a budget. The covenants on the part of the Agency contained herein shall be deemed to be and shall be construed to be ministerial and duties imposed by law and it shall be the duty of each and every public official of the Agency to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Agency to carry out and perform the agreements and covenants in this Sublease agreed to be carried out and performed by the Agency.

(f) All rental payments received by the Trustee shall be applied first to the Base Rental due hereunder and thereafter to all Additional Rental due hereunder, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default hereunder.

(g) The Base Rental shall be abated proportionately during any period in which, by reason of any damage or destruction (other than by condemnation which is provided for in Section 5.16 of this Sublease), or title defect in the Site, there is substantial interference with the use and occupancy of the Project or any portion thereof by the Agency. Such abatement shall continue for the period commencing with such damage or destruction or title defect and ending when such use and occupancy are restored. The Agency waives any and all other rights to terminate this Sublease by virtue of any such damage or destruction.

Section 4.3. Unconditional Obligation. Subject to Section 4.2(g) of this Sublease, the obligations of the Agency to make the rental payments required by Section 4.2 hereof 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 Sublease, the Agency shall pay all payments required to be made on account of this Sublease (which payments shall be net of any other obligations of the Agency) as prescribed in Section 4.2 and all other payments required hereunder, free of any deductions and without diminution or set-off. Until such time as the principal of, premium, if any, and interest on, the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Agency (i) will not suspend or discontinue any payments provided for in Section 4.2 (other than an abatement of Base Rental as provided in Section 4.2(g)); (ii) will perform and observe all of its other covenants contained in this Sublease; and (iii) except as provided in Article VII hereof, will not terminate this Sublease for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of those facilities or equipment comprising the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of these, 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 Sublease or the Indenture, except to the extent permitted by this Sublease, including without limitation Section 4.2(g) hereof.

In accordance with the Compact, the Agency has not obligated itself under this Sublease beyond the moneys due under Article VIII of the Compact for the Agency's support from the several counties and the States of California and the Nevada as described therein for the current fiscal year, plus any moneys on hand or irrevocably pledged to its support from other sources.

Section 4.4. Assignment of Issuer's Rights. As security for the payment of the Bonds, the Issuer will under the Indenture assign to the Trustee the Issuer's rights under this Sublease and the Lease, including the right to receive Base Rental and Additional Rental payments hereunder (except the right of the Issuer to receive certain payments, if any, with respect to fees, expenses and indemnification, or to enforce its rights under Sections 4.2(b), 6.3, 8.2 and 8.3 and its rights of indemnification and consent). Except as otherwise provided in Section 4.2(b), the Issuer hereby directs the Agency to make the rental payments required hereunder directly to the Trustee for deposit as contemplated by the Indenture. The Agency hereby consents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between or among the Agency, the Issuer or the Trustee.

Section 4.5. Amounts Remaining in Funds. It is agreed by the parties hereto that after payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (ii) the fees, charges and expenses of the Issuer and the Trustee and paying agents in accordance with the Indenture, and (iii) all other amounts required to be paid under this Sublease, the Lease and the Indenture, any amounts remaining in any fund held by the Trustee under the Indenture (excepting the Rebate Fund) shall be paid as provided in Section 10.01 of the Indenture.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

Section 5.1. Right of Access to the Project. The Agency agrees that, during the term of this Sublease, 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 enter upon each site where any part of the Project is located and to examine and inspect the Project for any purpose connected with the Issuer's or the Trustee's rights or obligations under this Sublease, the Lease or the Indenture and for all other lawful purposes; provided that reasonable notice shall be given to the Agency at least two (2) Business Days prior to such examination or inspection, and such inspection shall not disturb the normal business operations of the Agency or any other subtenants or occupants of the Project.

Section 5.2. The Agency's Maintenance of Its Existence; Assignments and Subletting of the Project. (a) The Agency covenants and agrees that during the term of this Sublease it will maintain its status as a separate legal entity created pursuant to the Compact and qualified to conduct its governmental programs in the State, will not voluntarily dissolve, sell or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity so that the Agency is not the resulting or surviving entity (any such

sale, disposition, combination or merger shall be referred to hereafter as a "transaction"); provided that the Agency may enter into such transaction, if (i) the surviving or resulting transferee, person or entity, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Agency hereunder and under the Lease, (ii) the surviving or resulting transferee, person or entity, as the case may be, is fully qualified to conduct its governmental programs in the State, (iii) the credit rating on the Bonds, as determined by S&P shall be no lower than the rating level of the Bonds immediately prior to the transaction and (iv) the Agency shall deliver to the Trustee prior to the consummation of the transaction an Approving Opinion.

If a merger, consolidation, sale or other transfer is effected, as provided in this Section, all provisions of this Section shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this Section 5.2.

(b) Except for a Permitted Sublease, the Agency shall not assign, sublet or license any portion of the Project to another person or entity.

Section 5.3. Records and Financial Statements of Agency. The Agency covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Agency relating to the Project. Such books of record and account shall be available for inspection by the Issuer or the Trustee during normal business hours and under reasonable circumstances.

Section 5.4. Insurance. The Agency shall procure or cause to be procured and maintain or cause to be maintained throughout the term hereof with reputable commercial insurers insurance against the following risks in the following respective amounts:

(1) insurance against loss or damage to each portion of the Project by fire and lightning, with an extended coverage endorsement and vandalism and malicious mischief insurance and sprinkler system leakage insurance and boiler insurance, which such extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and earthquake insurance (if, in the sole discretion of the Agency, such insurance is available on the open market from reputable insurance companies at a reasonable cost) and which such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of such portion of the Project, excluding the cost of excavations, of grading and filling and of the land (except that such insurance may be subject to deductible clauses of not to exceed one hundred thousand dollars (\$100,000) for any one loss); provided, that such insurance shall in any event be in an amount sufficient, in the event of total or partial loss, to enable the Agency either to retire the Bonds attributable to such portion of the Project or to restore such portion of the Project to the condition existing before such loss;

(2) use and occupancy insurance against loss, total or partial, of the use and occupancy of each portion of the Project as a result of any of the hazards covered by the insurance required by paragraph (1) hereof, in an amount sufficient to pay the proportionate share of the Base Rental Payments attributable to such portion of the Project for the succeeding twenty-four (24) month period;

(3) a standard comprehensive public entity liability insurance policy or policies in protection of the Agency and its officers and the Trustee and its directors, officers and employees, indemnifying and defending such parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Project, with minimum liability limits of one million dollars (\$1,000,000) for personal injury or death of each person and three million dollars (\$3,000,000) for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of two hundred thousand dollars (\$200,000) (subject to a deductible clause of not to exceed one hundred thousand dollars (\$100,000)) for damage to property resulting from each accident or event; provided, that such public liability and property damage insurance may be in the form of a single limit policy in the amount of three million dollars (\$3,000,000) covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the Agency;

(4) title insurance covering the Project in an amount at least equal to the Outstanding principal amount of the Bonds, insuring the Issuer's and the Trustee's interests in the Project (except any portion thereof which is not real property) subject to Permitted Encumbrances accompanied by an Approving Opinion of counsel to the Agency or endorsement by a title company acceptable to the Issuer to the effect that the exceptions, if any, contained in such title insurance policy do not interfere with the beneficial use and occupancy of the Project by the Agency for the purposes of leasing or using the Project.

The Net Proceeds of any insurance described in this Section 5.4 shall be applied in accordance with Section 5.03 of the Indenture.

Notwithstanding the above provisions, as an alternative to providing the insurance required by paragraphs (1) and (3) above, the Agency may, with the written consent of the Bond Insurer, provide a self-insurance method or plan of protection, which such self-insurance maintained by the Agency pursuant to the foregoing sections shall comply with the following terms:

- (i) the self-insurance program shall be approved by the Agency's Risk Manager;
- (ii) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the Agency's Risk Manager, and any deficiencies in any self-insurance claims fund shall be remedied in accordance with the recommendation of the Agency's Risk Manager;

(iii) the self-insurance claims fund shall be held in a separate fund by an independent trustee; and

(iv) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claim reserve fund, as determined by the Agency's Risk Manager, shall be maintained.

Any insurance policy issued pursuant to this section shall be so written or endorsed as to make losses, if any, payable to the Agency, the Issuer and the Trustee as their respective interests may appear, except that the Net Proceeds, if any, of the insurance policy described in paragraph (2) of this section shall be deposited in the Revenue Fund pursuant to Section 5.03 of the Indenture, and each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Issuer or the Trustee without first giving written notice thereof to the Issuer and the Trustee at least thirty (30) days in advance of such intended cancellation or modification; provided, that the Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustments, compromise or settlement of any loss agreed to by it.

The Agency shall file a certificate with the Trustee, with a copy to the Bond Insurer and the Issuer, not later than July 1 of each year certifying that the insurance required by this section is in full force and effect and that the Trustee is named as a loss payee on each insurance policy which the Lease requires to be so endorsed.

Section 5.5. Maintenance and Repairs; Taxes; Utility and Other Charges. The Agency agrees to maintain the Project during the term of this Sublease (i) in as reasonably safe condition as its operations shall permit and (ii) in good repair, both ordinary and extraordinary, and in good operating condition, making from time to time all necessary repairs thereto and renewals and replacements thereof. In exchange for the rentals provided in this Sublease, the Issuer agrees to provide only the Project.

The Agency agrees to pay or cause to be paid during the term of this Sublease as Additional Rental under this Sublease, any and all taxes, governmental charges of any kind lawfully assessed or levied upon the Project or any part thereof, including any taxes levied against any portion of the Project which, if not paid, will become a charge on the receipts from the Project prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created therefrom or under this Sublease, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of any portion 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 Agency shall be obligated to pay only such installments as are required to be paid during the term of this Sublease. The Agency may, at the Agency's expense and in the Agency's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during

that period of such contest and any appeal therefrom unless by such nonpayment the Project or any part thereof will be subject to loss or forfeiture.

Section 5.6. Qualification in Nevada. The Agency agrees that throughout the term of this Sublease it, or any successor or assignee as permitted by Section 5.2, will be qualified to conduct its governmental programs in the State.

Section 5.7. Tax Covenants. The Agency shall at all times do and perform all acts and things permitted by law and the Tax Certificate, this Sublease and the Indenture which are necessary or desirable in order to assure that interest paid on the Series A Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Issuer agrees that it will comply with the provisions of the Tax Certificate which by this reference are incorporated herein. This covenant shall survive termination of this Sublease and the defeasance or redemption of the Series A Bonds.

Section 5.8. Continuing Disclosure. The Agency hereby covenants and agrees to comply with the continuing disclosure requirements promulgated under S.E.C. Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of this Sublease, failure of the Agency 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 a Sublease Default Event; however, the Trustee, at the written request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from and against any cost, liability or expense related thereto, including, without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee or any Bondholder or beneficial owner of the Bonds, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations pursuant to this Section 5.8.

Section 5.9. Employment and Other Reports. During the first three (3) fiscal years of the Agency following the acquisition of the Project, commencing with fiscal year 2007, and thereafter only upon the request of the Issuer, the Agency shall furnish, within thirty (30) days following the end of the Agency's fiscal year, a written report to the Issuer, stating the number of full-time and part-time employees of the Agency employed at the Project during such fiscal year, and supplying such current information as the Issuer shall request regarding other matters covered in its application to the Issuer for bond financing.

Section 5.10. No Warranty of Condition or Suitability by Issuer. The Agency recognizes that the Issuer does not deal in goods of the kind comprising components of the Project or otherwise hold itself out as having knowledge or skill peculiar to the practices or goods involved in the Project and that the Issuer is not one to whom such knowledge or skill may be attributed by its employment of an agent or broker or other intermediary who by his occupation holds himself out as having such knowledge or skill. The Agency further recognizes that since the components of the Project have been and are to be designated and selected by the



Agency, the ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND, EXCEPT AS OTHERWISE PROVIDED HEREIN, THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR TO THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE AGENCY. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED (TO THE EXTENT PERMITTED BY APPLICABLE LAW), WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OF THE STATE OF NEVADA OR ANOTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

Section 5.11. Assignment by Agency. The rights and obligations of the Agency under this Sublease may not be assigned by the Agency to any person in whole or in part, subject, however, to Section 5.2 of this Sublease.

Section 5.12. Cooperation in Filings and Other Matters. The Issuer and the Agency agree to cooperate, upon the request of either party, at the expense of the Agency in the filing and renewal of UCC-1 Financing Statements.

Section 5.13. Prohibited Uses. No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (2) with respect to the use of the proceeds of the Series A Bonds, by a Person that is not an organization described in Section 501(c)(3) of the Code or a Governmental Unit or by an organization described in Section 501(c)(3) of the Code (including the Agency) in an "unrelated trade or business" (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Series A Bonds being treated as an obligation not described in Section 103(a) of the Code.

Section 5.14. Compliance with United States Constitution. The Agency shall not restrict admission to or operations at the Project on racial or religious grounds.

Section 5.15. Licensing and Qualification. The Agency shall use its best efforts (as long as it is in its best interests and will not materially adversely affect the interest of the Holders) to obtain and maintain all permits, licenses and other approvals necessary for its

operations at the Project and to maintain its qualification for participation in and payment under federal and state grant programs relating to the governmental programs of the Agency.

Section 5.16. Eminent Domain. If the whole or any portion of the Project shall be taken by eminent domain proceedings (or sold to a governmental entity threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in a special fund in trust and shall be applied and disbursed by the Trustee pursuant to Section 5.03 of the Indenture. If less than the entire Project shall have been so taken and the remainder is usable for purposes substantially similar to those for which it was acquired by the Agency, then this Sublease shall continue in full force and effect as to such remainder. If less than the entire Project shall have been so taken and the remainder is not usable for purposes substantially similar to those for which it was acquired by the Agency, or if the entire Project shall have been so taken, then the term of this Sublease shall cease as of the day that possession shall be so taken.

Section 5.17. Liens. In the event the Agency shall at any time during the term of this Sublease cause any additions, betterments, extensions or improvements to the Project to be constructed or materials to be supplied in or upon the Project, the Agency shall pay or cause to be paid when due all sums of money that may become due, or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the Agency in, upon or about the Project and shall keep the Project free of any and all mechanics' or materialmen's liens or other liens against the Project or the Issuer's interest therein. In the event any such lien attaches to or is filed against the Project or the Issuer's interest therein, the Agency shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Agency desires to contest any such lien it may do so and, so long as such lien is being contested in good faith, the Agency need not discharge or release such lien. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Agency shall forthwith pay or cause to be paid and discharged such judgment. The Agency agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Issuer, the Trustee, and their members, directors, agents, successors and assigns harmless from and against and defend each of them against any claim, demand, loss, damage, liability or expense (including reasonable attorneys' fees, which shall be subject to the reasonable review and approval of the Agency) as a result of any such lien or claim of lien against the Project or the Issuer's interest therein.

Section 5.18. Quiet Enjoyment. The parties hereto mutually covenant that the Agency, so long as it keeps and performs the agreements and covenants in this Sublease and the Lease and no Sublease Default Event has occurred, shall at all times during the term of this Sublease peaceably and quietly have, hold and enjoy the Project without suit, trouble or hindrance from the Issuer.

Section 5.19. Title to the Project. Upon the termination or expiration of this Sublease (other than as provided in Section 5.16 and Article VI of this Sublease), all right, title and

interest of the Issuer or the Trustee in the Project shall vest in the Agency. Upon any such termination or expiration, the Issuer and the Trustee shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Section 5.20. Net Lease. This Sublease shall be deemed and construed to be a “net lease” and the Agency agrees that the rentals provided for herein shall be an absolute net return to the Issuer, free and clear of any expenses, charges or set-offs whatsoever.

Section 5.21. No Merger. The parties hereto intend that there shall be no merger of any estate or interest created by this Sublease with any other estate or interest in the Project, or any part thereof, by reason of the fact that the same party may acquire or hold all or any part of the estate or interest in the Project created by this Sublease as well as another estate or interest in the Project.

Section 5.22. Sale of Commercial Floor Area Entitlement. The Agency may sell all or any portion of the Commercial Floor Area Entitlement derived from the Project and apply the proceeds therefrom for any lawful purpose of the Agency; provided that at the time of such sale (i) no Sublease Default Event or Event of Default under the Indenture has occurred and is then continuing, and (ii) a certificate of an Authorized Representative of the Agency has been filed with the Trustee to the effect that such sale shall not materially impair the security for the Bonds or the obligations of the Agency to pay Base Rental Payments hereunder.

Section 5.23. Budget and Appropriation of Rental Payments. As required by Section 4.2(e), Base Rental shall be included in the annual budget of the Agency and the Agency's budget in each fiscal year will contain a specific item providing for the amount of Base Rental due hereunder for such fiscal year. To the fullest extent permitted by law, the Agency will allocate from the first lawfully available funds appropriated to or by the Agency in each fiscal year that amount necessary to pay in full all amounts which are anticipated to become due and payable during such fiscal year hereunder, including without limitation the Base Rental.

To the fullest extent permitted by law, the governing board of the Agency shall make a continuing appropriation of moneys for the payment of rental from any and all funds in its treasury lawfully available for such purpose during any period that the Agency or the State of California or the State of Nevada is operating without a budget, provided the chief financial officer of the Agency certifies that sufficient funds are available for the such payments and the Project is available for the use and occupancy of the Agency.

ARTICLE VI

SUBLEASE DEFAULT EVENT AND REMEDIES

Section 6.1. Sublease Default Event. Any one of the following which occurs and continues shall constitute a Sublease Default Event:



(a) Failure of the Agency to make any Base Rental Payment required by Section 4.2(a) hereof or abandonment of the Project by the Agency; or

(b) The interest of the Agency in this Sublease is assigned, sublet or transferred (other than in accordance with Section 5.2 hereof); or

(c) Failure of the Agency to observe and perform any covenant, condition or agreement on its part required to be observed or performed by this Sublease other than as provided in (a) or (b) of this Section 6.1, which continues for a period of thirty (30) days after written notice from the Issuer or the Trustee delivered to the Agency, which notice shall specify such failure and request that it be remedied by Agency; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(d) The dissolution or liquidation of the Agency or the filing by the Agency of a voluntary petition in bankruptcy, or failure by the Agency promptly to cause to be lifted any execution, garnishment or attachment of such consequence as will impair the Agency's ability to carry on its obligations hereunder, or the commission by the Agency of any act of bankruptcy, or adjudication of the Agency as a bankrupt, or if a petition or answer proposing the adjudication of the Agency as a bankrupt or its reorganization, arrangement or debt readjustment under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof, or if the Agency shall admit in writing its inability to pay its debts generally as they become due, or a receiver, trustee or liquidator of the Agency shall be appointed in any proceeding brought against the Agency and shall not be discharged within ninety (90) days after such appointment or if the Agency shall consent to or acquiesce in such appointment, or assignment by the Agency for the benefit of its creditors, or the entry by the Agency into an agreement of composition with its creditors, or a bankruptcy, insolvency or similar proceeding shall be otherwise initiated by or against the Agency under any applicable bankruptcy, reorganization or analogous law as now or hereafter in effect and if initiated against the Agency shall remain undismissed (subject to no further appeal) for a period of ninety (90) days; provided, the term "dissolution or liquidation of the Agency," as used in this subsection, shall not be construed to include the cessation of the existence of the Agency resulting either from a merger or consolidation of the Agency into or with another entity or a dissolution or liquidation of the Agency following a transfer of all or substantially all of its assets as an entirety or under the conditions permitting such actions contained in Section 5.2 hereof.

The Issuer shall in no event be in default in the performance of any of its obligations hereunder unless and until the Issuer shall have failed to perform such obligations within sixty (60) days (or such additional time as is reasonably required to correct any such default) after notice by the Agency to the Issuer properly describing the Issuer's failure to perform any such obligation.

Section 6.2. Remedies on Default. Subject to Section 6.1 hereof, whenever any Sublease Default Event shall have occurred and shall be continuing, the Issuer and the Trustee, in addition to any and all other rights either of them may have at law, shall have the option to do any of the following:

(a) To terminate this Sublease in the manner hereinafter provided on account of default by the Agency, notwithstanding any re-entry or re-letting of the Project as hereinafter provided for in paragraph (b) of this Section 6.2; and to re-enter the Project and remove all persons in possession thereof and all personal property whatsoever situated upon the Project and place such personal property in storage in any warehouse or other places suitable to afford reasonable protection and storage for such personal property and equipment. In the event of such termination, the Agency agrees to immediately surrender possession of the Project, without let or hindrance, and to pay the Issuer all damages recoverable at law that the Issuer may incur by reason of default by the Agency, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Project and removal and storage of such property by the Issuer or its duly authorized agents in accordance with the provisions contained herein. Neither notice to pay rent or to deliver up possession of the Project given pursuant to law nor any entry or re-entry by the Issuer nor any proceeding in unlawful detainer, or otherwise, brought by the Issuer for the purpose of effecting such re-entry or obtaining possession of the Project nor the appointment of a receiver upon initiative of the Issuer to protect the Issuer's interest under this Sublease shall of itself operate to terminate this Sublease, and no termination of this Sublease on account of default by the Agency shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Issuer shall have given written notice to the Agency of the election on the part of the Issuer to terminate this Sublease. The Agency covenants and agrees that no surrender of the Project or of the remainder of the term hereof or any termination of this Sublease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Issuer by such written notice.

(b) Without terminating this Sublease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision hereof to be kept or performed by the Agency, or (ii) to exercise any and all rights of entry and re-entry upon the Project. If the Issuer does not elect to terminate this Sublease in the manner provided for in paragraph (a) of this Section 6.2, the Agency shall remain liable and agrees to keep or perform all covenants and conditions contained herein to be kept or performed by the Agency, and, if the Project is not re-let, to pay the full amount of the rent to the end of the term of this Sublease or, if the Project is re-let, to pay any deficiency in rent that results therefrom; and further agrees to pay such rent and/or rent deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of rent hereunder, notwithstanding the fact that the Issuer may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified, and notwithstanding any entry or re-entry by the Issuer or suit in unlawful detainer or otherwise, brought by the Issuer for the purpose of effecting such re-entry or obtaining possession of the Project. Should the Issuer elect to re-enter as herein provided, the Agency irrevocably appoints the Issuer as the agent and attorney-in-fact of the Agency to re-let

the Project, or any part thereof, from time to time, either in the Issuer's name or otherwise, upon such terms and conditions and for such use and period as the Issuer may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Project and to place such personal property in storage in any warehouse or other suitable place for the Agency, for the account of and at the expense of the Agency, and the Agency exempts and agrees to save harmless the Issuer from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Project and removal and storage of such property by the Issuer or its duly authorized agents in accordance with the provisions contained herein, except for such costs, loss or damage resulting from the intentional or grossly negligent actions of the Issuer or its agents. The Agency agrees that the terms of this Sublease constitute full and sufficient notice of the right of the Issuer to re-let the Project in the event of such re-entry without effecting a surrender of this Sublease, and further agrees that no acts of the Issuer in effecting such re-letting shall constitute a surrender or termination of this Sublease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the Agency, the right to terminate this Sublease shall vest in the Issuer to be effected in the sole and exclusive manner provided for in subparagraph (a) of this Section 6.2. The Agency further waives the right to any rental obtained by the Issuer in excess of the rental herein specified and conveys and releases such excess to the Issuer as compensation to the Issuer for its services in re-letting the Project. The Agency further agrees to pay the Issuer the cost of any alterations or additions to the Project necessary to place the Project in condition for re-letting immediately upon notice to the Agency of the completion and installation of such additions or alterations.

(c) The Agency waives any and all claims for damages caused or which may be caused by the Issuer in re-entering and taking possession of the Project as herein provided and all claims for damages that may result from the destruction of or injury to the Project and all claims for damages to or loss of any property belonging to the Agency, or any other person, that may be in or upon the Project, except for such claims resulting from the intentional or grossly negligent actions of the Issuer or its agents.

(d) **Upon the occurrence of a Sublease Default Event, payments of Base Rental hereunder may not be accelerated.**

(e) Each and all of the remedies given to the Issuer hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Issuer to other or further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section 6.2 shall include, but not be limited to, re-letting by means of the operation or other utilization by the Issuer of the Project. If any statute or rule of law validly shall limit the remedies given to the Issuer hereunder, the Issuer nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

(f) If the Issuer shall prevail in any action brought to enforce any of the terms and provisions of this Sublease, the Agency agrees to pay a reasonable amount as and for attorney's fees incurred by the Issuer in attempting to enforce any of the remedies available to the Issuer hereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

(g) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Agency, to the extent not prohibited by law.

In case the Trustee or the Issuer shall have proceeded to enforce its rights under this Sublease 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 Agency, the Trustee and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Agency, the Trustee and the Issuer shall continue as though no such action had been taken.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Agency 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 Agency or in the case of any other similar judicial proceedings relative to the Agency, or the creditors or property of the Agency, 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 Sublease 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 Agency, 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 to the extent permitted by the Indenture. 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 it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

In the event the Trustee incurs expenses or renders services in any proceedings which result from a Sublease Default Event under Section 6.1(d) hereof, or from any default which, with the passage of time, would become such Sublease Default Event, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 6.3. Agreement to Pay Attorneys' Fees and Expenses. In the event the Agency should default under any of the provisions of this Sublease and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under this Sublease or the enforcement of performance or observance of any obligation or agreement on the part of the Agency contained herein, the Agency agrees to pay to the Issuer or the Trustee

the reasonable fees of such attorneys and such other reasonable out-of-pocket expenses so incurred by the Issuer or the Trustee.

Section 6.4. 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 Sublease 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 expressly required herein or by applicable law. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee as the assignee of the Issuer.

Section 6.5. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Sublease should be breached by the Agency and thereafter waived by the Issuer or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VII

PREPAYMENT

Section 7.1. Redemption of Bonds with Prepayment Moneys. By virtue of the assignment of the rights of the Issuer under this Sublease to the Trustee as is provided in Section 4.4 hereof, the Agency agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under this Article VII. The Trustee shall use the moneys so paid to it by the Agency to redeem the Bonds on the date set for such redemption pursuant to Section 7.5 hereof. The Issuer shall call Bonds for redemption as required by Article IV of the Indenture or as requested by the Agency pursuant to the Indenture or this Sublease.

Section 7.2. Options to Prepay Installments. The Agency shall have the option to prepay the Base Rental Payments payable under Section 4.2(a) hereof by paying to the Trustee, for deposit in the Redemption Account within the Revenue Fund, the amount set forth in Section 7.4 hereof and to cause all or any part of the Bonds to be redeemed at the times and at the prices set forth in Section 4.01(A) or 4.01(C) of the Indenture if the conditions under said Section 4.01(A) or 4.01(C) of the Indenture, if applicable, are met, as the case may be.

Section 7.3. [RESERVED].

Section 7.4. Amount of Prepayment. (a) In the case of a prepayment of the entire amount due hereunder pursuant to Section 7.2, the amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay (1) the principal of all Bonds Outstanding on the redemption date

specified in the notice of redemption, plus interest accrued and to accrue to the payment or redemption date of the Bonds, plus premium, if any, pursuant to the Indenture, (2) all reasonable and necessary fees and expenses of the Issuer, the Trustee and any paying agent accrued and to accrue through final payment of the Bonds and (3) all other liabilities of the Agency accrued and to accrue under this Sublease. In the case of partial prepayment of the Base Rental Payments, the amount payable shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay the principal amount of and premium, if any, and accrued interest on the Bonds to be redeemed, as provided in the Indenture, and to pay expenses of redemption of such Bonds.

(b) In the event of any damage to or destruction of the Project caused by the perils covered by the insurance required to be maintained by the Agency pursuant to Section 5.4 of this Sublease, or in the event the whole or any portion of the Project shall be taken by eminent domain proceedings (or sold to a government entity threatening to exercise the power of eminent domain), the Net Proceeds shall be utilized in accordance with Section 5.03 of the Indenture, at the discretion of the Agency, either (i) to redeem Outstanding Bonds to the extent possible and in accordance with the provisions of the Indenture or (ii) for the repair, reconstruction or replacement of the Project in accordance with the Indenture. If the Agency so elects to repair, reconstruct or replace the Project, it shall do so with all practicable dispatch in an expeditious manner and in conformity with Section 5.03 of the Indenture and the law so as to complete the same as soon as possible. Any balance of Net Proceeds not required for such repair, reconstruction or replacement shall be paid to the Trustee in accordance with Section 5.03(A) of the Indenture.

Section 7.5. Notice of Prepayment. To exercise an option granted in or to perform an obligation required by this Article VII, the Agency shall give written notice at least fifteen (15) days prior to the last day by which the Trustee is permitted to give notice of redemption pursuant to Section 4.03 of the Indenture, to the Issuer and the Trustee specifying the amount to be prepaid and the date upon which any prepayment will be made. If the Agency fails to give such notice of a prepayment in connection with a mandatory redemption under this Sublease, such notice may be given by the Issuer, by the Trustee or by any Holder or Holders of ten percent (10%) or more in aggregate principal amount of the Bonds Outstanding. The Issuer and the Trustee, at the request of the Agency or any such Holder, shall forthwith take all steps necessary under the applicable provisions of the Indenture (except that the Issuer shall not be required to make payment of any money required for such redemption) to effect redemption of all or part of the Bonds then Outstanding, as the case may be, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Indenture.

ARTICLE VIII

NON-LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

Section 8.1. Non-liability of Issuer. The Issuer shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Agency



hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the rental payments made by the Agency pursuant to this Sublease, together with other Revenues with respect to the Bonds, including investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the rental 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 officers of the Agency shall seek a special appropriation from the governing body of the Agency in order to 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, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Issuer or any third party; provided, however, that so long as no Sublease Default Event has occurred the governing body of the Agency shall retain sole and absolute discretion to determine whether any such special appropriation shall be made.

Section 8.2. Expenses. To the fullest extent permitted by law, the Agency covenants and agrees to indemnify the Issuer and the Trustee against and to reimburse them for all reasonable costs and charges, including, without limitation, the Trustee's compensation provided for in the Indenture and including fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Sublease, the Lease or the Indenture.

Section 8.3. Indemnification. To the fullest extent permitted by law, the Agency 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 fullest 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, equipping, improvement or construction of the Project or any part thereof; (2) the issuance of the Bonds or any certifications, covenants or representations made in connection therewith and the carrying out of any of the transactions contemplated by the Bonds, the Lease and this Sublease; (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 or omission or alleged omission to state a 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 of the Bonds; provided that the foregoing release and indemnity in this Section 8.3 shall not be required for damages that result from gross negligence (or negligence in the case of the Trustee) or willful misconduct on the part of the party seeking such release or indemnity. The indemnity required by this Section shall be only to the extent that any loss sustained by the Issuer or the Trustee exceeds the Net Proceeds the Issuer or the Trustee receives with respect to the loss sustained. The Agency further covenants and agrees, to

the fullest extent permitted by law, to pay or to reimburse the Issuer and the Trustee and their officers, employees and agents for any and all costs, reasonable attorneys fees and expenses, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims (whether asserted by the Issuer, the Agency, a Holder, or any other person), damages, liabilities, expenses or actions, except to the extent that the same arise out of the gross negligence (or negligence in the case of the Trustee) or willful misconduct of the party claiming such payment or reimbursement. The provisions of this Section shall survive the discharge of the Indenture and the retirement of the Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Notices. All notices, certificates or other communications shall be deemed sufficiently given if sent by facsimile or on the second day following the day on which the same have been mailed by certified mail, postage prepaid, addressed to the Issuer, the Agency, or the Trustee, as the case may be, as follows:

To the Issuer:

State of Nevada
Department of Business & Industry
Office of the Director
788 Fairview Drive, Suite 100
Carson City, NV 89701

To the Agency:

Tahoe Regional Planning Agency
128 Market Street
P.O. Box 5310
Stateline, NV 89449
Attention: General Counsel

To the Trustee:

Zions First National Bank
10 East South Temple, Suite 1200
Salt Lake City, UT 84111
Attn: Corporate Trust Department

A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Agency to the other shall also be given to the Trustee. Notices to the Trustee are effective only when actually received by the Trustee. The Issuer, the Agency and the

Trustee may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.2. Severability. If any provision of this Sublease 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 contained herein or render the same invalid, inoperative, or unenforceable to any extent whatever.

If for any reason it is held by such a court that any of the covenants and conditions of the Agency hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Sublease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the Agency annually in consideration of the right of the Agency to possess, occupy and use the Project, and all the other terms, provisions and conditions of this Sublease, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 9.3. Execution of Counterparts. This Sublease 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 9.4. Amendments, Changes and Modifications. Except as otherwise provided in this Sublease or the Indenture, neither the Lease nor this Sublease may be amended, changed, modified, altered or terminated except by the written agreement of the Issuer and the Agency and with the written consent of the Trustee in accordance with Section 9.05 of the Indenture; provided, however, that no such amendment shall materially adversely affect the Owners of the Bonds.

Section 9.5. Governing Law. This Sublease shall be construed in accordance with and governed by the Constitution and laws of the State applicable to contracts made and performed in the State. This Sublease shall be enforceable in the State, and to the fullest extent permitted by law any action arising out of this Sublease shall be filed and maintained in the U.S. District Court, District of Nevada, but if the federal court does not accept jurisdiction, then the First Judicial District Court (Carson City, Nevada) unless the Issuer waives this requirement.

Section 9.6. Authorized Representative. Whenever under the provisions of this Sublease the approval of the Agency is required or the Agency is required to take some action at the request of the Issuer, such approval or such request shall be given on behalf of the Agency by an Authorized Representative, and the Issuer 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 9.7. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Issuer, the Agency and their respective successors and assigns; subject, however, to the limitations contained in Sections 5.2 hereof.

Section 9.8. Complete Agreement. The parties agree that the terms and conditions of this Sublease supersede those of all previous agreements between the parties, and that this Sublease, together with the documents referred to in this Sublease, contains the entire agreement between the parties hereto.

Section 9.9. Business Days. If any payment is to be made hereunder or any action is to be taken hereunder on any date that is not a Business Day, such payment or action otherwise required to be made or taken on such date shall be made or taken on the immediately succeeding Business Day with the same force and effect as if made or taken on such scheduled date and as to any payment; provided, any such payment is made on such succeeding Business Day.

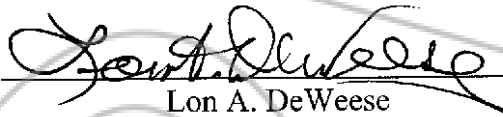
Section 9.10. Waiver of Personal Liability. No member, officer, agent or employee of the Issuer or any director, officer, agent or employee of the Agency or any subsidiary thereof shall be individually or personally liable for the payment of any principal of and interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Sublease; but nothing contained herein shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Sublease

Section 9.11. Waivers. Each of the Agency and the Issuer hereby (i) irrevocably and unconditionally waive, to the fullest extent permitted by law, trial by jury in any legal action or proceeding relating to this Sublease or the Project and for any counterclaim therein and (ii) irrevocably waive, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages.

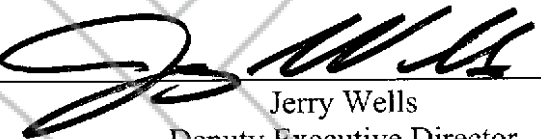
IN WITNESS WHEREOF, the DIRECTOR OF THE STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY has caused this Sublease to be executed in her name by an authorized officer and TAHOE REGIONAL PLANNING AGENCY has caused this Sublease to be executed in its name by a duly authorized officer all as of the date first above written.

DIRECTOR OF THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY

For Mendy K. Elliott, Director

By: 
Lon A. DeWeese
Chief Financial Officer,
Nevada Housing Division

TAHOE REGIONAL PLANNING AGENCY

By: 
Jerry Wells
Deputy Executive Director

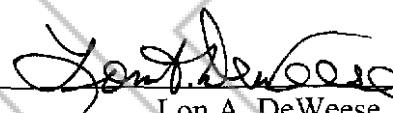
ASSIGNMENT

The Director of the State of Nevada Department of Business and Industry (the "Issuer"), hereby irrevocably assigns, without recourse, the foregoing Sublease to Zions First National Bank, as Trustee under an Indenture dated as of May 1, 2007 (the "Indenture"), between the Issuer and the Trustee (other than the rights of the Issuer under Article III of the foregoing Sublease, which the Issuer shall retain for its benefit) and hereby directs the Tahoe Regional Planning Agency as the lessee under the Sublease to make all rental payments directly to the Trustee at its principal corporate trust office in Salt Lake City, Nevada, or at such other place as the Trustee may direct in writing. Such assignment is made as security for the payment of the Issuer's \$13,820,000 in aggregate principal amount of Lease Revenue Bonds (Tahoe Regional Planning Agency Project), Series A and Series B (Taxable) (collectively, the "Bonds"), issued pursuant to the Indenture.

**DIRECTOR OF THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND
INDUSTRY**

For Mendy K. Elliott, Director

By: _____



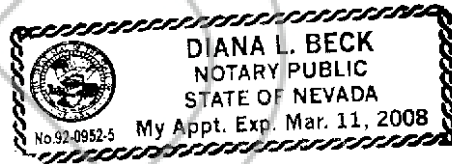
Lon A. DeWeese
Chief Financial Officer,
Nevada Housing Division

STATE OF NEVADA)
) SS.
COUNTY OF Carson City

This instrument was acknowledged before me on May 18, 2007 by _____
Don A. DeWesse, Chief Financial Officer.

WITNESS my hand and official seal.

Signature Diana L. Beck



COPIES

EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of the acquisition, construction and installation of a publicly owned office building and related parking and other improvements and facilities, located in Douglas County, Nevada and all as more particularly described as follows:

[INSERT LEGAL DESCRIPTION FROM TITLE INSURANCE POLICY]



EXHIBIT "A"

LEGAL DESCRIPTION

ESCROW NO.: 070200186JL

The land referred to herein is situated in the State of Nevada, County of DOUGLAS unincorporated area described as follows:

PARCEL NO. 1

A parcel of land situated in and being a portion of the Northeast 1/4 of the Northwest 1/4 of Section 26, Township 13 North, Range 18 East, M.D.B.&M., more particularly described as follows, to wit:

BEGINNING at a point on the Section line between Sections 23 and 26, Township 13 North, Range 18 East, M.D.B.&M., which is 1,146.60 feet West from the 1/4 corner between Sections 23 and 26; thence South 0 degrees 08' East, 1,317.13 feet; thence North 89 degrees 42' West, a distance of 157.02 feet; thence North 0 degrees 08' West, a distance of 1,316.93 feet; thence South 89 degrees 46' East, a distance of 160.95 feet to the POINT OF BEGINNING.

EXCEPT THEREFROM that portion of said land conveyed to SPIVAK DEVELOPMENT COMPANY, a Partnership, in Deed recorded July 23, 1970 in Book 77, Page 655, Document No. 48829, Official Records.

ALSO FURTHER EXCEPTING THEREFROM all that portion of said land conveyed to KINGSBURY GENERAL IMPROVEMENT DISTRICT, a Municipal corporation, in Deed recorded March 10, 1976 in Book 376, Page 476, Document No. 88812, Official Records.

TOGETHER WITH a parcel of land situate in the Northeast Quarter of the Northwest Quarter of the Northwest Quarter of Section 26, Township 13 North, Range 18 East, M.D.B.&M. in Douglas County, Nevada, that is described as follows:

Beginning at a point on the left or westerly highway right-of-way line of the reroute of U.S. 50, project F-002-1(31), said point of beginning being 175.00 feet left of and at right angles to Highway Engineer's Station "04" 48+ 65.00 P.O.T.; and further described as bearing South 84 degrees 19'17" East a distance of 944.42 feet from the Northwest corner of Section 26, Township 13 North, Range 18 East, M.D.B.&M.; thence North 61 degrees 46'56" West along said right-of-way line a distance of 78.61 feet to a point on the right of southerly right-of-way line of SR-19 (Kingsbury Grade); thence South 88 degrees 55'43" East

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along said SR-19 right-of-way line a distance of 434.86 feet to a point on the easterly boundary of the Northwest Quarter of the Northwest Quarter of said Section 26, said point also being on the right or easterly highway right-of-way line; thence South 0 degrees 50'01" West along said easterly boundary a distance of 102.34 feet to a point, said point being the true point of beginning; thence South 6 degrees 58'18" West a distance of 671.14 feet to a point on the southerly boundary of that parcel of land as granted to Water Cox and John E. Michelsen, in deed recorded August 22, 1963, in Book 19, Page 135, Document No. 23282, Official Records of Douglas County, Nevada; thence South 60 degrees 41'40" East along said southerly boundary a distance of 82.28 feet to a point, said point being the southeasterly corner of said Cox and Michelsen parcel; thence North 0 degrees 03'56" East a distance of 707.55 feet to the true point of beginning.

Assessor's Parcel No. 1318-26-101-011

"IN COMPLIANCE WITH NEVADA REVISED STATUTE 111.312, THE HEREIN ABOVE LEGAL DESCRIPTION WAS TAKEN FROM INSTRUMENT RECORDED MAY 9, 2003, BOOK 0503, PAGE 4872, AS FILE NO. 0576343, AND DEED RECORDED JULY 14, 2006 IN BOOK 0706, PAGE 4975, AS FILE NO. 679748, RECORDED IN THE OFFICIAL RECORDS OF DOUGLAS COUNTY, STATE OF NEVADA." Reference is made to Record of Survey for Robert M. Melnikoff, et al and filed for record with the Douglas County Recorder on July 6, 1993, in Book 793, at Page 693, as Document No. 311703, Official Records of Douglas County, Nevada.

PARCEL NO. 2:

TOGETHER WITH that certain easement for Common Roadway to service the above described parcel of land, to which said easement is appurtenant to the adjoining parcel of land, as set forth in Agreement dated December 30, 1969, executed by PHILIP H. FENN and CHARLES BARBER, recorded January 22, 1970 in Book 73, Page 38, Document No. 46935, Official Records, more particularly described as follows:

(A) A strip of land being the East 30 feet of that certain lot, piece or parcel of land situate in the county of Douglas, State of Nevada, described as follows:

BEGINNING at a point on the Section line between Sections 23 and 26, Township 13 North, Range 18 East, M.D.B.&M., which is 1,146.60 feet West from the 1/4 corner between

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Sections 23 and 26; thence South 0 degrees 08' East, a distance of 1,317.13 feet; thence North 89 degrees 49' West, a distance of 157.02 feet; thence North 0 degrees 08' West, a distance of 1,316.93 feet; thence South 89 degrees 46' East, a distance of 160.95 feet to the POINT OF BEGINNING.

(B) A strip of land being the West 30 feet of that certain lot, piece or parcel of land situate in the County of Douglas, State of Nevada, described as follows:

BEGINNING at a point on the Section line between Sections 23 and 26, Township 13 North, Range 18 East, M.D.B.&M., which is 1,146.60 feet West from the 1/4 corner between Sections 23 and 26; thence South 0 degrees 08' East, a distance of 1,317.13 feet; thence East 163.80 feet; thence North 1,316.93 feet; thence West, a distance of 163.80 feet to the POINT OF BEGINNING.

PARCEL NO. 3;

An easement for ingress and egress, drainage, and parking as shown in Agreement recorded April 16, 1996, in Book 496, Page 2961, in Document No. 385603.



EXHIBIT B

SCHEDULE OF BASE RENTAL PAYMENTS

<u>Base Rental Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Base Rental Payment</u>
11/15/2007		\$364,268.11	\$364,268.11
5/15/2008	\$180,000	346,922.00	526,922.00
11/15/2008		342,134.00	342,134.00
5/15/2009	205,000	342,134.00	547,134.00
11/15/2009		336,681.00	336,681.00
5/15/2010	215,000	336,681.00	551,681.00
11/15/2010		330,962.00	330,962.00
5/15/2011	230,000	330,962.00	560,962.00
11/15/2011		324,844.00	324,844.00
5/15/2012	240,000	324,844.00	564,844.00
11/15/2012		318,460.00	318,460.00
5/15/2013	255,000	318,460.00	573,460.00
11/15/2013		311,677.00	311,677.00
5/15/2014	265,000	311,677.00	576,677.00
11/15/2014		304,628.00	304,628.00
5/15/2015	280,000	304,628.00	584,628.00
11/15/2015		297,180.00	297,180.00
5/15/2016	295,000	297,180.00	592,180.00
11/15/2016		289,333.00	289,333.00
5/15/2017	310,000	289,333.00	599,333.00
11/15/2017		281,087.00	281,087.00
5/15/2018	330,000	281,087.00	611,087.00
11/15/2018		271,401.50	271,401.50
5/15/2019	350,000	271,401.50	621,401.50
11/15/2019		261,129.00	261,129.00
5/15/2020	370,000	261,129.00	631,129.00
11/15/2020		250,269.50	250,269.50
5/15/2021	390,000	250,269.50	640,269.50
11/15/2021		238,823.00	238,823.00
5/15/2022	410,000	238,823.00	648,823.00
11/15/2022		226,789.50	226,789.50
5/15/2023	435,000	226,789.50	661,789.50
11/15/2023		214,022.25	214,022.25
5/15/2024	460,000	214,022.25	674,022.25
11/15/2024		200,521.25	200,521.25
5/15/2025	490,000	200,521.25	690,521.25

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11/15/2025		186,139.75	186,139.75
5/15/2026	520,000	186,139.75	706,139.75
11/15/2026		170,877.75	170,877.75
5/15/2027	550,000	170,877.75	720,877.75
11/15/2027		158,400.00	158,400.00
5/15/2028	570,000	158,400.00	728,400.00
11/15/2028		145,575.00	145,575.00
5/15/2029	600,000	145,575.00	745,575.00
11/15/2029		132,075.00	132,075.00
5/15/2030	625,000	132,075.00	757,075.00
11/15/2030		118,012.50	118,012.50
5/15/2031	655,000	118,012.50	773,012.50
11/15/2031		103,275.00	103,275.00
5/15/2032	685,000	103,275.00	788,275.00
11/15/2032		87,862.50	87,862.50
5/15/2033	715,000	87,862.50	802,862.50
11/15/2033		71,775.00	71,775.00
5/15/2034	745,000	71,775.00	816,775.00
11/15/2034		55,012.50	55,012.50
5/15/2035	780,000	55,012.50	835,012.50
11/15/2035		37,462.50	37,462.50
5/15/2036	815,000	37,462.50	852,462.50
11/15/2036		19,125.00	19,125.00
5/15/2037	850,000	19,125.00	869,125.00
		<hr/>	<hr/>
		\$13,820,000	\$12,882,259.11
		<hr/>	<hr/>
		\$26,702,259.11	

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OHS WEST:260079293.10