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BALLPARK FACILITY LEASE

by and between the

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

and the

CITY OF SAN DIEGO

RELATING TO THE \$2XX,XXX,000
PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO
LEASE REVENUE BONDS, SERIES 2000A

Dated as of _____ 1, 2000

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BALLPARK FACILITY LEASE

This Ballpark Facility Lease (the "Facility Lease"), dated as of _____ 1, 2000, by and between the PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority") and the CITY OF SAN DIEGO, a municipal corporation duly organized and existing under its charter and laws of the State of California (the "City");

WITNESSETH:

WHEREAS, the City and the Authority desire to finance the construction of a state-of-the-art baseball park (the "Ballpark"), a multi-story parking facility (the "Parking Facility") and a public park to be located adjacent to the Ballpark (the "Park") (the Ballpark together with the Parking Facility and the Park are collectively referred to as the "Project") which Ballpark and the Park will be located on real property owned by the City and described in Exhibit A attached hereto and incorporated herein (the "Site", together with the Ballpark and the Park, are collectively referred to as the "Ballpark Facility"); and

WHEREAS, concurrently with the execution and delivery of this Facility Lease, the City and the Authority are entering into a lease (the "Site Lease") whereby the City will lease the Site to the Authority; and

WHEREAS, the City has determined that it is in the public interest, convenience and welfare and for the common benefits of the inhabitants of the City that the City finance the Project through the delivery of this Facility Lease and the issuance and delivery of Bonds of the Authority secured by Base Rental Payments under this Facility Lease; and

WHEREAS, the City is authorized by law to lease the Ballpark Facility and the Project is necessary and proper for public purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Facility Lease do exist, have happened and have been performed in a regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Facility Lease.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All references herein to "Sections" and other subdivisions hereof are to the corresponding Sections or subdivisions of this Facility Lease as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Facility Lease as a whole and not to any particular Section or subdivision hereof. All other capitalized terms used herein without definition shall have the meanings as set forth in the Indenture.

Additional Rental

"Additional Rental" means all amounts payable by the City pursuant to Section 5.01(b) hereof.

Agency

"Agency" means the Redevelopment Agency of the City of San Diego, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

Assignment Agreement

"Assignment Agreement" means that certain Assignment Agreement, dated as of _____ 1, 2000, by and between the Authority and the Trustee, providing for the assignment by the Authority of certain rights contained herein, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Authority

“Authority” means the Public Facilities Financing Authority of the City of San Diego, a joint exercise of powers entity created by the City and the Agency pursuant to California Government Code Sections 6500 et seq. and the Agreement.

Ballpark

“Ballpark” means the baseball park to be constructed on the Site, exclusive of Padres Improvements.

Ballpark Design-Build Procurement Consultant Agreement

“Ballpark Design-Build Procurement Consultant Agreement” means that certain Ballpark Design-Build Procurement Consultant Agreement, dated as of _____ 1, 2000, by and among the City and Padres Contractors, L.P., providing for the subdelegation by the City to Padres Contractors, L.P. of the responsibility for construction of the Ballpark, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Ballpark Facility

“Ballpark Facility” means the Ballpark, the Park and the Site.

Base Rental Payments

“Base Rental Payments” means all amounts payable by the City as Base Rental pursuant to Section 5.01(a) hereof.

City

“City” means the City of San Diego, a municipal corporation duly organized and existing under its charter and the laws of the State.

Claim

“Claim” shall have the meaning contained in Section 9.03 hereof.

Closing Date

“Closing Date” means the date on which the Series 2000A Bonds are initially issued.

Code

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successors to such section of the Code.

Damaged Improvements

“Damaged Improvements” shall have the meaning contained in Section 7.01(a) hereof.

Default

“Default” shall have the meaning contained in Section 10.01 hereof.

Design-Build Construction Contract

“Design-Build Construction Contract” means that certain Design-Build Construction Contract, dated as of _____ 1, 2000, by and between the City, acting by and through Padres Contractors, L.P. and _____, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

Development Management Agreement

“Development Management Agreement” means that certain _____, dated as of _____ 1, 2000, by and between Padres Contractors, L.P. and Hines Interests Limited Partnership, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

Event of Default

“Event of Default” shall have the meaning contained in Section 10.01 hereof.

Expiry Date

“Expiry Date” means _____, 20XX, except as extended or sooner terminated pursuant to Section 3.01 hereof.

Facility Lease

“Facility Lease” means this Ballpark Facility Lease, dated as of _____ 1, 2000, by and between the Authority and the City, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

Financing Documents

“Financing Documents” means this Facility Lease, the Site Lease, the Indenture and the Assignment Agreement.

Indenture

“Indenture” means that certain Indenture, dated as of _____ 1, 2000, by and between the Authority and the Trustee, providing for the terms and conditions of the Bonds, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Insurance Consultant

“Insurance Consultant” means an individual or firm retained by the City as an independent insurance consultant, experienced in the field of risk management.

Lease Year

“Lease Year” means the period from each _____ 1 to and including the following _____, during the term hereof; except that the initial Lease Year means the period from _____, 2000 to and including _____.

Leased Property

“Leased Property” means, initially, the Ballpark Facility but the Leased Property may be changed from time to time by Removal or Substitution as provided in Section 2.06 hereof.

MOU

“MOU” means that certain Memorandum of Understanding dated _____, 1998 by and between the City and the Padres.

Net Proceeds

“Net Proceeds” means, collectively, the net proceeds of any insurance or condemnation award resulting from any damage or destruction of any portion of the Leased Property payable in accordance with Section 7.01 hereof.

Operating Budget

“Operating Budget” shall have the meaning contained in Section 5.02 hereof.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City.

Owner

“Owner” means the registered owner of any Outstanding Bond.

Padres

“Padres” means the Padres, L.P., a Delaware limited partnership.

Padres Agreements

“Padres Agreements” means the Ballpark Design-Build Procurement Consultant Agreement, the Design-Build Construction Contract, the Development Management Agreement, the MOU, the Padres CC&R’s and the Sublease and Management Agreement.

Padres CC&R

“Padres CC&R’s” means that certain _____ agreement, dated as of _____, 2000, by and between the City and the Padres providing the terms and

conditions under which the Padres and the City will occupy and utilize the Padres Improvements and the Park, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Padres Improvements

“Padres Improvements” means those improvements on the Site which are identified in the Padres CC&R’s as being owned by the Padres.

Park

“Park” means the public park to be located on the Site as shown in Exhibit B attached hereto and incorporated herein.

Parking Facility

“Parking Facility” means the parking facility to be constructed on land to be acquired by the City and located _____, and the land therefor, which facility and land will be financed with proceeds of the Series 2000A Bonds.

Permitted Encumbrances

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to Section 6.02, permit to remain unpaid; (ii) the Site Lease, this Facility Lease, the Assignment Agreement, the Sublease and Management Agreement, and the Padres CC&R’s, as each may be amended from time to time; (iii) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (iv) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, which exist of record as of the Closing Date; and (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of this Facility Lease and to which the Authority and the City consent in writing.

Project

“Project” means the Ballpark, the Park, the Parking Facility and, subject to the limitations set forth in Section 4.01 hereof, other land, improvements and infrastructure located adjacent to the Ballpark Facility.

Removal

“Removal” means the release of all or a portion of the Leased Property from the leasehold hereof as provided in Section 2.06 hereof.

Site

“Site” means the real property described in Exhibit A attached hereto.

Site Lease

“Site Lease” means that certain Site Lease, dated as of _____ 1, 2000, by and between the City and the Authority under which the City leases the Site to the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Sublease and Management Agreement

“Sublease and Management Agreement” means that certain Sublease and Management Agreement, dated as _____ 1, 2000, by and between the City and the Padres, providing the terms and conditions under which the Padres will occupy and operate the Ballpark, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

Substitution

“Substitution” means the release of all or a portion of the Leased Property from the leasehold hereof, and the lease of substituted real property and improvements hereunder as provided in Section 2.06 hereof.

Trustee

“Trustee” means [TRUSTEE], a banking corporation duly organized and existing under and by virtue of the laws of the State of California, the trustee acting in its capacity as such under the Indenture, or any successor as therein provided.

ARTICLE II

THE LEASED PROPERTY

Section 2.01. Lease of the Leased Property. The Authority hereby leases to the City, and the City hereby rents and hires from the Authority, the Leased Property on the conditions and terms hereinafter set forth. The City hereby agrees and covenants that during the term hereof, except as hereinafter provided, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated hereby and so as to permit the Authority to carry out its agreements and covenants contained herein and in the Indenture, and the City hereby further agrees and covenants that during the term hereof that it will not abandon or vacate the Leased Property.

Section 2.02. Quiet Enjoyment. The parties hereto mutually covenant that the City, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained herein and is not in default hereunder, shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Section 2.03. Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority’s rights or obligations hereunder and for all other lawful purposes.

Section 2.04. Prohibition Against Encumbrance or Sale. The City and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances. The City and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided herein. Notwithstanding anything to the contrary herein contained, the City may assign, transfer or sublease any and all of the Leased Property or its other rights hereunder, provided that (i) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority hereunder; (ii) no such assignment, transfer or sublease shall relieve the City of any of its obligations hereunder; (iii) the assignment, transfer or sublease shall not result in a

breach of any covenant of the City contained in any other Section hereof; (iv) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to this Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease; and (v) no such assignment, transfer or sublease shall confer upon the parties thereto (other than the City) any remedy which allows reentry upon the Leased Property.

Section 2.05. Liens. In the event the City shall at any time during the term hereof cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the City 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 City in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the City 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. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge or cause to be paid and discharged such judgment.

Section 2.06. Substitution or Removal of Leased Property. (a) The City and the Authority may amend this Facility Lease to substitute additional real property and/or improvements (the "Substituted Property") for existing Leased Property or to remove real property (including undivided interests therein) or improvements from the definition of Leased Property, upon compliance with all of the conditions set forth in subsection (b). After a Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold hereunder.

(b) No Substitution or Removal shall take place hereunder until the City delivers to the Authority and the Trustee the following:

(1) a Certificate of the City containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(2) a Certificate of the City stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the

remaining term of this Facility Lease, is at least equal to the maximum annual Base Rental Payments attributable to the Leased Property prior to said Substitution or Removal, as determined by the City on the basis of an appraisal of the Leased Property after said Substitution or Removal conducted by a member of the American Institute of Real Estate Appraisers or the American Society of Appraisers designated by the City;

(3) an Opinion of Counsel to the effect that the amendments hereto contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the City and the Authority enforceable in accordance with their terms;

(4) in the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the Base Rental Payments for the Substituted Property bears to the total Base Rental Payments (as shown in a Certificate of the City), insuring the leasehold estate of the Authority under the Site Lease and the City under this Facility Lease in the Substituted Property (except any portion thereof which is not real property) subject to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Bonds;

(5) in the event of a Substitution, an opinion of the City Attorney of the City to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the City for the purposes of leasing or using the Substituted Property;

(6) an Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes;

(7) a Certificate of the City stating that the City has complied with the covenants contained in clauses (1) and (2) of Section 6.03 hereof with respect to the Substituted Property; and

(8) evidence that the City has delivered to each of the Rating Agencies then rating the Bonds copies of the certificates and appraisal described in clauses (1) and (2) above, and evidence from each of the Rating Agencies then rating the Bonds that such Substitution or Removal, in and of itself, will not result in a reduction of its rating on the Bonds from the rating which then prevails.

Section 2.07. Construction Acquisition and Installation of the Project: Revocable Delegation. The City hereby agrees to cause the Project to be constructed, acquired and installed as agent of the Authority. The City shall enter into contracts and provide for, as agent of the Authority, the complete construction, acquisition and installation of the Project. The City hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed. Notwithstanding the foregoing, pursuant to the Ballpark Design-Build Procurement Consultant Agreement the City has delegated to Padres Contractors, L.P., acting as agent for the City, the authority to enter into contracts for the construction, acquisition and installation of the Project, and the City has reserved the power to revoke such authority if Padres Contractors, L.P. defaults in the performance of its obligations to diligently construct and install the Project and in such event, the City shall use its best efforts to finish construction of the Ballpark Facility, under the contracts negotiated by the Padres, Padres Contractors, L.P. or otherwise.

ARTICLE III

TERM OF THE FACILITY LEASE

Section 3.01. Commencement of the Facility Lease. (a) The term of this Facility Lease shall commence on the Closing Date, and shall end on the Expiry Date, unless the Expiry Date is extended or is sooner terminated as hereinafter provided. If on the Expiry Date, the stated rental payable hereunder shall not be fully paid and all Bonds shall not be fully paid and defeased, or if the rental payable hereunder shall have been abated at any time or for any reason, then the term of this Facility Lease shall be extended until the first Business Day following the day the rental payable hereunder shall be fully paid and all Bonds shall be fully paid and defeased, except that the term of this Facility Lease shall in no event be extended beyond _____ 1, 20XX. If prior to the Expiry Date, the rental payable hereunder shall be fully paid and all Bonds shall have been fully paid or defeased in accordance with Article X of the Indenture, the term of this Facility Lease shall end the first Business Day thereafter or ten (10) days after written notice by the City to the Authority to the effect that the rental payable hereunder shall be fully paid and all Bonds have been fully paid, whichever is earlier, and this Facility Lease shall thereupon terminate.

(b) The City shall take possession of the Leased Property on the Closing Date and the obligation of the City to pay Base Rental Payments and Additional Rental shall commence on the Closing Date, subject to the limitations set forth in Section 5.01(a) hereof.

ARTICLE IV

USE OF PROCEEDS; TAX COVENANTS; CONTINUING DISCLOSURE

Section 4.01. Use of Proceeds. The parties hereto agree that the proceeds of the Bonds will be used to pay the costs of issuance of the Bonds, to make Base Rental Payments, to fund a reserve fund for the Bonds, and to construct and complete the Project; provided, however, that the amount spent on the Parking Facility and on other land, improvements and infrastructure located adjacent to the Ballpark Facility shall not exceed the purchase price paid by the Agency for the parcels comprising a portion of the Site that the Agency has conveyed to the City.

Section 4.02. Tax Covenants. (a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code, as applicable. The City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, however, that if the City shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, as applicable, the City may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the City shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) The City hereby specifically agrees to ensure that the following requirements are met:

(1) No more than 5% of the Leased Property or the Project (determined both on the basis of space and cost) shall be used in the trade or business of one or more non-governmental persons (not including the portion of the proceeds properly allocable to facilities expected to be used by an organization described in

(2) The City will not invest or allow to be invested proceeds of this Facility Lease, the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(3) The City will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

Section 4.03. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Facility Lease, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an event of default hereunder. However, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or Owners of at least 25% aggregate principal amount in Outstanding 2000A Bonds, shall, after providing the Trustee security and indemnification satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section 4.03.

ARTICLE V

RENTAL PAYMENTS

Section 5.01. Rental Payments. The City agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. The City shall pay to the Authority rental hereunder as Base Rental Payments with respect to the Leased Property at the times and in the amounts set forth in the Base Rental Payment Schedule attached hereto as Exhibit C and incorporated herein. The obligation of the City to pay Base Rental Payments (and Additional Rental) shall commence on the Closing Date. Until such time as a temporary certificate of occupancy has been received with regard to the Ballpark, and a Certificate of Completion has been delivered to the Trustee, the obligation to pay Base Rental Payments and Additional Rental shall be limited solely to amounts on deposit in the Interest Account of the Bond Fund established pursuant to Section 5.03 of the Indenture in the case of Base Rental Payments, and, if the Interest Account is exhausted, the Reserve Account of the Bond Fund, and the Cost of Issuance Account, in the case of Additional Rental, and the City will have no obligation to make Base Rental Payments or Additional Rental from any other source. Subject to the foregoing, the City shall deposit with the Authority not later than the third Business Day

preceding each _____ 1 and _____ 1, commencing _____ 1, 200X, one-half of the aggregate Base Rental Payments due in the then current fiscal year (provided that the Base Rental Payment due on _____ 1, 2000 will be in an amount representing payments due for that period ending on such date as set forth in Exhibit C) and the same shall be held by the Authority as security for the Base Rental Payments due on such dates. Notwithstanding the foregoing, in the event the City receives liquidated damages occasioned by the delay of the completion of the Ballpark beyond the contractually agreed upon date, the purpose of which liquidated damages is to defray some or all of the amounts payable as debt service on Bonds, the same shall be deposited with the Trustee in the Bond Fund to pay principal and/or interest on the 2000A Bonds in accordance with the terms of the Indenture.

(b) Additional Rental. Subject to the limitations set forth in paragraph (a), the City shall also pay, as rental hereunder in addition to the Base Rental Payments, to the Authority or the Trustee, as hereinafter provided, such amounts in each year as shall be required for the payment of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of this Facility Lease or the assignment hereof pursuant to the Assignment Agreement, the Indenture or the respective interests in the Leased Property and the lease of the Leased Property by the Authority to the City hereunder, including but not limited to all fees, costs and expenses and all administrative costs of the Authority relating to the Leased Property including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Bonds), fees of auditors, accountants, attorneys or engineers, insurance premiums, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or the Indenture.

(1) The foregoing Additional Rental shall be billed to the City by Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or the Trustee on behalf of the Authority for one or more of the items above described, or that such amount is then so payable for such items. Amounts so billed shall be paid by the City not later than the latest time as such amounts may be paid without penalty or, if no penalty is associated with a late payment of such amounts, within 30 days after receipt of a bill by the City for such amounts.

(2) The Authority may issue bonds and may enter into leases to finance facilities other than the Leased Property. The administrative costs of the Authority shall be allocated among said facilities and the Leased Property, as hereinafter in this paragraph provided. Any taxes levied against the Authority with

respect to the Leased Property, the fees of the Trustee, and any other expenses directly attributable to the Leased Property shall be included in the Additional Rental payable hereunder. Any taxes levied against the Authority with respect to real property other than the Leased Property, the fees of any trustee or paying agent under any resolution securing bonds of the Authority or any trust agreement or indenture other than the Indenture, and any other expenses directly attributable to any facilities other than the Leased Property shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Rental payable hereunder. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practice. In the event of any question or dispute as to such allocation, the written opinion of an independent firm of certified public accountants, employed by the Authority to consider the question and render an opinion thereon, shall be final and conclusive determination as to such allocation. The Trustee may conclusively rely upon a Certificate of the Authority in making any determination that costs are payable as Additional Rental hereunder, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

(c) Consideration.

(1) Such payments of Base Rental Payments and Additional Rental for each Lease Year or portion thereof during the term of this Facility Lease shall constitute the total rental for such Lease Year or portion thereof and shall be paid or payable by the City for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the City shall deliver a Certificate to the Authority and the Trustee which shall set forth the minimum annual fair rental value of the Leased Property after giving effect to the completion of the Project. The parties hereto have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable hereunder in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the costs of the improvements located or to be located on the Leased Property, other obligations of the parties under this Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(2) The parties hereto hereby acknowledge that the parties hereto may amend this Facility Lease from time to time to increase the Base Rental Payments payable hereunder so that Additional Bonds may be issued pursuant to Section 5.07

hereof and Sections 3.01 and 3.02 of the Indenture. The proceeds of such Additional Bonds shall be used as provided in Section 3.01(b)(1) of the Indenture. Notwithstanding anything to the contrary herein contained, this Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, and Additional Rental with respect to Outstanding Bonds and Additional Bonds in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the City hereunder after giving effect to the application of proceeds of any Additional Bonds issued in connection therewith.

(d) Payment; Credit. Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee in _____, California, or such other place as the Trustee shall designate. Any such installment of rental accruing hereunder which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in Section 5.04 hereof, and to the extent permitted by law shall bear simple interest at the rate of ten percent per annum from the date when the same is due hereunder until the same shall be paid. Notwithstanding any dispute between the City and the Authority, the City 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 any such dispute. In the event of a determination that the City was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the City, be credited against subsequent rental payments due hereunder or be refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this Section 5.01(d) on any date shall be reduced to the extent of amounts on deposit on such date in the Interest Account or the Principal Account held under the Indenture.

Section 5.02. Annual Budgets; Reporting Requirements. The City covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental payments due under this Facility Lease in its operating budget for each fiscal year commencing after the date hereof (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Rental payments. In addition, to the extent permitted by law, the City covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under this Facility Lease at any time and from time to time during any fiscal year in the event that the actual Base Rental Payments and Additional Rental paid in any fiscal year exceeds the pro rata portion of the appropriations then contained in the City's budget.

Section 5.03. Application of Rental Payments. All Base Rental Payments received shall be applied first to the Base Rental Payments due hereunder (including any prepayment premium components) 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.

Section 5.04. Rental Abatement. (a) Except to the extent of (i) amounts held by the Trustee in the Interest Account, Principal Account or the Reserve Account of the Bond Fund, (ii) amounts received in respect of use and occupancy insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the City of any portion of the Leased Property, rental payments due hereunder with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments and Additional Rental, in which case rental payments shall be abated only by an amount equal to the difference. In the event the City shall assign, transfer or sublease any or all of the Leased Property or other rights hereunder, as permitted by Section 2.04 hereof, for purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Rental, annual fair rental value of the Leased Property shall first be allocated to this Facility Lease as provided in clause (iv) of Section 2.04 hereof. Any abatement of rental payments pursuant to this Section shall not be considered an event of default as defined in Article X hereof, but shall result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than _____ 1, 20XX), and Base Rental Payment for such extension period shall be equal to the unpaid Base Rental payments during the period of abatement but without interest thereon. The City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate this Facility Lease by virtue of any such interference and this Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

(b) In the event that rental is abated, in whole or in part, pursuant to this Section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the City is unable to repair, replace or rebuild the Leased Property from the Net Proceeds, if any, the City agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Section 5.05. Prepayment of Base Rental Payments. (a) Subject to the provisions of Section 7.01 hereof, the City may prepay, from Net Proceeds received by it pursuant to Section 7.01 hereof, all or any portion of the components of Base Rental Payments relating to any portion of the Leased Property then unpaid on any date, in whole or in part, so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall as nearly as possible increase or decrease to no greater extent from year to year than did annual Base Rental Payments before giving effect to such prepayment of Base Rental Payments, with respect to the portion of the Leased Property so prepaid.

(b) The City may prepay, from any source of available moneys and in accordance with the provisions of Section 2.03(c) of the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments under this Facility Lease which shall be payable after such prepayment date shall as nearly as possible increase or decrease to no greater extent from year to year than did annual Base Rental Payments before giving effect to such prepayment of Base Rental Payments, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

(c) Before making any prepayment pursuant to this Section, at least 45 days before the prepayment date the City shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Section 5.06. Obligation to Make Rental Payments. (a) The agreements and covenants on the part of the City contained herein shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City 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 City to carry out and perform the agreements and covenants contained herein agreed to be carried out and performed by the City.

(b) THE OBLIGATION OF THE CITY OF SAN DIEGO TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE

COUNTY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Section 5.07. Additional Bonds. In addition to the 2000A Bonds to be issued under the Indenture the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in Sections 3.01 and 3.02 of the Indenture, enter into a Supplemental Indenture to execute and deliver Additional Bonds on a parity with the 2000A Bonds and any previously issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used as provided in Section 3.01(b)(1) of the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the issuance of the Additional Bonds, the City and the Authority shall have entered into an amendment to this Facility Lease providing for an increase in the Base Rental Payments to be made hereunder subject to the limitations set forth in Section 5.01(c)(2) hereof.

ARTICLE VI

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES; ENFORCEMENT OF AGREEMENTS WITH PADRES

Section 6.01. Maintenance of the Leased Property by the City. The City agrees that, at all times during the term hereof, it will, at its own cost and expense, maintain, preserve and keep the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Section 6.02. Taxes, Other Governmental Charges and Utility Charges. The parties hereto contemplate that the Leased Property will be used for public purposes by the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form, the City will pay during the term hereof, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; provided,

however, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Facility Lease is in effect.

Section 6.03. Insurance. (a) From and after the time the City is obligated to make Base Rental Payments from sources other than amounts on deposit in the Interest Account or the Reserve Account of the Bond Fund under the Indenture, the City shall procure or cause to be procured and maintain or cause to be maintained throughout the term hereof for the Ballpark Facility insurance against the following risks in the following respective amounts:

(1) Insurance against loss or damage to the Leased Property caused by fire, lightning or earthquake, with an extended coverage endorsement covering the risk of vandalism and malicious mischief, sprinkler system leakage and boiler loss; provided that earthquake coverage shall be required only if: (A) available from reputable insurers at commercially reasonable rates; and (B) the Leased Property cannot satisfy any earthquake standards which may be imposed by any Rating Agency then rating the Bonds. In the event the City is unable to obtain earthquake coverage on any Leased Property which it previously has maintained, it will promptly so notify all Rating Agencies then rating the Bonds. The insurance described in this paragraph (1) shall be in an amount equal to the lesser of (A) replacement cost (without deduction for depreciation) of improvements located or to be located on the Leased Property or, if lower, \$50,000,000 in the case of earthquake insurance; or (B) the remaining unpaid principal amount of Bonds Outstanding plus the amount of use and occupancy coverage described in paragraph (2) below, except that such insurance may be subject to deductible clauses of not to exceed the first one hundred thousand dollars (\$100,000) of the amount of any one loss (or ten percent (10%) of the amount insured, in the case of earthquake). Insurance described in this paragraph (1) and in paragraph (2) below may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property insured by the City; provided that the amount of coverage available thereunder shall be at least equal to the cumulative replacement values of the Leased Property and any other such property which is the subject of a lease, installment purchase or other financing arrangement ("Financed Property") for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") plus the amount of use and occupancy coverage required by paragraph (2) below; in the event the City elects to obtain insurance for the Leased Property and one or more additional parcels of real property and the amount of the insurance proceeds available to pay all claims thereunder is not sufficient to cover the replacement values of all such properties, then any such proceeds shall be used first

to rebuild or repair the Leased Property and all Financed Properties or to repay all Obligations and the Bonds.

(2) Use and occupancy insurance against loss, total or partial, of the use and occupancy of the Ballpark as a result of any of the hazards covered by the insurance required by paragraph (1) hereof, in an amount sufficient to pay the Base Rental Payments attributable to the Ballpark Facility for a [twenty-four] month period; provided, that the amount of such insurance need not exceed the total remaining Base Rental Payments; provided further, that such insurance may be part of a policy permitted under paragraph (1) above, which policy may provide that insurance proceeds paid for coverages contemplated by paragraph (1) above may reduce amounts payable under coverage required by this paragraph (2), and vice-versa; the City may obtain use and occupancy insurance covering the Ballpark as well as other parcels of property owned by the City, provided that the cumulative amount thereof is at least equal to the cumulative amount of use and occupancy insurance required by this paragraph (2) and any agreements relating to Financed Property in respect of which Obligations are outstanding.

(b) The City shall adjust all moneys which may become due and payable under any policies contemplated by paragraphs (1) and (2) above, may compromise any and all claims thereunder and shall cause the deposit of the Net Proceeds with the Trustee for application as provided herein or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance herein required. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City.

(c) Any insurance policy issued pursuant to paragraph (a)(1) above shall be so written or endorsed as to make losses, if any, payable to the City, the Authority, the Padres and the Trustee as their respective interests may appear and the Net Proceeds of the insurance required by paragraph (a)(1) above shall be applied as provided in Section 7.01 hereof. The net proceeds, if any, of the insurance policy described in paragraph (a)(1) above shall, to the extent that such proceeds are paid on account of loss or damage to the Leased Property, be payable to the Trustee and deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as described in the Indenture. The net proceeds, if any, of the insurance policy described in paragraph (a)(2) above shall, to the extent that such proceeds relate to the use and occupancy of the Leased Property, be payable to the Trustee and deposited in the Bond Fund. Each insurance policy provided for in the Facility Lease 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 Authority and the Trustee without

first giving written notice thereof to the Authority and the Trustee at least 60 days in advance of such intended cancellation or modification.

(d) The City shall file a certificate with the Authority and the Trustee not later than April 1 of each year, commencing from and after the time the City is obligated to make Base Rental Payments from sources other than amounts on deposit in the Interest Account or the Reserve Account of the Bond Fund under the Indenture, certifying that the insurance required by this Section is in full force and effect and that the Trustee and the Authority are named as loss payees on each insurance policy which this Facility Lease requires to be so endorsed.

Section 6.04. Advances. In the event the City shall fail to maintain the full insurance coverage required by Section 6.03 hereof or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Rental, which amounts the City agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Section 6.05. Title Insurance. The City covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal amount represented by the Bonds. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the Authority under the Site Lease and the City under this Facility Lease in the Leased Property subject only to such exceptions as do not materially affect the City's right to the use and occupancy of the Leased Property.

Section 6.06. Enforcement of Padres Agreements. The City shall enforce all of the Padres Agreements. To the extent that the Padres or Padres Contractors, L.P. fail to perform in any material respect any of the Padres Agreements, the City will use its best efforts to (i) finish, or cause to be finished, construction of the Ballpark Facility, under the contracts negotiated by the Padres, Padres Contractors, L.P. or otherwise; and (ii) if deemed appropriate by the City in its sole discretion, remove the Padres Contractors, L.P. from possession of the Project. To the extent that the Padres or Padres Contractors, L.P. fail to perform in any material respect any of the Padres Agreements, the City, at its sole option, may terminate any such Padres Agreements. Notwithstanding the foregoing and anything to the contrary expressed or implied in this Facility Lease or otherwise, the City shall have no obligation to contribute any amounts to the construction, acquisition, or improvement of the

Project or any part thereof beyond what is available from time to time from proceeds of the Series 2000A Bonds.

ARTICLE VII

DAMAGE, DESTRUCTION, TITLE DEFECT AND CONDEMNATION

Section 7.01. Damage, Destruction, Title Defect and Condemnation: Use of Net Proceeds. (a) If prior to the termination of the term hereof (i) the Ballpark Facility or any improvements in or on the Ballpark Facility are damaged (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described in Section 6.03(1) hereof (an "Insured Peril"); or (ii) title to, or the temporary use of, the Ballpark Facility or any portion thereof or the estate of the City or the Authority in the Ballpark Facility or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the City and the Authority will cause the Net Proceeds of any insurance claim (other than rental interruption insurance pursuant to Section 6.03(a)(2) hereof which shall be directly transferred to the Trustee for deposit in the Bond Fund pursuant to Section 6.03 hereof) or condemnation award to be transferred to the Trustee for deposit in the Insurance Proceeds and Condemnation Awards Fund established pursuant to Section 6.08 of the Indenture and applied as follows:

(1) Net Proceeds Exceeding Costs. Within 120 days of the date of said Insured Peril, the City shall obtain a written estimate(s) of the (i) cost of the repair, replacement and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"); and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) shall be made available to the Trustee at the Trustee's request. If the 120 day period is insufficient to obtain said estimates, the period shall be reasonably extended by the City Manager of the City. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the estimated costs of Reconstruction, the Damaged Improvements shall be repaired, replaced and reconstructed to the same or better quality as existed before the damage occurred. The City shall commence and manage the Reconstruction and shall complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed shall be transferred to the Trustee with directions to apply the proceeds to the Redemption Account established under the Indenture to redeem Outstanding Bonds in the manner provided by Section 2.03(a).

(2) Costs Exceeding Net Proceeds. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property), the City, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, whether the same is greater or less than the estimated excess, and to manage the Reconstruction as set forth in Section 7.01(a)(5) hereof. The City shall exercise this election by written notice thereof delivered to the Trustee within 30 days after the City obtains said written estimate(s).

(3) Net Proceeds Sufficient to Redeem All Bonds. If the City does not exercise the election to reconstruct pursuant to Section 7.01(a)(2) hereof and Net Proceeds are at least sufficient to redeem all Outstanding Bonds pursuant to Section 2.03(a) of the Indenture, such Net Proceeds shall be transferred to the Trustee with directions to apply the proceeds to the Redemption Account established under the Indenture to redeem all Outstanding Bonds in the manner provided by Section 2.03(a) of the Indenture. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) exceed the amount necessary to redeem all Outstanding Bonds, the City shall be entitled to the amount of proceeds remaining after redemption of all Outstanding Bonds ("Excess Proceeds") and shall have the option (i) to distribute the Excess Proceeds to the Reconstruction and to manage the Reconstruction pursuant to Section 7.01(a)(5) hereof; or (ii) if required by law or if the City so elects, to demolish any remaining improvements on the Site and remove all debris from the site.

(4) Net Proceeds Insufficient to Redeem All Bonds. If the City does not exercise the election to reconstruct pursuant to Section 7.01(a)(2) hereof and Net Proceeds are insufficient to redeem all Outstanding Bonds pursuant to Section 2.03(a) of the Indenture, the City, in its sole discretion, may elect to budget and appropriate funds to cause the redemption of the remaining Outstanding Bonds and the Net Proceeds, together with such funds, shall be transferred to the Trustee with directions to apply the proceeds to the Redemption Account established under the Indenture to redeem all Outstanding Bonds in the manner provided by Section 2.03(a) of the Indenture; provided, that if the City elects not to appropriate funds for the redemption of the remaining Outstanding Bonds, the City shall apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property) to the Reconstruction. If the City, in its sole discretion, elects to budget or appropriate funds for the redemption of the remaining Outstanding Bonds, the City shall transfer such funds to the Trustee for deposit in the Redemption Account established pursuant to the Indenture.

(5) Management of Reconstruction. If the Ballpark Facility or any part thereof becomes Damaged Improvements, the City shall promptly cause, manage and supervise the Reconstruction. Nothing in this Section 7.01 shall be construed to preclude the City and the Padres from cooperating in the Reconstruction of any of the Damaged Improvements, including executing a joint contract for the Reconstruction under which the Padres may act as the agent for the City, subject to revocation if the Padres does not diligently pursue the Reconstruction.

(b) The proceeds of any policy of title insurance or condemnation award received by the Trustee in respect of the Leased Property shall be applied in accordance with Section 6.08(c) of the Indenture.

ARTICLE VIII

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE LEASED PROPERTY

Section 8.01. Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. In no event shall the Authority or its assigns be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Facility Lease or the existence, furnishing, functioning or the City's use of the Leased Property as provided hereby.

Section 8.02. Use of the Leased Property. The City will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated hereby. The City shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the City agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; provided, that the City may contest in good faith the validity or application of any

such law or rule in any reasonable manner which does not, in the opinion of the City adversely affect the estate of the Authority in and to the Leased Property or its interest or rights hereunder.

ARTICLE IX

ASSIGNMENT AND INDEMNIFICATION

Section 9.01. Assignment by Authority. The parties understand that certain of the rights of the Authority hereunder will be assigned to the Trustee pursuant to the Assignment Agreement and accordingly the City agrees to make all payments due hereunder to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach hereof or otherwise) that the City may from time to time have against the Authority. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term hereof.

Section 9.02. Assignment by City. This Facility Lease and the interest of the City in the Leased Property may not be assigned or encumbered by the City except as permitted by Section 2.04 hereof.

Section 9.03. Indemnification. The City shall, to the full extent permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a "Claim"), arising out of or as the result of entering into the Financing Documents, and the acquisition, construction, operation, use, condition, or possession of the Project and any portion thereof, including:

(a) any accident in connection with the operation, use, condition or possession of the Project and any portion thereof, resulting in damage to property or injury to or death to any person including, without limitation, any Claim alleging latent and other defects, whether or not discoverable by the City or the Authority;

(b) patent, trademark or copyright infringement as a consequence of the operation of the Project and any portion thereof;

(c) strict liability in tort as a consequence of the operation of the Project and any portion thereof;

(d) any environmental law or regulation as a consequence of the operation of the Ballpark Facility;

(e) delivery, storage or release of hazardous materials at the Project or any part thereof, or the contamination of property arising therefrom; and

(f) the Trustee's acceptance or administration of the trusts imposed by the Indenture, including performance of the Trustee's duties, to the extent provided herein;

except that the City shall not indemnify or be obligated to indemnify for a Claim arising out of or relating to any act or omission of the Padres arising from the operation of the Ballpark Facility or the Parking Facility.

ARTICLE X

DEFAULT

Section 10.01. Default. (a) The following events shall be "Events of Default" under this Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Facility Lease, any one or more of the following events:

(1) The City shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to Section 5.01(a) hereof, provided, that the failure to deposit any Base Rental Payments abated pursuant to Section 5.04 hereof shall not constitute an Event of Default;

(2) Subject to the provisions of subsection (c) of this section, the City shall fail to pay any item of Additional Rental when the same shall become due and payable pursuant to Section 5.01(b) hereof; or

(3) The City shall breach any other terms, covenants or conditions contained herein or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the City; provided, however, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold

its consent to an extension of such time if corrective action is instituted by the City within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any Event of Default, the Authority or its assignee, subject to the terms of this Facility Lease, may exercise only those remedies granted to it hereunder and no other. Such remedies shall consist solely and exclusively of commencing an action to recover any amount of unpaid amounts of Base Rental Payments then due and owing hereunder or to seek by writ of mandate (1) the performance by the City of any action which the City failed to take which resulted in an Event of Default, or (2) the prevention of action by the City the occurrence of which resulted in an Event of Default; **PROVIDED, HOWEVER, THE AUTHORITY SHALL NOT HAVE ANY RIGHTS OF RE-ENTRY UPON OR RECOVERY OF POSSESSION OF THE LEASED PROPERTY, AND THE AUTHORITY, FOR ITSELF AND ASSIGNS HEREBY WAIVES ANY AND ALL SUCH RIGHTS OF RE-ENTRY AND RECOVERY AND AGREES TO KEEP THE FACILITY LEASE IN FULL FORCE AND EFFECT NOTWITHSTANDING THE OCCURRENCE OF AN EVENT OF DEFAULT OR AN EVENT WHICH WITH THE PASSAGE OF TIME OR THE GIVING OF NOTICE OR BOTH COULD BECOME AN EVENT OF DEFAULT.**

(c) The Authority expressly waives the right to receive any amount from the City pursuant to Section 1951.2(a)(3) of the California Civil Code.

(d) In addition to any default resulting from breach by the City of any agreement, condition, covenant or term hereof, if (i) the City's interest herein or any part thereof be assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by Section 2.04 hereof), either voluntarily or by operation of law; or (ii) the City or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of its creditors; or (iii) the City shall abandon or vacate the Leased Property or any portion thereof (except as permitted by Section 2.04 hereof); then in each and every such case an Event of Default shall be deemed to have occurred hereunder.

(e) The City and Authority and its successors and assigns shall honor the exclusive rights of the City hereunder.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:

Public Facilities Financing Authority of the City of San Diego
c/o City of San Diego
Financial and Technical Services Business Center
202 C Street
San Diego, California 92101
Attention: Deputy City Manager

If to the City:

City of San Diego
Financial and Technical Services Business Center
202 C Street
San Diego, California 92101
Attention: Deputy City Manager

If to the Trustee:

[TRUSTEE]

Attention: Corporate Trust Department

Section 11.02. Binding Effect. This Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 11.03. Third Party Beneficiaries. The Trustee is hereby designated as a third party beneficiary hereunder for the purpose of enforcing any of the rights hereunder

assigned to the Trustee under the Assignment Agreement and for the purpose of the Trustee enforcing its own rights.

Section 11.04. Net Lease. It is the purpose and intent of the Authority and the City that lease payments hereunder shall be absolutely net to the Authority so that this Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the City except as herein specifically otherwise provided. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability hereunder except as herein expressly set forth, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of this Facility Lease shall be paid by the City.

Section 11.05. Amendments to Facility Lease and Padres Agreements.

(a) This Facility Lease may be amended in writing as may be mutually agreed by the Authority and the City, subject to the written approval of the Trustee; provided, however, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and provided further, that no such amendment shall (i) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected; or (ii) reduce the percentage of the value of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment hereof.

(b) This Facility Lease and the rights and obligations of the Authority and the City hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed herein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved herein to or conferred herein on the Authority or the City, and which in either case shall not materially adversely affect the interests of the Owners;

(2) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the City may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(3) to effect a Substitution or Removal in accordance with Section 2.06 hereof,

(4) to facilitate the issuance of Additional Bonds as provided in Section 5.07 hereof, or

(5) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners.

(c) Unless otherwise provided in this Section, the Insurer's consent shall be required in addition to Owner consent, when required, for the execution and delivery of any amendment, supplement or change to or modification of this Facility Lease.

(d) The Padres Agreements and the rights and obligations of the City or the Padres thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the agreements, conditions, covenants and terms required by the Padres to be observed or performed therein and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Padres, or to surrender any right or power reserved therein to or conferred therein on the Padres, and which in either case shall not materially adversely affect the interests of the Owners;

(2) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the City may deem desirable or necessary and not inconsistent therewith, and which shall not materially adversely affect the interests of the Owners;

(3) to facilitate the issuance of Additional Bonds as provided in Section 5.07 hereof, or

(4) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners.

Section 11.06. Discharge of City. Upon the payment to the Owners of all Outstanding Bonds in accordance with Section 10.01 of the Indenture, all of the obligations of the City hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied; provided, however, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit contemplated by Section 10.01(b) of the Indenture, then the obligation of the City hereunder to make Base Rental Payments shall continue in full force and effect until all Outstanding Bonds have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by Section 10.01(b) of the Indenture, and that shall be the sole source of satisfaction of the City's obligation to make Base Rental Payments. The time period for giving notice by the City to the Authority and the Trustee specified in the third paragraph of Section 5.05 hereof shall not apply incident to the payment to the Owners of all Outstanding Bonds and Additional Bonds in accordance with Section 10.01, including Section 10.01(d) of the Indenture.

Section 11.07. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms hereof shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms hereof shall be affected thereby, and each provision of this Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 11.08. California Law. This Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 11.09. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision hereof.

Section 11.10. Execution in Counterparts. This Facility Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Facility Lease by their officers thereunto duly authorized as of the day and year first written above.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
Chairman

ATTEST:

By _____
Secretary

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, General Counsel

By _____
Deputy General Counsel

CITY OF SAN DIEGO

By _____
City Manager

ATTEST:

By _____
City Clerk

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, General Counsel

By _____
Deputy City Attorney

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

[Insert real property description of Baseball Park & the Park]

EXHIBIT B

DESCRIPTION OF PARK

[Insert real property description of Park]

EXHIBIT C

BASE RENTAL PAYMENTS

Payment Dates

Amount

STATE OF CALIFORNIA

)

COUNTY OF SAN DIEGO

) ss.

)

On _____, 2000, before me,
 _____, personally appeared
 _____, personally known to me (or proved to me on the
 basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the
 within instrument and acknowledged to me that he/she/they executed the same in his/her/their
 authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),
 or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

CAPACITY CLAIMED BY SIGNER:

- Individual signing for oneself/themselves
- Corporate Officer(s)

Title(s)

Company

Partner(s)

Partnership

Attorney-In-Fact

Principal(s)

Trustee(s)

Trust

Other

Title(s)

Title(s)

Entity(ies) Represented

Entity(ies) Represented

[Notarial Seal]

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

)
) ss.
)

On _____, 2000, before me, _____,
personally appeared _____, personally known to me (or
proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s)
is/are subscribed to the within instrument and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon behalf of which the
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

CAPACITY CLAIMED BY SIGNER:

- Individual signing for oneself/themselves
 Corporate Officer(s)

Title(s)

Company

Partner(s)

Partnership

Attorney-In-Fact

Principal(s)

Trustee(s)

Trust

Other

Title(s)

Title(s)

Entity(ies) Represented

Entity(ies) Represented

[Notarial Seal]