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THE SAN DIEGO SPORTS ARENA

OPERATING SUBLEASE

This Sublease, made as of the date of execution hereof by and between the SAN DIEGO ARENA LEASE COMPANY, a nonprofit corporation organized under the laws of the State of California, (hereinafter sometimes referred to as "Lessee"), and the SAN DIEGO ENTERTAINMENT, INC., a private corporation organized under the general corporation law of the State of California (hereinafter sometimes referred to as "Operator"),

W I T N E S S E T H :

WHEREAS, City of San Diego (hereinafter sometimes referred to as "City") is the owner of certain real property in the City of San Diego, located in the City of San Diego, County of San Diego, State of California (hereinafter sometimes referred to as the "Site"), more particularly described in Exhibit "I" attached to The San Diego Sports Arena Ground Lease Agreement hereinafter referred to; and

WHEREAS, City has entered into a lease entitled:

THE SAN DIEGO SPORTS ARENA

GROUND LEASE AGREEMENT

(hereinafter sometimes referred to as "Ground Lease") under the provisions of which an indoor sports arena and parking facility and related facilities (hereinafter sometimes referred to as "facilities") have been constructed on said Site and will be leased to Operator; and

WHEREAS, City has approved plans and specifications for the construction of said facilities on said Site (said facilities and said Site being hereinafter sometimes referred to as "Project"); and

WHEREAS, it is the intention of the City that the Project be operated so that the citizens of the City shall have the benefit of the finest of athletic contests, conventions, exhibits and other types of performances and events essential to the educational, recreational, commercial and cultural development of the community; and

WHEREAS, the operation and management of the Project in a manner which will produce the desired results present unusual and difficult problems demanding extraordinary knowledge and experience, and the Board of Directors of Operator is composed of persons having experience in corporate management and special experience, competence and knowledge in the management of corporations engaged in the operation and management of the activities contemplated hereunder; and

WHEREAS, City and Lessee entered into a First Amendment to the Ground Lease dated August 10, 1967 providing for the sublease by Lessee of approximately 11.23 acres of the property described in the Ground Lease for use as commercial property and the leasing by Lessee of an equal area contiguous to the parking lot for the Sports Arena constructed on the property described in the Ground Lease, such area to also be used for parking; and

WHEREAS, City and Lessee have entered into a Second Amendment to the Ground Lease dated August 6, 1971 in which the legal description in the Ground Lease correctly describes the property actually being used by Lessee for the Sports Arena and related parking and thus enables the determination of Lessee's status as a sublessee of a portion of such property; and

WHEREAS, said new description is described and depicted as Exhibits "A" and "B" of this Agreement.

NOW, THEREFORE, in consideration of the payment of rental and the performance of the mutual promises herein contained at the time and in the manner specified, the parties hereto agree as follows:

Section 1. The Project

The Project, subleased hereunder, consists of the Site as improved by the construction of said facilities, and is more particularly described on Exhibit "A", attached hereto and incorporated

by reference, and depicted on Exhibit "B", attached hereto and incorporated by reference.

Section 2. Sublease of The Project

Lessee hereby subleases to Operator and Operator hereby accepts and rents from Lessee said Project. Operator hereby agrees to use the Project for the public purposes for which the same were built, to-wit: as a sports arena, convention center, exhibit hall or other type of center. Such use shall include, without limitation thereto, the presentation of athletic contests, conventions, exhibits and other types of similar performances and all other incidental and related uses including off-street parking for motor vehicles. The term of this Sublease shall commence on August 6, 1971, and shall expire at 12:00 midnight November 7, 2015. For purposes of this Operating Sublease the lease year shall be defined as commencing on November 8 of each year.

Section 3. Title to Property

Title to the Site and the facilities shall be controlled by the Ground Lease as it presently exists or is hereafter amended. Title to all personal property placed in the Project by Operator shall remain in Operator. Title to all personal property and fixtures placed in the Project by Lessee shall remain in Lessee. Title to all fixtures placed in the Project by Operator shall remain in Operator unless such fixtures replace fixtures owned by Lessee or City, in which event they shall belong to Lessee or City. Title to personal property and fixtures placed in the Project by Operator's sublessees or concessionaires shall be controlled by the sublease to Operator's sublessee or by concession contract, as the case may be.

It may become desirable from time to time for Operator to transfer ownership of some of its said personal property and fixtures placed in the Project to City or Lessee. City and/or Lessee agrees to accept said transfer of ownership when tendered by Operator.

Lessee agrees that all fixtures and improvements installed by Operator in accordance with the provisions provided herein, and not being a replacement or repair of or for any improvement or improvements existing and belonging to Lessee or City, shall be and remain the property of Operator. Operator shall have the right to remove said fixtures and improvements prior to the termination of this agreement at Operator's own expense, provided that any damage to Project shall be repaired and the Project left in as good order and condition as when Operator took possession of the Project. In the event Operator does not so remove said fixtures and improvements prior to the expiration of this agreement, Lessee may remove, or sell, or destroy the same at the expense of Operator, and Operator shall pay to Lessee the reasonable cost of any such removal, sale or destruction together with the reasonable cost of repair of damages to Project resulting from such removal, sale or destruction. At the option of Lessee, any property, real or personal, not so removed by Operator may be deemed abandoned.

Section 4. Management Policy

Lessee and Operator hereby agree that the Project shall be managed so as to furnish the maximum educational, recreational, commercial and cultural benefits to the community without burden to taxpayers of City. City hereby agrees that the controls hereinafter provided for shall not be exercised in such a manner which will prevent Operator from complying with Section 8 hereof, accumulating reasonable reserves and providing a reasonable rate of return to Operator on its investment in the Project.

Section 5. Duties of Operator

Operator shall operate and manage the Project for the public purposes for which the same were built in accordance with the standards and subject to the controls set forth herein.

In the event of destruction of the Project or any part thereof Operator shall have no obligation to repair or replace the same.

The Project will be operated and managed in an efficient and economical manner and maintained and preserved in good repair and working order, including, without limitation, the making of replacements when necessary.

Section 6. General Standards of Performance

Operator shall observe and comply with the following separate, distinct and cumulative standards:

(a) Operator shall duly and punctually pay or cause to be paid all of its obligations, including, without limitation those which it has hereunder. Time is of the essence of this Sublease.

(b) Operator shall discharge or provide for the discharge of all claims which it has authorized or incurred for labor, materials and supplies in connection with the Project and pay all taxes, assessments or other governmental charges lawfully levied or assessed upon or in respect of the Project or any part thereof or upon any of the revenues therefrom.

(c) Operator shall operate and manage the facilities without unlawful discrimination as to race, creed or color.

Package 3
(d) Operator shall enforce the rules and regulations which shall be established governing the use and operation of the facilities.

(e) Operator shall duly observe, conform to and comply with all valid requirements of any governmental authority relative to the Project and shall require all persons using the same or attending events therein to conform to and comply with all such requirements.

(f) All salaries, fees, wages and compensation paid by Operator in connection with the Project shall be reasonable and no more persons shall be employed than are necessary.

(g) All performances and events in the facilities shall be high class in calibre and cast no reflection upon City nor mar the reputation of the facilities.

(h) Operator shall not permit the facilities to be used without making a reasonable rental charge therefor.

Section 7. Controls to be Exercised by City

Operator shall observe and comply with the following separate, distinct and cumulative controls:

(a) Any contract or sublease for the presentation of events at the sports arena, which is for a term longer than 3 years, or which contemplates the presentation of an event 3 years or more from the date of execution thereof shall:

- (1) be filed with City for its approval, and
- (2) shall not be valid unless approved by City, and
- (3) shall not exceed 7 years, and
- (4) shall state the prices to be charged the public for admission, which said prices may be stated in general terms by maximums and minimums, by reference to prices charged in other cities of equal or larger size, or by any other objective standard.

(b) Any contract or sublease in connection with the Project for a term of more than 3 years, or for a concession, or for restaurant operation, or for parking operation, shall be filed with the City for its approval. No such contract shall be valid unless approved by City.

(c) All contracts or subleases for the presentation of events at the sports arena or for using any of the facilities which do not fall within subsection 7(a) or 7(b) above shall be hereinafter referred to as "short term" subleases. As to such short term subleases Operator shall compile and maintain:

Package 3

(1) A schedule of the classes and types of events which may be presented. Operator shall not enter into a short term sublease for or otherwise permit the presentation of any class or type of event not included in said schedule.

Package 3

(2) A schedule of standard short term sublease forms for various types of events and tenants which forms shall be used exclusively.

Package 2

(3) A schedule of maximum and minimum prices to be charged to the public for admission to the various types of events.

Package 2

(4) A schedule of maximum and minimum rentals to be charged persons and organizations presenting events at or using any of the facilities.

Package 2

(5) A schedule of maximum and minimum prices to be charged for non admission services, including, without limitation, meals, refreshments and parking.

Package 3

(6) A schedule of reasonable rules and regulations governing the operation and use of the facilities.

(d) As used in this Section of this Sublease "schedule" shall mean file, roll, outline, catalogue, inventory or any other appropriate list. Each such schedule shall be filed with the City for its approval. Any change shall be submitted to the City for its approval from time to time as necessary. Lessee shall so conduct its operations as to comply with the limits established by such schedules. The City may order changes in any items set forth in this Section 7 from time to time, but no such change shall affect any sublease, contract or other agreement entered into by Lessee and any third party under a previous contract, sublease or schedule which had been approved by City.

(e) Whenever in this Section the approval of City is required for any proposed contract, sublease or schedule or other

proposed document, Lessee shall file the aforesaid with the City Clerk in accordance with Section 12 hereof.

(f) Operator shall keep proper books of records and accounts in which complete and correct entries shall be made of all transactions relating to the Project. Said books of records and accounts shall be available at reasonable times for inspection by City or Lessee and shall be audited at such times and in such manner as City or Lessee shall determine.

(g) Operator may perform any obligations or duties set forth in this Sublease, by itself through its own personnel, or by contracting or subleasing for the performance thereof by others. If Operator contracts or subleases for the performance of any or all of the items and duties set forth in this Section by others, each such sublease shall:

(1) be submitted to City for its approval and shall not be valid unless and until approved by City.

(2) require at least the same standards and preserve to the City at least the same controls that Operator would be required to observe and comply with, plus any others that the City may require as a condition of its approval.

(h) Any contract or sublease approved by the City prior to or concurrent with the execution hereof shall be excepted from this Section 7.

Section 8. Rates and Charges

The Operator shall and hereby covenants that commencing with the term of this sublease it shall prescribe, revise and collect such rates, rents and charges for the use of the facilities which, after making allowances for contingencies and error in the estimates, shall be at least sufficient to pay the following amounts:

(a) The interest on, sinking account payments for, and any other obligations (including Reserve Fund payments) created

by the outstanding bonds of Lessee as set forth in the Indenture recorded in the Official Records of the County of San Diego, State of California, on November 8, 1965 as Document No. 203054, hereafter referred to as "the Indenture," securing said bonds, including any payments required under Section 4 of the Deficiency and Subordination Agreement attached thereto as they become due and payable, except as follows:

*ALL
J.R.G.
T.B.
C.R.*

(1) So long as the rent paid by Operator to Lessee shall be sufficient to satisfy all payments of interest due on the outstanding bonds of Lessee, all sinking account payments on such bonds, and all reasonable administrative expenses of Lessee (including fees and expenses of Trustee) as are set forth in the Indenture and subsection ²²⁴ 8(3) of this Operating Sublease, Operator shall not be required to establish or collect rates, rents or charges for the purpose of building or maintaining funds in any of the special trust funds established and defined under Sections 501 and 502 of the Indenture, subject to the provisions of subsection (2), following.

(2) Operator shall not be required to establish or collect rates, rents or charges for the purpose of making any payments required under the Deficiency and Subordination Agreement, or for the purpose of building or maintaining funds in the Subordination Agreement Account established by Sections 501 and 502 of the Indenture, until all principal, interest, premiums and administrative expenses due or owing on the bonds, and all liabilities arising out of or connected with the administration or enforcement of the Indenture shall have been paid in full. This provision shall not limit the obligation of Operator to provide for the payment of any additional sums which may become due under the terms of the Deficiency and Subordination Agreement after August 6, 1971 as a result of a default by Operator under this Sublease, nor the obligation of Operator to provide funds for the payment of sums due under the terms of the Deficiency and

Subordination Agreement as of August 6, 1971 once all other indebtedness described in the first sentence of this subparagraph has been paid.

(b) All payments required to pay the following expenses of Lessee:

(1) all taxes chargeable to Lessee of any nature whatsoever, including, but not limited to, excise taxes, ad valorem taxes and gross receipts taxes levied upon Site or upon said facilities or upon Lessee's interest therein, or upon the operation thereof or the rental income derived therefrom excepting State and Federal income taxes;

(2) ad valorem and specific lien special assessments, if any; and

(3) administrative expenses including insurance premiums and fees and expenses of the Trustee as budgeted yearly by the Lessee;

(c) All payments required to meet any obligations of the Operator which are charges, liens, encumbrances upon or payable from the revenues of the facilities including the moneys payable to City under Section 9(b) hereof;

(d) All current expenses for the necessary and reasonable maintenance and operation costs of the facilities.

(e) All expenses necessary for the enforcement of the Sublease by Lessee or Trustee.

(f) Without limiting Operator's obligations to make the charges prescribed under the provisions of subsections (a) through (e), above, Operator further covenants that such rates, rents and charges to be prescribed, revised and collected by it shall be at least equal to 125% of the amounts required under subsection (a). A failure on the part of Operator to prescribe, revise and collect rates, rents and charges sufficient to equal 125% of the amounts required under subsection (a) shall not constitute a default under this sublease.

Section 9. Rent

Operator shall pay the following rents commencing August 6, 1971:

(a) The rent which Operator shall pay the Lessee shall be a sum sufficient to pay the items specified in Section 8(a), (b) and (c) above. So long as any indebtedness on or arising out of the Leasehold Mortgage Bonds issued by Lessee is unpaid Operator shall pay annual rent of not less than \$430,000.00, which shall be payable not less than \$15,000.00 per month, in advance, on the eighth day of each month, and not less than \$215,000.00 during each six-month period. For purposes of this subparagraph, the six-month periods referred to herein shall end with the payments due on the eighth day of each January and each July.

It is understood and agreed that Operator is obligated to pay to Lessee as rental such sums as are needed from year to year to replenish the deficiencies, including those existing as of the date hereof, if any, in those certain accounts (Debt Service Fund, Administrative Expense Account, M & O Reserve Account, and Rental Reserve Account) established pursuant to Article V of the Indenture (collectively called "Indenture Funds Rental" herein); but that payment by Operator to Lessee of said Indenture Funds Rental shall be postponed so long as Operator is not in default under this Operating Sublease and Guarantor is not in default under the Guaranty and Pledge Agreement entered into as of this date between Graymont, Ltd. as Guarantor, Lessee and Trustee.

(b) For each of the sublease years commencing November 8 of 1971, 1972, 1973, 1974 and 1975 Operator shall pay Lessee additional rent of \$20,000.00, all of which, however, shall be paid concurrently with the execution of this Sublease.

(c) So long as any indebtedness on or arising out of the Leasehold Mortgage Bonds issued by Lessee is unpaid, Operator shall

pay to Lessee 25% of the Net Receipts of Operator, if any, for the fiscal year ended on the next preceding September 30 as additional rent for the purpose of accelerating bond redemption. Such additional rent shall be paid on March 1 of the year succeeding the fiscal year to which attributable. Net Receipts of Operator are defined as gross receipts of Operator less the amounts set forth in Section 8(a) to 8(e), inclusive, of this Operating Sublease. Should the additional rent to be paid pursuant to this subsection not exceed \$10,000.00 for any fiscal year, no such additional rent shall be paid during that year.

(d) In the event that there is any subordinated indebtedness created subsequent to August 6, 1971, on July 1 of each year in which any such subordinated indebtedness shall be outstanding, Operator shall make a payment on the principal amount of the subordinated indebtedness at the time outstanding in an amount equal to 50% of Adjusted Net Receipts of Operator for the fiscal year ended on the next preceding September 30, such payment to be made to Lessee. For the purposes of this Operating Sublease, Adjusted Net Receipts of Operator are defined as gross receipts of Operator less the amounts set forth in Section 8(a) through 8(e), inclusive, of this Operating Sublease; provided that the amounts to be paid on the principal amount of Subordinated Indebtedness pursuant to Section 8(a) of this Operating Sublease and to Section 4(b) of the Deficiency and Subordination Agreement shall not be deducted from gross receipts. As to all subordinated indebtedness existing on August 6, 1971, Operator shall have no obligation to make any payments to Lessee on account of principal or interest on such indebtedness until all principal, interest, premiums and administrative expenses attributable to or connected with the bonds secured by the Indenture have been fully satisfied. At such time Operator shall commence making payments on all subordinated indebtedness as provided in the preceding portions of this subparagraph (d), and shall continue until all subordinated indebtedness, principal and interest, shall have been paid.

(e) The rent which Operator shall pay to City as required by Articles III, subsection 2 of the Ground Lease, and which shall be paid at the office of the Treasurer of The City of San Diego for that portion of the leased premises utilized as and for a parking lot, as monthly rent shall be a sum computed as follows:

(1) Until November 8, 1990, the sum of \$2,145.00 per month, payable monthly in arrears on the eighth day of each month.

(2) From November 8, 1990 to November 8, 2000, the minimum monthly rent for the parking area shall be redetermined in the manner provided in subsection (e)(5) hereof, and the rent shall be that sum as redetermined, payable monthly in arrears on the eighth day of each month.

(3) From November 8, 2000 to the expiration of this sublease, the minimum monthly rent shall be again redetermined in the manner provided in subsection (e)(5) hereof, and the rent shall be that sum as redetermined payable monthly in arrears on the eighth day of each month.

(4) Commencing on August 6, 1971 the rent specified above shall be supplemented by:

(i) 5% of the first \$100,000.00 of gross income derived annually from the operation of the parking lot; plus

(ii) 10% of the next \$100,000.00 of gross income derived annually from the operation of said parking lot; plus

(iii) 15% of all gross income derived annually from the operation of said parking lot above \$200,000.00.

(iv) For purposes of computing the gross income derived annually from the operation of the parking lot, the annual year shall commence on August 6, 1971, and extend from that date to August 5, 1972, and shall be considered to be from

August 6 of any year to August 5 of the following year for each year thereafter.

(5) The method that shall be utilized to redetermine the rent due the City on November 8, 1990 and November 8, 2000 shall be as follows:

Each party hereto shall select a real property appraiser, and the two appraisers shall then select a third appraiser. City and Lessee shall constitute one party and Operator the other party. If City and Lessee are unable to agree upon an appraiser the selection of the City shall be controlling. All appraisers shall be qualified independent fee appraisers who have been awarded the professional designation "M.A.I.," or its equivalent, if the M.A.I. designation is no longer in existence. The appraisers shall make one appraisal of the fair market value of the land as vacant land within an "M-1" zone classification, taking into account the utilization thereof as of the time of the appraisal. The yearly minimum rent for the acreage utilized for parking lot purposes shall be one and two-tenths per cent (1.2%) per annum of the fair market value as determined by the single appraisal of the three independent fee appraisers. The cost of the appraisal shall be shared equally between the Operator and City.

City, acting through its City Manager, and Operator may, as an alternative to the foregoing, mutually agree on the fair market value of the land as aforesaid so as to avoid the necessity of incurring the expense of said appraisal, but in the absence of their voluntary agreement, the provisions of the first paragraph of this article shall be applicable.

(6) "Gross income" as used in this Sublease to determine rent payable to City shall include all income resulting from automobile parking operations. Gross income, however, shall not include federal, state or municipal taxes collected from the consumer as such taxes (regardless of whether the amount thereof is stated to

the consumer as a separate charge) and paid over periodically by Operator to a governmental agency accompanied by a tax return statement, but the amount of such taxes shall be shown on the books and records elsewhere herein requested to be maintained. Whenever the rent hereunder is dependent on percentage calculation of gross income accruing from Operator, Operator shall keep or cause to be kept true, accurate and complete records from which City and Lessee can at all times determine the nature and amounts of income subject to rental percentage from the operation of the parking lot. Operator shall issue serially numbered tickets or use other mutually acceptable accounting systems for each paid parking charge and shall keep adequate records of said serial numbers issued and of those unused. Not later than the fifteenth day of each month, Operator shall render to City and Lessee a detailed statement as to the source of the receipts showing all money accrued and sales made during the preceding month, together with the amount payable to City as herein provided, and shall accompany same with a remittance of the amount so shown to be due City. City and Lessee shall, through its duly authorized agents or representatives, have the right to at any and all reasonable times examine and audit said records for the purpose of redetermining the accuracy thereof.

In no event shall the City receive less than the rental provided for in subsection 9(e) hereof, and the failure of Operator to pay the rental shall constitute a default by Operator.

Section 10. Insurance Risks

Operator shall not use, or permit the Project, or any part thereof to be used, for any purpose or purposes other than the purpose or purposes for which the said Project is hereby leased. Unless included within the said purposes or necessarily incident thereto, no use shall be made or permitted to be made of the Project, nor acts done, which will increase the existing rate of insurance upon the

facilities, or cause a cancellation of any insurance policy covering said facilities, or any part thereof, nor shall any article which may be prohibited by the standard form of fire insurance policy be or be permitted to be kept, used, or sold in or about said facilities. Commencing August 6, 1971 Operator shall, at his sole cost and expense comply with any and all requirements pertaining to facilities of any insurance organization or company necessary for the maintenance of reasonable fire and public liability insurance covering said buildings and appurtenances, and shall comply with and perform the obligations of Lessee imposed by Article VII of the Ground Lease.

Section 11. Assignment

Operator shall not assign this Sublease without written consent of City and Lessee.

Section 12. Notices, City Approval

Any notice required to be given shall be served in the following manner: Upon City by serving the City Clerk of the City personally or by registered mail addressed to the City Clerk of the City, City Hall, San Diego, California, or such other place as may hereafter be designated in writing by City, and upon Operator by serving the Secretary thereof (or such other officer as Operator may direct) personally or by registered mail addressed to said Secretary (or other officer) at such place as Operator shall hereafter designate in writing.

Wherever in this Sublease the approval of City is required for any proposed sublease, contract or schedule provided for in or required by Section 7 hereof or for any other proposed document under this Sublease Lessee shall file the aforesaid with the City Council with notice of the action proposed to be taken in connection therewith, and unless said City Council disapproves the aforesaid within thirty days of the filing thereof the same shall be deemed approved; provided,

however, that said Council may approve a shorter time within which to so disapprove.

Section 13. Operating Memoranda

It is recognized that a close degree of cooperation will be required to that management, operation, maintenance and repair of the Project can be well conducted. It is further realized that experience will demonstrate changes that will be required in the methods of management, operation, maintenance and repair and that a certain degree of flexibility will be required; and it is to preserve such flexibility that certain items have been covered in this Sublease in general terms only with the understanding that details were to be set forth in "operating memoranda" or have been referred to in this Sublease as being set forth in an "operating memorandum." Each operating memorandum which relates to the matter of control in Section 7 hereof shall be approved by City and shall be attached hereto as an addendum and become a part hereof and may be changed and amended from time to time as necessary with further approval by the City. Any other operating memorandum may be entered into by the Lessee (or the Trustee in place of the Lessee if applicable) and Operator without the consent of City.

Section 14. Financial Requirements

Operator agrees that it will observe the following conditions:

(a) Operator shall have and maintain at all times during this Sublease minimum working capital of not less than \$50,000.00.

(b) In the event that Operator has not complied with the minimum working capital restrictions set forth in subparagraph (a), above, or this Operating Sublease has been declared to be in default by Lessee and the default shall not have been remedied by Operator, Operator shall not, without the written consent of Lessee:

(1) Declare or pay any dividend or make any distribution on its stock or to its stockholders (other than

dividends or distributions payable in shares of stock of Operator),

(2) Purchase, redeem or otherwise acquire or retire for value any shares of its stock, or

(3) Increase the salaries, bonuses or other forms of compensation paid to the principal officers of Operator.

(c) Operator will not create or assume any mortgage on real property (including, without limitation, the Operating Sublease), its personal property, assets, effects, undertakings or good will. It is agreed between Lessee and Operator that any advances made by persons holding concession contracts, subleases or other types of agreements shall not constitute long-term debt for the purpose of this paragraph.

(d) Operator may create long-term debt in an amount not to exceed \$500,000.00, provided that such long-term debt shall be subordinate to Operator's obligation to pay rent to Lessee.

(e) Operator may create short-term debt from banks or other types of financial institutions in amounts not to exceed \$500,000.00.

Section 15. Financial Statements

Operator agrees that it will annually, within 120 days after the close of its annual accounting period, provide Lessee and City with audited financial statements of its books and accounts for the preceding year, prepared by a nationally known and recognized firm of certified public accountants.

Operator further agrees that it will provide Lessee and City quarterly financial statements of its books and accounts, prepared without audit, within 45 days after the close of the quarterly accounting period.

Section 16. Remedies of Lessee

In the event:

(a) that Operator shall default in the performance or fulfillment of any covenant or conditions herein contained on its part to be performed or fulfilled and shall fail to cure such default within twenty-five days following the service on it of a written notice from Lessee specifying the default or defaults complained of and the date on which its rights hereunder will be terminated as hereinafter provided if such default or defaults is or are not cured, or

(b) that Operator shall file a voluntary petition in bankruptcy, or

(c) that Operator shall be adjudicated a bankrupt, or

(d) that Operator shall make a general assignment for the benefit of creditors,

then and in either or any of said events, Lessee may, at its option, without further notice or demand upon Operator or upon any person or persons claiming by, through or under Operator, immediately cancel and terminate this Sublease and terminate each, every and all of the rights of Operator and of any and all persons claiming by, through or under Operator in or to the Project and in or to the further possession thereof, and may thereupon enter into and upon the Project and repossess the same and expel Operator and any and all persons claiming by, through or under Operator. The rights and remedies of Lessee as hereinabove set forth are cumulative only and shall in no wise be deemed to limit any of the other provisions of this Sublease or otherwise to deny to Lessee any right or remedy at law or in equity which Lessee may have or assert against Operator under any law in effect at the date hereof or which may hereafter be enacted or become effective, it being the intent hereof that the rights and remedies of Lessee, as hereinabove set forth, shall supplement or be in addition to or in

aid of the other provisions of this Sublease and of any right or remedy at law or in equity which Lessee may have against said Operator.

Lessee shall be entitled to recover from Operator all damages authorized under California Civil Code Section 1951.2 as it read as of July 1, 1971. The damages Lessee may recover include the worth at the time of any award of the amount by which the unpaid rent for the balance of the term after the time of award, or for any shorter period of time specified herein, exceeds the amount of such rental loss for the same period that Operator proves could be reasonably avoided.

In the event of any breach of this sublease and the abandonment of the demised premises by Operator, Lessee may, at its option, decline to terminate Operator's right to possession, in which event the sublease shall continue in effect for so long as Lessee does not terminate Operator's right to possession, and Lessee may enforce all its rights and remedies under the sublease, including the right to recover the rent as it becomes due under the sublease.

Section 17. Miscellaneous

The paragraph headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Sublease.

If any section, subsection, sentence, clause or phrase of this Sublease, or the application thereof, to either party, or any other person or circumstance is for any reason held invalid, it shall be deemed severable and the validity of the remainder of the Sublease or the application of such provision to the other party, or to any person or circumstance shall not be affected thereby.

To the extent not otherwise provided in the Ground Lease or the Operating Sublease Operator shall be subject to all of the provisions in connection with operation of the Project contained in the Ground Lease.

IN WITNESS WHEREOF, Lessee has caused this Sublease to be executed by its officers and Operator has caused this Sublease to be executed by its officers as below set forth.

Dated: August 6, 1971.

SAN DIEGO ARENA LEASE COMPANY

By A. A. Lamm

(Seal)

By J. R. Goodbox

SAN DIEGO ENTERTAINMENT, INC.

By M. L. Lamm

(Seal)

By L. R. Lamm
Secretary

APPROVED:

CITY OF SAN DIEGO

By Walter H. Hahn
Mayor City Manager

ATTEST:

By _____
City Clerk

Date of execution

6 day of August, 1971.

Approved as to form and legality

By H. Valdez
Deputy City Attorney

TYPED: EK

COMP: *[Signature]*

Portions of Pueblo Lots 241, 242, 259, 276, 311, 312, 313 and 338 of the Pueblo Lands of San Diego, in the City of San Diego, County of San Diego, State of California, according to Map thereof made by James Pascoe, a copy of which said Map was filed in the Office of the County Recorder of San Diego County, and known as Miscellaneous Map No. 36, TOGETHER WITH Lot "A" and a portion of Lot "B" of Pueblo Lot 339, according to the Partition Map thereof on file in the Office of the County Clerk of said County, in an Action entitled "Steele vs. Steele", Superior Court, Case No. 5620, TOGETHER WITH a portion of Cass and Mc Elwee Subdivision, according to Map thereof No. 1581, filed in the Office of the County Recorder of San Diego County, described as follows:

Commencing at the point of intersection of the Southeasterly line of Pueblo Lot 312 with the Northerly line of Frontier Street, (now Sports Arena Boulevard) as described in deed to Frontier Enterprises, Inc., recorded March 5, 1941 in Book 1143, Page 320 of Official Records of San Diego County; thence Northeasterly along said Southeasterly line to a point of intersection with a line which is distant 15.00 feet Northerly, measured at right angles to the Northerly line of said Sports Arena Boulevard; thence South 77° 23' 46" East, a distance of 371.52 feet to the TRUE POINT OF BEGINNING; thence North 12° 36' 14" East, a distance of 476.74 feet; thence North 36° 37' 26" East, a distance of 246.89 feet to the Northeasterly line of said Pueblo Lot 338; thence North 53° 27' 34" West, a distance of 25.00 feet to the most Northerly corner of said Pueblo Lot 338; thence South 36° 37' 26" West along the Northwesterly line of Pueblo Lot 338, a distance of 233.40 feet to the most Easterly corner of said Lot "A"; thence North 53° 27' 44" West along the Northeasterly line of said Lot "A", a distance of 233.41 feet to the most Northerly corner of said Lot "A"; thence South 36° 33' 41" West along the Northwesterly line of said Lot "A", a distance of 74.98 feet to a point distant North 36° 33' 41" East, 158.40 feet from the most Westerly corner of said Lot "A"; thence North 53° 27' 19" West, 233.43 feet to a point in the Northwesterly line of Pueblo Lot 339 distant South 36° 36' 21" West, 308.33 feet from the most Northerly corner of said Pueblo Lot 339; thence North 36° 36' 21" East along the Northeasterly line of Pueblo Lot 339, a distance of 301.33 feet to a line which is parallel with and 7.00 feet Southwesterly of and measured at right angles to the Northerly prolongation of the Northeasterly line of said Pueblo Lot 339; thence along said parallel line North 53° 26' 49" West, a distance of 786.16 feet to a point in the Southeasterly line of Kurtz Street as dedicated by Resolution No. 197363 of the Council of the City of San Diego, a copy of which was recorded July 30, 1969 as Document No. 137836 of Official Records; thence along the boundary of said Kurtz Street as follows:

South 36° 32' 31" West, a distance of 5.00 feet; North 53° 26' 49" West, a distance of 307.00 feet to the beginning of a 300.00 foot radius curve, concave Southwesterly; and Westerly along the arc of said curve to and along the Southerly line of Hancock Street dedicated by said resolution, through a central angle of 39° 03' 30" an arc length of 204.51 feet; thence South 26° 51' 31" West, a distance of 393.88 feet; thence South 12° 35' 00" West, a distance of 968.25 feet to said line which is parallel with and 15.00 feet Northerly of the Northerly line of Frontier Street; thence along said parallel line South 77° 23' 46" East, a distance of 402.50 feet; thence North 12° 36' 14" East, a distance of 150.00 feet; thence South 77° 23' 46" East, a distance of 150.00 feet; thence South 12° 36' 14" West, a distance of 150.00 feet; thence South 77° 23' 46" East, a distance of 1,097.11 feet to the TRUE POINT OF BEGINNING.

AMENDED
TYPED
8-5-71
C-470632

EXHIBIT A

Forrest Easley

Doc 737156

W.H.
M

CLOSING MEMORANDUM

1. The parties to this memorandum are and have been cooperating in the execution of certain documents necessary for the substitution of San Diego Entertainment, Inc., hereafter referred to as "Operator," as the new sublessee of the San Diego International Sports Arena.

2. In consummating the above transaction, the instruments listed below are being executed and delivered by and to the respective parties shown:

(a) New operating sublease between San Diego Arena Lease Company, hereafter referred to as "Arena," as sublessor, and Operator, as sublessee.

(b) Guaranty and Pledge Agreement executed by Graymont, Ltd., and Arena in favor of Southern California First National Bank, as trustee, hereafter referred to as "trustee."

(c) Subordination Agreement executed by trustee subordinating the Indenture to the new operating sublease, and consenting to the execution of the new operating sublease by Arena and Operator.

(d) Waiver of Rights and Consent dated August 1971 executed by Union Oil Company of California, hereafter referred to as "Union," in favor of Operator and Arena.

(e) Letter of July 28, 1971 from City of San Diego, hereafter referred to as "City," to Graymont, Ltd. re use of certain personal property, accepted by Operator.

(f) Second amendment to Lease Agreement between City and Arena, dated August 6, 1971 and executed by Arena and City.

(g) Second Supplement to Indenture of Mortgage and Deed of Trust by and between San Diego Arena Lease Company and First National Bank of San Diego, trustee, executed by Arena and trustee, dated August 6, 1971.

(h) Second Amendment to Lease Agreement between City and Union-Breitbard Joint Venture, dated August 6, 1971 and executed by Union Breitbard Joint Venture and City.

(i) Quitclaim deed executed by Union-Breitbard Joint Ventrue to City dated August 5, 1971.

(j) Letter dated August 2, 1971 from Arena to Enterprises requesting surrender and subordination.

(k) Surrender and Subordination Agreement dated August 6, 1971 executed by Enterprises and Arena.

(l) Letter from City to Arena dated August 2, 1971 consenting to execution by Arena and Operator of new operating sublease.

(m) Dismissal with Prejudice of Southern California First National Bank vs. Robert Breitbard, et al., San Diego County Superior Court No. 326266 and Southern California First National Bank vs. San Diego Sports Enterprises, et al., San Diego County Superior Court No. 326231, executed by Gray, Cary, Ames and Frye, as attorneys for Southern California First National Bank.

3. In addition to the execution and delivery of the documents listed above, Graymont, Ltd. has heretofore delivered to Arena for the account of San Diego Entertainment, Inc. \$100,000.00, and concurrently with the execution and delivery of the instruments listed above Graymont, Ltd, is to deliver to Arena the collateral required by the terms of the Guaranty and Pledge Agreement.

4. Each of the undersigned acknowledges receipt of a copy of each of the documents listed above, and acknowledges that it is familiar with the contents thereof.

SAN DIEGO ARENA LEASE COMPANY

By A. A. Hansen

SAN DIEGO ENTERTAINMENT, INC.

By W. H. Hansen President

CITY OF SAN DIEGO

By Walter H. Hansen

SOUTHERN CALIFORNIA FIRST NATIONAL BANK, Trustee

By J. H. Hansen Ex. V. P.

UNION OIL COMPANY OF CALIFORNIA

By George C. Bond

GRAYMONT, LTD.

By W. H. [Signature]
Vice President

B

GUARANTY AND PLEDGE AGREEMENT

100-100-100

This agreement is entered into as of the 6th day of August, 1971, by and between SOUTHERN CALIFORNIA FIRST NATIONAL BANK ("Trustee" herein), a National Banking Association, organized and existing under the laws of the United States of America, with its principal place of business located at 530 "B" Street, San Diego, California, and GRAYMONT LTD. ("Guarantor" herein), a corporation, organized and existing under the laws of Canada with its principal place of business located at Suite 940-1155 Metcalfe Montréal, Province of Quebec, Canada, and SAN DIEGO ARENA LEASE COMPANY ("Lease Company" herein), a California non-profit corporation, with its principal place of business located at 2201 U. S. National Bank Building, San Diego, California, with respect to the following facts:

FACTUAL BACKGROUND

A. Southern California First National Bank is Trustee under that certain Indenture of Mortgage and Deed of Trust ("Indenture" herein) dated September 1, 1965, between Lease Company and First National Bank of San Diego.

B. Indenture provides security for the repayment by Lease Company of leasehold mortgage bonds in the principal amount of \$6,400,000, plus interest thereon and administrative expenses, as is set forth with particularity in said bonds and Indenture. Said principal amount, interest and administrative expenses shall hereinafter be referred to as "bonded indebtedness."

C. As of the date hereof, Lease Company and San Diego Entertainment, Inc., a California corporation, be postponed so as to

("Operator" herein) have entered into an agreement known as the San Diego Sports Arena Operating Sublease ("Operating Sublease" herein), wherein Operator is given a leasehold interest in the Sports Arena facilities.

D. Pursuant to the Operating Sublease, Operator is obligated on terms and conditions specified therein, among other things, to pay to Lease Company as rental:

(1) such sums as are needed to pay all interest on bonded indebtedness, sinking fund deposits, and administrative expenses as provided for in the Operating Sublease and Indenture ("Minimum Rental"); and

(2) a percentage of net receipts as specified in Operating Sublease ("Percentage of Net Receipts Rental" herein); and

(3) such sums as are needed from year to year to replenish the deficiencies, if any, in those certain accounts (Debt Service Fund, Administrative Expense Account, M & O Reserve Account, and Rental Reserve Account) established pursuant to Article V of the Indenture (collectively called "Indenture Funds Rental" herein).

The aggregate of the Minimum Rental, Percentage of Net Receipts Rental, and Indenture Funds Rental will hereinafter collectively be called "Rental Indebtedness."

E. In lieu of Lease Company requiring Operator to make payments necessary to replenish the presently existing deficiencies of Indenture Funds Rental, it is hereby provided that Guarantor will deposit and pledge to Lease Company bonds or other securities satisfactory to Lease Company having a current fair market value of not less than \$740,000.00 ("Collateral" herein). Payment by Operator to Lease Company of Indenture Funds Rental shall be postponed so long as neither Operator nor Guarantor is

in default on any obligation under the Operating Sublease or this Agreement.

F. Operator has required that Trustee give its approval of the Operating Sublease as one of the conditions precedent for the consummation of such lease agreement between Operator and Lease Company. Lease Company and Trustee would not approve said Lease Agreement between Lease Company and Operator but for Guarantor entering into this agreement. Lease Company would not enter into the Operating Sublease but for Guarantor entering into this agreement. Guarantor, owning a substantial portion of the stock of Operator, is materially benefitted by Trustee approving said Lease Agreement and entering into this Agreement and Lease Company entering into the Operating Sublease.

WHEREFORE, the parties hereto agree as follows:

1. Guaranty. For valuable consideration, and subject to the conditions set forth herein, Guarantor hereby unconditionally, absolutely, and irrevocably guarantees the prompt and timely performance by Operator of each and every obligation undertaken by Operator in the Operating Sublease including the obligation to pay Rental Indebtedness; provided, however, Guarantor's maximum aggregate liability under this guaranty shall not exceed the sum of \$740,000.00 and enforcement of this guaranty shall be limited to liquidating the Collateral pledged pursuant to this Agreement. It is understood and agreed that payment of the Indenture Funds Rental shall be postponed so long as neither Operator nor Guarantor is in default on any obligation under the Operating Sublease or this Agreement. This guaranty shall remain effective so long as any Bonded Indebtedness remains outstanding. Should any

such default occur and not be cured in accordance with the terms of paragraph 14 herein, then such Indenture Rental Funds shall become due and payable as set forth in paragraph 15 herein.

2. Independent nature of Guarantor's obligation.

The obligations hereunder are joint and several, and independent of the obligations of Operator, and a separate action or actions may be brought and prosecuted against Guarantor whether action is brought against Operator or whether Operator be joined in any such action or actions; and Guarantor waives the benefit of any statute of limitations affecting its liabilities hereunder or the enforcement thereof.

3. Application of Payments. All payments received by Trustee from Lease Company shall be deposited in such funds, applied, expended, or otherwise used, as Trustee shall in its absolute discretion, being advised by legal counsel, determine to be proper pursuant to Trustee's obligations under the Indenture.

4. Lease Company dealings with Operator.

Guarantor authorizes Lease Company without notice or demand and without affecting Guarantor's liability hereunder, from time to time to: (a) renew, extend or otherwise change any of the terms of the Operating Sublease; (b) take and hold securities as collateral for the guarantee of Operator's performance of the Operating Sublease and exchange, enforce, waive and release any such security; (c) take and hold securities to ensure payment of any liability under this guaranty or the indebtedness guaranty; (d) exchange, enforce, waive or release any security held by Lease Company for any purpose set forth herein; (e) apply such security and direct the order or manner of sale thereof as Lease

Company in its sole and absolute discretion may determine;

(f) release or substitute any one or more guarantors.

Guarantor hereby expressly waives any rights, acceptance of the statutory or otherwise, to be kept informed by Lease Company or Trustee of any change in Operator's financial condition affecting Guarantor's risk that may become known to Lease Company or Trustee. Lease Company may without notice or consent assign its rights under this Agreement in whole or in part.

5. Guarantor's Waivers. Guarantor waives any right to require Lease Company to: (a) proceed first or at all against Operator; (b) proceed first or at all against or to exhaust any security from Operator, other than the Collateral given by Guarantor pursuant to this Agreement; or (c) pursue any other remedy in its power whatsoever.

Guarantor acknowledges that it has been furnished with and read Sections 2845, 2849 and 2850 of the California Civil Code and it hereby waives any rights that may exist at any time under said sections. Guarantor waives any

defense arising by reason of any disability or other defense of Operator or by reason of the cessation from any cause whatsoever of the liability of the Operator.

Until all Rental Indebtedness of Operator to Lease Company shall have been paid in full, even though such indebted-

ness may be in excess of Guarantor's liabilities hereunder,

Guarantor shall have no right of subrogation, and also

waives any right to enforce any remedy which Lease Company

now has or may hereafter have against Operator, and also

waives any benefit of, and any right to participate in,

any security now or hereafter held by Lease Company (other

than the Collateral given by Guarantor pursuant to this

Agreement). Guarantor waives all presentments, demands

for performance, notices of non-performance, protests, notices of protest, notices of dishonor, and notices of acceptance of this guaranty and of the existence, creation, or incurring of new and additional indebtedness.

6. Operator's indebtedness to Guarantor. Any indebtedness of Operator now or hereafter arising in favor of Guarantor is hereby subordinated to the indebtedness of Operator to Lease Company; provided, that Operator shall be entitled to repay said indebtedness to Guarantor on the terms and conditions as set forth hereinafter. Operator shall not repay to Guarantor any indebtedness now or hereafter arising in favor of Guarantor unless Operator shall first have given Lease Company and Trustee written notice of its intention to do so, specifying the amount of repayment contemplated and the nature of the debt. Lease Company and Trustee shall have two weeks after receipt of such notice within which to make an examination of the financial condition of Operator. Operator shall cooperate with Lease Company and Trustee in making its books and records available. If within such two week period Lease Company or Trustee shall in good faith determine that such repayments would in any way materially jeopardize the financial condition of Operator or its ability to meet its obligations as they become due, including obligations to Lease Company, and shall give Operator written notice to that effect, Operator shall not make the proposed payments. If neither Lease Company nor Trustee gives such notice to Operator within the two week period, Operator shall be entitled to make the payments proposed.

7. Pledge of Collateral. To secure the performance by Guarantor of its obligations hereunder, and to guarantee the obligations of Operator as set forth in the

Operating Sublease and this Agreement, Guarantor hereby

delivers to Lease Company and grants to Lease Company, pursuant to the Uniform Commercial Code as adopted in the

State of California, a security interest in the Collateral agency is coupled with an interest in the Collateral described in Exhibit A hereto which is incorporated herein

by this reference. Said security interest shall attach to any replacement of or addition to the Collateral that may come into the possession of Lease Company and/or Trustee from time to time. Guarantor shall be entitled from time to time to replace Collateral pledged hereby

with other Collateral satisfactory in character to the Lease Company. For purposes of determining "satisfactory character" of the initial and the replacement Collateral, the following will be satisfactory:

(1) bills, bonds and notes of the U.S. Treasury or of agencies of the U.S. Government;

(2) certificates of deposit from a state or federally chartered bank which is among the 100 largest banks in the United States; provided, however, such certificates may be from a smaller bank up to the amount of thereof. Guarantor's failure to provide such additional Federal Deposit Insurance Corporation coverage;

(3) state and municipal bonds rated A or better by either Standard & Poors, or Moodys bond ratings; provided, that the Trustee shall have the right to refuse to accept such bonds for good cause.

10. Right to Income from Collateral: All in-

8. Trustee as Lease Company's Agent. Lease Company agrees to deposit the Collateral with Trustee and, for so long as there remains any outstanding bonded indebtedness, hereby irrevocably appoints Trustee as Lease Company's agent for the performance of all acts and exercise of all powers, rights, and discretion which Lease Company is empowered to perform and exercise under this Agreement,

including, without limitation, receiving, holding, administering, liquidating, and applying the Collateral in accordance with this Agreement. Trustee may perform such acts and exercise such powers without notice to or consent from Lease Company. Lease Company acknowledges that Trustee's agency is coupled with an interest in the Collateral.

Guarantor hereby agrees to honor any such action taken by Trustee as though it were taken by Lease Company, and Lease Company shall take no such action without first obtaining the written approval from Trustee.

9. Periodic Reevaluation of Collateral. Commencing on the date of this agreement and thereafter at periodic intervals of six (6) months, Lease Company or Trustee shall determine the fair market value of the Collateral which it has in its possession under the terms of this Agreement. If in Trustee's opinion the fair market value of such Collateral is less than \$740,000.00, then Lease Company may demand that Guarantor deposit sufficient additional Collateral, satisfactory in character to the Trustee, to restore the fair market value of the collateral within thirty (30) days after written demand therefor. Guarantor's failure to provide such additional collateral within sixty (60) days of such written demand shall constitute an uncured event of default and allow Lease Company to exercise immediately, at Lease Company's sole option, its rights under paragraph 14 hereof.

10. Right to income from Collateral. All interest, dividends, profits and other earnings from Collateral shall belong to Guarantor and shall be promptly delivered to Guarantor unless an event of default exists by Operator or Guarantor under the Operating Sublease or this Agreement. Should such default exist, then Guarantor

agrees that such interest, dividends, profits or other earnings may be retained by Lease Company or Trustee as additional collateral subject to the same terms, conditions and obligations imposed upon the original Collateral as set forth herein.

11. Non Responsibility. Neither Lease Company nor Trustee shall have any responsibility or duty for selling or otherwise trading the Collateral, for purchasing or otherwise acquiring any replacement or additional Collateral, for reporting on market value changes in the Collateral, for collecting or receiving any interest, dividends, profits, or other earnings from the Collateral, or for performing any other acts for the benefit of Guarantor, except upon receipt and acceptance by Trustee of written instructions from Guarantor. Trustee shall not withhold such acceptance unreasonably nor be required to act in less than a reasonable amount of time.

12. Additional Documents. Guarantor shall execute any additional agreements, assignments, or documents that may be deemed necessary or advisable by Lease Company, or Trustee, or their counsel, to effectuate the purposes of this Agreement.

13. Prerequisites to Collection of Collateral. Lease Company shall have no obligation for effecting presentment, demand, protest or notice of nonpayment, protest or dishonor in connection with the Collateral, or to take any steps to preserve rights against prior parties under any instrument, chattel paper, or other Collateral.

14. Events of Default. An "event of default" under this Agreement shall be any of the following: (a) the failure of Operator or Guarantor to cure within sixty (60) days after written notice any default under the Operating

Sublease or this Agreement which default is susceptible of being cured by the payment of money; or (b) the failure of Operator or Guarantor to cure within a reasonably prompt period of time (but in no event less than sixty days) after written notice any other default under the Operating Sublease or this Agreement which default is not susceptible of being cured by the payment of money (except there shall be no grace period for those events of defaults as set forth in subsection (c) below); or (c) the occurrence of any of the following with respect to Operator or Guarantor: (i) insolvency, (ii) an act of bankruptcy, (iii) assignment for the benefit of creditors of a substantial portion of assets, (iv) filing of a petition, voluntarily or involuntarily, under the bankruptcy acts of the United States of America or Canada, or (v) any material adverse change in the financial condition of Operator or Guarantor which is not cured within sixty (60) days after written notice from Lease Company to Operator or Guarantor of such change.

15. Remedies upon Occurrence of Event of Default.

Upon the occurrence of any such events of default, Lease Company may, at its sole option and without further demand or notice to Guarantor or Operator, exercise any one or more of the following rights and powers: (a) declare all accrued Rental Indebtedness immediately due and payable, including the Indenture Funds Rental which had been postponed; (b) proceed to enforce and realize upon Lease Company's security interest in any manner permitted by law or provided for herein; (c) sell, lease, or otherwise dispose of any or all of the Collateral without notice (other than notice as is required by law); and Collateral may be sold at public or private sale (at which Lease Company or Trustee may purchase) in such commercially

reasonable manner as Lease Company may determine; (d) retain the Collateral in satisfaction of the Rental Indebtedness to the extent of the Collateral's then current fair market value, provided, however, if the then current fair market value exceeds the Rental Indebtedness, the excess shall be paid to Guarantor; and (e) exercise any rights or powers of a secured party under the Uniform Commercial Code as adopted in the State of California. In the event of liquidation of all or a portion of the Collateral to cure a default, the liquidation of such Collateral shall be deemed a payment of past due rent, including Indenture Funds Rental, under the terms of the Operating Sublease for the account of Operator thereunder.

16. Exercise of Lease Company's Rights. Any delay by Lease Company in liquidating the Collateral or exercising its other rights hereunder after the occurrence of an event of default shall not preclude Lease Company, from exercising its rights at any later time, so long as the event of default has not been cured. Upon an event of default, Lease Company shall be entitled to exercise its rights hereunder with respect to all or any part of the Collateral.

17. Maximum Dollar Value of Collateral. Upon the exercise by Lease Company of its rights hereunder, if the actual net proceeds and value of rental Collateral from the Collateral exceeds the amount of \$740,000.00 of Rental Indebtedness, plus attorneys fees and costs as provided in Section 19, such excess shall be paid to Guarantor. Whenever the sum of \$740,000.00 is used in this Agreement, such sum shall be deemed to be the lesser of: (a) \$740,000.00 or (b) \$740,000.00 less such sums as Trustee may receive from Lease Company or San Diego Sports Enterprises, or

for the account of either of those parties, prior to the execution of this Agreement. At such time as the outstanding bonded indebtedness secured by the Indenture equals an amount less than the current fair market value of Collateral, the excess amount of Collateral shall be promptly forwarded to Guarantor. Upon final redemption of the outstanding bonds, the amount of Collateral then held by the Trustee shall promptly be forwarded to Guarantor.

18. Lease Company as Guarantor's Attorney-in-Fact.

Lease Company is hereby irrevocably appointed Guarantor's attorney-in-fact to prepare, sign, file and record, in Guarantor's name, all papers necessary or desirable to perfect the security interests of Lease Company hereunder and to enforce or obtain payment for loss of or damage to Collateral and to register or transfer any right, title or interest in or to Collateral and to perform any obligation of Guarantor, at Guarantor's expense, but Lease Company has no obligation to do so.

19. Cost of Enforcement. In the event of any litigation between the parties hereto, or any other legal proceedings for exercising, enforcing, or collecting on, any rights, power, or remedy conferred by this Agreement, or under the law, the prevailing party in such litigation or proceeding shall be entitled to recover from the other party its costs, expenses, and reasonable attorneys' fees therein incurred.

20. Return of Collateral. Lease Company may, with Trustee's written consent, at any time, deliver the Collateral or any part thereof, and any endorsements in blank, assignments and other documents relating thereto, to Guarantor, and the receipt of such by Guarantor shall be a complete acquittance for the Collateral and documents so delivered,

and Lease Company and Trustee shall thereafter be discharged from all liability and responsibility therefor; provided, however, that Lease Company in its discretion may require a receipt from Guarantor before delivering the Collateral or any such documents.

21. Transfer by Lease Company. Upon the transfer of all or any part of the obligations guaranteed hereunder, Lease Company may transfer all or any part of the Collateral and its rights hereunder, and Lease Company and Trustee shall be fully discharged thereafter from any liability and responsibility with respect to such Collateral so transferred; and the transferee shall be vested with all the rights and powers of Lease Company hereunder with respect to such Collateral so transferred; but with respect to any Collateral not so transferred, Lease Company shall retain all rights and powers hereby given.

22. Continuing Obligations. Until all Rental Indebtedness is paid, all rights, powers, and remedies granted to Lease Company hereunder or by law shall continue to exist and may be exercised by Lease Company at any time and from time to time, irrespective of the fact that said Rental Indebtedness or any part thereof may have become barred by the statute of limitations, or that the personal liability of Guarantor or Operator may have ceased.

23. Third Party Beneficiaries. This Agreement is made for the express benefit of Lease Company, Trustee, and all present and future holders of the Sports Arena Bonds.

24. Notices. All notices, demands, or other communications pursuant to this Agreement shall be deemed to have been given when received, or when deposited in the mails of the United States of America or Canada, airmail postage prepaid, return receipt requested, and properly

addressed. All matters for Guarantor shall be delivered at the address set forth at the beginning of this Agreement. All matters for Lease Company and Trustee shall be delivered to Trustee at the address set forth at the beginning of this Agreement.

25. Miscellaneous. Time and each of the terms, covenants, and conditions thereof, are of the essence of this Agreement, and acceptance by Lease Company of any payments hereunder after the same is due, shall not constitute a waiver by Lease Company of this or any other provision of this Agreement. No waiver of any existing default shall be deemed to waive any subsequent default. No delay or failure on the part of Lease Company in the exercise of any rights or powers hereunder shall operate as a waiver thereof. All rights and powers of Lease Company hereunder are cumulative and not alternative and are in addition to those otherwise available. No waiver of a right or power of Lease Company, or consent by it, shall be valid unless in writing.

26. Successors. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of all parties, including any substitute Trustee.

27. Jurisdiction and Venue. This Agreement has been entered into in the City and County of San Diego, State of California, and is to be performed in said City and County. The Agreement shall be construed and interpreted in the light of and in accordance with the law of the State of California as such law shall from time to time be in effect. Such law shall also govern in the settlement of any and all disputes which may arise hereunder. Should litigation arise hereunder, the parties hereto agree that the proper venue for such action is before

the appropriate court having jurisdiction in San Diego County, be it a State or Federal Court.

28. Captions. The captions in this Agreement are for convenience of reference and shall not affect the meaning, construction or effect of this substance of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

GRAYMONT LTD. (GUARANTOR)

By

By

(Seal)

SAN DIEGO ARENA LEASE COMPANY
(LEASE COMPANY)

By

By

SOUTHERN CALIFORNIA FIRST
NATIONAL BANK (TRUSTEE)

By

By

(Seal)

CALIFORNIA CANADIAN BANK

No 353

August 6, 1971

NO.

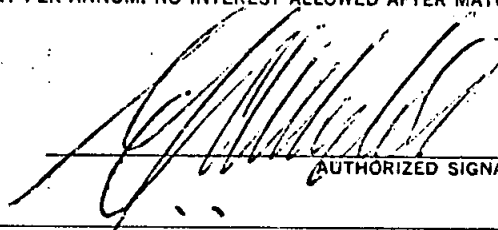
THERE HAS BEEN
DEPOSITED IN THIS BANK

CALIFORNIA
CANADIAN BANK 740000dol's00cts DOLLARS \$ 740,000.00

PAYABLE TO THE ORDER OF Peter Graham on September 5, 1971
UPON PRESENTATION AND SURRENDER OF THIS CERTIFICATE AT ABOVE OFFICE OF THIS BANK, PROPERLY ENDORSED, WITH INTEREST COMPUTED FOR
ACTUAL DAYS ON A 360-DAY YEAR BASIS, FROM DATE AT THE RATE OF 5 5/8 PER CENT PER ANNUM. NO INTEREST ALLOWED AFTER MATURITY.

NEGOTIABLE CERTIFICATE OF DEPOSIT
NOT SUBJECT TO CHECK

1011 REV. 9-66


AUTHORIZED SIGNATURE

Schedule "A"

c

SUBORDINATION AGREEMENT

... In consideration of the execution concurrently herewith by San Diego Entertainment, Inc., a California corporation, hereafter referred to as "Operator", of the Operating Sublease with San Diego Arena Lease Company, dated August 6th, 1971, and the execution by Graymont, Ltd. concurrently herewith of the Guaranty and Pledge Agreement in favor of Southern California First National Bank, and for other valuable consideration, receipt of which is hereby acknowledged, Southern California First National Bank, as trustee under the Indenture of Mortgage and Deed of Trust, recorded in the Official Records of the County of San Diego, State of California on November 8, 1965 as File/Page No. 203054, hereby agrees as follows:

1. The lien and charge of the Indenture referred to above shall be and is hereby subordinated in all respects to the estate of Operator in said Operating Sublease.

2. Trustee consents to the execution of said Operating Sublease by Operator and San Diego Arena Lease Company.

3. This Subordination Agreement shall be binding upon and shall inure to the benefit of, the heirs, devisees,

representatives, successors, transferees and assigns of
the parties.

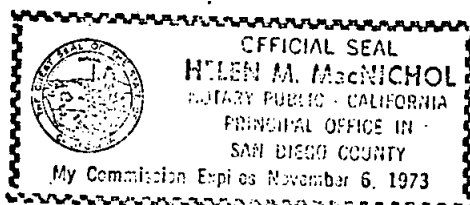
SOUTHERN CALIFORNIA FIRST NATIONAL
BANK, Trustee

By F. S. Brown - Exec. V.P.

STATE OF CALIFORNIA)
) SS.
COUNTY OF SAN DIEGO)

On August 6, 1971, before me, the
undersigned, a Notary Public in and for said County and State,
personally appeared F. S. Brown,
known to me to be Executive Vice-President of the corporation
that executed the within Instrument, known to me to be the
persons who executed the within Instrument on behalf of the
corporation therein named, and acknowledged to me that such
corporation executed the within instrument pursuant to its
by-laws or a resolution of its board of directors.

Witness my hand and official seal.



Helen M. MacNichol
Notary Public in and for
said County and State

d

WAIVER OF RIGHTS AND CONSENT

Whereas, Union Oil Company of California, a California corporation, hereinafter referred to as "Union", on November 8, 1965 entered into an agreement with San Diego Arena Lease Company, a California non-profit corporation, hereinafter referred to as "Lease Company", which agreement was entitled "Advertising Agreement" and

Whereas, by said Agreement Lease Company agreed that Union would have the exclusive right and license to erect advertising signs inside and outside the San Diego International Sports Arena owned by Lease Company and constructed on land leased by Lease Company from the City of San Diego, and

Whereas, said Agreement also provided that Lease Company would insert in all leases and licenses a contract clause prohibiting sponsorship on radio or television by any firm engaged in the sale of petroleum products, tires, batteries or automotive accessories without the prior written consent of Union, with certain exceptions, and

Whereas, said Advertising Agreement continues in effect for the full term of the ground lease to Lease Company from the City of San Diego, and

Whereas, Lease Company executed an Operating Sublease of the Sports Arena with San Diego Sports Enterprises, a California corporation, hereinafter referred to as "Enterprises"

on November 8, 1965 whereby Enterprises became Operator of the Sports Arena, and Enterprises has terminated its interest in said Operating Sublease, and

Whereas, Lease Company, desires to execute a new Operating Sublease to San Diego Entertainment, Inc., a California corporation, hereinafter referred to as "Entertainment", and

Whereas, the approval of Union is required for the appointment of any successor Operator to Enterprises under an Agreement to Appoint Successor Operator between Lease Company and Union dated November 8, 1965,

Whereas, Union recognizes that Entertainment would not execute the new Operating Sublease without the execution by Union of this Waiver and Consent;

Now, Therefore, for valuable consideration:

1. Union hereby consents to the appointment of Entertainment as Operator.

2. Subject to the conditions hereafter set forth, Union waives its exclusive right to erect and maintain advertising signs inside and outside the Sports Arena, except as specifically reserved below, and its right to consent to the radio and television sponsorship of events held in the Sports Arena by firms engaged in the sale of petroleum products, tires, batteries or automotive accessories for so long as Entertainment is the Operator and is not in default under any of the terms

of the Operating Sublease to be executed by Lease Company and Entertainment, a copy of which is attached hereto as Exhibit "A", and is hereby incorporated herein by reference. In the event that Entertainment ceases to be Operator of the Sports Arena or defaults in its performance under the Operating Sublease to which it becomes a party, the waiver contained herein shall terminate and all of the terms of the Advertising Agreement between Lease Company and Union shall become effective again. In the event the waiver granted herein shall be terminated by a default of Entertainment, the curing of such default by Entertainment shall fully reinstate the waiver.

The waiver contained herein shall not apply to permanent or leased display advertising of petroleum products by any competitor of Union, but shall permit the use of temporary displays or signs advertising such products during any event taking place within the Sports Arena.

Union further waives its right to consent to the granting to others of the right to erect and maintain advertising outside the Sports Arena, subject to the limitation that such advertising signs shall not obscure either the Electrical Mechanical Outdoor Attraction Board presently installed on the Sports Arena property, or the Union Oil service station situated immediately adjacent to the property, and subject also to the limitations expressed in the preceding paragraph.

Union is party to an agreement with the Operator of the Sports Arena providing for advertising in connection with its Electrical Mechanical Outdoor Attraction Board for an initial period of ten years from the date of the initial operation of such board, together with an option for extended use of the board after such ten-year period expires. Union shall be entitled to maintain its board pursuant to the terms of that agreement for the initial ten-year period. If Union is unable to reach agreement with the Operator of the Sports Arena at the time of the expiration of such ten-year period, Union will then remove its advertising from such board and waive all further outdoor advertising privileges, provided Entertainment is not in default under the terms of the Operating Sublease.

The obligation of Lease Company under Paragraph 2 of the Advertising Agreement to maintain and illuminate Union's trademark and other illuminated signs erected by Union is waived.

Union waives its right to erect and maintain an illuminated message board pursuant to Paragraph 5 of the Advertising Agreement.

Union waives its right to require Lease Company to insert a clause in all contracts for the construction and

maintenance of the parking area and Arena requiring the use of Union's products in connection therewith.

In witness whereof, the undersigned has executed this Waiver of Rights and Consent agreement this 5th day of August, 1971.

UNION OIL COMPANY OF CALIFORNIA

By  RB
Vice President



Graymont, THE CITY OF

SAN DIEGO

CITY ADMINISTRATION BUILDING • 202 C STREET • SAN DIEGO, CALIF. 92101

OFFICE OF THE
CITY MANAGER

July 28, 1971

Graymont, Ltd.
c/o Scales, Patton, Ellsworth
& Corbett
Attorneys at Law
2150 Southern California First
National Bank Building
San Diego, California 92101

Gentlemen:

San Diego International Sports Arena

On or about February 28, 1969 San Diego Sports Enterprises, operator of the San Diego International Sports Arena under an Operating Sublease between San Diego Arena Lease Company and San Diego Sports Enterprises, transferred certain personal property to The City of San Diego pursuant to the provisions of Section 3 of that Operating Sublease. A copy of the Bill of Sale accomplishing that transfer is attached hereto.

Pursuant to the provisions of The City of San Diego Resolution No. 203241 of July 22, 1971, The City of San Diego has consented to the appointment of Graymont, Ltd., or its nominee, as operator of the International Sports Arena under the terms and conditions of certain documents referred to in that resolution.

This letter authorizes Graymont, Ltd., or its nominee, to utilize those items of personal property itemized and described on Exhibit A attached to the Bill of Sale referred to above, provided that Graymont, Ltd., or its nominee, accepts this authorization under all the terms and conditions of that Bill of Sale.

Graymont, Ltd.

-2-

July 28, 1971

This authorization is also subject to a receipt by the City of an appropriate release from San Diego Sports Enterprises of any interest in or to those items of property described in the Bill of Sale.

Very truly yours,

Walter Hahn Jr.
Walter Hahn, Jr.
City Manager

Enc

Accepted under these terms and conditions this 6th day
of August, 1971.

By

For

San Diego Entertainment & Inc.
Alvin G. [unclear]
Frank R. [unclear]
Secretary

RECEIVED
FEB 28 1969
CITY MANAGER

B I L L O F S A L E

San Diego Arena Lease Company, a California non-profit corporation (Lease Company), and the City of San Diego, a municipal corporation, have previously entered into The San Diego Sports Arena Ground Lease Agreement dated August 10, 1965, (Ground Lease). Attached to the Ground Lease as Exhibit III is The San Diego Sports Arena Operating Sublease entered into between Lease Company and San Diego Sports Enterprises, a California corporation (Sports Enterprises) (Operating Sublease). The Operating Sublease was entered into on November 8, 1965. Since the execution of the Operating Sublease, Sports Enterprises has constructed or acquired various items of personal property itemized and described on Exhibit "A" to this Bill of Sale. Sports Enterprises desires to transfer title to these various items of personal property to the City of San Diego in accordance with the provisions of Section 3 of the Operating Sublease.

Pursuant to Section 3 of the Operating Sublease, Sports Enterprises gives, contributes, transfers and assigns to the City of San Diego all of the items of personal property itemized and described on Exhibit "A" attached to this Bill of Sale. The personal property shall continue to be located at the San Diego International Sports Arena and used by Sports Enterprises. The City of San Diego shall have no obligation to maintain, repair or replace the personal property, which obligation shall remain that of Sports Enterprises at its sole cost and expense.

Sports Enterprises warrants hereby that it owns all right, title and interest in and to all the items listed and described on Exhibit "A" and has the unencumbered and unrestricted right to make this sale.

Sports Enterprises hereby covenants to protect and hold City free and harmless from liability of any kind, whether contractual, quasi contractual or in tort, arising from or which is alleged to have arisen from any use, nonuse, condition, possession, operation, maintenance; repair or replacement of the items listed and described on Exhibit "A". This covenant to protect and indemnify, set forth herein, shall include but is not limited to liability arising from injuries or death sustained by any person, including employees or agents of Sports Enterprises or of City of its agents or employees, which is alleged in any manner to grow out of the use, nonuse, condition, possession, operation, maintenance, repair or replacement of the items listed and described on Exhibit "A". Sports Enterprises covenants that it will defend any lawsuit, claim, action, proceeding or any other demand against City based on any of the causes, conditions or circumstances listed above.

IN WITNESS WHEREOF, Sports Enterprises has executed this Bill of Sale at San Diego, California, on February 28, 1969.

Elder Resuscitator

Steel Storage Building

Wall Racks

Plastic Sheet for

Mike Stand

Truck K&T-71

Boxing Ring

Dressing Room Racks

Boxing Ring Covers & Padding

Projection Screen

Grey Urns with Base

5301 Hill Street Garage

(2) 10' (1) 25' Racks (2) 10' 10"

Set 30-24-10 Set Timers Set 30-24-10

Set 30-24-10 Set Timers Set 30-24-10

Set 30-24-10 Set Timers Set 30-24-10

Set 30-24-10 Set Timers Set 30-24-10

Set 30-24-10 Set Timers Set 30-24-10

SAN DIEGO SPORTS ENTERPRISES

By: William M. McKenzie, Jr.
Secretary

Exhibit "A"

Arena Equipment

Compressor #15398
Spray Gun #15612
Power Edger #85643
U. S. Flag--12' x 18' Nylon
12" Radial Arm Saw #2950
Hammond Organ, B3
Hammond Speaker, JR20
String Bass Unit & Organ Mate Reverb
Fire Extinguishers
Utility Table - First Aid Room
Walkie Talkies (4)
Skil Impact Wrench
Hockey Goals (2)
Grey Water Urns (22)
Elder Resuscitator
Steel Storage Building
Wall Racks
Plastic Sheet for Boxing Ring
Mike Stand
Truck #HT-72
Boxing Ring
Dressing Room Racks
Boxing Ring Covers & Padding
Projection Screen
Grey Urns with Base
52AW1123KK Eve Phones (2)
5300 Mil Roto Hammer #342-17592
(2) 10' (1) 25' Racks (Glaro, Inc.)
12 Mitchell #A-5 Fold-O-Leg Tables
Set 30-24-10 Sec. Timers. Ser. #r-9-66

Exhibit "A"

305' & 145' Control Cables for Timers

(16) lockers 15" W x 18" d x 72" h

3 G 6115N Cabinet

Key Cabinet MC240A

145' 30 Cond. Cable for 30-24-10 Sec. Timer

Cue Phones w/Plug in adapters (4)

52 AW 1123 KKs (5)

Accessories for above

Stand by Amplifier for Q System

PA-20 Electronic Siren with CJ-24 Speaker

Wilton Vise

ML-5 (1510) Moto Lift

Battery Chargers

Conductor Control Calbe

Thomsen Ice Edger w/Attachments

Dearborn Paint Striper - Mod. 500

1 - 11 Lap Indoor track

1 Shot Put mat

Hockey Dasher Boards

Basketball Equipment

Ice Desurfacers

Portable folding chairs

Crawler Tractor

Zamboni

Misc. equipment

Power Sweeper

Forklift

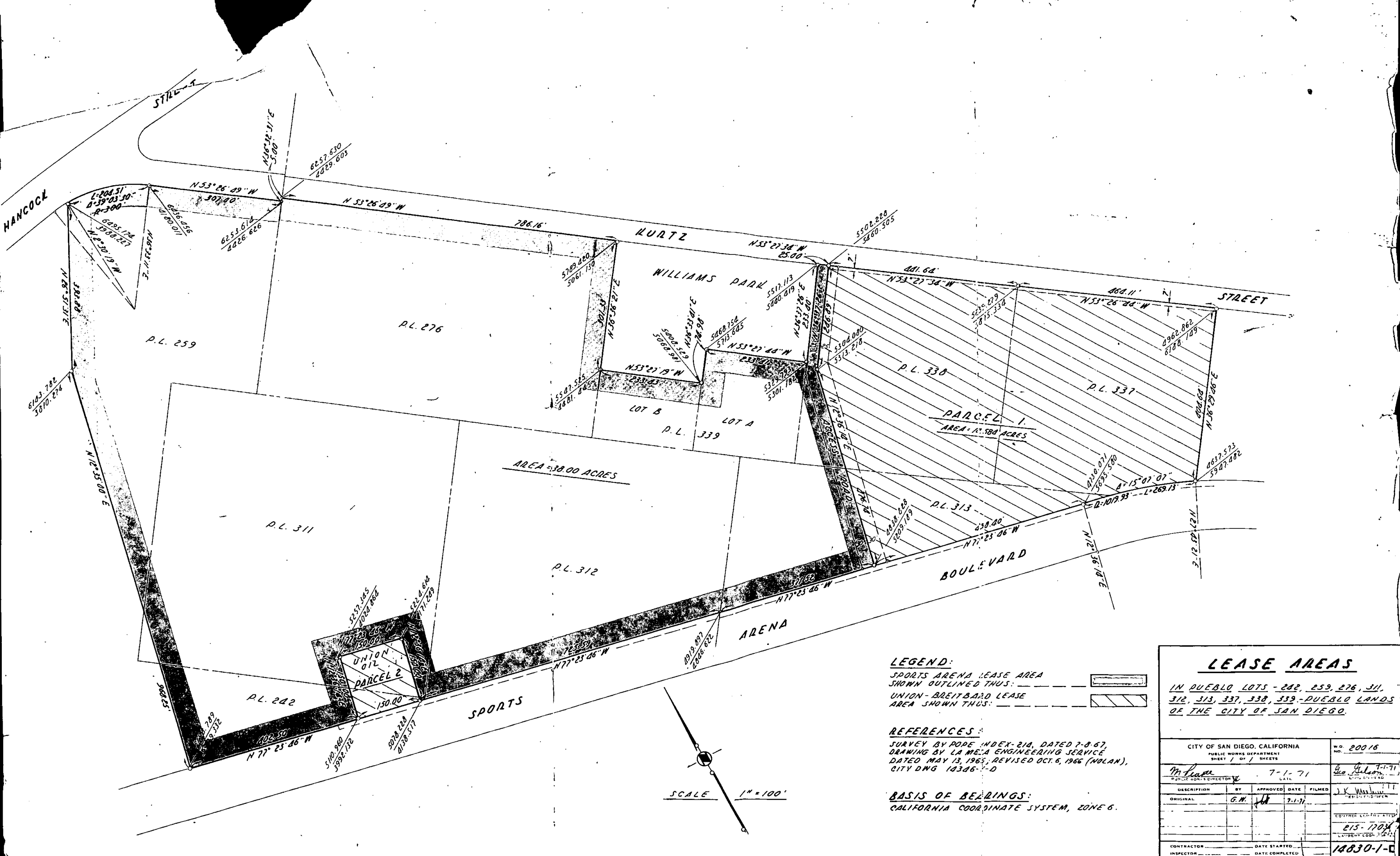
653A E.V. Mike and Stand

Office Furniture, Machinery and Equipment

Interest in lift truck (leased from Clark
Leasing Corporation)

Exhibit "A" (2)

Goal lights, equipment and conduits
Illuminators
Interest in sound system
Sony Video Tape Recorder
Jacuzzi Bath
Portable seating risers
Ten (10) gates for Dasher Boards



REDUCED SCALE PRINT-ORIG. SCALE 0 1 2 3 INCHES