

RESOLUTION NUMBER R- 299137

ADOPTED ON APR 26 2004

WHEREAS, on May 30, 1995, the San Diego City Council [City Council] adopted Ordinance No. O-18182 authorizing the City Manager to execute on behalf of the City of San Diego [City] the 1995 Agreement for the Partial Use and Occupancy of [then] San Diego Jack Murphy Stadium [the "Original Agreement" and as supplemented from time-to-time, the "Agreement"] between the City and the Chargers Football Company [Chargers]; and

WHEREAS, on April 7, 1997, the City Council adopted Ordinance No. O-18398 which authorized the City Manager to execute on behalf of the City the Supplement Number One to the Original Agreement [Supplement Number One]; and

WHEREAS, the Original Agreement and Supplement Number One provided in part for the expansion of (now) Qualcomm Stadium [Stadium], and the use and occupancy of the Stadium by the Chargers under certain terms and conditions; and

WHEREAS, the Agreement also provided for certain renegotiation rights on the part of the Chargers, to be exercised under defined circumstances and at defined times, initiated by the sending of a Renegotiation Notice (as defined in the Agreement); and

WHEREAS, pursuant to the terms of the Agreement, and subject to the satisfaction of the conditions in them, the Chargers had the right to send a Renegotiation Notice at any time between December 1, 2002, and January 29, 2003; and

WHEREAS, on January 29, 2003, the City and Chargers entered into the Supplement Number Two to the Agreement pursuant to which the parties agreed to postpone the period

during which the Chargers could send a Renegotiation Notice to the period March 1 through April 30, 2003; and

WHEREAS, on June 18, 2002, by Resolution No. R-296701, the City Council established the Citizens Task Force on Chargers Issues [Task Force] to examine and report back to the City Council by February 15, 2003, on a number of issues related to the Chargers and the National Football League; and

WHEREAS, on February 27, 2003, the Task Force, by a 14-1 vote, approved its final report to the City Council [Task Force Report]; and

WHEREAS, on March 4, 2003, the Chargers delivered to the City a Renegotiation Notice which commenced a 90-day period during which the City and the Chargers were to negotiate in good faith regarding certain terms of the Agreement [Negotiating Period]; and

WHEREAS, on March 18, 2003, the City Council adopted Resolution No. R-297734, which established a City negotiating team and directed that team to meet with the Chargers pursuant to the recommendations set forth in the Task Force Report, and pursuant to the delivery of the Renegotiation Notice; and

WHEREAS, the City's negotiating team commenced negotiations with the Chargers as authorized and directed by the City Council; and

WHEREAS, on May 20, the City and the Chargers entered into the Supplement Number Three to the Agreement by which the parties agreed to extend the Negotiating Period to and including August 31, 2003; and

WHEREAS, on August 7, 2003, the City and the Chargers entered into the Supplement Number Four to the Agreement by which the parties agreed to extend the Negotiating Period to and including May 1, 2004; and

WHEREAS, on November 25, 2003, the Chargers filed a lawsuit against the City in the Superior Court for the County of Los Angeles entitled *Chargers Football Company LLC v. City of San Diego*, seeking a declaration that the Renegotiation Notice was valid; and

WHEREAS, the case was subsequently transferred to the Superior Court for the County of San Diego and the City filed a cross complaint seeking, among other things, a declaration that the Renegotiation Notice was not valid [collectively, the "Litigation"]; and

WHEREAS, the City Council now desires to discharge its obligations under the Agreement and propose certain terms for a settlement of the Litigation to the Chargers; NOW THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the City's negotiating team is hereby authorized and directed to convey to the Chargers the Term Sheet attached hereto as Exhibit A.

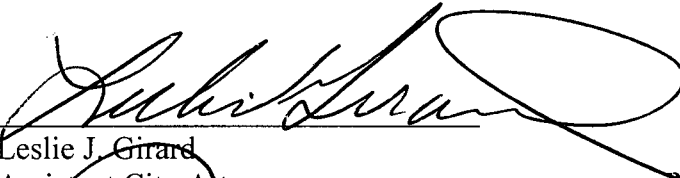
BE IT FURTHER RESOLVED, that the City's negotiating team is hereby authorized and directed to immediately commence negotiations with the Chargers for the specific terms of an amendment to the Agreement consistent with the Term Sheet [Amendment], to be presented to and considered by the City Council at a subsequent public hearing, and which shall not become effective until approved by the City Council as required by law.

BE IT FURTHER RESOLVED, that the Term Sheet is specifically conditioned upon the approval of the Amendment by the City as required by law, and approval of the Amendment by the Chargers, and that if the City and the Chargers do not each approve the Amendment, then the rights and obligations of the City and the Chargers shall continue to be governed by the terms and conditions of the Agreement.

BE IT FURTHER RESOLVED, that the City Manager is hereby authorized and directed to execute a Fifth Supplement to the Agreement which shall extend the Negotiating Period to and including June 15, 2004. When fully executed, the Fifth Supplement shall be kept on file in the Office of the City Clerk as Document No. RR- **299137**

APPROVED: CASEY GWINN, City Attorney

By

  
Leslie J. Girard  
Assistant City Attorney

LJG:km  
04/22/04  
Or.Dept:Atty  
R-2004-1129

**CITY OF SAN DIEGO/SAN DIEGO CHARGERS  
PROPOSED AMENDMENT TO USE AGREEMENT**

**TERM SHEET**

*This Term Sheet is intended as an outline and brief summary of significant terms of a proposed amendment (Amendment) to the 1995 Agreement for Partial Use and Occupancy of San Diego Jack Murphy Stadium, as previously supplemented (Existing Agreement, and as amended by the Amendment, the Agreement). This Term Sheet and the proposed Amendment are subject to formal City Council action. The proposed Amendment is intended to accomplish the following goals and objectives:*

- ✓ Terminate Pending Litigation.
- ✓ Eliminate the Attendance Guaranty immediately and permanently.
- ✓ Eliminate the Renegotiation (Trigger) Notice Provision.
- ✓ Keep the Chargers in San Diego through the 2008 NFL Season.
- ✓ Obtain a Substantial Termination Fee if the Agreement is terminated before 2020.
- ✓ Provide the Parties with a Foundation to Explore a Mutually Agreeable Long-Term Solution for the Chargers to Remain in San Diego, subject to voter approval.

|                              |  |
|------------------------------|--|
| <b>1. Parties</b>            | The City of San Diego (City) and the San Diego Chargers (Chargers).  |
| <b>2. Pending Litigation</b> | The City and the Chargers shall dismiss with prejudice the pending litigation concurrent with the execution of the Amendment. The Parties will enter into a separate Settlement Agreement.   |
| <b>3. Term</b>               | The Chargers covenant to play all pre-season, regular season, and post-season home games at Qualcomm Stadium through, and including, the 2020 National Football League (NFL) Season, subject to the Early Termination provision below. If the Chargers breach this provision, then the City shall be entitled to specific performance and injunctive relief (including its costs and attorney's fees related thereto). |
| <b>4. Early Termination</b>  | The Chargers may terminate the Agreement as of the end of the 2008 NFL season or as of the end of any subsequent season (by notice to the City by February 1 of the proposed year of termination) and paying the applicable Termination Fee per the following paragraph.   |
| <b>5. Termination Fee</b>    | If the Agreement is terminated for any reason (notwithstanding any other provision or right or remedy of any Party) prior to the end of the 2020 NFL season, then the Chargers shall by  |

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|   |  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
|---|--|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|--------------|---------------------------------------|-------------|---------------------------------------|-------------|---------------------------------------|-------------|
|   | <p>February 1 of the proposed year of termination pay to the City the relevant Termination Fee per the following schedule:</p> <table> <tr> <td>February 1, 2009 (End of 2008 Season)</td> <td>\$57,775,000</td> </tr> <tr> <td>February 1, 2010 (End of 2009 Season)</td> <td>\$56,275,000</td> </tr> <tr> <td>February 1, 2011 (End of 2010 Season)</td> <td>\$24,050,000</td> </tr> <tr> <td>February 1, 2012 (End of 2011 Season)</td> <td>\$22,330,000</td> </tr> <tr> <td>February 1, 2013 (End of 2012 Season)</td> <td>\$20,490,000</td> </tr> <tr> <td>February 1, 2014 (End of 2013 Season)</td> <td>\$18,525,000</td> </tr> <tr> <td>February 1, 2015 (End of 2014 Season)</td> <td>\$16,410,000</td> </tr> <tr> <td>February 1, 2016 (End of 2015 Season)</td> <td>\$14,140,000</td> </tr> <tr> <td>February 1, 2017 (End of 2016 Season)</td> <td>\$11,705,000</td> </tr> <tr> <td>February 1, 2018 (End of 2017 Season)</td> <td>\$9,085,000</td> </tr> <tr> <td>February 1, 2019 (End of 2018 Season)</td> <td>\$6,207,000</td> </tr> <tr> <td>February 1, 2020 (End of 2019 Season)</td> <td>\$3,250,000</td> </tr> </table> | February 1, 2009 (End of 2008 Season) | \$57,775,000 | February 1, 2010 (End of 2009 Season) | \$56,275,000 | February 1, 2011 (End of 2010 Season) | \$24,050,000 | February 1, 2012 (End of 2011 Season) | \$22,330,000 | February 1, 2013 (End of 2012 Season) | \$20,490,000 | February 1, 2014 (End of 2013 Season) | \$18,525,000 | February 1, 2015 (End of 2014 Season) | \$16,410,000 | February 1, 2016 (End of 2015 Season) | \$14,140,000 | February 1, 2017 (End of 2016 Season) | \$11,705,000 | February 1, 2018 (End of 2017 Season) | \$9,085,000 | February 1, 2019 (End of 2018 Season) | \$6,207,000 | February 1, 2020 (End of 2019 Season) | \$3,250,000 |
| February 1, 2009 (End of 2008 Season)           | \$57,775,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2010 (End of 2009 Season)           | \$56,275,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2011 (End of 2010 Season)           | \$24,050,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2012 (End of 2011 Season)           | \$22,330,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2013 (End of 2012 Season)           | \$20,490,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2014 (End of 2013 Season)           | \$18,525,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2015 (End of 2014 Season)           | \$16,410,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2016 (End of 2015 Season)           | \$14,140,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2017 (End of 2016 Season)           | \$11,705,000   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2018 (End of 2017 Season)           | \$9,085,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2019 (End of 2018 Season)           | \$6,207,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| February 1, 2020 (End of 2019 Season)           | \$3,250,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| <b>6. Renegotiation Rights</b>                  | Section 31 (Renegotiation Rights) of the Existing Agreement shall be eliminated.   |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| <b>7. Attendance Guaranty</b>                   | Section 9 (City Guaranty) of the Existing Agreement shall be eliminated. The City and the Chargers acknowledge that, without the attendance guaranty, the NFL television blackout policy may become applicable. The Chargers shall be responsible for and bear the economic risk of all ticket sales.  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| <b>8. Rent: (Pre-Season and Regular Season)</b> | <p>The Chargers shall pay to the City the following flat rent per NFL season (payable in two equal installments August 1 and October 1 during the applicable NFL season), but reduced by the ADA settlement and other credits in place under existing agreements:</p> <table> <tr> <td>2004 NFL Season</td> <td>\$2,500,000</td> </tr> <tr> <td>2005 NFL Season</td> <td>\$2,500,000</td> </tr> <tr> <td>2006 NFL Season</td> <td>\$2,500,000</td> </tr> <tr> <td>2007 NFL Season</td> <td>\$2,500,000</td> </tr> <tr> <td>2008 NFL Season</td> <td>\$2,500,000</td> </tr> <tr> <td>2009 NFL Season</td> <td>\$2,500,000</td> </tr> <tr> <td>2010 NFL Season</td> <td>\$2,500,000</td> </tr> </table>  | 2004 NFL Season                       | \$2,500,000  | 2005 NFL Season                       | \$2,500,000  | 2006 NFL Season                       | \$2,500,000  | 2007 NFL Season                       | \$2,500,000  | 2008 NFL Season                       | \$2,500,000  | 2009 NFL Season                       | \$2,500,000  | 2010 NFL Season                       | \$2,500,000  |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2004 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2005 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2006 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2007 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2008 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2009 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |
| 2010 NFL Season                                 | \$2,500,000  |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |              |                                       |             |                                       |             |                                       |             |

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|                               | <p>2011 NFL Season      \$2,500,000</p> <p>2012 NFL Season      \$2,500,000</p> <p>2013 NFL Season      \$2,500,000</p> <p>2014 NFL Season      \$3,000,000</p> <p>2015 NFL Season      \$3,000,000</p> <p>2016 NFL Season      \$3,000,000</p> <p>2017 NFL Season      \$4,000,000</p> <p>2018 NFL Season      \$4,000,000</p> <p>2019 NFL Season      \$4,000,000</p> <p>2020 NFL Season      \$4,000,000</p>  |
| <b>9. Rent: (Post-Season)</b> | The Chargers shall pay to the City 10% of gross gate receipts for any home post-season game played by the Chargers at Qualcomm Stadium.  |
| <b>10. Revenues</b>           | The Chargers shall continue to receive all net revenues that they currently receive from Chargers' home games and, in addition, shall receive the City's rights to any revenue from concessions at Chargers' home games.   |
| <b>11. Maintenance</b>        | The City shall maintain Qualcomm Stadium in good order, condition, and repair in accordance with all applicable legal standards to meet public safety requirements. Prior to execution of the proposed Amendment, the Parties shall develop a reasonable and mutually agreeable approach to maintenance of Qualcomm Stadium, such as a definitive schedule or monetary cap. The Chargers' sole remedy with respect to maintenance and repair matters shall be to seek specific performance by the City. The Chargers shall have no right to terminate the Agreement or seek monetary damages. State of the art and related provisions of the Existing Agreement shall be eliminated. |
| <b>12. Exclusivity</b>        | The Chargers shall not, prior to end of the 2006 NFL season (1/1/07), engage in any negotiations with any third parties regarding the potential relocation of the franchise. If the Chargers breach this provision, then the City shall be entitled to specific performance and injunctive relief (including its costs and attorney's fees related thereto).   |
| <b>13. Long-Term Stadium</b>  | The City and the Chargers shall meet and consider long-term stadium development options with the goal of developing a  |

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| <b>Development Options</b>     | proposal to be voted on by the general public. However, neither Party shall be obligated to participate in a new stadium proposal.  |
| <b>14. Training Facilities</b> | The Chargers shall relocate their training facilities to San Diego as soon as the Chargers are contractually able to do so.   |
| <b>15. Franchise Name</b>      | The Chargers covenant to include "San Diego" as part of the Chargers' name in public references (whether marketing, advertising, or otherwise).   |
| <b>16. Dispute Resolution</b>  | All disputes related to the Agreement shall be subject to binding arbitration in San Diego before a panel of three arbitrators (the Panel), one selected by the City, one selected by the Chargers and a third selected by the other two panelists. The Panel shall apply California law, allow reasonable discovery, have the power and jurisdiction to order all remedies available at law or equity, including specific performance and injunctive relief and shall issue a written statement of decision stating the Panel's findings of fact and conclusions of law, which shall be reviewable by an appellate arbitration panel. Notwithstanding the foregoing, the City shall be entitled to obtain a preliminary injunction in state or federal court in aid of the arbitration process if the Chargers violate the obligation to play all home games at Qualcomm Stadium through the end of the 2008 season. |

**Process:** The City Council intends to consider this Term Sheet at an open session on April 26, 2004 following public testimony. If the City Council authorizes this Term Sheet to be presented to the Chargers, and if the Chargers accept this Term Sheet as a basis to draft a definitive Amendment, then the current negotiation period (under Section 31 of the Existing Agreement) set to expire on May 1, 2004 will be extended to June 15, 2004 so that the City and the Chargers may work diligently on an Amendment. If an Amendment is approved by the City Council through the introduction and adoption of an appropriate ordinance, then the Section 31 negotiation period will be further extended until that ordinance has become fully effective. If the Parties cannot reach agreement on the specific language of the Amendment, then the rights and obligations of the Parties shall continue to be governed by the Existing Agreement.