

[This draft term sheet is not legally valid or authorized until after it is approved by each Party, including the governing body of each public agency after consideration and review of a final Environmental Impact Report as described in Section 1.3.]

SAN DIEGO CHARGERS

NEW STADIUM TERM SHEET

This term sheet (the “Term Sheet”) is entered into as of [September __], 2015, by and among the City of San Diego (“City”), the County of San Diego (the “County”) and the San Diego Chargers NFL franchise (the “Team” or the “Chargers”), for itself and on behalf of Chargers Stadium Company, an affiliate of the Team to be formed (the “Stadium Company”). This Term Sheet is intended to set forth basic terms of a proposed transaction to finance the costs of developing and constructing a new stadium (the “Stadium”) and demolishing the existing stadium located in the City of San Diego in Mission Valley that would be the new home of the Team. Capitalized terms contained in this Term Sheet shall have the meanings given such terms in Attachment A to this Term Sheet.

INTRODUCTION

The purpose and intent of this Term Sheet is to memorialize the basic terms that have been negotiated among the parties and to inform the public regarding the goals and principles identified by City Staff, City Council, County Staff and County Supervisors that will guide the proposal to develop the Stadium throughout the public review process. As further described below, the development and construction of the Stadium shall not proceed unless and until the parties have negotiated, executed and delivered mutually acceptable agreements based upon information produced from the California Environmental Quality Act (“CEQA”) review process and other public review and hearing processes, subject to all applicable governmental approvals.

The new Stadium will be located in Mission Valley adjacent to Qualcomm Stadium, the current home of the Team. The Stadium will have a permanent seating capacity of 68,000 seats with expansion to approximately 72,000 seats for larger events, such as NFL Super Bowls and college football championship games. The Stadium project includes demolition of the existing stadium, parking and transit connection improvements and implementation of mitigation measures (collectively, “Stadium Project”).

The Stadium will be owned by a newly created joint powers authority (the “Stadium JPA”). The City, the County, the Team (acting for itself and, prior to formation of the Stadium Company, acting for the Stadium Company), upon its formation, the Stadium Company, or a subset of such parties as the context requires, are hereinafter collectively referred to as the “Parties.” The City will enter into a ground lease with the Stadium JPA pursuant to which the City will lease the Stadium footprint as further described in Attachment B to this Term Sheet (the “Stadium Site”) to the Stadium JPA upon the terms and conditions contained in Article 4 of this Term Sheet and other terms and conditions acceptable to the Parties (the “Ground Lease”). The Stadium JPA will, in turn, enter into a lease of the Stadium Site and the Stadium to the Stadium Company (the “Stadium Lease”). The Stadium Company will sublease the Stadium to the Team (the “Team Sublease”). Each of these leases will have an initial term of thirty (30) years, with extension options that could extend the term for a total of another ten (10) years. All references

herein to the term of the Ground Lease, Stadium Lease, Team Sublease and the Non-Relocation Agreement, as defined below, shall be to such term as the same may be extended from time to time.

The City and County will contribute funds to the Stadium Project, as described below, as an investment in the City's and County's goals of maintaining an entertainment destination in the Mission Valley area and retaining the Chargers as an integral part of the San Diego community and will provide significant economic benefits to the City and the County and its residents and businesses. The Team will play its home games at the Stadium, including preseason, regular season and post-season games for the term of the Stadium Lease and Team Sublease. The Stadium will also be used for certain non-NFL events (such as concerts and other sporting events) and certain civic events.

The Stadium Project will be developed and the Stadium will be operated in accordance with the following guidelines:

- The City will ground lease the Stadium Site to the Stadium JPA;
- The Stadium JPA will own the Stadium;
- The Stadium JPA will lease the Stadium Site and the Stadium to the Stadium Company;
- The Stadium Company will sublease the Stadium to the Team;
- Investment by the City in the Stadium Project shall not exceed two hundred million dollars (\$200,000,000), exclusive of debt service and other financing costs;
- Investment by the County in the Stadium Project shall not exceed one hundred fifty million dollars (\$150,000,000), exclusive of debt service and other financing costs;
- Neither the City nor the County shall seek to impose a special tax to raise funds for development or construction of the Stadium Project;
- Stadium Company will be responsible for managing the design and construction of the Stadium and demolishing the existing stadium and will be responsible for all costs in excess of the sum of the City Investment, the County Investment and the Stadium JPA Investment in addition to any construction cost overruns and for payment of Base Rent and Facility Rent, each as defined in Section 5.4, to the Stadium JPA in accordance with the Stadium Lease; and
- The Team will enter into a Non-Relocation Agreement, further described below, committing it to play, after completion of construction of the Stadium, its pre-season, regular season and post-season home games in the Stadium, except as may otherwise be prescribed by the National Football League, for thirty (30) years, which period shall be automatically extended to correspond to the term of the Stadium Lease, as the same may be extended in accordance with its terms.

ARTICLE 1.

EFFECT OF TERM SHEET

Section 1.1 Intent and Effect of Term Sheet. The purpose and intent of this Term Sheet is to provide a general framework for the subsequent negotiation of the terms of the definitive agreements regarding the development, design and construction, operation, management, use and occupancy of the Stadium Project and to allow the public the opportunity to vote on such terms. Provided that the electorate authorizes the City to proceed, the Parties agree that this Term Sheet contains the primary terms and conditions for agreements between the Parties necessary for the Stadium Project and will serve as the basis upon which all of the Parties intend to proceed to expend time and resources to obtain such necessary approvals and consents and to negotiate and execute the agreements required to accomplish the tasks outlined herein and, although the planning, development, design and construction, operation, management, use and occupancy of the Stadium Project shall be subject to the terms of more definitive agreements which will encompass issues not addressed in this Term Sheet, the Parties agree that the terms and conditions of the Term Sheet will be incorporated into such other documents. It is the intent of the Parties that this Term Sheet and the authorizing ordinance to be voted on by the City electorate constitute the only legislative acts necessary to establish policy for the City, County and Stadium JPA on these matters and provide the ways and means for the implementation of that policy by such administrative and non-legislative acts as may be necessary and appropriate to carry out the purpose and intent provided for herein.

It is the further intent of the Parties that this Term Sheet not provide for entitlements in land or development, such entitlements being the subject of other actions by public entities or of permits to be sought at later times. The Parties intend that the planning, development and construction of the projects set forth in this Term Sheet be a cooperative, mutual endeavor in which the Parties actively participate and work together, in good faith and with due diligence -- a public/private partnership.

Section 1.2 Voter Approval. The Stadium will not be constructed unless and until the voters of the City approve a ballot measure endorsing the development of the Stadium consistent with this Term Sheet.

Section 1.3 Public Agency Discretion Under CEQA. The Parties fully recognize the importance of and need for analysis, review, and approval of the proposed Stadium Project, including environmental review, approval of a ballot measure for a public vote, and approval of discretionary permits. The City, as lead agency, has initiated environmental study and review of the Stadium Project, and has made a Draft Environmental Impact Report (“DEIR”) available to the public for review and comment, consistent with the California Environmental Quality Act. Prior to consideration of this Term Sheet by the City Council, and prior to any action for a vote of the City’s electorate on this Term Sheet, the City Council will review and consider a final EIR (“Final EIR”) for the Stadium Project. The Parties fully understand and acknowledge that the City, as lead agency for environmental review, and the County and the Stadium JPA, as responsible parties, will fully consider the information presented in the Final EIR and that each retains and must exercise its independent judgment and discretion to (i) propose modifications to the project or additional mitigation measures as may, in its sole discretion, be necessary to comply with CEQA, (ii) select other feasible alternatives to avoid significant environmental impacts, including the no project alternative, (iii) balance the benefits of the Stadium project

against any significant environmental impacts prior to taking final action if such significant impacts cannot otherwise be avoided, and/or (iv) determine not to proceed with the Stadium project. No legal obligations will exist unless and until the Parties have negotiated, executed and delivered mutually acceptable agreements, subject to all applicable governmental approvals.

Section 1.4 National Football League Approval. Prior to the Certification Date (as defined in Attachment A), the Team shall obtain such consents and approvals of the National Football League, its committees and its affiliates as may be necessary for the Team to enter into and perform its obligations under this Term Sheet and the additional documents required by this Term Sheet (to the extent such documents exist at such time).

Section 1.5 Effective Date; Termination. The Mayor shall be directed and authorized to sign this Term Sheet on behalf of the City on the Certification Date. An authorized representative of the County shall be directed and authorized to sign this Term Sheet on behalf of the County on the Certification Date. The Team shall execute this Term Sheet on behalf of the Team and the Stadium Company no later than [Month/Day], 2015, and, by its signature on this Term Sheet, the Team irrevocably accepts the terms of this Term Sheet and agrees to be bound by it if the Certification Date occurs, in which case, upon receipt of the Team's signature, the City and the County shall deliver a fully executed copy of this Term Sheet to the Team. This Term Sheet shall become effective upon its execution by all Parties and, unless otherwise agreed to in writing by the Parties, shall expire on the earlier of [Month/Day], 2017 or the date of Closing (as defined below).

ARTICLE 2.

CITY AND COUNTY CONTRIBUTION

Section 2.1 City and County To Form Stadium JPA. A joint powers authority will be formed creating the Stadium JPA. The Stadium JPA's governing board will consist of [number] members of the City Council and [number] members of the County Board of Supervisors. [The City and County will each also appoint [number] non-elected persons to the governing board.]. The Stadium JPA will have all powers granted to it in its joint powers agreement. The Stadium JPA will be a separate and distinct legal entity, and neither the City nor the County will be liable for the debts or obligations of the Stadium JPA.

Section 2.2 City to Lease Stadium Site. The City will enter into the Ground Lease with the Stadium JPA pursuant to which the City will lease the Stadium Site to the Stadium JPA upon the terms and conditions contained in Article 4 of this Term Sheet and other terms and conditions acceptable to the Parties. The Stadium Site consists of the land representing the Stadium footprint as more fully described in Attachment B hereto.

Section 2.3 City Contribution. The City shall make cash payments, at the time(s) set forth in the Finance Plan described in Section 7.2 below, in the aggregate amount of \$200,000,000 to be used for payment of the costs of the Stadium Project ("City Investment"). These funds shall be provided from the proceeds of the financing(s) of the City's choice (i.e.,

lease revenue bonds, certificates of participation, or other). The City shall determine in its sole discretion the sources of support for its contribution.

Section 2.4 Limitation of City Liability. No City funds, investments, contracts or property interests, including cash balances of and revenue streams to the City's general and enterprise funds, will be used for the construction or operations of the Stadium or pledged or loaned for the payment of any Stadium construction financing, at any time, except for the amounts set forth in Section 2.3 above, the lease of the Stadium Site and any activities undertaken at the City's discretion.

Section 2.5 County Contribution. The County will make cash payments, at the time(s) set forth in the Finance Plan described in Section 7.2 below, in the aggregate amount of \$150,000,000 to be used for payment of the costs of the Stadium Project (the "County Investment"). The County shall determine in its sole discretion the sources of revenue to support its investment; however, existing sources of revenue in the County's general fund and other non-general fund sources are available to support the County Investment.

Section 2.6 Limitation of County Liability. No County funds, investments, contracts or property interests, including cash balances of and revenue streams to the County's general and enterprise funds, will be used for the construction or operations of the Stadium or pledged or loaned for the payment of any Stadium construction financing, at any time, except for the amounts described in Section 2.5 above.

ARTICLE 3.

DEVELOPMENT AGREEMENT

Section 3.1 Development Agreement and Preconditions to Financial Closing. The Stadium JPA will enter into a Development Agreement ("Development Agreement") with Stadium Company. The Development Agreement will set forth the predevelopment activities to be performed, the preconditions to commencement of construction of the Stadium Project and the amount and timing of City, County, Stadium JPA and Stadium Company funding of construction costs, establish a trust account into which the sources of construction funding from each of the Parties shall be deposited and set forth the requisition and disbursement provisions for the withdrawal of monies from such trust account. The execution of the Ground Lease, the Stadium Lease and related documents (the "Closing") will be conditioned on the satisfaction of various conditions ("Conditions to Closing"), including without limitation, the following:

- (a) The Parties' approval of the design of the Stadium;
- (b) The Parties' approval of a schedule for the commencement and completion of construction of the Stadium and demolition of the existing stadium;
- (c) The Parties' approval of a guaranteed maximum price contract between the Stadium Company and a contractor for the design and construction of the Stadium Project, procured in accordance with applicable laws ("Construction Contract");

(d) The Parties' approval of the Development Budget and the Project Management Agreement, each as defined below;

(e) The Parties' approval of a detailed Finance Plan as described in Section 7.2 below;

(f) The Parties' approval of the Ground Lease, Stadium Lease, Team Sublease and the Non-Relocation Agreement;

(g) The Parties' approval of a parking plan for NFL Events; and

(h) All entitlements and other regulatory approvals necessary to commence construction are final.

Section 3.2 Leasing the Stadium Site and the Stadium. At such time as all Conditions to Closing, as more fully set forth in the Development Agreement, are satisfied, the following will occur:

(a) Execution of Ground Lease. The City will lease the Stadium Site to the Stadium JPA pursuant to the Ground Lease;

(b) Execution of Stadium Lease. Stadium Company will concurrently lease the Stadium Site from the Stadium JPA, and the Stadium Company will commence construction of the Stadium;

(c) Execution of Team Sublease and Non-Relocation Agreement. Pursuant to the Team Sublease, the Team will concurrently sublease the Stadium from Stadium Company for the same initial term and optional extension terms as contained in the Stadium Lease. The Team will also concurrently enter into a separate agreement with the Stadium JPA, the City and the County (the "Non-Relocation Agreement") pursuant to which the Team will commit to play in the Stadium, after the completion of construction thereof, not less than one pre-season game each year (so long as there are at least two scheduled pre-season home games in that year) and all of its regular season and post-season home games for the term of the Team Sublease, including any extension thereof, except as may be prescribed by the NFL or as may be otherwise agreed upon by the Team, the Stadium JPA, the City and the County in the Non-Relocation Agreement (e.g., during reconstruction in the event of a casualty).

ARTICLE 4.

GROUND LEASE

Section 4.1 Term. The Ground Lease for the Stadium Site will be for an initial term of thirty (30) years, with two (2) separately exercisable extension options, each for an additional term of five (5) years, and will be co-terminous with the Stadium Lease, Team Sublease and Non-Relocation Agreement. Upon the Stadium Company's exercise of any extension option pursuant to the Stadium Lease, the Ground Lease and Non-Relocation Agreement will automatically be extended for the corresponding extension term.

Section 4.2 Ground Rent. During the term of the Ground Lease, the Stadium JPA will pay to the City, annually, as ground rent (“Ground Rent”), an amount equal to [_____ dollars (\$_____)¹] for each year commencing in the first year of Stadium operations (i.e., the first year in which NFL Games will be played in the Stadium).

ARTICLE 5.

STADIUM LEASE AND TEAM SUBLEASE

Section 5.1 Term. The Stadium Lease and the Team Sublease will each have an initial term of thirty (30) years, with two (2) separately exercisable extension options, each for an additional term of five (5) years. The same terms and conditions of the Stadium Lease will apply during each option term. Stadium Company may only exercise an option to extend the term of the Stadium Lease if the Team Sublease is concurrently extended by the Team for the same term as the option term and the Non-Relocation Agreement remains in full force and effect for such extension term. In such event, the Ground Lease shall be automatically extended for the same term.

Section 5.2 General Operation of the Stadium. Subject to the terms of the Stadium Lease, including those relating to capital improvements and modifications, the Stadium Company will have the right to direct all aspects of the operation, repair, maintenance, management and control of the Stadium at all times during the term of the Stadium Lease and the Stadium Company will have the discretion in the operation, repair, maintenance, management and control of the Stadium as may be needed to perform its responsibilities under the Stadium Lease. The Parties recognize that the Stadium JPA will have a substantial interest in the manner in which the Stadium is operated and maintained and has a responsibility to the public to ensure that the Stadium is operated and maintained in a manner consistent with public facilities and the same will be reflected in the Stadium Lease.

Section 5.3 NFL Events. Stadium Company will have the exclusive right to host professional football games in the Stadium (“NFL Games”). Each year during the term of the Team Sublease, the Team will play its home games in the Stadium, as provided in Section 3.2(c) above. Use of the Stadium for NFL Games will include time reasonably necessary for practice or warm-ups by the home and visiting teams, the installation of equipment, including advertising and media equipment, and same day concerts and other special events in conjunction with the NFL Games. In addition to the use of the Stadium for NFL Games, Stadium Company and the Team will be entitled to use the Stadium in connection with community relations, promotional and corporate partner private events (together with NFL Games, “NFL Events”), provided that Stadium Company and the Team will coordinate the scheduling of NFL Events (other than NFL Games) with the Stadium JPA to avoid conflict with Civic Events (as hereinafter defined). In all events, however, the Stadium JPA will recognize that, during the NFL pre-season, regular season and post-season, the Stadium Company, the Team and all NFL Events will have scheduling priority over all Non-NFL Events and all Civic Events to be held in the Stadium.

¹The annual Ground Rent is expected to be a nominal amount.

Section 5.4 Facility Rent to Stadium JPA; Net Operating Expenses. Prior to completion of the Stadium, the Stadium Company will pay to the Stadium JPA as rent an amount equal to [____ Dollars (\$____)] per year (“Base Rent”). Following completion of the Stadium, Stadium Company will pay to the Stadium JPA, as rent for the Stadium an amount equal to [____ Dollars (\$____)] per year (“Facility Rent”)².

Section 5.5 Demolition of Stadium. At the end of the term of the Stadium Lease and Ground Lease, the Stadium Company, at the option of the City, will be operationally and financially responsible for the demolition of the Stadium. If the City elects not to require that the Stadium be demolished at the end of the term of the Ground Lease, the City will become the owner of the Stadium without payment to the Stadium JPA, Stadium Company or any other entity.

ARTICLE 6.

DESIGN AND CONSTRUCTION OF THE STADIUM

Section 6.1 Application for Land Use Approvals. Stadium Company, with the cooperation of the City, County and Stadium JPA, will obtain land use approvals necessary for construction of the Stadium Project not already obtained by the City prior to execution of the Project Management Agreement (defined below). At the request of the Stadium Company, the City and the County will assist in the application process.

Section 6.2 Project Management Agreement. The Stadium JPA will enter into a project management agreement (the “Project Management Agreement”) with Stadium Company pursuant to which Stadium Company will direct and manage all design and construction for the Stadium Project, subject to certain oversight responsibilities of the Stadium JPA, in accordance with procedures to be defined in the Project Management Agreement that recognize Stadium Company’s responsibility for all construction costs above the City Investment, the County Investment and the Stadium JPA Investment and all construction cost overruns. The design of the Stadium Project will be developed by Stadium Company in consultation with the Stadium JPA, subject to approval as set forth in Section 3.1.

Section 6.3 Compliance with Applicable Laws. Each Party shall be responsible for compliance with all laws and regulations, including but not limited to prevailing wage and non-discrimination in contracting, that may apply to the planning, development, construction, operation, management, use and occupancy of the Stadium Project to the extent that such Party is responsible for that aspect of the Stadium Project. The Team shall have the lead responsibility during the Stadium Project design and construction for ensuring compliance with all licensing, permitting and construction requirements, including prevailing wage requirements, and with the design and access requirements of the federal Americans with Disabilities Act and any similar laws. To the extent the Parties purchase insurance or obtain contract protection with respect to construction of the Stadium Project, each Party shall ensure that each other Party has the same protections available to it with respect to coverage, including insurance and contract protection

²The annual Base Rent is expected to be a nominal amount. The annual Facility Rent is expected to be an amount equal to the amount necessary to cover certain annual operating expenses of the Stadium JPA.

from general contractors, architects and other professionals, from claims resulting from the Americans with Disabilities Act and any similar laws (if such protection can be obtained without significant additional cost; however, each Party may elect to pay any such significant additional cost). All actions required by this Term Sheet shall be subject to all requirements of law, including any required hearings and findings.

All Parties to this Term Sheet shall assure that equal opportunities are provided in contracting, sub-contracting and employment and will not discriminate on the basis of race, gender, gender expression, gender identity, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of employees, subcontractors, vendors, or suppliers. The Parties' agreements will contain language requiring compliance with existing federal, state, and local discrimination laws, and requiring such language in contracts with subcontractors, vendors, and suppliers on the Stadium Project.

Section 6.4 Permit, Inspection and Development Fees; Demolition of Existing Stadium. Stadium Company will pay, as part of the Development Budget, (i) any permit processing and inspection fees legally required, (ii) any development fees required to be paid as part of development of the Stadium Project and (iii) the costs of demolition of the existing Stadium.

ARTICLE 7.

STADIUM CONSTRUCTION FINANCING

Section 7.1 Financing Overview. Based on current projections, Stadium Project development and construction costs will be in the range of one billion one hundred million dollars (\$1,100,000,000) assuming construction starts in 2016 and is completed prior to the National Football League's 2019 season. This cost projection may change as the Stadium Project design process moves forward. As further described in the succeeding Sections of this Article 7, funding for the development of the Stadium Project will be provided by the City, the County, Stadium JPA and Stadium Company. The City Investment will not exceed a total of two hundred million dollars (\$200,000,000), exclusive of debt service and other financing costs. The County Investment will not exceed a total of one hundred fifty million dollars (\$150,000,000), exclusive of debt service and other financing costs. The Stadium JPA will raise funds through the sale of stadium builders licenses as set forth in Section 7.3 hereof and invest the amounts received from such sales into the construction of the Stadium Project (the "Stadium JPA Investment"). If all Conditions to Closing are satisfied, Stadium Company will be responsible to invest all the funds necessary to pay the costs to complete the Stadium Project which are not paid by the other sources set forth in this Section 7.1 (the "Stadium Company Investment") in accordance with the Finance Plan described below.

Section 7.2 Finance Plan. The Parties understand and acknowledge that the actual amounts of the potential revenue streams that are planned to be used by the Stadium Company to finance the development of the Stadium Project, as generally described in this Article 7, and the specific requirements of the various bond underwriters and lenders that will provide financing in the future, are uncertain at this point in time. In recognition of these facts, the Parties

acknowledge that it is critical to maintain flexibility in the approach to financing of the Stadium Project, subject in all events to the limitations on the City Investment and the County Investment. As provided in Section 3.1 above, it will be a Condition to Closing that the City and the County approve a detailed plan for the financing of the Stadium Project (the "Finance Plan"). The Finance Plan will set out in reasonable detail the amount and timing of the Stadium JPA Investment, the timing of the City Investment and the County Investment, and the timing of the Stadium Company Investment, and will demonstrate, to the reasonable satisfaction of the Stadium JPA, that the Stadium Company will have sufficient assets, credit and revenue streams to timely fund the Stadium Company Investment. The Parties understand and acknowledge that there will be available on or about the later date of July 1, 2016, or sixty days after the Certification Date, no less than \$125,000,000 in public funds for use in Stadium Project development costs. These funds will be from the County Investment to the Stadium Project and will count against the County Investment of \$150,000,000. These funds may be used exclusive of the City Investment or Stadium Company funds until such time as the City and Stadium Company Investment funds are available for use. At that time, the respective contributions of the City and the Stadium Company will be made exclusive of the County's contribution until such time as each of the City and Stadium Company has contributed a proportional share of its respective funds in relation to the funds already contributed by the County, and thereafter, each Party's contribution will be a proportional share of its remaining obligation.

Section 7.3 Stadium JPA Investment. The Stadium JPA, in consultation with Stadium Company, will market and sell "Stadium Builders Licenses" ("SBLs"). The Stadium JPA, in consultation with Stadium Company, will identify and select an entity experienced in the marketing and sale of SBLs, provided that the Team or an affiliate of the Team may act as the Stadium JPA's marketing agent in the sale of SBLs, including in marketing to the Team's current season ticket holders. SBLs will provide buyers with the right to purchase season tickets for NFL Games as long as the Team plays its home games at the Stadium and a preferential right to purchase tickets for Non-NFL Events. The Stadium JPA will use good faith efforts, in cooperation with Stadium Company, to maximize the amount available for construction of the Stadium Project from the sale of SBLs subject to fiscal prudence and consistent with the City's and County's financial policies. The Stadium JPA will be liable for the Stadium JPA Investment only to the extent that proceeds of sales of SBLs, net of the expenses of such sales, are actually available. The Stadium JPA will be obligated to provide funds for the Stadium JPA Investment solely from the proceeds of the sale of SBLs.

Section 7.4 Stadium Company Investment.

(a) **Determination of Stadium Company Investment.** The portion of the Stadium Company Investment to be deposited to the trust account referenced in Section 3.1 and required in order for construction to commence will be determined at such time as the following have been accomplished:

(i) The Stadium JPA and Stadium Company have each approved a guaranteed maximum price Construction Contract and a development budget which includes the guaranteed maximum price for construction of the Stadium Project and any other project costs not covered by the Construction Contract (the "Development Budget"); and

(ii) The Stadium JPA and Stadium Company have approved the Finance Plan identifying the amount of proceeds of SBLs expected to be available to fund the Stadium JPA Investment.

The Construction Contract shall be in form and substance reasonably satisfactory to the Stadium JPA and shall provide for indemnification by the construction contractor of the Stadium Company, the Stadium JPA, the City and the County and shall require each of the foregoing to be named insureds and loss payees on insurance policies maintained by the construction contractor.

(b) Amount of Stadium Company Investment, Including Cost Overruns. Stadium Company will pay, in accordance with the Finance Plan, (i) any actual costs of construction of the Stadium Project that exceed the sum of the City Investment, the County Investment and the Stadium JPA Investment and (ii) any actual costs of construction of the Stadium Project in excess of the Development Budget.

(c) Investments Separate. Stadium Company will fund its contribution from its own funds and in no event will any proceeds from the City Investment, the County Investment or the Stadium JPA Investment be used to fund any obligations of Stadium Company.

Section 7.5 Disbursement of Construction Financing; Costs for Negotiation and Preparation of Documents. There will be an equitable schedule, to be agreed upon in the Finance Plan, for the City, the County, Stadium JPA and Stadium Company to deposit the amounts of their respective investments in the trust account referenced in Section 3.1 and for the disbursement of such amounts to fund Stadium Project construction costs. Each Party shall be responsible for its own legal, accounting, consulting and other professional expenses and fees incurred in connection with the planning and negotiation process for the Stadium Project and the negotiation and preparation of all agreements and documents required to implement the terms herein. If the Stadium Project proceeds, the City, the County, the Stadium JPA, the Team and the Stadium Company will be entitled to receive from the trust account referenced in Section 3.1 reimbursement of any previously incurred development expenses and other soft costs related to the Stadium Project to the extent such costs have been included in the Development Budget.

ARTICLE 8.

STADIUM OPERATIONS

Section 8.1 Stadium Operations Generally. The Stadium Company will be responsible for the management and operation of the Stadium for NFL Events, Non-NFL Events and Civic Events (as defined in Section 12.1), and Stadium JPA will cooperate as necessary with the Stadium Company in the operation of the Stadium. Certain operational and maintenance standards will be negotiated by the Parties and will be set forth in a mutually agreed operation and maintenance plan for the Stadium designed to achieve a safe and well-maintained Stadium for all events at the Stadium in a first class manner (the “Stadium Operation and Maintenance Plan”). The Stadium Operation and Maintenance Plan and a capital expenditure plan designed to ensure the Stadium will remain in good condition and repair in accordance with applicable laws and NFL rules and regulations (“Capital Expenditure Plan”) will be adopted annually by the

Stadium Company, subject to the approval of the Stadium JPA. The Capital Expenditure Plan will include an annual projection of capital expenditures, as well as a five (5) year projection of anticipated expenditures. An annual budget for the Stadium operations (the “Annual Stadium Operating Budget”) will be adopted annually by the Stadium Company, in consultation with the Stadium JPA, and will be filed with the Stadium JPA.

(a) Management Company. The Stadium Company may, with the prior approval of the Stadium JPA, contract with a Stadium management company to oversee the day-to-day operations of the Stadium. The Parties will identify a mutually acceptable process for selecting the management company. Any agreement with a management company shall be in form and substance reasonably satisfactory to the Stadium JPA and shall provide for indemnification by the management company of the Stadium Company, the Stadium JPA, the City and the County and shall require each of the foregoing to be named insureds and loss payees on insurance policies maintained by the management company. The Stadium Company shall not enter into any contract or grant any rights with respect to the operation of the Stadium that extend beyond the Team’s term of occupancy of the Stadium or that are not terminable by the Stadium JPA upon default by the Team or the Stadium Company under any agreement for the occupancy of the Stadium.

(b) Concessionaire. The Stadium Company may, with the prior approval of the Stadium JPA, contract with an experienced and responsible concessionaire to operate the concessions within the Stadium. The Stadium Company, in cooperation with Stadium JPA, will be responsible for managing the concessionaire. The Parties will identify a mutually acceptable process for selecting the concessionaire. Any agreement with any concessionaire shall be in form and substance reasonably satisfactory to the Stadium JPA and shall provide for indemnification by the concessionaire of the Stadium Company, the Stadium JPA, the City and the County and shall require each of the foregoing to be named insureds and loss payees on insurance policies maintained by the concessionaire.

(c) Stadium Parking. The City will provide reasonable assurance that a minimum of [_____] parking stalls will be made available for NFL Events, Non-NFL Events and Civic Events during the term of the Stadium Lease. Pursuant to a parking facilities agreement between the City and the Stadium Company, the Stadium Company will be responsible for managing and operating parking for the Stadium and shall determine the fees to be charged for parking at the Stadium for NFL Events and Non-NFL Events, and, with the approval of the Stadium JPA, Civic Events. The Stadium Company, after consultation with the Stadium JPA, may subcontract with an experienced and responsible parking operator to manage the parking areas. The Parties will identify a mutually acceptable process for selecting the parking operator. Any agreement with any parking operator shall be in form and substance reasonably satisfactory to the City and shall provide for indemnification by the parking operator of the Stadium Company, the Stadium JPA, the City and the County and shall require each of the foregoing to be named insureds and loss payees on insurance policies maintained by the parking operator.

Section 8.2 Crowd Control, Security and Enforcement Control. Except as may be otherwise agreed by the Stadium JPA and Stadium Company in a stadium security agreement (the “Stadium Security Agreement”), the Stadium Company will be responsible for non-police officer crowd control and security enforcement within the Stadium and shall provide for

appropriate personnel therefor. The Stadium Company will also be responsible for crowd control and security in the parking areas. In the event that the Stadium Company elects to have police officers from the San Diego Police Department assist in crowd control and security enforcement personnel at the Stadium to augment non-police officer crowd control and security enforcement personnel, then the costs of the overtime hourly wages associated with providing such San Diego police officers shall be paid for by the Stadium Company. The Stadium Company shall reimburse the City for its share of police officer costs within thirty (30) calendar days after each event.

ARTICLE 9.

BUDGET

Section 9.1 Budget Overview. As provided above, the Stadium Operation and Maintenance Plan, including the Annual Stadium Operating Budget and the Capital Expenditure Plan, will be adopted annually by the Stadium Company and submitted to the Stadium JPA for approval prior to the beginning of each fiscal year of the City. The Annual Stadium Operating Budget will include an annual operating plan indicating the type and nature of events that are then contemplated for the Stadium and a projection of the Stadium Operating Revenue (as defined in Article 10 below) and overall Stadium expenses for that year, including Base Rent, Facility Rent and any amounts payable under Section 8.2.

ARTICLE 10.

STADIUM OPERATING REVENUE

Except as provided herein, the Stadium Company will be entitled to and will receive all “Stadium Operating Revenue,” which means, for each year during the term of the Stadium Lease, all revenue from operation of the Stadium, excluding Team Revenue (which will be paid to the Team) and any net revenue from Civic Events (which will be paid to the Stadium JPA). Stadium Operating Revenue will include, without limitation, the following:

Section 10.1 [Ticket and Parking Surcharges. To be discussed].

Section 10.2 Naming Rights Revenue. The Stadium Company, in consultation with the Stadium JPA, will have the exclusive right to market and sell the naming rights to the Stadium. The Stadium Company will receive all net revenue from the sale of naming rights to the Stadium itself pursuant to a naming rights contract (“Naming Rights Revenue”). The Parties acknowledge that the naming rights sponsor may also enter into a separate sponsorship contract with the Team, and revenue under such separate sponsorship contract will be Team Revenue, which, as provided herein, is excluded from Stadium Operating Revenue. Any name proposed to be associated with the Stadium shall be tasteful and shall not be a cause for embarrassment to the City or the County and, to ensure this protection, shall be subject to the Stadium JPA’s consent (which consent will not be unreasonably withheld or delayed).

Section 10.3 SBLs Revenue. All net revenue from the sale or transfer of SBLs, except to the extent used to pay initial development or construction costs of the Stadium Project.

Section 10.4 Parking Revenue. Except as otherwise agreed by the Stadium JPA and Stadium Company, all net revenue from the operation of parking areas for NFL Events and Non-NFL Events other than Civic Events, provided, however, that a certain amount of parking in designated areas agreed upon by Stadium Company and the Stadium JPA will be made available at no charge for Stadium Company and Stadium JPA use. Pricing of parking for Civic Events will be subject to the approval of the Stadium JPA. Net revenue from the operation of parking areas during Civic Events shall belong to the Stadium JPA.

Section 10.5 Concession Revenue. Except as otherwise agreed by the Stadium JPA and Stadium Company, all net revenue from concessionaires authorized by the Stadium Company to engage in the sale of food, beverages and other goods in the Stadium or in parking areas managed by the Stadium Company (“Concession Revenue”), provided, however, that Concession Revenue does not include any of the following, which will constitute Team Revenue: (i) revenues from retail activities associated with the retail store(s) in the Stadium designated as a “Team Store,” (ii) Team Service Revenue (defined below); or (iii) NFL Advertising and Sponsorship Revenue (defined below).

Section 10.6 Third-Party Rent. Except as otherwise agreed by the Stadium JPA and Stadium Company, the Stadium Company will receive all net rent from the lease of other leasable space in the Stadium, but excluding any and all space occupied or controlled by Stadium Company or the Team, including, without limitation, the suites and the Team’s locker rooms, offices, Team Store and any other areas to be specified in the Stadium Lease. Any such leases to third parties of other leasable space in the Stadium will be subject to the reasonable approval of Stadium JPA.

Section 10.7 Revenue from Non-NFL Events, other than Civic Events. Net revenue received from the promoter or other sponsor of any Non-NFL Event for the right to occupy the Stadium for such Non-NFL Event, including ticket sales to Non-NFL Events sponsored by the Stadium Company, other than the net revenue resulting from Civic Event which shall be transferred to the Stadium JPA; provided, however, that Stadium Company will have the exclusive right to market and to authorize the right to occupy suites and similar specified facilities for Non-NFL Events upon purchase of admissions tickets for such Non-NFL Events, and the premium charged, if any, by Stadium Company to occupy such suites or similar facilities for Non-NFL Events will constitute Team Revenue.

Section 10.8 Non-NFL Event Advertising Revenue. Net revenue received from transient electronic advertising on designated areas of the Stadium scoreboards that is purchased exclusively for and displayed exclusively during Non-NFL Events as well as promotional events and activities occurring exclusively during Non-NFL Events (“Non-NFL Event Advertising Revenue”). To the extent legally and operationally feasible, the City and the Stadium JPA will not engage in or authorize at any time, including during Non-NFL Events, any advertising or promotional activities in or around the Stadium or in parking areas owned or controlled by the City or Stadium JPA that conflict with the terms of contracts that Stadium Company negotiates with its advertisers or sponsors (“Sponsor Contracts”). Net revenue received from transient electronic advertising on designated areas of the Stadium scoreboards that is purchased exclusively for and displayed exclusively during Civic Events as well as promotional events and activities occurring exclusively during Civic Events shall be the property of the Stadium JPA.

ARTICLE 11.

TEAM REVENUE

Section 11.1 Definition of Team Revenue. Stadium Company, the Team or their affiliates will receive all Team Revenue; and, as provided in Article 10 above, Stadium Operating Revenue will expressly exclude all Team Revenue. As used herein, “Team Revenue” means (a) all NFL Events Revenue, including Team Service Revenue, (b) all NFL Advertising and Sponsorship Revenue and (c) except as expressly provided herein, all other NFL-related revenue or revenue from NFL operations, whether or not occurring at the Stadium, including, without limitation, all revenue from any broadcast or other dissemination of the sound, visual or written depiction of NFL Events and all revenues from retail activities associated with the retail store(s) in the Stadium designated as a “Team Store.”

Section 11.2 NFL Events Revenue. As used herein, “NFL Events Revenue” means any and all revenue arising directly or indirectly out of NFL Events, including, without limitation, the following:

(a) **Ticket Revenue.** All revenue from the sale of tickets to NFL Games or other NFL Events; and

(b) **Team Service Revenue.** All revenue from the delivery of services, rental of any equipment, goods or devices, or the use of technology at or in connection with any NFL Events at the Stadium or provided by Stadium Company, the Team or their affiliates (collectively, “Team Service Revenue”).

Section 11.3 NFL Advertising and Sponsorship Revenue.

(a) **Right to Sell.** Except for advertising and promotional activities included in the Stadium Company’s Non-NFL Event Advertising Revenue, Stadium Company, the Team or its affiliates will have the exclusive right to sell advertising and space for promotional displays and activities and other marketing media in or on the Stadium and on Stadium-related signage, whether fixed or otherwise, and sponsorships and promotional activities within the Stadium or associated with the Team and/or the NFL (“NFL Advertising and Sponsorships”), including without limitation, (i) the sale of rights to name or enhance components of the Stadium, including, without limitation, Stadium gates, levels, plazas and concession areas, and (ii) the sale of promotional displays, kiosks or similar facilities in the Stadium or on parking lots or structures owned or controlled by the Stadium JPA.

(b) **Revenue from NFL Advertising and Sponsorship.** Stadium Company, the Team or their affiliates will receive exclusive rights to any and all revenue, except for Naming Rights Revenue, from NFL Advertising and Sponsorships (“NFL Advertising and Sponsorship Revenue”). NFL Advertising and Sponsorship Revenue will not include any Non-NFL Event Advertising Revenue.

ARTICLE 12.

NON-NFL EVENTS AND CIVIC EVENTS

Section 12.1 Annual NFL and Non-NFL Event Plan. In addition to NFL Events, the Stadium Company will have the right to conduct events in the Stadium, such as concerts and sporting events other than NFL Events (“Non-NFL Events”). The Stadium Company shall establish a plan and schedule for NFL Events and Non-NFL Events for each calendar year (the “Annual NFL Event and Non-NFL Event Plan”) and submit such Annual NFL Event and Non-NFL Event Plan to the Stadium JPA on or before a date to be determined and set forth in the Lease Agreement. The Stadium JPA will have the right, without any obligation to pay rent to the Stadium Company, to use the Stadium and parking areas for up to [_____] days in each calendar year (“Civic Event Dates”) to schedule events (“Civic Events”) that are not included in the Annual NFL and Non-NFL Event Plan by providing prior written notice to the Stadium Company of its intent to conduct a Civic Event at the Stadium. If the Stadium JPA does not use all of its Civic Event Dates in any calendar year, it shall not be permitted to carry such unused dates forward to any future calendar year. Civic Events may include civic, cultural and community events, high school and college football and soccer games and other athletic or educational events as well as the provision of meeting space in the Stadium for community groups and not-for-profit organizations, convention center and other public uses. Such events may take place year-round subject to the scheduling priority for NFL Events established in Section 5.3 hereof. [Discuss continued use by Aztecs and certain other entities.]

Section 12.2 [Ticket and Parking Surcharges. To be discussed.]

Section 12.3 Net Revenue from Civic Events. The Stadium JPA shall be entitled to all net revenue attributable to Civic Events, including net parking revenue, and any net revenue from Civic Events received by the Stadium JPA may be transferred in the discretion of the Stadium JPA to the City’s or the County’s general fund, as applicable. The Stadium Company will actively assist the Stadium JPA in operating Civic Events so as to maximize the Stadium JPA’s net revenue from such events.

ARTICLE 13.

CAPITAL RESERVES

Section 13.1 Reserve Deposits. The Stadium Company will fund a capital reserve maintained by the Stadium Company (the “Stadium Capital Expenditure Reserve”) and funded by an annual deposit to the Stadium Capital Expenditure Reserve made by the Stadium Company in the amount of [_____] dollars (\$[_____]), escalating [_____] percent ([_____]%) per year, beginning in the second year of operation of the Stadium, and continuing each year thereafter for the term of the Stadium Lease, plus any additional amounts agreed by Stadium Company.

Section 13.2 Use Of Reserve. The Stadium Capital Expenditure Reserve will be used by the Stadium Company for replacements and capital improvements to the Stadium as provided in the annual Capital Expenditure Plan. Any amounts in the Stadium Capital Expenditure Reserve upon termination of the Stadium Lease will be used to pay for the costs of the demolition of the Stadium with any amounts remaining after such demolition is completed to be paid to the Stadium Company. In the event the Stadium is not required to be demolished, any amounts remaining on deposit in the Stadium Capital Expenditure Reserve upon termination of the Stadium Lease shall be paid to the Stadium JPA.

ARTICLE 14.

MISCELLANEOUS

Section 14.1 Possessory Interest Taxes. The use and occupancy of the Stadium may create possessory interests subject to taxation by the State of California. The City, the County and the Stadium JPA shall have no liability for such possessory interest taxes. Any further or additional agreements regarding the Stadium shall contain a provision that relieves the City, the County and the Stadium JPA of any liability for the use and occupancy of the Stadium.

Section 14.2 Modification of Term Sheet. Except as may be specifically set forth in this Section 14.2, this Term Sheet may not be modified or amended without the affirmative vote of a majority of the electorate of the City voting at an election held for that purpose. The City Council, on behalf of itself, and the County, on behalf of itself, may agree to modify or amend this Term Sheet without a vote of the electorate if needed to administer and carry out the intent of the voters and purpose of the Term Sheet and only if the amendments or modifications contemplated do not materially: (1) decrease the rights of the City, the County or the Stadium JPA, (2) increase the financial commitments of the City, the County or the Stadium JPA or (3) compromise funding for the Stadium Project. Any such modifications or amendments must be in writing and signed by all of the Parties, including the Team on behalf of the Stadium Company, if the latter has not yet been formed, and the Stadium JPA, if the Stadium JPA has been formed.

Section 14.3 Other Provisions. The other documents required or contemplated by this Term Sheet shall contain such other provisions, representations, warranties, covenants and indemnities as are customarily included in similar documents related to the development, construction and operation of National Football League facilities owned by a municipal entity.

Section 14.4 No Third Party Beneficiaries. This Term Sheet is solely for the benefit of the Parties and no person or entity not a Party hereto shall have any rights under this Term Sheet.

Section 14.5 Counterparts. This Term Sheet may be executed in counterparts, and each counterpart, once executed, shall have the efficacy of a signed original. A true and correct copy of a signed counterpart of an original signature transmitted to the other Parties is effective as if it were an original.

[Signatures follow; Remainder of Page Intentionally Left Blank]

CONFIDENTIAL DRAFT

By signing below, the Parties evidence their general agreement with the provisions of this Term Sheet and agree to use this Term Sheet as the framework for the good faith negotiations of binding definitive agreements. Any agreements resulting from negotiations will become effective only if and after such agreements have been considered and approved by the Stadium JPA, the County and the City following conduct of all legally required procedures.

CITY OF SAN DIEGO, CALIFORNIA,
a chartered California municipal corporation,

APPROVED AS TO FORM:

City Attorney

Mayor

ATTEST:

City Clerk

“City”

COUNTY OF SAN DIEGO, CALIFORNIA,
a chartered California municipal corporation,

APPROVED AS TO FORM:

County Attorney

Authorized Representative

ATTEST:

County Clerk

“County”

SAN DIEGO CHARGERS NFL,
for itself and on behalf of the Stadium Company to be formed

APPROVED AS TO FORM:

[Title]

“Team”

[Signature Page to Term Sheet]

ATTACHMENT A

DEFINED TERMS

“Annual NFL Event and Non-NFL Event Plan” has the meaning set forth in Section 12.1.

“Annual Stadium Operating Budget” has the meaning set forth in Section 8.1.

“Base Rent” has the meaning set forth in Section 5.4.

“Capital Expenditure Plan” has the meaning set forth in Section 8.1.

“CEQA” has the meaning set forth in the Introduction.

“Certification Date” means the date on which the San Diego City Clerk certifies to the City Council that at the election on [DATE], at least fifty percent plus one votes were cast in favor of a ballot measure placed before the City voters by the City Council authorizing the City to enter into this Term Sheet.

“Chargers” has the meaning set forth in the preamble to this Term Sheet.

“City” has the meaning set forth in the preamble of this Term Sheet.

“City Investment” has the meaning set forth in Section 2.3.

“City Council” means the San Diego City Council.

“Civic Event Date” has the meaning set forth in Section 12.1.

“Civic Events” has the meaning set forth in Section 12.1.

“Closing” has the meaning set forth in Section 3.1.

“Concession Revenue” has the meaning set forth in Section 10.5.

“Conditions to Closing” has the meaning set forth in Section 3.1.

“Construction Contract” has the meaning set forth in Section 3.1(c).

“County” has the meaning set forth in the preamble of this Term Sheet.

“County Investment” has the meaning set forth in Section 2.5.

“Development Agreement” has the meaning set forth in Section 3.1.

“Development Budget” has the meaning set forth in Section 7.4(a)(1).

“DEIR” has the meaning set forth in Section 1.3.

“Facility Rent” has the meaning set forth in Section 5.4.

“Final EIR” has the meaning set forth in Section 1.3.

“Finance Plan” has the meaning set forth in Section 7.2.

“Ground Lease” has the meaning set forth in the Introduction.

“Ground Rent” has the meaning set forth in Section 4.2.

“Naming Rights Revenue” has the meaning set forth in Section 10.2.

“NFL Advertising and Sponsorship Revenue” has the meaning set forth in Section 11.3(b).

“NFL Advertising and Sponsorships” has the meaning set forth in Section 11.3(a).

“NFL Events” has the meaning set forth in Section 5.3.

“NFL Events Revenue” has the meaning set forth in Section 11.2.

“NFL Games” has the meaning set forth in Section 5.3.

“Non-NFL Events” has the meaning set forth in Section 12.1.

“Non-NFL Event Advertising Revenue” has the meaning set forth in Section 10.8.

“Non-Relocation Agreement” has the meaning set forth in Section 3.2(c).

“Parties” has the meaning set forth in the Introduction.

“Project Management Agreement” has the meaning set forth in Section 6.2.

“SBLs” has the meaning set forth in Section 7.3.

“Sponsor Contracts” has the meaning set forth in Section 10.8.

“Stadium” has the meaning set forth in the preamble of this Term Sheet.

“Stadium Capital Expenditure Reserve” has the meaning set forth in Section 13.1.

“Stadium Company” has the meaning set forth in the preamble of this Term Sheet.

“Stadium Company Investment” has the meaning set forth in Section 7.1.

“Stadium JPA” has the meaning set forth in the Introduction.

“Stadium JPA Investment” has the meaning set forth in Section 7.1.

“Stadium Lease” has the meaning set forth in the Introduction.

“Stadium Operation and Maintenance Plan” has the meaning set forth in Section 8.1.

“Stadium Operating Revenue” has the meaning set forth in Article 10.

“Stadium Project” has the meaning set forth in the Introduction.

“Stadium Security Agreement” has the meaning set forth in Section 8.2.

“Stadium Site” has the meaning set forth in the Introduction.

“Team” has the meaning set forth in the preamble to this Term Sheet.

“Team Revenue” has the meaning set forth in Section 11.1.

“Team Service Revenue” has the meaning set forth in Section 11.2(c).

“Team Store” has the meaning set forth in Section 11.1.

“Team Sublease” has the meaning set forth in the Introduction.

“Term Sheet” has the meaning set forth in the preamble to this Term Sheet.

CONFIDENTIAL DRAFT

ATTACHMENT B

STADIUM SITE

CONFIDENTIAL DRAFT

ATTACHMENT C

OTHER STADIUM AREA PROPERTY

CONFIDENTIAL DRAFT