

1995 CHARGERS= AGREEMENT OVERVIEW

Citizens= Task Force On Chargers Issues

8/29/02

I. Background

- \$ City uses Apartial use and occupancy agreements@ rather than Aleases.@
- \$ Chargers 1 of 4 longer term tenants (Padres, Aztecs & Holiday Bowl).
- \$ Prior to 1995, then existing agreement was executed in 1988 and expired in 2003.
- \$ Parties commenced negotiations for revised agreement about mid 1994.
- \$ Current agreement was executed in May, 1995.
- \$ A supplement was executed in April, 1997, to address increased costs due to delay.
- \$ Naming rights agreement with Qualcomm was executed in April, 1997, for conveyance of naming rights.
- \$ Separate agreements exist for skyboxes and practice facility.

II. Major Agreement Terms (as amended by 1997 supplement)

- \$ Parties are City and Chargers Football Company.
- \$ Section 1 sets forth definitions.
- \$ Section 2: a) grants to Chargers the right to use and occupy the stadium at certain times, and certain exclusive space at all times (locker rooms, ticket offices, etc.); b) obligates the City to maintain a total of 20,000 parking spaces (min. 15,000 on site), including shuttle service from any off site spaces to the stadium; c) gives the Chargers the right to raise on site parking rates; and d) reserves to Chargers at no

cost 500 inner parking spaces, and other inner spaces for skybox and club seat patrons at reduced cost.

- \$ Section 3 deals with construction details for stadium and practice facility; Chargers had right to approve final plans, schedule and list of proposed contractors; cost of expansion and practice facility set at \$78 million.
- \$ Section 4 provides for the term of the agreement, from 1995 through the 2020 regular football season.
- \$ Section 5 provides for the details of the use and occupancy of the stadium; Chargers have the right to a) play professional football on NFL scheduled dates, b) have other promotional events if they don't interfere with other stadium events, and c) use the stadium on NFL draft days; Chargers have priority of dates over other activities (with very limited exceptions); Chargers have exclusive right to sell NFL merchandise at stadium.
- \$ Section 6 gives Chargers the right to broadcast games and receive all revenue from broadcasts and commercial sponsors; City must make available press facilities.
- \$ Section 7 requires Chargers to a) play all home games at the stadium (with limited exceptions) under the name ASan Diego Chargers;@ b) A use its best efforts to ensure the maximum occupancy@ of the stadium by the public; c) keep franchise in good standing; and d) not transfer rights unless successor agrees to be bound by terms of agreements and NFL approves transfer.
- \$ Section 8 provides for the payment of consideration for the agreement: Chargers

get AGross Income@ from games (generally all gross ticket revenue, net concession sales, and net parking revenue); Chargers pay City 10% of Gross Income from pre-season and regular season games plus \$2 per ticket through 2006, and \$1.50 per ticket from and after 2007, plus \$2 per vehicle parked; Chargers pay City 10% of all gross ticket revenue for post-season games; formula for Amaximum additional consideration@ not in effect.

\$ Section 9 is the ACity Guaranty@ or AAttendance Guaranty@: through the first 2 home games of the 2007 season the City guarantees 60,000 general admission ticket sales; after each game Chargers are paid shortfall or get rent credit; shortfall is reconciled at end of season (Exhibit F to the agreement is an example of reconciliation); City has bought tickets ahead of game to lift blackout and get 10% back; City was to seek assistance of Int. Sports Council to market tickets.

\$ Section 10 reserves use and occupancy to City except as granted in agreement.

\$ Section 11 requires City to a) maintain the stadium and premises Ain good order, condition and repair as a state of the art facility in accordance with the highest industry standards. . . ,@ and provides for certain standards of maintenance, b) maintain the stadium and premises at no cost to Chargers, and c) restore the playing field after other events at no cost to Chargers; section also provides for a split of additional revenue from renegotiated concessions agreement.

\$ Section 12 provides that the Chargers pay for security inside the stadium; the City pays for security in the parking lot; if Chargers elect to use PD inside, Chargers must reimburse City for 2 of associated costs; City must implement traffic

mitigation plan.

- \$ Section 13 provides for a credit to the Chargers if a possessory interest tax is imposed for the use of the stadium.
- \$ Section 14 provides that the Chargers pay only certain costs during games (ushers, ticket personnel, announcers, etc.); and all direct costs for other events.
- \$ Section 15 provides for the control of signage at the stadium; Chargers were to control after March, 2000; parties have reached mutual agreement regarding control and revenue sharing until Padres leave stadium; City gets 25% of net signage revenue.
- \$ Section 16 provides for City entry and inspection; Section 17 provides that City pays all utility costs at stadium; Sections 18 and 19 provide standard defense and indemnification rights for both City and Chargers, and for insurance; Section 20 provides for repair or reconstruction in the event of severe damage; Section 21 provides for record keeping; Section 22 provides a Most favored nations clause with respect to the Padres; Section 23 provides that neither party shall make changes or alterations at the stadium unless approved in writing; Section 24 is a No waiver clause in favor of the City; Section 25 provides standard default, notice, cure and termination rights to the City and Chargers; Section 26 provides for the distribution of proceeds in the event of full or partial condemnation; Section 27 is a standard Force majeure provision; Sections 28, 29 and 30 are standard provisions regarding successors, quiet enjoyment and notices.
- \$ Section 31 provides for renegotiations rights or the Reopener: if on December 1

of 2002, and once every 4 years thereafter through 2018, the sum of the Chargers= Ateam salary@ (as defined in NFL agreements but on a Acash@ basis), actual benefits paid by the Chargers to Chargers=players, and actual benefits paid by the NFL to Chargers=players exceeds the Ateam salary cap@ (75% of Adefined gross revenues@ for the NFL (basically gate receipts subject to revenue sharing plus national TV revenues) divided by the number of NFL teams) the Chargers have the following rights:

- ▶ within 60 days of December 1, Chargers may send a notice to the City; if not sent within 60 days, renegotiation rights are waived for that period.
- ▶ if notice is sent, parties must negotiate in good faith for 90 days to Aagree upon mutually acceptable terms for an amendment@ to the agreement to Aoffset the impact@ on the Chargers of the economics which allowed them to initiate renegotiation.
- ▶ if no agreement reached, Chargers have the right to present to the City within the following 18 months a letter of intent to relocate to another facility; Chargers must offer the City a 90 day period to match Athe financial and overall economic terms@ of the letter.
- ▶ if the City does not match, the Chargers have 60 days to send a termination notice.
- ▶ if Chargers terminate, Chargers must pay the City an amount equal to 60% of the amount necessary to redeem the outstanding bonds (or provide certain federal securities sufficient to provide adequate payment of 60% of

the bonds plus redemption) less certain credits.

- ▶ Chargers may not terminate the agreement prior to February 1, 2004.

\$ Sections 32 - 38 provide standard contractual terms.

\$ Exhibits A and B describe the program for the stadium expansion and practice facility; Exhibits C - G describe certain stadium premises.

\$ Other terms in 1997 supplement:

- ▶ Provide for Qualcomm payment of \$18 million and use of that revenue; provides for skybox for Qualcomm; provides for Club seat and Skybox licensee right of first refusal for purchase of tickets to other events.

III. Qualcomm Agreement

\$ Conveys to Qualcomm the right to name the stadium until May, 2017

\$ Qualcomm paid \$18 million for the rights.

\$ Qualcomm is provided certain skybox and ticket rights.

\$ Section V.C provides for a pro rata refund if the agreement is terminated due to initiative or lawsuit.

\$ Section V.D provides for a pro rata refund if the City builds a new stadium for the Chargers or successor NFL team, and a match right to Qualcomm if such a stadium is built during the period 1997 - 2004.

\$ Section V.E provides that if the Chargers leave and a successor team plays at the stadium, the City shall take necessary steps to ensure new team complies with naming rights granted Qualcomm.

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