

Term Sheet for Settlement of McGuigan v. City of San Diego, Case NO. GIC 849883  
June 8, 2006

1. City will pay \$173 million into SDCERS as qualified below.
2. City will receive credit against that \$173 million obligation in the approximate amount of \$100 million, consisting of bond proceeds from the tobacco securitization transaction. Therefore, City's total obligation to fund SDCERS is approximately \$73 million.
3. \$73 million to be paid over five years with amounts due accruing interest at lawful rate for judgments under California law.
4. \$73 million to be secured by property of comparable value with property to be designated.
5. This agreement is an arms length agreement negotiated by both parties through counsel before mediator Honorable J. Lawrence Irving (ret.).
6. Plaintiff's counsel, Michael Conger, will receive attorney's fees and costs to be awarded by the Court at the fairness hearing.
7. Upon execution of the final agreement, the case will be dismissed with prejudice and all claims released, including waiver under Code Section 1542.
8. Until execution of the final agreement, there will be a stipulated stay of the litigation, with no further proceedings.
9. Prior to dismissal with prejudice, plaintiff will amend complaint to allege class action on behalf of all beneficiaries of City pension system (SDCERS), and stipulated judgment will be entered on that complaint, after fairness hearing by Court.
10. This agreement is subject to the approval of the City Council as a condition precedent; however, the temporary stay of litigation will apply until City Council approval can be obtained.


Agreed:

6/8/06

  
Michael Conger for Plaintiff William McGuigan

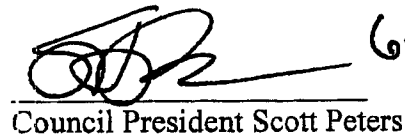
6/8/06

Agreed:

  
Mayor Jerry Sanders

6-8-06

Agreed:

  
Council President Scott Peters

6.8.06

Agreed:

  
City Attorney Michael Aguirre

6-8-06