



National Basketball Association

July 30, 1997

First Trust of California, National Association
One California Street
Suite 400
San Francisco, California 94111
Attn: Corporate Trust Department

City of Sacramento
Sacramento City Financing Authority
City Hall
915 I Street
Sacramento, California 95814
Attn: City Manager

Sacramento Kings Limited Partnership
Arco Arena
One Sports Parkway
Sacramento, California 95834
Attn: Rick Benner

Re: Team Owner's Relocation Assurance Agreement dated as of July 1, 1997 (the "Assurance Agreement") between the City of Sacramento (the "City") and Sacramento Kings Limited Partnership ("Team"), and Security Agreement dated as of July 1, 1997 (the "Security Agreement") between Team and First Trust of California, National Association, as trustee (the "Trustee")

Gentlemen:

You have advised the National Basketball Association ("NBA") of the following:

(i) Pursuant to the Assurance Agreement, Team has agreed to purchase the Property if it relocates its NBA membership and the City Obligation has not been Satisfied; and

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(ii) to secure that obligation (such obligation and all other amounts, whether or not secured, that may be due to the City, the Trustee, the Sacramento City Financing Authority (the "Authority") or any other party by Team, Kings Arco Arena Limited Partnership or any other party under or in connection with the Assurance Agreement, the Bonds or the Subordinate Notes being collectively referred to as the "Secured Obligations"), but subject to the limitations set forth in this agreement, Team wishes to grant to the Trustee, for the benefit of the City and the Authority, a second priority security interest in the Collateral (as defined in the Security Agreement).

You have asked that, subject to the terms of this agreement, the NBA, NBA Properties, Inc., a New York corporation ("NBAP"), the NBA Market Extension Partnership, a New Jersey general partnership ("NBAMEP"), and NBA Development, LLC, a Delaware limited liability company ("NBAD"), consent to the grant to the Trustee of a second priority security interest in the Collateral.

Unless otherwise defined, all capitalized terms used in this agreement have the meanings given to them in the Assurance Agreement. Whether or not expressly stated in any provision of this agreement, the representations, warranties and agreements of the Trustee in this agreement shall be deemed made on behalf of itself and each of the City and the Authority, each of which shall be bound by the provisions of this agreement applicable to the Trustee.

A. In reliance upon the agreements, representations and warranties of the Trustee, the City, the Authority and Team contained in this agreement, the NBA, NBAP, NBAMEP and NBAD (together, the "NBA Entities") hereby acknowledge and agree as follows:

1. The NBA, by authority duly given and action duly taken, has approved the grant by Team to the Trustee of a second priority security interest in the Collateral provided that the maximum aggregate amount of Secured Obligations for which the Collateral shall serve as security shall not exceed \$20,000,000 (the "Release Price").

2. The NBA acknowledges that the City and the Trustee are relying on this agreement in entering into the Assurance Agreement and the Security Agreement (together, the "Team Agreements") with Team.

3. NBAP hereby consents to the pledge and grant to the Trustee of a second priority security interest in the Collateral. This pledge and security interest shall be subject to, and by virtue of NBAP's consent shall not

violate, the terms and conditions of the Shareholders Agreement by and among Team, the other members of the NBA and NBAP (the "NBAP Agreement").

4. NBAMEP hereby consents to the pledge and grant to the Trustee of a second priority security interest in the Collateral. This pledge and security interest shall be subject to, and by virtue of NBAMEP's consent shall not violate the terms and conditions of the NBA Market Extension Partnership Agreement by and among Team and all other members of the NBA (the "NBAMEP Agreement").

5. NBAD hereby consents to the pledge and grant to the Trustee of a second priority security interest in the Collateral. This security interest shall be subject to, and by virtue of NBAD's consent shall not violate, the terms and conditions of the Limited Liability Company Agreement of NBAD by and among Team and all other members of the NBA (the "NBAD Agreement").

B. In consideration of the foregoing agreements by the NBA Entities, the Trustee, the City, the Authority and Team hereby acknowledge and agree as follows:

1. The consents and agreements of the NBA Entities contained in this agreement do not constitute a waiver by the NBA Entities of, and are subject to, their rights under the NBA Constitution and By-Laws, the governing documents of the NBA Entities, and such present and future rules, regulations, memoranda, resolutions and directives of the NBA Board of Governors or the NBA Commissioner as may be applicable to Team, in each case as they may be amended from time to time and including the custom and practice thereunder (together, the "NBA Rules"), including, but not limited to, the right to terminate, suspend, revoke or require divestiture of Team's NBA Membership (as defined in the NBA Rules), and the Trustee, the City and the Authority hereby disclaim and waive any right of recourse or claim, whether legal or equitable, against the NBA Entities in the event they exercise any of such rights. The Trustee acknowledges that it has been furnished a copy of the NBA Constitution and By-Laws and that the NBA Joint Venture Agreement, NBA Operations Manual, NBAP Agreement, NBAMEP Agreement and NBAD Agreement and such other NBA documents and written NBA Rules are available for confidential inspection by the Trustee in the offices of the NBA in New York, that Trustee has the right to review those documents, will hold the contents of those documents confidential and shall not challenge the enforceability of the NBA Rules or this agreement.

2. Notwithstanding anything to the contrary in this agreement or any other agreement (including, but not limited to, either of the Team Agreements) at no time shall the maximum aggregate amount of all Secured Obligations secured by the Collateral exceed the Release Price.

3. (a) Notwithstanding the occurrence of a default or an event of default under either of the Team Agreements, any attempt by the Trustee, the City or the Authority to transfer (either to itself or another party) ownership of or control over or otherwise to exercise control over or to realize upon (whether by way of foreclosure, sale, possession or otherwise) all or any portion of the Collateral (each of the foregoing actions being referred to as a "Foreclosure" or an attempt to "Foreclose"), shall constitute a proposed transfer of an interest in a Member within the meaning of the NBA Constitution, which proposed transfer requires the prior approval of the NBA (which may be withheld in the NBA's sole discretion) pursuant to Article 5 of the Constitution. Without limiting the generality of the preceding sentence, prior to receiving written confirmation of the NBA's approval of any such Foreclosure or attempt to Foreclose, neither the Trustee, the City nor the Authority shall (i) restrict Team's ability to operate or deal with any of its assets (including, but not limited to, the contracts of players and coaches) in the manner required by NBA Rules or in the manner in which such assets are operated or dealt with by NBA teams in the ordinary course of their business, (ii) attempt to exercise any voting or management rights with respect to Team, (iii) attempt to exercise any of Team's rights as a stockholder of NBAP, a partner of NBAMEP, a member of NBAD or of the NBA, or the holder of any other interest constituting Collateral, including, but not limited to, its right to appoint a member of the NBA Board of Governors and to vote on matters brought before members, or (iv) attempt to exercise any right with respect to any of the Collateral (including, but not limited to, the trademarks, copyrights or other intellectual property constituting Collateral). The Trustee shall notify the NBA immediately if any event of default or other event shall occur that results in the Trustee giving notice of its intent to seek to exercise its rights or remedies or otherwise to Foreclose (or attempt to Foreclose) under either of the Team Agreements.

(b) If the Trustee wishes to Foreclose upon any portion of the Collateral, the Trustee shall, after obtaining the approval of the NBA Entities, Foreclose upon and sell all of the Collateral as a package and shall not attempt to Foreclose upon or sell all or any portion of the Collateral individually.

(c) If at any time the Trustee shall attempt to Foreclose upon or, following the approval of the NBA Entities, shall Foreclose upon, all or any

portion of the Collateral, the Trustee shall, upon the payment by the NBA or any person or entity approved or designated by the NBA (together with the NBA, an "Approved Purchaser") to the Trustee and/or the City of an amount equal to the lesser of the Release Price or the amount of the Secured Obligations then owed to the City or the Authority by Team, release, terminate or assign to the Approved Purchaser, in accordance with the directions of the NBA, all of its liens and other rights with respect to the Collateral. The Trustee, the City, the Authority and Team shall execute such releases, assignments, instruments of transfer, termination statements and other documents and take other such other actions as the NBA may request to convey to the Approved Purchaser all right, title and interest in and to the Collateral and security documents, free and clear of any liens or rights of any kind of the Trustee, the City, the Authority, Team or any other person. Notwithstanding anything to the contrary in the Team Agreements, neither the Trustee, the City, Team, the Authority nor any other party shall have any right to consent or object to any transaction effected pursuant to this paragraph with respect to the Collateral if the proceeds of that transaction equal or exceed the lesser of the Release Price or the amount of the Secured Obligations then owed to the City or the Authority by Team. Without limiting the materiality of each of the other provisions of this agreement, Team, the City, the Authority and the Trustee acknowledge that their agreement to the terms of this paragraph B.3(c) was a material factor in the approval by the NBA Entities of the granting of a security interest in the Collateral to the Trustee.

(d) Except for the pledge of the Collateral to the Trustee in accordance with this agreement and the pledge of Team's assets to NationsBank, N.A., as agent, pursuant to the Revolving Credit Agreement dated today (the "Credit Agreement"), Team shall not sell, assign, pledge or otherwise transfer any of its assets without the prior approval of the NBA Entities to the extent required by the NBA Rules.

4. (a) Without limiting the generality of paragraph B.3, and notwithstanding anything to the contrary in either of the Team Agreements, Team shall be permitted to make Permitted Transactions at all times. For purposes of this agreement, "Permitted Transactions" shall mean (i) the entering into, renegotiation, extension, amendment, waiver, assignment or other disposition of a player contract in accordance with NBA Rules, (ii) the hiring or termination of the employment of any coach or executive officer, and (iii) the payment of compensation and benefits to Team's players, coaches and other employees, and the payment of all obligations to the NBA Entities and the

NBA's affiliates and member clubs (collectively with such compensation and benefits payments, the "NBA Obligations").

(b) In the event the Trustee attempts to Foreclose upon the Collateral or to exercise any other rights with respect to the Collateral under the Team Agreements, the Trustee, the City and the Authority shall at all times cooperate with the NBA in preserving Team's ability to meet its NBA Obligations, but the Trustee, the City and the Authority shall not be required to lend any funds to Team.

5. The Trustee shall not assign any of its rights or delegate any of its duties under the Security Agreement without the prior written consent of the NBA, and any assignment or delegation in violation of this provision shall be void. The preceding sentence shall not, however, prevent a successor trustee from being appointed in accordance with the terms of the Security Agreement provided that such successor trustee confirms in writing to the NBA that it is bound by the terms of this agreement to the same extent as the Trustee. Neither of the Team Agreements (or any of the documents delivered in connection therewith) shall be amended, modified or waived in any respect which changes in a material way the business transaction presented to and approved by the NBA Entities or the obligations of Team under or in connection with the Team Agreements, or changes in any way any provision (including, but not limited to, a limitation on the Secured Obligations) for the benefit of the NBA Entities, without the prior written consent of the NBA.

6. The security interest of the Trustee in Team's share of the revenues derived by Team from network, national and international television contracts, together with all other security interests held by all parties (other than the NBA) in such revenues, shall at all times remain limited in the aggregate to a maximum of 85% of such revenues. The Trustee, the City and the Authority acknowledge that pursuant to the NBA Rules, Team has granted to the NBA a first priority security interest in the remaining 15% of Team's share of revenues from network, national and international television contracts, and that neither the Trustee, the City nor the Authority shall have any right to proceed on any basis against those revenues.

7. Any attempt by the Trustee to Foreclose upon Team's NBAP shares shall also constitute a proposed transfer of shares of NBAP within the meaning of the NBAP Agreement and shall be subject to the provisions of Paragraphs 4, 5 and 7 of the NBAP Agreement.

8. Any attempt by the Trustee to Foreclose upon Team's partnership interest in NBAMEP shall also constitute a proposed transfer of an interest or rights in NBAMEP within the meaning of the NBAMEP Agreement, which transfer requires the prior consent of the partners of NBAMEP (which they may withhold in their sole discretion) pursuant to section 7.2 and 9.1 of the NBAMEP Agreement.

9. Any attempt by the Trustee to Foreclose upon Team's membership interest in NBAD shall also constitute a proposed transfer of an interest in NBAD within the meaning of the NBAD Agreement, which transfer requires the prior consent of the members of NBAD (which they may withhold in their sole discretion) pursuant to Article XI of the NBAD Agreement.

10. Notwithstanding anything to the contrary in the Team Agreements, Team shall have the right (i) to amend, modify, rescind or restate all governing, constitutive, operating and other agreements or documents relating to the NBA Entities and any of their respective subsidiaries or affiliates, whether now existing or formed in the future, and to liquidate, dissolve or merge any of those entities, (ii) to vote in favor of any of the actions set forth in clause (i), and (iii) to invest or acquire an interest in any entity in which NBA teams generally are investing or acquiring interests.

11. Nothing in this agreement shall be deemed a consent by the NBA Entities or any current or future affiliate of the NBA Entities to the grant of a security interest in any interest Team may hold or acquire in any entity that may be formed by the NBA teams generally after the date of this agreement. The Trustee agrees that any security interest it may be permitted to acquire in any such interest shall be subject to the governing, constitutive, operating and other agreements or documents relating to such entity and, if required by such agreements or documents, the consent of such entity.

C. The Trustee, the City, the Authority and Team jointly and severally represent and warrant to the NBA Entities as follows:

1. The Team Agreements have been executed substantially in the form of the drafts delivered to the NBA Entities and there are no other arrangements, agreements or understandings, whether written or oral, among the parties to the Team Agreements that have not been provided in writing to the NBA Entities.

2. The only documents executed or delivered in connection with the Bond financing that relate to or affect Team or the Collateral are the Assurance Agreement, the Security Agreement, the Use Agreement and a Subordination, Nondisturbance and Attornment Agreement.

3. Neither the Trustee, the City nor the Authority has any security interest or other secured rights with respect to Team or the Collateral, other than the security interest granted to the Trustee under the Security Agreement.

D. Team further represents and warrants to the NBA Entities that neither Team nor any of its direct or indirect owners is liable for the repayment of any debt or obligation secured, directly or indirectly, by any of the assets of or ownership interests in Team, other than pursuant to the Assurance Agreement, the Security Agreement, the Credit Agreement and [identify Bank of America/Thomas pledge agreement].

E. Team, the City, the Authority and the Trustee acknowledge and agree that the provisions of this agreement are fair and reasonable, that they shall not challenge the enforceability of those provisions on any basis, whether legal or equitable, that they shall not vote for or support any plan of reorganization of Team that is inconsistent with this agreement and shall agree to waive the automatic stay provisions of any applicable bankruptcy or insolvency law to the extent necessary to effectuate the terms of this agreement, and that they shall execute and deliver such instruments and documents and take such actions as may be necessary to carry out fully each of those provisions.

F. In the event any of the terms and provisions of the Team Agreements conflict or are inconsistent with any applicable term or provision of this agreement, the applicable term or provision of this agreement shall control. This agreement is the "NBA Approval" referred to in the Team Agreements.

G. This agreement shall not be construed in any respect as a guaranty or indemnity by the NBA Entities, or any of the affiliates or member clubs of the NBA, of any debts, liabilities or obligations whatsoever of Team or any other party. The NBA Entities have reviewed the agreements referred to in paragraph C.2 only for certain limited purposes and shall not be charged with knowledge of, or be deemed to have any independent obligations under, any of those agreements or any other document delivered in connection with the Bond financing.

H. This agreement contains a complete statement of all arrangements among the parties with respect to its subject matter, supersedes all previous agreements among them concerning that subject matter, and cannot be changed or terminated except by a writing duly signed by each of the parties. No waiver by any party of any of its rights on any one occasion shall constitute a waiver of that right on any other occasion and any waiver must be in writing. This agreement is solely for the benefit of the parties hereto and their respective successors and assigns, and no other person shall have any rights or benefits under this agreement.

I. This agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely in New York. This agreement shall be interpreted neutrally and without regard to which party drafted it; in particular, no rule of construction shall be applied that would result in the resolution of any ambiguity in this agreement against the drafting party.

J. Team, the City, the Authority and the Trustee acknowledge and agree that if any of them breaches any of the provisions of this agreement the NBA Entities will suffer immediate and irreparable harm, that the remedy at law for breach of such provisions will be inadequate, and that, in addition to any other remedies the NBA Entities may have, they shall be entitled to an injunction and decree for specific performance in the event of any breach or threatened breach, without any bond or other security being required and without the necessity of showing actual damages or irreparable harm.

K. Any notice, request, demand or other communication permitted or required to be given under this agreement shall be in writing, shall be signed by the party giving it, shall be sent to the addressee at the address set forth above (or at such other address as shall be designated by notice to the other parties) and shall be deemed given when delivered personally or by a reputable overnight delivery service, or four days after being mailed by certified or registered mail.

L. This agreement may be executed in two or more counterparts, which together shall constitute the same instrument, but this agreement shall not be binding on the NBA Entities until executed by all parties.

NATIONAL BASKETBALL ASSOCIATION

By: Jeffrey A. Mishkin
Name: Jeffrey A. Mishkin
Title: Executive Vice President and
Chief Legal Officer

NBA PROPERTIES, INC.

By: Jeffrey A. Mishkin
Name: Jeffrey A. Mishkin
Title: Secretary

NBA MARKET EXTENSION PARTNERSHIP

By: _____
Name: Robert Criqui
Title: Manager

NBA DEVELOPMENT, LLC

By: _____
Name: Robert Criqui
Title: Authorized Person

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NATIONAL BASKETBALL ASSOCIATION

By: _____
Name: Jeffrey A. Mishkin
Title: Executive Vice President and
Chief Legal Officer

NBA PROPERTIES, INC.

By: _____
Name: Jeffrey A. Mishkin
Title: Secretary

NBA MARKET EXTENSION PARTNERSHIP

By: _____
Name: Robert Ciriqi
Title: Manager

NBA DEVELOPMENT, LLC

By: _____
Name: Robert Ciriqi
Title: Authorized Person

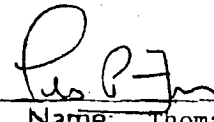
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ACCEPTED AND AGREED:

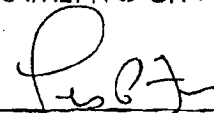
FIRST TRUST OF CALIFORNIA, NATIONAL ASSOCIATION

By: 
Name: Josephine Libunao
Title: Assistant Vice President

CITY OF SACRAMENTO

By: 
Name: Thomas P. Friery
Title: Treasurer


SACRAMENTO CITY FINANCING AUTHORITY

By: 
Name: Thomas P. Friery
Title: Treasurer

SACRAMENTO KINGS LIMITED PARTNERSHIP

By: Royal Kings Limited Partnership,
its general partner

By: Capitol Sports Team, Inc.,
its general partner

By: 
Name: James O. Howard
Title: Chief Executive Officer