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## SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (the "Agreement") is made as of May 5, 2003 (the "Effective Date"), by U.S. BANK NATIONAL ASSOCIATION (formerly named "First Trust of California, N.A."), a national banking association ("U.S. Bank") and SACRAMENTO CITY FINANCING AUTHORITY (the "Authority") in favor of the holders of the Primary Obligations (as defined below).

WHEREAS Sacramento Kings Limited Partnership, a California limited partnership (the "Borrower"), may incur indebtedness for borrowed money or reimbursement obligations in respect of letters of credit pursuant to (i) the Note Purchase Agreement dated as of the Effective Date (as amended, modified, supplemented, restated, extended or renewed from time to time, the "Note Purchase Agreement") among the Borrower, various other members of the National Basketball Association, Basketball Funding LLC, as lender, as JPMorgan Chase Bank ("JPMCB"), as agent for the lender thereunder, (ii) a term loan facility to be entered into among the Borrower and institutional lenders (as the same may be amended, modified, supplemented, restated, extended or renewed from time to time, the "Term Loan Facility"), and (iii) a bank loan agreement that may be entered into among the Borrower and one or more banks or other lenders (as the same may be amended, modified, supplemented, restated, extended or renewed from time to time, the "Bank Loan Agreement"), provided that all such indebtedness and other obligations will be secured by liens on and security interests in substantially all the assets of the Borrower;

WHEREAS the Authority has certain claims against the Borrower arising under a Team Owner's Relocation Assurance Agreement (as the same may be modified, amended, supplemented or restated from time to time, the "Relocation Agreement") dated as of July 1, 1997 between the Borrower and the City of Sacramento (the "City"); and

WHEREAS, pursuant to a Security Agreement (as the same may be modified, amended, supplemented or restated from time to time, the "Security Agreement") dated as of July 1, 1997 among the Borrower, U.S. Bank and the Authority, the Borrower has granted security interests in certain of its assets to U.S. Bank on behalf of the Authority in order to secure its obligations owing to the City arising under the Relocation Agreement;

WHEREAS the lenders under the Note Purchase Agreement, Term Loan Facility and Bank Loan Agreement would not be willing to extend credit to the Borrower under such agreements unless U.S. Bank and the Authority enter into this Subordination Agreement;

NOW, THEREFORE, in consideration of the premises, the terms, covenants and conditions contained herein, U.S. Bank and the Authority agree and covenant, for the benefit of the Agent and the holders from time to time of the Primary Obligations, as follows:

SECTION 1. Definitions. As used in this Agreement, the terms defined in the recitals hereto have the meanings assigned to them in such recitals and the following terms have the meanings set forth below:

"Agent" means JPMorgan Chase Bank, and any successor thereto, acting as agent for the holders of the Primary Obligations under the Primary Obligation Security Documents.

"Collateral" means all assets, properties or rights of the Borrower, whether tangible or intangible, in respect of which any lien or security interest is granted or provided to secure any Primary Obligations.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"Primary Obligation Credit Agreements" means the Note Purchase Agreement, the Term Loan Facility and any Bank Loan Agreement.

"Primary Obligations" means (a) the due and punctual payment by the Borrower of (i) the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on all loans and advances to the Borrower under the Note Purchase Agreement, the Term Loan Facility and any Bank Loan Agreement and (ii) all other monetary obligations of the Borrower under the Note Purchase Agreement, the Term Loan Facility, any Bank Loan Agreement or the Primary Obligation Security Documents, including obligations to pay fees, expense and reimbursement obligations and indemnification obligations and including reimbursement obligations in respect of letters of credit, in each case whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or similar proceeding, regardless of whether allowed or allowable in such proceeding), (b) the due and punctual payment by the Borrower of all obligations of the Borrower under any interest rate swap or hedging agreement that (i) exists on the Effective Date, with a counterparty that is a liquidity lender (or affiliate thereof) on such date in connection with the credit facility established pursuant to the Note Purchase Agreement or (ii) is entered into after the Effective Date with a counterparty that is such a liquidity lender (or affiliate thereof) at the time such interest rate swap or hedging agreement is entered into, and (c) the due and punctual payment to the National Basketball Association or controlled affiliates thereof of all assessments, fines, charges, obligations and other levies imposed by the National Basketball Association, its controlled affiliates, the NBA Board of Governors or the NBA Commissioner on the Borrower or otherwise due to any such entities from the Borrower; provided, however, that for purposes hereof and the subordination effected hereby (x) the principal amount of loans and advances referred to in clause (a) above shall not in any event exceed and shall be limited to \$75,000,000 in the aggregate and (y) the aggregate amount of Primary Obligations referred to in clause (c) above due and payable in any calendar year shall not in any event exceed and shall be limited to \$4,000,000.

“Primary Obligation Security Documents” means all agreements entered into by the Borrower with the Agent for the purpose of granting or perfecting security interests in assets of the Borrower securing any Primary Obligations.

“Subordinated Obligations” means all loans, advances, debts, liabilities and obligations, howsoever arising, owed by the Borrower to the City, the Authority or U.S. Bank of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of the Relocation Agreement or any of the other documents referred to in the definition of City Obligation contained therein, including without limitation all interest, fees, charges, expenses, attorneys’ fees and accountants’ fees chargeable to the Borrower or payable by the Borrower thereunder.

SECTION 2. Subordination. (a) The payment and performance of each of the Subordinated Obligations is and shall be expressly subordinate and junior in right of payment to each of the Primary Obligations, and any liens or security interests of U.S. Bank or the Authority in the Collateral now existing or hereafter created, whether or not created in violation of this Agreement, and securing payment of the Subordinated Obligations, are and will be expressly subordinated and junior to each of the liens and security interests in such Collateral created by the Primary Obligation Security Documents, without regard to the time or order of attachment or perfection of such liens or security interests or the time or order of filing or recording.

(b) So long as any part of the Primary Obligations remain outstanding and until each of the Primary Obligation Credit Agreements shall have been terminated with respect to the Borrower and the Primary Obligations have been fully and finally paid and satisfied, neither U.S. Bank nor the Authority will, without the prior written consent of the Agent, or without 180 days prior written notice to the Agent, either accept payment in any manner whatsoever of the Subordinated Obligations or take any action (i) to accelerate any of the Subordinated Obligations, (ii) to collect payment of any of the Subordinated Obligations, or (iii) to foreclose, take any action or otherwise realize (whether by judicial action, under power of sale or by self-help repossession or otherwise) on any security or guaranty given by any Person to secure or guarantee any of the Subordinated Obligations including without limitation any actions or remedies of U.S. Bank or the Authority set forth in Sections 5 and 6 of the Relocation Agreement.

(c) Each of U.S. Bank and the Authority agrees that it will not after the date hereof accept, assert or permit to be created a lien or security interest in any property of Borrower as security for the payment or performance of any of the Subordinated Obligations.

(d) Except as provided in Section 2(b), the Agent shall have the exclusive right to collect, foreclose upon, sell, transfer, liquidate or otherwise dispose of the Collateral as provided in the Primary Obligation Security Documents or by applicable law, in the manner deemed appropriate by the Agent, without regard to any liens or security interests of U.S. Bank or the Authority in such Collateral, and neither U.S. Bank

nor the Authority will hinder Agent's actions in enforcing its remedies with respect to such Collateral.

(e) In the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of Borrower or the proceeds thereof to creditors of Borrower or upon any indebtedness of Borrower, by reason of the liquidation, dissolution or other winding up of Borrower or any of their business, or in the event of any sale, receivership, insolvency or bankruptcy proceeding, or assignment for the benefit of creditors, or any proceeding by or against Borrower for any relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions or extensions, then and in any such event any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any or all of the Subordinated Obligations shall be paid or delivered directly to the Agent for application on any Primary Obligations, due or not due, until all such Primary Obligations shall have been finally and fully paid and satisfied. Subject to the limitation set forth in Section 2(b) each of U.S. Bank and the Authority agrees that it will not file any claim in bankruptcy or an involuntary proceeding, receivership or other similar action without expressly acknowledging and agreeing in writing in any filing or proceeding that its claim is subordinate in all respects to the Primary Obligations.

(f) Except as provided in Section 2(b), should any payment or distribution or security or proceeds thereof be received by either U.S. Bank or the Authority upon or with respect to any of the Subordinated Obligations prior to the full and final payment and satisfaction of all Primary Obligations, such party will forthwith deliver the same to the Agent in precisely the form received (except for the endorsement or assignment of such party where necessary) for application on any Primary Obligations, due or not due, and, until so delivered, the same shall be held in trust by such party as property of the Agent and shall not be commingled with any other funds or property of such party or any other Person. In the event of the failure of U.S. Bank or the Authority to make any such endorsement or assignment, the Agent, or any of its officers or employees on behalf of the Agent, is hereby irrevocably authorized and appointed attorney-in-fact to make the same.

(g) Each of U.S. Bank and the Authority agrees not to pledge, sell, assign or transfer to others any claim it has or may have against the Borrower while any Primary Obligations remain outstanding.

(h) All notes or other evidences of indebtedness accepted by either U.S. Bank or the Authority from Borrower shall contain a specific statement therein that the indebtedness thereby evidenced is subordinated to the Primary Obligations pursuant to the provisions of this Agreement.

**SECTION 3. Continuing Agreement.** This is a continuing agreement and the holders of the Primary Obligations may continue, without notice to U.S. Bank or the Authority, to extend credit or other accommodation or benefit as provided in the Primary

Obligation Credit Agreements and loan moneys, on a revolving basis or otherwise, to or for the account of the Borrower on the faith hereof. U.S. Bank and the Authority agree that, without their consent or approval, the Primary Obligation Credit Agreements can be amended, modified, renewed, restated, supplemented or extended from time to time, and agree that this Agreement and the subordination provided for herein will remain effective and continue in force after any such action.

SECTION 4. Binding Nature. This Agreement shall be immediately binding upon each of U.S. Bank and the Authority, and the executors, administrators, successors and assigns of each of U.S. Bank and the Authority and shall inure to the benefit of the successors and assigns of the Agent and the holders of the Primary Obligations; provided, however, this Agreement may not be assigned or delegated in whole or in part by either of U.S. Bank or the Authority without the prior written consent of the Agent in each instance.

SECTION 5. Waivers. No waiver shall be deemed to be made by the Agent or any holder of Primary Obligations of any of its rights hereunder unless the same shall be in writing signed on behalf of the Agent or such holder by a duly authorized officer, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of the Agent or the obligations of U.S. Bank or the Authority to the Agent in any other respect or at any other time.

SECTION 6. Notice. Any notice, if mailed by certified mail return receipt requested and properly addressed as set forth below with postage prepaid or sent by an overnight delivery service (Federal Express or other nationally recognized overnight delivery service) or sent by telefacsimile to the number set forth below shall be deemed given when received:

(a) if to U.S. Bank,

U.S. Bank National Association  
One California Street, Suite 2550  
San Francisco, California 94111  
Attention: Corporate Trust Department

Telecopy: (415) 273-4547  
Telephone: (415) 273-4500

(b) if to the Authority,

Sacramento City Financing Authority  
926 J Street, Suite 300  
Sacramento, California 95814-2709  
Attention: City Treasurer

Telecopy: (916) 448-3139  
Telephone: (916) 264-5168

(c) if to the Agent,

JPMorgan Chase Bank  
270 Park Avenue  
New York, NY 10017  
Attention:

Telecopy:  
Telephone:

SECTION 7. CONSENT TO JURISDICTION. EACH OF THE PARTIES HERETO, BY ITS EXECUTION HEREOF, (A) HEREBY IRREVOCABLY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF AND (B) HEREBY WAIVES TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, IN ANY SUCH PROCEEDING, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT ANY SUCH PROCEEDING BROUGHT IN ONE OF THE ABOVE-NAMED COURTS IS IMPROPER, OR THAT THIS AGREEMENT MAY NOT BE ENFORCED IN OR BY SUCH COURT. EACH OF U.S. BANK AND THE AUTHORITY HEREBY CONSENTS TO SERVICE OF PROCESS IN ANY SUCH PROCEEDING IN ANY MANNER PERMITTED BY THE GENERAL STATUTES OF NEW YORK, AND AGREES THAT SERVICE OF PROCESS BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS AS IT APPEARS IN SECTION 6 HEREIN IS REASONABLY CALCULATED TO GIVE ACTUAL NOTICE.

SECTION 8. GOVERNING LAW. THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE.

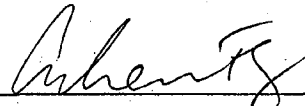
SECTION 9. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH OF THE PARTIES HERETO HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON OR RELATING TO THIS AGREEMENT, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER IN CONTRACT OR TORT OR OTHERWISE. EACH OF U.S. BANK AND THE

AUTHORITY ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION 9 CONSTITUTE A MATERIAL INDUCEMENT UPON WHICH THE AGENT AND THE HOLDERS OF THE PRIMARY OBLIGATIONS ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT OR EXTENDING CREDIT TO THE BORROWER. ANY OF THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF SUCH PARTY TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

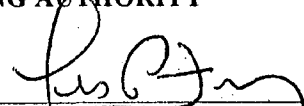
**[Signature pages follow]**

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the day and year first written above.

**U.S. BANK NATIONAL ASSOCIATION**

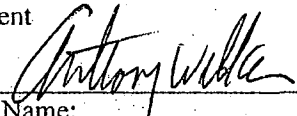
By   
Name: **ANDREW K. FUNG**  
Title: **Asst. Vice President**

**SACRAMENTO CITY FINANCING AUTHORITY**

By   
Name: **Thomas P. Emery**  
Title: **Treasurer**

Accepted and Consented to as of the date first above written:

**JPMORGAN CHASE BANK,**  
as Agent

By   
Name:  
Title: **ANTHONY WILKENS, VP**



ACKNOWLEDGMENT AND AGREEMENT

The undersigned hereby acknowledges and agrees to the provisions of the foregoing Subordination Agreement and agrees to not make any distributions, payments or take any other actions in violation of the terms thereof.

This the 5<sup>th</sup> day of May, 2003.

SACRAMENTO KINGS LIMITED PARTNERSHIP, a  
California limited partnership

By: Royal Kings Limited Partnership, a  
California limited partnership, general  
partner

By: Maloof Sports Inc., a California  
corporation, general partner

By: 

Title: Chief Financial Officer