



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

March 30, 2011

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Commissioner David Stern
Board of Governors
National Basketball Association
Olympic Tower
645 Fifth Avenue
New York, NY 10022

Re: Sacramento Kings NBA Basketball Team

Dear Commissioner Stern and Board of Governors:

I write concerning the consideration by the NBA Board of Governors of the Sacramento Kings' Application for Relocation. The City Council of the City of Sacramento ("City") continues to express to the Kings the City's sincere desire that the Sacramento Kings remain in Sacramento. The City continues to urge the Kings to reconsider any efforts or discussions about relocating from Sacramento.

If the Kings do intend to pursue relocation from Sacramento, the City is encouraged by George Maloof's statement reported in the *Sacramento Bee* yesterday that "[W]e have no intention of leaving that town [Sacramento] without paying our debt."

The City has asked the Kings to put in writing the assurance that Mr. Maloof publicly gave in his interview with the *Bee*. Specifically, the City has requested that the Sacramento Kings Limited Partnership (as the "Team Owner") and the Kings Arco Arena Limited Partnership (as the "Arena Owner") confirm in writing that, prior to any relocation, they intend to fully comply with their obligations to the City, including paying off the bond and related obligations ("Interest Rate Management Agreements" or "IRMA") that now total approximately \$77,000,000.

By way of background, in 1997 the City and the Kings entered into a complex, interrelated series of agreements for the purpose of refinancing the Kings' debt on Arco Arena (now known as the "Power Balance Pavillion"), the 83-acre sports-and-entertainment complex that now serves as the Kings' home court (the "Property"). This refinancing was done at the Kings' request, and without it, the Kings may not have been able to stay in Sacramento. In simple terms, the refinancing comprised the following elements:

- The City sold the bonds, which have a 30-year term and mature in 2027, for \$73,725,000.
- The City used the \$73,725,000 to buy Arco Arena from the Kings.
- The City then leased Arco Arena back to the Kings for 30 years, with rental equal to the debt-service on the bonds.
- The City uses the Kings' rental payments under the lease to pay the bond holders according to the debt-service schedule.
- The Kings covenanted not to relocate to another city until the bonds were paid off in full.
- When the bonds are paid off, title to the Arena reverts to the Arena Owner.

Both the Team Owner and Arena Owner also entered into their own separate "Relocation Assurance Agreements" with the City. Under these Relocation Assurance Agreements, the Team Owner and Arena Tenant expressly agreed:

The City has enlisted the assistance of the Sacramento City Financing Authority ("Authority") *to ensure that the National Basketball Association ("NBA") team known as the Sacramento Kings (the "Kings") remains in Sacramento, rather than moves to another venue.* In furtherance of that assistance, Authority issued the Bonds, the proceeds of which were used to obtain record title from the Team Owners affiliate, Kings ARCO Arena Limited Partnership, a California limited partnership (the "Arena Owner"), the existing sports and entertainment arena and related parking facilities commonly known as ARCO Arena, together with then existing improvements, located in Sacramento, California . . . (the "Property"). (Emphasis added, Relocation Assurance Agreement, Recitals, para. A.)

Under the Team Owner's Relocation Assurance Agreement, the Team Owner acknowledged that: "A material condition of the City's obtaining record title of the Property from the Arena Owner was *the Team Owner's commitment to keep the Kings in Sacramento for up to 30 years or until the City Obligation is Satisfied.*" (Emphasis added, Relocation Assurance Agreement, Recitals, para. B.) Similarly, under the Arena Owner's Relocation Assurance Agreement, the Arena Owner acknowledged that: "A material condition of the City's obtaining record title to the Property from the Arena Owner was the Arena Owner's commitment to induce its affiliate, Sacramento Kings Limited Partnership ('Team Owner'), *to keep the Kings in Sacramento for up to 30 years or until the City Obligation is Satisfied.*" (Emphasis added, Relocation Assurance Agreement, Recitals, para. B.)

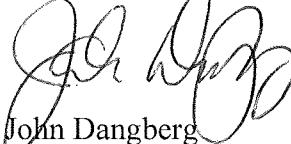
The financial consequences of the Kings relocating without fully paying their obligation to the City would be severe. Again, the City has asked the Kings for written assurances that they will honor their agreements to the City. In the event the NBA Board of Governors approves relocation, the City requests that any such approval be expressly conditioned upon

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the Kings' payment to the City of the outstanding indebtedness on the bond and the related obligations.

Thank you for your time and consideration.

Very truly yours,


John Dangberg
Assistant City Manager

DWS:nzg

cc: Kings Arco Arena Limited Partnership
Sacramento Kings Limited Partnership
Attention: Matina Kolokotronis
Maloof Sports, Inc.
Power Balance Pavillion
One Sports Parkway Sacramento, CA 95834

[Per: Contract Notice Requirement]
Kings Arco Arena Limited Partnership
Sacramento Kings Limited Partnership
Attention: Rick Benner
Capitol Sports & Entertainment
Arco Arena
One Sports Parkway
Sacramento, CA 95834

Joseph E. Coomes, Jr.
Best Best & Krieger
400 Capitol Mall, Suite 1650
Sacramento, CA 95814

[Per: Contract Notice Requirement]
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McDonough, Holland & Allen
555 Capitol Mall, Ninth Floor
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