

Item No.6

Supplemental Material

For

City of Sacramento

City Council

Agenda Packet

Submitted: March 30, 2012

For the Meeting of: April 3, 2012

Item 6

Entertainment and Sports Complex (ESC) - Predevelopment Agreements

Report # 2012-00293

Location: Railyards, District 3

This supplemental document includes:

1. A new **Resolution replacing** the Resolution in the previously submitted report.
2. **Exhibit A** to the Resolution which *replaces* the placeholder in the previously submitted report.
3. **Exhibit E**, which is the letter from the NBA, which is a **new additional** document.

Contact: Fran Halbakken, Project Manager, (916) 808-5704, Office of the City Manager

Please include this supplemental material in your agenda packet. This material will also be published to the City's Internet. For additional information, contact the City Clerk Department at Historic City Hall, 915 I Street, First Floor, Sacramento, CA 95814-2604, (916) 808-7200.



RESOLUTION NO. 2012-

Adopted by the Sacramento City Council

APPROVING PREDEVELOPMENT AGREEMENTS AND CONTRACTS FOR THE ENTERTAINMENT AND SPORTS COMPLEX AS WELL AS NECESSARY BUDGET TRANSFERS

BACKGROUND

- A. On September 13, 2011, the City Council authorized the City Manager to proceed with negotiations with ICON Venue Group and David S. Taylor Interests (collectively, "ICON-Taylor") for the development of an entertainment and sports complex (ESC) on City-owned property adjacent to the Union Pacific Depot.
- B. On December 13, 2011, City Council authorized the City Manager to release a request for qualifications (RFQ) in order to begin the parking monetization process to provide the majority of the City's contribution for development of the ESC.
- C. On February 14, 2012, the Council approved a list of 11 qualified bidder teams if Council later decided to initiate the parking monetization request for proposals (RFP) process.
- D. On March 6, 2012, the City Council approved the Term Sheet between the City, the Sacramento Kings, and AEG for the development, operation, and use of the ESC and directed staff to begin the first phase of the parking monetization RFP process.
- E. Predevelopment work has an estimated budget of approximately \$13 million, to be split as follows: City --50%; Sacramento Kings -- 25%; and AEG -- 25%.
- F. Additionally, on March 6, 2012, Council authorized \$850,000 for the necessary legal and consultant services for predevelopment work.
- G. A critical part of the predevelopment work is development of a site plan for the ESC and the surrounding area as well as the preparation of the environmental impact report for the project as required under the California Environmental Quality Act (CEQA).
- H. The National Basketball Association (NBA) has agreed, on behalf of the Sacramento Kings, to advance \$200,000 of the Kings' proposed obligation under the draft predevelopment funding agreement.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or his designee is authorized to execute a predevelopment funding agreement with the Sacramento Kings LP and AEG Facilities, LLC (AEG) with the material terms of, and in substantial conformity with, the attached Exhibit A, subject to approval as to form by the City Attorney, and contingent upon the signatures of the Sacramento Kings LP and AEG.
- Section 2. The City Manager or his designee is authorized to execute the amendment to the Sheraton Master Owner Participation Agreement (MOPA) with Taylor/CIM Redevelopment Company, LLC, attached hereto as Exhibit B, in order to authorize the use of \$5 million for ESC predevelopment expenses.
- Section 3. The City Manager or his designee is authorized to transfer \$5 million of Sheraton proceeds from the Sheraton OPA (U18001040) to the ESC Project Fund (I02000000).
- Section 4. The City Manager or his designee is authorized to transfer \$1,518,116 from the Parking Fund (Fund 6004) to the ESC Project Fund (I02000000).
- Section 5. The City Manager or his designee is authorized to transfer \$850,000 from the Parking Fund (Fund 6004) to the ESC Project Fund (I02000000) as approved by the City Council on March 6, 2012.
- Section 6. A revenue and expenditure budget in the ESC Project (I02000000, Fund 2703) for \$3,259,058 from the Sacramento Kings LP is hereby established.
- Section 7. A revenue and expenditure budget in the ESC Project (I02000000, Fund 2703) for \$3,259,058 from the AEG Facilities LLC is hereby established.
- Section 8. The City Manager or his designee is authorized to execute an agreement for environmental consultant services with AECOM for \$555,745, attached hereto as Exhibit C.
- Section 9. The City Manager or his designee is authorized to execute an agreement for site planning consultant services with AECOM for \$99,880, attached hereto as Exhibit D.
- Section 10. The City accepts and approves the NBA's advance of \$200,000 on behalf of the Sacramento Kings, on the terms and conditions stated in the NBA's March 30, 2012, letter attached hereto as Exhibit E.

Exhibits:

A – Predevelopment Funding Agreement

B – MOPA Amendment

C – Professional Services Agreement (environmental services)

D – Professional Services Agreement (site planning)

E – NBA Letter of March 30, 2012



PREDEVELOPMENT FUNDING AGREEMENT
(Sacramento Entertainment and Sports Complex)

This Predevelopment Funding Agreement (this "**Agreement**") is effective as of April 3, 2012, by and among the CITY OF SACRAMENTO, a political subdivision of the State of California (the "**City**"), SACRAMENTO KINGS LIMITED PARTNERSHIP, a California limited partnership (the "**Kings**") and AEG FACILITIES, LLC, a Delaware limited liability company ("**AEG**"). As used in this Agreement, the City, the Kings, and AEG shall be referred to each as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, the Parties, ICON Venue Group, LLC, a Delaware limited liability company ("**ICON**") and David S. Taylor Interests, Inc. ("**Taylor**") agreed to the terms and conditions contained in the nonbinding Sacramento Entertainment and Sports Complex Term Sheet dated March 1, 2012 (the "**Term Sheet**"), regarding the location, ownership, financing, design, development, construction, occupancy, use, and operation of a multi-purpose entertainment and sports complex (the "**ESC**").

WHEREAS, the Term Sheet provides that the City, together with ICON and Taylor, shall be responsible for all phases of the planning, environmental review, design, development, and construction of the ESC and related infrastructure.

WHEREAS, to meet its responsibilities under the Term Sheet as described above, the City will need to enter into one or more contracts with ICON, Taylor and other contractors and consultants (collectively, "**Contractors and Consultants**") for the design and construction of the ESC (collectively, the "**Contractor and Consultant Contracts**").

WHEREAS, the Term Sheet provides for the Parties jointly to fund predevelopment expenses.

WHEREAS, as contemplated by the Term Sheet, the Parties desire to enter into this Agreement to fund certain predevelopment activities for the ESC.

NOW, THEREFORE, in consideration of the promises and agreements contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

Section 1. Performance of Predevelopment Services. The City shall use commercially reasonable efforts to cause ICON and the Contractors and Consultants to perform the predevelopment services described on Exhibit A attached hereto (the "**Predevelopment Services**") generally in accordance with: (a) the preliminary schedule attached hereto as Exhibit B; (b) the preliminary budget attached hereto as Exhibit C (as the same may be adjusted, the "**Budget**"); and (c) the Contractor and Consultant Contracts. Given the nature of Preliminary Budget, the City may reallocate funds among the line items of the Preliminary Budget.

Section 2. Funding Obligations.

(a) Predevelopment Expenses. The City shall pay fifty percent (50%) and the Kings and AEG shall each pay twenty five percent (25%) of the total costs and expenses incurred for the Predevelopment Services (collectively, the "**Predevelopment Expenses**"). The Predevelopment Expenses shall not exceed \$13,036,232 plus \$1,303,624 to cover cost overruns that may be requested by the City pursuant to Section 2(b) (collectively, such amount being the "**Predevelopment Expenses Cap**"). The City shall not commit to pay or pay any Predevelopment Expenses in excess of the Predevelopment Expenses Cap without the prior written consent of all the Parties to this Agreement.

(b) Funding of PD Expense Account. The City shall open an account at _____, located at _____ to be used by the City to pay the Predevelopment Expenses (the "**PD Expense Account**").

(i) On or before April 17, 2012, each Party shall deposit the following funds into the PD Expense Account: (a) the City, One Million Two Hundred Six Thousand Eight Hundred Seventeen Dollars (\$1,206,817); (b) the Kings, Six Hundred Three Thousand Four Hundred Eight Dollars (\$603,408); and (c) AEG, Six Hundred Three Thousand Four Hundred Eight Dollars (\$603,408).

(ii) On or before July 2, 2012, each Party shall deposit the following additional funds into the PD Expense Account: (a) the City, One Million Three Hundred Forty-One Thousand Three Hundred Sixty-Two Dollars (\$1,341,362); (b) the Kings, Six Hundred Seventy Thousand Six Hundred Eight-One Dollars (\$670,681); and (c) AEG, Six Hundred Seventy Thousand Six Hundred Eighty-One Dollars (\$670,681).

(iii) On or before October 1, 2012, each Party shall deposit the following additional funds into the PD Expense Account: (a) the City, One Million Five Hundred Forty-Eight Thousand Six Hundred Thirty-Four Dollars (\$1,548,634); (b) the Kings, Seven Hundred Seventy-Four Thousand Three Hundred Sixteen Dollars (\$774,316); and (c) AEG, Seven Hundred Seventy-Four Thousand Three Hundred Sixteen Dollars (\$774,316).

(iv) On or before January 2, 2013, each Party shall deposit the following funds into the PD Expense Account: (a) the City, Two Million Four Hundred Twenty-One Thousand Three Hundred Five Dollars (\$2,421,305); (b) the Kings, One Million Two Hundred Ten Thousand Six Hundred Fifty-Two Dollars (\$1,210,652); and (c) AEG, One Million Two Hundred Ten Thousand Six Hundred Fifty-Two Dollars (\$1,210,652).

(v) In addition, if requested by the City in writing, each Party shall deposit into the PD Expense Account on or before January 2, 2013, an additional amount to cover cost overruns, not to exceed the following: (a) the City, Six Hundred Fifty-One Thousand Eight Hundred Twelve Dollars (\$651,812), (b) the Kings, Three Hundred Thirty-Five Thousand Nine Hundred Six Dollars (\$335,906), and (c) AEG, Three Hundred Thirty-Five Thousand Nine Hundred Six Dollars (\$335,906).

(c) Additional Funding to Cover Excess Predevelopment Expenses. If the City expects to incur Predevelopment Expenses in excess of the Predevelopment Expenses Cap,

the City shall provide written notice to the Kings and AEG setting forth the total amount of the additional Predevelopment Expenses expected to be incurred, each Party's share of the expenses, the date, not less than thirty (30) days after the date of the notice, upon which each Party is requested to deposit its share of the expenses into the PD Expense Account, and requesting that the Kings and AEG provide written consent to the incurrence of the additional Predevelopment Expenses (the "**Excess Notice**"). If either the Kings or AEG fail to provide such written consent within thirty (30) days after the Excess Notice, no Party shall be obligated to provide any excess Predevelopment Expenses hereunder.

(d) Accelerated Funding. If the City, acting reasonably, expects to enter into contracts or incur Predevelopment Expenses in amounts that would exceed the then-available money in the PD Expense Account, the City may request the Parties deposit the next installment due under Section 2(b) above into the PD Expense Account within thirty (30) days. The Parties shall make that deposit, provided the City sets forth in writing, in reasonable detail, the need for the accelerated funding.

(e) Credit to Capital Contribution Obligations. All funds deposited by the Parties to the PD Expense Account shall be credited against their respective capital contribution obligations as set forth in the Term Sheet.

Section 3. Payment of Predevelopment Expenses.

(a) Disbursements. The City shall pay ICON and the Contractors and Consultants for their performance of the Predevelopment Services in accordance with the terms of the Contractor and Consultant Contracts.

(b) Notification of Disbursement. On or before the tenth (10th) day of each month, the City shall deliver a written report to the Kings and AEG containing the following information:

(i) the total amount of disbursements made from the PD Expense Account during the prior month;

(ii) a summary of the Predevelopment Services and the cost of such Predevelopment Services for which disbursements were made during the prior month;

(iii) the total amount of funds remaining in the PD Expense Account;
and

(iv) the current status of the Predevelopment Services.

(c) Pro Rata Allocation. Disbursements shall be accounted for pro rata against the Parties' respective contribution percentages.

Section 4. Final Report; Remaining Funds in the PD Expense Account. Within sixty (60) days after the primary general construction contract Notice to Proceed for the ESC is issued, the City shall deliver a final written report regarding the Predevelopment Services to the Kings and AEG containing the following information: (a) a summary of the Predevelopment Services

completed; and (b) a final accounting of all disbursements made from the PD Expense Account. Any funds remaining in the PD Expense Account after the City's delivery of the final report – after payment of any outstanding amounts owing under the Contractor or Consultant Contracts – shall be applied to the Parties' respective capital contribution obligations as set forth in the Term Sheet and the final development agreement for the ESC to be agreed to among the Parties.

Section 5. Termination of Development of ESC.

(a) Termination of Agreement. Any Party may immediately terminate its participation in this Agreement upon delivery of thirty (30) days' prior written notice to the other Parties to this Agreement. Such termination may occur at any time and for any reason; provided, however, such termination shall not relieve any Party from any default or uncured breach of its obligations under this Agreement on the date of termination.

(b) Disbursement of Remaining Funds. Upon the termination of this Agreement by any Party, the City shall, within sixty (60) days, disburse any funds remaining in the PD Expense Account – after payment of any outstanding amounts owing under the Contractor or Consultant Contracts – to the Parties in proportion to their percentage shares listed in Section 2(a) above; provided, the City shall not disburse any funds to any Party (including the City) if such Party is in default or breach of its funding obligations under this Agreement. The City shall have no obligation to reimburse the Kings or AEG for the funds they deposited hereunder that were properly disbursed for Predevelopment Services.

(c) Reimbursement to AEG. The Kings shall reimburse AEG for any and all amounts deposited by AEG into the PD Expense Account and not disbursed to AEG in accordance with Section 5(b) of this Agreement if (A) the ESC is not developed for any reason other than a default or breach by AEG under any agreement regarding the ESC to which AEG is a party, or termination of this Agreement by AEG pursuant to Section 5(a) at a time when neither the City nor the Kings have delivered a notice of termination or are otherwise in default of their respective obligations hereunder, and (B) either (i) within four (4) years of the date of this Agreement, the Kings relocate to a market other than Sacramento or (ii) within three (3) years of the date of this Agreement, the Kings commit to play substantially all their NBA games in a multipurpose arena to be built in Sacramento without the participation of AEG in the development of such arena. Such reimbursement shall be due and payable immediately upon written request from AEG to the Kings.

Section 6. Notices. Any notice required or permitted to be given hereunder may be either served by a Party or its attorney and must be in writing and shall be: (a) hand delivered; (b) deposited with an overnight courier; or (c) transmitted by facsimile or e-mail, provided that such notice is also delivered in another manner described herein within three (3) business days thereafter. Notices shall be deemed received at the earliest of: (i) actual receipt; or (ii) one (1) business day after deposit with an overnight courier as evidenced by receipt of deposit. Notices shall be directed to the Parties at their respective addresses shown below, or such other address as any Party may, from time to time, specify in writing in the manner described above:

If to the City: City Manager's Office
915 I St., Fifth Floor
Sacramento, CA 95814
Attn: John Dangberg, Assistant City Manager
Telephone: 916-808-1222
Facsimile: 916-808-7618
E-mail: jdangberg@cityofsacramento.org

With a copy to: City Attorney's Office
915 I St., Fourth Floor
Sacramento, CA 95814
Attn: Eileen Teichert, City Attorney
Matthew Ruyak, Assistant City Attorney
Telephone: 916-808-5346
Facsimile: 916-808-7455
E-mail: eteichert@cityofsacramento.org
mruyak@cityofsacramento.org

With a copy to: Husch Blackwell LLP
1050 17th Street, Suite 1500
Denver, CO 80265
Attn: Paul A. Jacobs, Esq.
Telephone: (303) 685-4800
Facsimile: (303) 685-4869
E-mail: paul.jacobs@huschblackwell.com

If to the Kings: Sacramento Kings Limited Partnership

Sacramento, California _____
Attn: _____
Telephone: _____
Facsimile: _____
E-mail: _____

With a copy to: _____

Attn: _____
Telephone: _____
Facsimile: _____
E-mail: _____

If to AEG: AEG Facilities, LLC
800 West Olympic Boulevard
Suite 300
Los Angeles, California 90015
Attn: Dan Beckerman, Chief Financial Officer
Telephone: (213) 742-7120
Facsimile: (213) 624-3054
E-mail: beckerd@aegworldwide.com_

With a copy to: Anschutz Entertainment Group, Inc.
800 West Olympic Boulevard
Suite 300
Los Angeles, California 90015
Attn: Ted Fikre, Chief Legal and Development Officer
Telephone: (213) 742-7115
Facsimile: (213) 742-7294
E-mail: tfikre@aegworldwide.com

Section 7. Miscellaneous.

(a) Indemnification; Default by ICON or the Contractors and Consultants.

Each Party to this Agreement (the "**Indemnifying Party**") agrees to indemnify and hold harmless each other Party and their respective affiliates and their respective directors, officers, members, managers, employees, agents and controlling persons (each such person, an "**Indemnified Party**") from and against any losses, claims, damages and liabilities, joint or several (collectively, "**Damages**") to which such Indemnified Party may become subject in connection with or otherwise relating to or arising from performance of this Agreement and which otherwise results from the negligence or misconduct of the Indemnifying Party, and will reimburse each Indemnified Party for all fees and expenses (including the fees and expenses of counsel) (collectively, "**Expenses**") as incurred in connection with or investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "**Proceedings**") arising therefrom, whether or not such Indemnified Party is a formal party to such Proceeding; provided that the Indemnifying Party will not be liable to any such Indemnified Party to the extent that any Damages result from the gross negligence or willful misconduct of the Indemnified Party seeking indemnification hereunder. Notwithstanding the foregoing, the City is not guaranteeing and shall not be responsible for any default or breach by ICON or any of the Contractors or Consultants under the ICON Agreement or under any Contractors and Consultants Contracts.

(b) Entire Agreement. This Agreement, together with the Exhibits attached hereto, all of which are incorporated by reference, is the entire agreement between the Parties with respect to the subject matter hereof, and no supplement, modification, or amendment hereof shall be binding unless in writing and signed by the Parties.

(c) Severability. If any provision of this Agreement or its application to any Party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such

provision to such Party or circumstances, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

(d) Negotiated Terms. The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement shall not be construed in favor of or against any Party by reason of the extent to which any Party or its professionals participated in the preparation of this Agreement.

(e) Assignment. The City may assign its rights, obligations, and interests under this Agreement to any public entity or nonprofit corporation it creates to own or finance the ESC provided that such assignment shall not limit the City's obligations hereunder. AEG may assign its rights, obligation, and interests under this Agreement to any affiliate of AEG provided that such assignment shall not limit AEG's obligations hereunder. Otherwise, no Party may directly or indirectly assign or transfer any of its rights, obligations, and interests under this Agreement without the written consent of the other Parties.

(f) Governing Law and Venue. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California, and any action or proceeding brought by any Party in which this Agreement is subject, shall be brought in the Superior Court for the County of Sacramento, State of California.

(g) Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

(h) Captions; Interpretation. The captions in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the scope or content of any of its provisions. Whenever the context may require, words used in this Agreement shall include the corresponding feminine, masculine, or neuter forms, and the singular shall include the plural and vice versa. Unless the context expressly indicates otherwise, all references to "Section" are to sections of this Agreement.

(i) Business Days. If any date herein set forth for the performance of any obligations by a Party or for the delivery of any instrument or notice as herein provided should fall on a Saturday, Sunday, or a local, state, or federal holiday observed in the City of Sacramento or the State of California, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday, or holiday.

(j) Recording. This Agreement shall not be recorded by the Parties.

(k) Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument. Facsimiles, pdfs, and photocopies of signature pages of this Agreement shall have the same binding effect as originals.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date set forth above in the first paragraph of this Agreement.

CITY:

CITY OF SACRAMENTO, a political subdivision of the State of California

By: _____

Name: _____

Title: _____

KINGS:

SACRAMENTO KINGS LIMITED PARTNERSHIP, a California limited partnership

By: _____

Name: _____

Title: _____

AEG:

AEG FACILITIES, LLC, a Delaware limited liability company

By: _____

Name: _____

Title: _____

EXHIBIT A

PREDEVELOPMENT SERVICES

1. Start-Up Expenses (e.g., environmental impact report)
2. Design/ Professional Services (e.g., basic design and engineering services, reimbursable architecture services, ADA consultant, arena operations consultant, site surveying (boundary and topographic), site and urban design planning, intermodal transit integration, pedestrian, traffic and parking surveys and studies, environmental studies, testing and inspections, geotechnical report/ground water analysis, and seismic study)
3. Legal and Governmental Services (e.g., transaction and administrative legal services, insurance and risk management legal services, and construction related legal services)
4. Project Administration (e.g., project management, project office expense, office build-out expense, administration related furniture, fixtures and equipment expense, and printing/ reproduction expenses)
5. Construction (Pre-construction fees)
6. Sales and Marketing (e.g., marketing center/mock suite)
7. Other services the City reasonably deems necessary for predevelopment (e.g., procuring Contractors and Consultants, final site determination, cost estimating, preliminary scheduling, obtaining permits and entitlements, coordinating community outreach)

EXHIBIT B

SCHEDULE

Planning, Design, Environmental Review and Construction

- **Site Planning for ESC and Premium Parking**
 - Late March 2012 to early May 2012: Site designers, architects, and transportation engineers engaged to develop final site plan for placement of ESC and premium parking facility. Site plan to be completed on May 9, 2012.
- **ESC Design**
 - April 2012 to April 2013: The design process for the ESC, including program design, schematic design, development design and construction design, will be completed.
 - Program Design: April 2012 through May 2012
 - Schematic Design and approval: April 2012 to August 2012:
 - Design Development and approval: July 2012 to January 2013
 - 25% Construction Documents and approval: December 2012 through March 2013
 - Complete Construction Drawings and approval: March 2013 through September 2013
- **Environmental Review and AB 900 Certification**
 - EIR - April 2012 to April 2013: Consultant team will prepare environmental impact report (EIR) to analyze potential for environmental impacts under requirements of California Environmental Quality Act (CEQA).
 - AB 900 - April 2012 to June 2012: Concurrent with EIR process City is pursuing AB 900 certification process. AB 900 certification process to be completed 60 days after EIR start and prior to release of Draft EIR.
- **Financing**
 - Close financing April/May 2013
- **Construction**
 - April/June 2013 to August/September 2015

EXHIBIT C

----- Predevelopment Cost Budget

Project: New Sacramento Entertainment & Sports Complex
Client: City of Sacramento

Acct #	Description	Calendar Year 2012										Calendar Year 2013			Total Predevelopment	
		April	May	June	July	August	September	October	November	December	January	February	March	April		
100.	START-UP EXPENSES															
	SUBTOTAL	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 700,000	
200.	SALES & MARKETING															
	SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 50,000	\$ 650,000	
300.	LAND ACQUISITION & SITE DEVELOPMENT															
	SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
400.	DESIGN/PROFESSIONAL SERVICES															
	SUBTOTAL	\$ 598,545	\$ 623,545	\$ 543,545	\$ 418,545	\$ 782,089	\$ 782,089	\$ 782,089	\$ 777,089	\$ 777,089	\$ 772,089	\$ 905,507	\$ 905,507	\$ 905,507	\$ 9,573,233	
500.	LEGAL & GOVERNMENTAL SERVICES															
	SUBTOTAL	\$ 40,000	\$ 50,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 15,000	\$ 15,000	\$ 25,000	\$ 25,000	\$ 35,000	\$ 25,000	\$ 25,000	\$ 15,000	\$ 370,000	
600.	PROJECT ADMINISTRATION															
	SUBTOTAL	\$ 76,000	\$ 76,000	\$ 76,000	\$ 91,000	\$ 112,000	\$ 112,000	\$ 112,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 114,000	\$ 89,000	\$ 89,000	\$ 1,223,000	
700.	CONSTRUCTION															
	SUBTOTAL	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 520,000	
750.	SYSTEMS & EQUIPMENT															
	SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
800.	PERMITS, TESTING, FEES, TAXES & SPECIAL ASSESSMENTS															
	SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
900.	INSURANCE, FINANCING & TRANSACTION COSTS															
	SUBTOTAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Owner Contingency (Recommend 5%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	TOTAL PROJECT BUDGET	\$ 814,545	\$ 849,545	\$ 749,545	\$ 644,545	\$ 1,029,089	\$ 1,009,089	\$ 1,009,089	\$ 994,089	\$ 1,094,089	\$ 1,179,089	\$ 1,324,507	\$ 1,199,507	\$ 1,139,507	\$ 13,036,233	
	Cumulative:	\$ 814,545	\$ 1,664,089	\$ 2,413,634	\$ 3,058,178	\$ 4,087,267	\$ 5,096,356	\$ 6,105,445	\$ 7,099,534	\$ 8,193,623	\$ 9,372,712	\$ 10,697,219	\$ 11,896,726	\$ 13,036,233		



National Basketball Association



March 30, 2012

John Dangberg, Assistant City Manager
City of Sacramento
City Hall
951 I Street
Sacramento, CA 95814-2604

Re: Predevelopment Funding Agreement ("PFA")

Dear Mr. Dangberg:

It is the NBA's understanding that as contemplated by the Term Sheet dated March 1, 2012, the City and AEG Facilities, LLC have reached agreement on the terms of the PFA, a copy of which is attached hereto, but that the Sacramento Kings Limited Partnership ("Kings") has not to this point approved such agreement. We further understand that it is your intention to present the PFA to the City Council for approval on April 3, 2012 in order to keep the ESC Project on its projected timeline.

The NBA hereby agrees, on behalf of the Kings, and subject to timely approval of the PFA by City Council subject only to execution by the other parties thereto in the form attached, to advance on April 4, 2012, \$200,000 (the "Advance") of the Kings' proposed obligation under paragraph 2(b)(i) of the PFA. The NBA understands that the Advance will be the first dollars used to fund Predevelopment Expenses, as defined in the PFA, through April 17, 2012, and that such Advance is at risk if, for any reason, the PFA is not finalized; provided that to the extent the PFA is not finalized, any amount of the Advance that has not theretofore been spent or committed to be spent by the City shall be returned to the NBA. If the PFA is finalized and signed by all parties, it is our understanding that the Kings will receive a credit in the amount of the Advance toward the remainder of its funding commitment under Section 2(b)(i) of the PFA.

The NBA is pleased to demonstrate its continuing support for the ESC Project by providing this accommodation to the City in order to keep the ESC Project on track.

Very truly yours,

NATIONAL BASKETBALL ASSOCIATION

By: 
Robert Friedrich
Vice President & Asst. General Counsel,
Business and Finance