

RESOLUTION NO. 2010-002

Adopted by the Financing Authority

September 7, 2010

RATIFYING AMENDMENTS TO AGREEMENTS THAT RELATE TO 1997 LEASE REVENUE BONDS (ARCO ARENA)

BACKGROUND

- A. On April 15, 1997, the Sacramento City Financing Authority (“the Authority”) adopted Resolution No. 97-001, thereby authorizing the issuance, sale, and delivery of bonds in an amount not to exceed \$75 million for the purpose of financing the acquisition of certain real property and the facilities thereon constituting a sports arena known as ARCO Arena (“the Acquisition Bonds”).
- B. By approving Resolution No. 97-001, the Authority authorized and directed its officers and agents, jointly and severally, to do any and all thing sand to execute and deliver any and all documents they deemed necessary or advisable to in order to carry out, give effect to, and comply with the resolution.
- C. In May 2003, relying on the above-stated provision of Resolution No. 97-001, staff executed the following documents:
 - 1. A letter agreement dated April 10, 2003, between the City, Sacramento Kings Limited Partnership (“the Kings partnership”); the National Basketball Association (“the NBA”); and U.S. Bank National Association (“U.S. Bank”), successor to First Trust of California, N.A. (“First Trust”) as trustee for the Acquisition Bonds. This letter agreement amended a letter agreement dated July 30, 1997, between the City, the Kings Partnership, the NBA, and First Trust, by which the NBA approved a Team Owner’s Relocation Assurance Agreement dated July 1, 1997, between the City and the Kings Partnership. The Team Owner’s Relocation Assurance Agreement obligates the Kings Partnership to pay the City an amount equal to the outstanding principal and interest on the Acquisition Bonds if the Sacramento Kings NBA franchise relocates to another city before the Acquisition Bonds have been retired. To secure the performance of this obligation, the Kings Partnership and First Trust entered into a Security Agreement that granted First Trust, as trustee for the Acquisition Bonds, a security interest of \$20 million in the Sacramento Kings franchise. With the amended letter agreement, the NBA approved an increase in the security interest from \$20 million to \$25 million. The Security Agreement was also amended to reflect this increase.
 - 2. A revised Subordination Agreement, dated May 5, 2003, between the Authority and U.S Bank successor to First Trust as trustee of the Acquisition Bonds. Under the original subordination Agreement, the Authority and the trustee of the Acquisition

Bonds, which by assignment is the holder of the City's right under the Team Owner's Relocation Assurance Agreement, agreed to subordinate the security interest created by the Security Agreement to a senior lien of \$30 million. The revised Subordination Agreement increased that amount of the senior lien (which secures the NBA's loans to the Kings Partnership under the credit facility) to \$75 million.

- D. In 2010, during a review of the legal documents associated with the ARCO Arena bonds, staff determined that Resolution No. 97-001 did not clearly grant administrative authority to amend terms and documents once the bonds had been issued.
- E. Because it has been determined that Resolution No. 97-001 does not clearly reflect an intent by the Authority to grant staff on-going administrative authority to amend the documents after the bonds have been issued, and because all involved parties have relied upon the 2003 amendments, the Authority desires to ratify the letter agreement dated April 10, 2003, and the revised Subordination Agreement dated May 5, 2003.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE FINANCING AUTHORITY RESOLVES AS FOLLOWS:

- Section 1 The Authority hereby ratifies (a) the revised Subordination Agreement dated May 5, 2003, describes in paragraph C (1) above; and (b) the letter agreement dated April 10, 2003
- Section 2 In accordance with California law, the Authority intends that this ratification relate back to the 2003 date of each document.

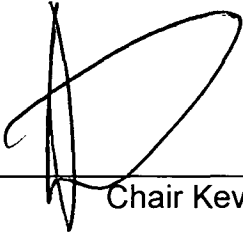
Adopted by the Financing Authority on September 7, 2010 by the following vote:

Ayes: Councilmembers, Cohn, Hammond, McCarty, Pannell, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: Councilmembers Fong, Sheedy, and Waters.



Chair Kevin Johnson

Attest:


Shirley Concolino, Secretary