

LETTER OF UNDERSTANDING

The parties to this Letter of Understanding ("LOU") are the California Exposition & State Fair ("Cal Expo"), an independent entity of state government, and NBA Sacramento Development, LLC, a Delaware limited liability company and a wholly-owned affiliate of the National Basketball Association ("NBA Sacramento"). Hereinafter, Cal Expo and NBA Sacramento, collectively, will be referred to as the "parties".

Joint Declarations of Cal Expo and NBA Sacramento

A. The purpose of this LOU is for Cal Expo and NBA Sacramento to jointly and individually state their respective goals and objectives and to commit to a more formal process for continuing discussions and attempting to reach a definitive agreement for the implementation of the Proposed Project, as defined below.

B. Following the parties' discussions over the last several months, Cal Expo and NBA Sacramento have agreed in principle (subject to the provisions of this LOU) to cooperate and work together in an attempt to evaluate the feasibility of developing a new and integrated fairgrounds, sports, entertainment, and mixed-use complex (the "Proposed Project") upon the Cal Expo site for the benefit of Cal Expo, NBA Sacramento, the National Basketball Association ("NBA"), the Sacramento Kings, the people of California and the residents of the greater Sacramento region. A principal goal of the Proposed Project is to provide long-term financial certainty, stability, and success for both Cal Expo and the NBA team in Sacramento.

C. It is anticipated that the Proposed Project will provide for updated and new state-of-the-art State Fair facilities for California residents to enjoy. In addition to other commercial retail and office amenities, it will also provide a 17,000 to 20,000 seat state-of-the-art arena and entertainment facility (the "Arena") that allows residents continued access to performing arts, concerts, trade shows, professional sports, family shows and other entertainment.

D. It is the intention of the parties that the Proposed Project will be redeveloped and constructed in an environmentally-sensitive manner that will provide new jobs and incremental tax revenue for the State of California and the City and County of Sacramento.

E. As part of these continuing discussions and negotiations, it will be necessary for Cal Expo and NBA Sacramento to jointly examine and evaluate the available entitlements, anticipated costs, and various means of financing for the Proposed Project; consult with developers and other professionals; consider detailed plans, drawings and visions of alternative layouts of the grounds; and integrate the likely role of the public and private processes required for the Proposed Project. In order to facilitate these discussions, it will also be necessary for the parties and consultants to willingly exchange and share information on a timely basis.

F. If through these discussions, Cal Expo and NBA Sacramento each independently reach a determination that the Proposed Project is in such party's best interest, then Cal Expo and NBA Sacramento will negotiate and use diligent efforts to enter into a final more definitive agreement (the "Definitive Agreement") for the Proposed Project.

Declarations of the Respective Parties

Declarations by Cal Expo

A. Cal Expo is a separate entity in state government governed by a Board of Directors as set forth in the California Food and Agricultural Code. Its mission is to create a State Fair experience, supported by year-round events, that reflects the State of California including its industries, agriculture, the diversity of people, as well as its traditions and trends for the future.

B. The Cal Expo Board of Directors (the "Cal Expo Board") serves as the policymaking body for Cal Expo and has the responsibility of maintaining financial self sufficiency in the year round management and operations.

C. Opened in 1968, the facilities at the Cal Expo Site are visited annually by more than 2.5 million people who generate an economic impact of approximately \$250 million. More than \$17 million in tax contributions is remitted annually to local and state governments. The equivalent of up to 2000 jobs is generated annually by Cal Expo activities.

D. Aging facilities and deteriorating infrastructure at the Cal Expo Site now account for a major liability for deferred maintenance. Cal Expo has determined that, in addition to completing the deferred maintenance, significant capital improvements are needed to upgrade and replace outdated and aging facilities and address governmental regulations. While Cal Expo has successfully operated without financial support from the State of California's General Fund for twenty years, during this period, only two significant capital improvements have been made. Meanwhile, business retention is at risk as event promoters express concerns about tired and outdated facilities at the Cal Expo Site. Among proposed capital improvements is a sports and entertainment arena to increase revenue, ease budgetary pressures, and add to the attractiveness and suitability of the Cal Expo location as a major destination.

E. Cal Expo believes that it is important for Cal Expo to work with appropriate state and local agencies and authorities to develop plans to ease any current or future traffic congestion in and around the Cal Expo Site as well as improve mass transit to and from the site.

F. As a result of an aging facility, the Cal Expo Site's success as a leader in the fair industry and as a year round destination for entertainment events is challenged unless new sources of revenue are found to stay current with facility improvements and market dictated programming changes. The current financial forecast for Cal Expo does not project revenue for investment in the property that could sustain Cal Expo into the future. Without new capital investment, competition elsewhere in the Sacramento market may soon overtake Cal Expo.

G. Cal Expo has a unique opportunity to enter into an agreement with NBA Sacramento to redevelop the Cal Expo Site resulting in a brand new facility at no capital cost to Cal Expo and without the need for any new State or local taxes. In doing so, Cal Expo can continue to fulfill its mission to provide the citizens of California with a first class State Fair and year round entertainment opportunities. The location of the Arena with appropriate surrounding development at the Cal Expo Site, paid for by NBA Sacramento or its designee, provides a truly unique and exclusive opportunity that would otherwise not be available at the present time.

H. Opportunities for revitalization and new business development await Cal Expo with the right combination of land use planning, sponsorships and financing. The strengths of the Cal Expo Site are its location, abundant parking and strong brand recognition in northern California. These strengths need to be leveraged to secure the future. Cal Expo's future lies in its ability to create sponsorship and business opportunities that provide funding for the revitalization and development of facilities that respond to opportunities in the market.

Declarations by NBA Sacramento

A. The NBA is currently comprised of thirty (30) teams, one of which is the Sacramento Kings (the "Kings" or the "Team"). The Team made its NBA debut in 1948 as the Rochester Royals. The Team was moved to Cincinnati in 1957, and later to Kansas City in 1972. In January 1985, a group of Sacramento businessmen sought and received approval from the NBA Board of Governors to move the Team to Sacramento. In October 1985, the Kings played their first-ever game in Sacramento before a sold-out crowd at a temporary ARCO Arena site. After three seasons in the temporary facility, the Kings played their first game at the permanent ARCO Arena facility on November 8, 1988 before a capacity crowd of more than 17,000 fans.

B. The Kings have enjoyed outstanding support from fans throughout the Sacramento region. In fact, over a 13-year stretch from the Team's arrival in Sacramento to the 1997-98 NBA season, the Kings hosted an NBA-leading 497 consecutive sellouts. Also, as of the end of the 2006-07 NBA season, the Kings had sold-out 354 consecutive games, the longest then-current sellout streak in the NBA.

C. Over the course of 22 seasons of NBA basketball in Sacramento, ownership of the Team, particularly the current majority owners of the Team and ARCO Arena, Maloof Sports and Entertainment, has produced a compelling sports and entertainment product for residents of and visitors to the Sacramento region. To that end, the Kings have recorded 50-plus regular season victories five times, won two NBA Pacific Division titles, and advanced to the 2002 NBA Western Conference Finals. The Sacramento Monarchs of the Women's National Basketball Association (the "WNBA"), also owned by Maloof Sports and Entertainment, won the 2005 WNBA Championship and the 2006 WNBA Western Conference.

D. The Kings and Maloof Sports and Entertainment continue to explore ways to enhance the entertainment value of the nearly two million guests who annually attend events at ARCO Arena. Ownership has invested in training, services and equipment designed to improve customer service and satisfaction. The Kings ranked first in the NBA in overall fan experience in 2001 and 2003 in NBA league-wide surveys.

E. Including NBA basketball, ARCO Arena hosts nearly 200 events per year, which events include WNBA and college basketball, concerts, circuses, hockey and ice shows, arena football, monster truck shows, wrestling and numerous other community events. ARCO Arena is one of the current venues for sports, entertainment and special events in the Sacramento region. It adds to the local economy by employing as many as 1,200 full- and part-time workers.

F. Completed in 1988, ARCO Arena cost approximately \$40 million to construct. This compares to an average cost of approximately \$80 million for the two other NBA arenas

that were built in 1988. As they were previously utilized in the temporary arena facility, ARCO Arena's seats, major systems and equipment are older and more worn out than the arena's 1988 completion date might indicate. ARCO Arena is the second-oldest un-renovated arena in the NBA, exhibits signs of significant wear and tear, and is nearing physical obsolescence.

G. The ARCO Arena's size, layout, amenities and facilities are inconsistent in a number of respects with current NBA standards.

H. There is general agreement in the Sacramento region on the desire to retain NBA basketball and the Kings team, which is one of the Sacramento region's most recognizable brands, has become one of the region's primary marketing vehicles, and is an important part of the region's quality of life. There is also general agreement on the need for a new arena for the Sacramento region. Accordingly, the parties recognize that the NBA, through NBA Sacramento, is uniquely capable of entering into an agreement with Cal Expo to effectuate the Proposed Project.

I. The NBA and the Kings are committed to the Sacramento market, which has been very supportive of the Team at the fan, corporate and governmental levels. The NBA and the Kings view the development of a state-of-the-art arena and entertainment facility as essential to long-term viability of the Team in Sacramento.

Wherefore, based upon and in furtherance of the foregoing recitals, Cal Expo and NBA Sacramento agree to the following:

1. **Discussion Period.** Unless terminated sooner in accordance with the terms of this LOU, the parties agree to continue discussions diligently and in good faith with one another for a period of 180 days commencing upon the effective date of this LOU (the "Discussion Period") in an attempt to develop, evaluate, and mutually agree on a plan for the new State Fair, expo, and Arena facilities (the "Expo/Arena Facilities Plan") to be included within the Proposed Project, and, if such mutual agreement is reached, to negotiate a mutually acceptable Definitive Agreement providing for the implementation of the Proposed Project. This LOU will terminate on the 180th day after the effective date of this LOU, unless otherwise extended by the parties in a written agreement. The effective date of this LOU shall be the date on which the last of the parties to execute this LOU shall have done so, as indicated on the signature page hereof.

2. **Development and Evaluation of the Proposed Project.** During the Discussion Period, the parties shall work together in good faith to evaluate, and if appropriate, negotiate a Definitive Agreement for the Proposed Project as follows:

A. NBA Sacramento, at its sole cost, and Cal Expo, jointly will develop the conceptual plan (the "Conceptual Plan") for the Proposed Project, which shall include (1) a detailed land use plan, including program analysis and phasing, (2) feasibility analysis, including projected infrastructure, fee, and development value analyses, (3) economic impact analysis for the Proposed Project, (4) artistic renderings, and (5) the Expo/Arena Facilities Plan.

(i) In the development of the Conceptual Plan, the parties agree to work cooperatively and, if appropriate, submit to qualified developers a Request for Proposal (RFP), or otherwise approach developers in a mutually agreed upon manner,

for the development of the Proposed Project based on the Conceptual Plan and, in any event, making adequate provision for the Expo/Arena Facilities as agreed by the parties.

a. It is agreed by the parties that both the Conceptual Plan and the Expo/Arena Facilities Plan must be approved by the Cal Expo Board prior to submission to potential developers.

b. It is understood by the parties that although NBA Sacramento shall bear all direct costs of developing the Conceptual Plan and the Expo/Arena Facilities Plan, it shall not be responsible for costs relating to the time, efforts, or activities of Cal Expo employees and their advisors/consultants, not retained by NBA Sacramento, for purposes of evaluating and developing the Conceptual Plan and the Expo/Arena Facilities Plan.

c. It is further understood by the parties that if the parties do not reach agreement on either the Conceptual Plan or the Expo/Arena Facilities Plan or if either party rejects the Proposed Project at any point during the Discussion Period, this LOU shall terminate upon notification of such event by one party to the other.

(ii) The handling and processing of the RFP, if applicable, shall be conducted in accordance with the requirements of State law.

(iii) In connection with the development of the RFP, the parties may (i) examine and evaluate the available entitlements, anticipated costs, and various means of financing the Proposed Project; (ii) consult with developers and other professionals; (iii) consider detailed plans, drawings, and visions of alternative layouts of the grounds; (iv) integrate the likely role of the public and private processes required for the Proposed Project; and (v) respond in a timely manner to questions raised by Cal Expo and NBA Sacramento regarding the development process as they may arise.

(iv) Further, in connection with the development of the Conceptual Plan, the parties may seek any necessary approvals and appropriate assistance from local, state, and federal governments for the Proposed Project and its financing, transportation, and infrastructure needs.

(v) Cal Expo shall work collaboratively with NBA Sacramento in providing site information and the necessary access to the Cal Expo Site to NBA Sacramento, potential developers, and consultants and contractors for the purpose of conducting assessments, based on a mutually acceptable right of entry agreement prior to the entry by NBA Sacramento, potential developers, consultants and contractors on the Cal Expo site.

B. Development and Negotiation of a Definitive Agreement. If through these discussions Cal Expo and NBA Sacramento each independently reach a determination that the Proposed Project is in such party's best interest, then Cal Expo and NBA Sacramento will negotiate and use diligent efforts to enter into a final Definitive Agreement for the Proposed Project.

3. Effect of this LOU and Exclusivity.

A. Neither party shall be legally bound to consummate any lease, transfer, or other conveyance of the Cal Expo site or any interest therein or to construct the Proposed Project as outlined herein unless and until a Definitive Agreement has been executed and delivered by the parties. Notwithstanding any other provision hereof, neither NBA Sacramento nor Cal Expo shall be under any obligation to approve or execute any Definitive Agreement during or upon conclusion of the Discussion Period.

B. While this LOU remains in effect, the parties shall negotiate exclusively and in good faith with each other with respect to the development of the Cal Expo site; specifically, Cal Expo will not solicit, initiate, encourage, or engage in any discussions or negotiations with a third party concerning the long term development of the Cal Expo site, excluding discussions and negotiations relating to on-going business operations that would not, if consummated, be materially disruptive to, or inconsistent with, the Proposed Project; and NBA Sacramento will not solicit, initiate, encourage, or engage in any discussions or negotiations relating to the location and development of a new basketball arena on some other site located within the greater Sacramento area.

C. The parties acknowledge the applicability of the provisions of the Bagley-Keene Act (Government Code section 11120 *et seq.*), the California Public Records Act (Government Code section 6250 *et seq.*), and the right to public documentation and disclosure.

D. In the event that a Definitive Agreement is approved and executed by the parties, this LOU shall be superseded by such Definitive Agreement.

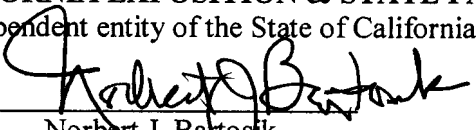
E. By their respective execution hereof, the parties agree that, notwithstanding anything herein to the contrary, neither of the parties shall have any right to specific performance of this LOU or to any equitable or legal remedies, including without limitation, any right to damages.

"CAL EXPO"

CALIFORNIA EXPOSITION & STATE FAIR,
an independent entity of the State of California

Dated: ~~April~~ ^{May} 21, 2008

By: _____

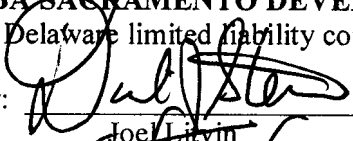

Norbert J. Bartosik
General Manager/CEO

"NBA SACRAMENTO"

NBA SACRAMENTO DEVELOPMENT, LLC,
a Delaware limited liability company

Dated: ~~April~~ ^{May} 21, 2008

By: _____


Joel Litvin
President