



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

July 31, 2012

Ordinance 17395

Proposed No. 2012-0202.2

Sponsors McDermott

1 AN ORDINANCE related to a new multi-purpose sports
2 and entertainment facility authorizing the King County
3 executive to execute a memorandum of understanding with
4 the city of Seattle and ArenaCo and to execute an interlocal
5 agreement with the city.

6 STATEMENT OF FACTS:

- 7 1. WSA Properties III, a Delaware limited liability company,
8 ("ArenaCo") approached the city and the county with a proposal for the
9 two governments to participate in the development and ownership of a
10 multipurpose sports and entertainment facility ("arena") located in Seattle.
- 11 2. The city and the county formed an advisory panel to review the
12 proposal.
- 13 3. Having considered the recommendations of the advisory panel, the city
14 and the county have collaborated and negotiated with ArenaCo to develop
15 a structure for eventual public ownership of a new arena.
- 16 4. The structure includes the addition of National Basketball Association
17 and National Hockey League teams to Seattle to play in the arena.
- 18 5. The addition of professional basketball and hockey will contribute to
19 the social and economic environment of Seattle and King County by,

20 among other things, creating jobs, and by supporting a wide variety of
21 businesses that generate annual earnings and sales, property and business
22 and occupation tax revenues.

23 6. The agreement described in the Memorandum of Understanding -
24 Seattle Sports and Entertainment Facility provides the city and the county
25 with satisfactory security for the public investment.

26 7. The city and the county will not be responsible for costs or any cost
27 overruns for construction of the arena.

28 8. City and county investment will only occur once certain conditions
29 precedent are met, including environmental review and permitting,
30 financing and team acquisition for the arena.

31 9. The city and the county have negotiated an interlocal agreement that
32 describes and defines the mutual endeavor of pursuing public ownership
33 of the arena.

34 10. Through the interlocal agreement, the city and county aim to establish
35 investment, management, ownership, communication, oversight and
36 accountability mechanisms and principles for the governments to
37 cooperatively participate in the arena development and ownership.

38 11. Consistent with the King County Strategic Plan, which calls for the county to
39 promote regional economic development through partnerships with regional
40 organizations, other jurisdictions, and the private sector, the county commits to
41 working collaboratively with the Port of Seattle throughout the development and
42 operation of the Arena and encourages the city of Seattle and ArenaCo to also

43 work collaboratively with the Port of Seattle throughout the development and
44 operation of the Arena. It is a value of King County that when the county
45 conducts business with one regional partner, it should not be at the expense of
46 another partner.

47 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

48 SECTION 1. The King County executive is hereby authorized to execute and
49 implement the interlocal agreement in substantially the form of the agreement attached to
50 this ordinance as Attachment A.

51 SECTION 2. The King County executive is hereby authorized to execute and
52 implement the memorandum of understanding in substantially the form of the
53 memorandum attached to this ordinance as Attachment B.

54 SECTION 3. King County values the Port of Seattle and wants to protect its
55 regional economic strength. King County is committed to supporting the Port of Seattle's
56 efforts to retain and expand container traffic. King County also commits to working with
57 the city of Seattle and the Port of Seattle to seek a solution at the state level to allow for
58 implementation of a heavy haul corridor designation to improve truck access to the Port
59 of Seattle.

60 The executive shall transmit a report to the King County council no later than
61 March 15, 2013 on efforts to seek a solution at the state level to allow for implementation
62 of a heavy haul corridor designation and any other efforts to support the Port of Seattle's
63 viability. The executive shall consult with and seek input from the Port of Seattle in the
64 development of this report. The report required must be filed in the form of a paper
65 original and an electronic copy with the clerk of the council, who shall retain the original

66 and provide an electronic copy to all councilmembers and to the lead staff for the budget
67 and fiscal management committee, or its successor.
68


Ordinance 17395 was introduced on 5/29/2012 and passed as amended by the Metropolitan King County Council on 7/30/2012, by the following vote:

Yes: 6 - Mr. Gossett, Ms. Hague, Ms. Patterson, Ms. Lambert, Mr. Ferguson and Mr. McDermott
No: 3 - Mr. Phillips, Mr. von Reichbauer and Mr. Dunn
Excused: 0

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON


Larry Gossett, Chair

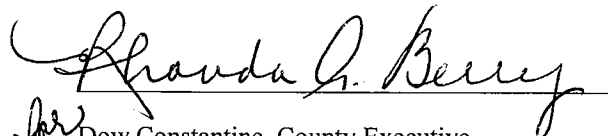
ATTEST:



Anne Noris, Clerk of the Council

RECEIVED
2012 AUG 15 PM 4:30
CLERK
KING COUNTY COUNCIL

APPROVED this 15th day of August, 2012.


for Dow Constantine, County Executive

Attachments: A. Interlocal Agreement, dated July 30, 2012, B. Memorandum of Understanding, dated July 30, 2012

July 27, 2012

INTERLOCAL AGREEMENT
ARENA DEVELOPMENT, FINANCING, ACQUISITION AND OPERATION

THE CITY OF SEATTLE and KING COUNTY

This Interlocal Agreement is entered into as of the _____ day of _____, 2012, by and between THE CITY OF SEATTLE (the "City") and KING COUNTY (the "County") (collectively, the "Parties" and each a "Party"). This Interlocal Agreement ("Interlocal Agreement") is made pursuant to chapter 39.34 RCW (the "Interlocal Cooperation Act") and has been authorized by the governing body of each Party. Each of the Parties is a "public agency" as defined in the Interlocal Cooperation Act.

1. Recitals.

A. A private entity known as "ArenaCo" has approached the Parties with a proposal for a new multi-purpose sports and entertainment facility (the "Arena") to be located on land currently owned by ArenaCo or its affiliates south of downtown Seattle (the "Project Site"). ArenaCo will sell the Project Site to the City and then ground lease it back from the City. ArenaCo will construct the Arena at its sole cost and expense and on completion, will lease it to the Parties with an option to purchase. The Parties will thereafter sublease or lease the Arena Facility to ArenaCo to operate pursuant to an "Arena Lease." The general provisions of the contemplated transaction between the Parties and ArenaCo are outlined in a Memorandum of Understanding—Seattle Sports and Entertainment Facility dated _____, 2012 (the "MOU").

B. Each of the Parties has authority to enter into interlocal agreements under the Interlocal Cooperation Act for joint and cooperative action, including actions consistent with Chapter 35.42 RCW, RCW 36.68.090, and other laws applicable to City and County development, financing and operation of multi-purpose sports and entertainment facilities and the provision of services to be provided by one government to another in connection with those facilities.

C. Subject to environmental and certain other review detailed in the MOU, the Parties have determined that, if developed, the Arena would provide general public benefits as well as specific direct and indirect benefits to both Parties and their residents. As more specifically described in the MOU, ArenaCo is responsible for development and construction of the Arena Facility, including all construction costs and overruns. Public financial investment in the Arena project (as further defined in the MOU, the "Public Financing") may occur only consistent with and upon the occurrence of specific actions described in the MOU. The MOU will be implemented through an Umbrella Agreement and Transaction Documents to be negotiated between the Parties and ArenaCo. The MOU, Umbrella Agreement and Transaction Documents are collectively referred to herein as the "Arena Facility Agreements."

D. The Parties have determined to enter into the MOU, and the purpose of this Interlocal Agreement is to establish their respective rights and responsibilities in the event the Arena is developed.

2. Definitions. Unless otherwise defined in this Interlocal Agreement, capitalized terms have the meanings given them in the MOU.

3. Duration. Subject to Paragraph 4.E(ii), this Interlocal Agreement will terminate upon the later of (a) the date when all Public Financing is retired or defeased, and (b) the termination of the Arena Lease and any extensions thereto.

4. Acquisition of Property; Development and Acquisition of Arena.

A. The City will make a call for bids for the Project consistent with RCW 35.42.080. Subject to the conditions described in the Arena Facility Agreements, the City will acquire the title to the Project Site by paying the first installment of the Public Financing ("Installment One") and then ground lease the Project Site to ArenaCo. Concurrent with the Ground Lease, the Parties will enter into a Lease-Purchase Agreement with ArenaCo under which ArenaCo will have an obligation to build the entire Arena and the Parties will have the obligation to lease the Arena building structure ("Arena Facility") with an option to purchase. On the Commencement Date, the Parties will become co-tenants in the leasehold estate in the Arena Facility with the City holding a 60% interest and the County holding a 40% interest, subject to amendment to conform to their actual shares in the Public Financing as of the Transfer Date, as provided in Paragraph 4.C below.

B. On the Transfer Date, the Parties will either (i) exercise the option to purchase the Arena Facility, holding title as tenants in common, or (ii) cause a trustee to prepay the principal component of all remaining lease payments required under the Lease-Purchase Agreement ("Installment Two").

C. If the Parties exercise the option to purchase the Arena Facility, as described in Paragraph 4.(B)(i) above, the Second Installment of the Public Financing may be structured as bonds issued by the City and the County. In that event the Ground Lease will terminate and the City and County will thereafter hold title to the Arena Facility as tenants in common (with ownership percentages in proportion to their respective actual shares of the Public Financing). If the Parties cause a trustee to prepay the principal component of all remaining lease payments required under the Lease-Purchase Agreement, as described in Paragraph 4.(B)(ii) above, the Public Financing will be structured as certificates of participation in a stream of lease revenues. In either case, the City will convey to the County an interest in the Project Site so that the Parties will be tenants in common in the Project Site (with ownership percentages in proportion to their respective actual shares of the Public Financing).

D. Notwithstanding the foregoing, if on the Transfer Date the total principal amount of the County's participation in the Public Financing does not exceed \$5 million, the County may at its option determine not to hold any ownership or leasehold interest in the Arena Facility or the Project Site and may assign its rights to acquire ownership and leasehold interests to the City. In that case, all of the rights and obligations of the Parties under this Interlocal Agreement

will remain in place, except that the County will not own an interest in either the Arena Facility or the Project Site.

E. If the County holds an ownership or leasehold interest in the Arena Facility or the Project Site, (i) neither Party may transfer its common interest without the express written consent of the other Party and (ii) on and after the end of the initial 30-year term of the Arena Lease, the County may, upon two years' notice to the City, assign and transfer to the City all of the County's ownership or leasehold interests at no cost to the City, in which case this Interlocal Agreement will terminate.

F. Subject to Section 7 of this Interlocal Agreement, as between the Parties the City will be the lead with respect to reviews and approvals under the Arena Facility Agreements relating to the design and construction of the Arena. Subject to Section 7, the City-County Representative is authorized by the Parties to take the actions described with respect to that position in the Arena Facility Agreements.

G. Under the Arena Facility Agreements, ArenaCo will reimburse the City and the County for up to \$5 million for their pre-development costs incurred (exclusive of permit fees and other fees imposed by the City and the County in their regulatory capacities and exclusive of the costs incurred by the City in connection with the activities of the City-County Representative after the Commencement Date). If, on the Commencement Date, the total of those City and County costs exceeds \$5 million, each Party's respective reimbursement share will be adjusted to allocate each Party's reimbursement in a manner approximately proportional to its share of total costs reasonably incurred.

H. If the Arena Lease is terminated prior to the end of its initial term, and if the City and the County are tenants in common and become responsible for costs relating to the Arena, the City and County will contribute to those costs proportionately to their shares of the Public Financing. Arena Tax Revenues and any rental payments under any lease or other third-party obligation to the City or County that replaces the Arena Lease shall be applied as provided in Section 6 of this Interlocal Agreement.

5. Financing.

A. As reflected in MOU, the total amount to be paid to ArenaCo by the City and County for acquisition of the Project Site and the lease-purchase of the Arena Facility will not exceed \$200 million.

B. The City will finance the public acquisition of the Project Site (*i.e.*, Installment One), the cost of which is not known as of the date of this Agreement but which will be the fair market value of the Project Site, based on an independent appraisal. The amount expended by the City in connection with the acquisition of the Project Site will not exceed \$100 million. Between the Commencement Date and the Transfer Date, the City will be responsible for paying (nominal) rent to ArenaCo under the terms of the Lease-Purchase Agreement, and upon the Transfer Date those payments will be treated as a credit to the City's share of the Second Installment, consistent with RCW 35.42.040.

C. On the date of Installment Two, and in connection with the lease and/or purchase of the Arena on or after the Transfer Date, each Party will incur a share of Public Financing obligations, part of which is expected to be tax-exempt obligations representing amounts of obligations the Parties determine can be prudently retired from each Party's anticipated property taxes attributable to the Arena and the Arena Tenant Improvements during the term of the Arena Lease. The total amount of Public Financing will not exceed a cumulative amount (*i.e.*, including Installment One), totaling \$200 million of City and County obligations, of which up to \$120,000,000 will be City obligations and of which up to \$80,000,000 will be County obligations; provided, however, that if, as set forth in Paragraph 10.ii of the MOU, all of the conditions related to an NHL Team have not been satisfied by the Transfer Date, the principal amount of the County's participation in the Public Financing will not exceed \$5,000,000 and will be limited to an amount that the County reasonably determines can be prudently retired from its anticipated property taxes attributable to the Arena and the Arena Tenant Improvements.

D. City and County obligations are expected to have the same basic structure, payment dates and final maturity dates, with appropriate differences for taxable and tax-exempt debt (if any). Neither Party may refinance its respective Arena obligations to change payment dates, extend the term or increase annual debt service, without the consent of the other Party. Each Party will be solely responsible for its obligations incurred in connection with the Arena Project, and neither the City nor the County will guarantee or be responsible in any way for the payment of the other Party's obligations.

6. Application of Arena Tax Revenue.

A. The City will establish and maintain for the benefit of the Parties a special fund designated as the "City-County Arena Project Fund" or such other designation that the City deems appropriate (the "Arena Fund"). The Arena Fund will be administered by the City. The Advisory Board (defined and described below) will provide advisory oversight of the maintenance and uses of the Arena Fund. The City will create, within the Arena Fund, an Arena Revenue Account, and a City-County Capital Account, and the City may create other accounts, subaccounts or subfunds within or associated with the Arena Fund, all consistent with the Arena Facility Agreements. Interest earnings on amounts held in each account will be retained in that account, except as otherwise permitted or required under the Arena Facility Agreements.

B. The City and the County will each dedicate to the Project all Arena Tax Revenues and Rent Revenues that each derives from the Arena and the Arena Tenant Improvements during the term of the Arena Lease, except for taxes that are subject to legal restrictions that preclude their use either for payment of Arena-related debt or expenses (other than City parking taxes attributable by contract to the Arena).

C. Except for an amount equal to property taxes derived from the Arena and Arena Tenant Improvements that each Party will apply to the payment of tax-exempt general obligation bonds (or general obligation lease payments allocable to tax exempt certificates of participation), each Party will deposit in the Arena Revenue Account, as received, all Arena Tax Revenues received by that Party and dedicated to the Project.

D. The City will receive from ArenaCo, and deposit in the Arena Revenue Account, all Base Rent and Additional Rent. The City will also receive and deposit in the Arena Revenue Account (or in such other funds or accounts established by the City after notice to the Advisory Board) all other payments received from or in respect of obligations to the Parties of ArenaCo, its affiliates, or others.

E. The City and County will each, in proportion to their respective debt issuances, be entitled to transfers from the Arena Revenue Account in amounts necessary to pay or provide for the payment of debt service (or lease payments in the case of certificates of participation) on the taxable portion of the Public Financing that Party incurs in connection with the Arena. If amounts in the Arena Fund exceed the amounts necessary to provide for each Party's current debt service, then unless the Parties mutually determine otherwise, the excess amounts in the Arena Fund will be applied to the retirement or defeasance of outstanding Public Financing on a pro rata basis (*i.e.*, based on the City's and County's pro rata shares of the outstanding Public Financing).

F. In the event of a Payment Default by ArenaCo, and so long as that Payment Default continues: (a) Arena Tax Revenues and Base Rent (if any) received from ArenaCo will be divided between the Parties based on each Party's proportionate share of the outstanding taxable Public Financing, except that after year 15 of the Arena Lease, to the extent necessary to provide for the County's current debt service on its Public Financing, up to 50% of Arena Tax Revenues will be allocated first to the County, with the balance allocated to the City, and (b) Additional Rent payments and withdrawals of balances in the Reserve Account, the Capital Account and the City-County Capital Account, will be allocated first to current debt service on the County's taxable Public Financing (to the extent not provided for by Arena Tax Revenues and Base Rent), and next to current debt service on the City's taxable Public Financing. Further amounts received by the Parties from or in respect of obligations to the Parties from ArenaCo, its affiliates, or others (*e.g.*, amounts received from the Parties' security interest (as described in Paragraph 12.f of the MOU and any corresponding terms in the Arena Facilities Agreements)) will be allocated to the Parties in proportion to their respective shares of outstanding taxable Public Financing.

G. In connection with security provided by ArenaCo for its financial obligations to the Parties, the City will make and maintain the appropriate UCC filings necessary to perfect security interests, as described in the Arena Facility Agreements, with each Party named as a "secured party" in those UCC filings.

7. Governance.

A. The City will serve as administrator of the joint and cooperative undertaking established in this Interlocal Agreement and will be responsible for day-to-day decision-making with respect to the Arena and for supervising the City-County Representative. The City will appoint the City-County Representative after consultation with the County. The City may also remove and/or replace the City-County Representative after consultation with the County. The County Executive will designate a County employee to serve as a liaison with the City-County Representative. The City-County Representative will regularly report to and consult with that

liaison concerning day-to-day decision-making and other matters and decisions concerning the Arena Facility Agreements, the Arena and the Arena Fund.

B. There is established the Arena Project City-County Advisory Board (“Advisory Board”) to act in an advisory role by providing oversight of, and recommendations to City and County officials concerning the Arena Facility Agreements, the Arena and the administration of the Arena Fund. The Advisory Board will consist of one appointee from each of the following, which appointee will be an elected official or other employee of the City or the County, as applicable:

- o The Mayor of the City (and if the Mayor fails to appoint someone, the City’s Budget Director)
- o The County Executive (and if the Executive fails to appoint someone, the County’s Budget Director)
- o The City Council (and if the Council fails to appoint someone, the chair of the City Council’s primary budget and finance committee, currently the Government Performance and Finance Committee)
- o The County Council (and if the Council fails to appoint someone, the chair of the County Council’s primary budget and finance committee, currently the Budget and Fiscal Management Committee).

C. Notwithstanding the foregoing, if the principal amount of the County’s participation in the Public Financing does not exceed \$5,000,000, the only County representative on the Advisory Board will be the appointee of the County Council (as described above).

D. The Advisory Board will make recommendations to City and County officials on Milestone Decisions (defined in Section 7.H(iii) below) or other significant decisions the Advisory Board may identify concerning the Arena Facility Agreements, the Arena and the Arena Fund. The Advisory Board will attempt to reach consensus agreement on any issue before it. If consensus is not reached, members of the Advisory Board may make separate recommendations on an issue.

E. The City-County Representative will provide the Advisory Board with at least quarterly reports detailing the status of all revenues of, expenditures from and balances in the Arena Fund and associated accounts, describing the status of activities and decisions that have occurred regarding the Arena Facility Agreements, the Arena and the Arena Fund, and providing other information that the City-County Representative may deem appropriate to provide or that the Advisory Board may request. The City-County Representative will report to the Advisory Board regarding proposed Milestone Decisions (as defined below) and any other significant decisions that the Advisory Board may identify. The City-County Representative will provide the Advisory Board with sufficient advance notice of such decisions so that it may meaningfully evaluate and recommend a decision based on the City-County Representative’s Report.

F. The City-County Representative will promptly provide a copy of the reports described in Paragraph 7.E to the City Council and the County Council, together with such other reports as either council may from time to time request.

G. The City-County Representative will report immediately to the Advisory Board, the City's Mayor, the County Executive and the County Liaison upon the occurrence of an event of default under the Arena Facility Agreements.

H. The process for making decisions with regard to the Arena Facility Agreements, the Arena and the Arena Fund will vary depending on the nature and scope of the decision as follows:

(i) The City will make decisions on day-to-day operations ("Day-to-Day Decisions").

(ii) The City and the County will agree on important decisions that could materially affect the interests of the Parties ("Material Decisions"). If they are unable to agree, either Party may reasonably promptly thereafter invoke Dispute Resolution. Subject to Section 7.H(v), such decision may not be acted upon until resolved through Dispute Resolution.

(iii) The City and the County will agree on milestone decisions that could significantly affect the interests of the Parties ("Milestone Decisions") after obtaining a recommendation from the Advisory Board. If they are unable to agree, either Party may reasonably promptly thereafter invoke Dispute Resolution. Subject to Section 7.H(v), such decision may not be acted upon until resolved through Dispute Resolution.

(iv) Either Party may at any time invoke Dispute Resolution to address any issue that materially adversely affects that Parties interests or to address a breach of this Interlocal Agreement by the other Party.

(v) If in an emergency an immediate decision must be made (a) in order to avoid direct, significant and material negative or irreparable impacts on the interests of the Parties related to the Arena Facility Agreements, the Arena or the Arena Fund, or (b) in order to avoid missing a deadline in the Arena Facility Agreements, the City (in close consultation with the County) may act, with prompt notice given to the Advisory Board. In such case the City may act even if the Parties have invoked Dispute Resolution concerning the issue.

(vi) The table in Exhibit A attached hereto and incorporated herein sets forth the types of decisions that fit into the separate categories set forth in this Section 7. The table does not list all decisions, but rather lists examples of the types of decisions expected. If a decision is not listed, it may be classified using the terms set forth in this Section 7 and by comparing the decision to the examples in the Table.

(vii) The Parties intend to act primarily through the City-County Representative and the County Liaison. Either Party may, however, designate a different person within that Party's organization to act on behalf of that Party. The Parties also acknowledge and agree that the collaborative decision-making required herein will require each to provide the

other with reasonable advance notice of matters requiring decisions and reasonably prompt resolution of such matters in order to assure effective, efficient and timely interactions with ArenaCo.

8. Dispute Resolution.

A. Whenever any dispute arises between the Parties under this Agreement which is not resolved by routine meetings or communications, the Parties agree to seek resolution of such dispute by the process described in this Section 8 ("Dispute Resolution").

B. The Parties will seek in good faith to resolve any such dispute or concern by arranging a meeting between City and County officials with authority to resolve the matter (including without limitation a meeting between the Mayor and the County Executive) within five business days after either Party receives notice of a dispute. If the Parties are unable to resolve the dispute informally within 10 working days, either Party may request the assistance of a mediator.

C. If it proves impossible to arrive at a mutually satisfactory solution through mediation within 30 working days of the request for the mediator, the Parties may refer the dispute to an arbitrator, who will be authorized to make a decision regarding the dispute, and that decision will be final and binding on the Parties. The Parties will share equally the costs of mediation and/or arbitration, and each Party will assume its own costs.

D. This provision does not prevent the Parties, upon mutual agreement, from engaging in any other alternative dispute resolution process of their choosing and, anything else in this Section notwithstanding, if either Party, at any time, believes that there is the need to maintain the status quo pending resolution by one or more of the methods set forth in this Section 8, that Party may seek a temporary restraining order, preliminary injunction or other equitable relief from any court of competent jurisdiction.

9. KeyArena. As between the Parties, the City (and not the County) will be solely responsible for any activities, decisions and costs associated with KeyArena under the Arena Facility Agreements.

10. Risk Provisions.

A. Each Party shall defend, indemnify and hold harmless the other party, and all of its officials and employees, from any and all claims, demands, suits, actions, fines, penalties, and liability of any kind, including injuries to persons or damages to property (collectively "Claims"), which arise out of or are related to any negligent acts or omissions or any breach of this Agreement by the indemnifying party or its employees, contractors or agents. Provided, that if any such Claims are caused by or result from the concurrent negligence or breach of this Interlocal Agreement by the City or its employees, contractors or agents and the County or its employees, contractors or agents, each party's obligation hereunder applies only to the extent of the negligence or breach of such party or its employee, contractor or agent.

B. The foregoing indemnity is specifically and expressly intended to constitute a waiver of each party's immunity under industrial insurance, Title 51 RCW, as respects the other party only, and only to the extent necessary to provide the indemnified party with a full and complete indemnity of claims made by the indemnitor's employees. This waiver has been mutually negotiated.

C. As between the Parties and ArenaCo under the Arena Facility Agreements, ArenaCo will bear all costs and responsibility for investigating, responding to and remediating Hazardous Materials associated with the Project Site. As between the City and the County, the City will bear all costs and responsibility for investigating, responding to and remediating Hazardous Materials associated with the Project Site, and shall indemnify, defend and hold harmless the County and all of its officials and employees from all liability arising out of the discovery of such Hazardous Materials. "Hazardous Materials" as used herein shall mean any hazardous, dangerous or toxic wastes, materials, or substances as defined in state or federal statutes or regulations as currently adopted or hereafter amended.

D. The City shall defend, indemnify and hold harmless the County, and all of its officials and employees, from any and all claims, demands, suits, actions, fines, penalties, and liability of any kind (collectively "Claims"), which arise out of or are related to any claim that the Arena Facility Agreements or the transactions contemplated thereunder do not comply with City of Seattle Initiative 91.

11. Binding Effect. This Agreement shall inure to the benefit of the Parties and shall be binding upon the Parties and their successors. This Agreement may not be assigned.

12. No Rights Created in Third Parties. The terms of this Agreement are not intended to establish or to create any rights in any persons or entities other than the Parties and the respective successors of each.

13. Force Majeure. Neither Party shall be liable to the other or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of such Party and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

14. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

15. Amendments. This Agreement may be amended, changed, modified or altered by an instrument in writing duly executed by the Parties (or the successors in title of each). The Parties anticipate that this Agreement will be adjusted to conform to the provisions of the Umbrella Agreement and the Transaction Documents.

16. Effective Date. This Agreement shall become effective upon its full execution. All acts performed by any Party prior to the effective date of this Agreement and consistent with its terms, are ratified and confirmed.

17. Recording. This Agreement may be recorded or made otherwise available consistent with applicable law

18. Applicable Law and Venue. This Agreement shall be construed and interpreted in accordance with Washington law. Venue will be in the Superior Court for the State of Washington in and for King County.

19. Notices. All notices provided for herein may be delivered in person, sent by Federal Express or other overnight courier service or mailed in the United States mail postage prepaid and, if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a Party shall from time to time direct:

City:

Copies to:

County:

Copies to:

20. Execution. This Agreement may be executed in one or more counterparts.

IN WITNESS WHEREOF, the City and the County have caused this Agreement to be executed in their respective names by their duly authorized officers, and have caused this Agreement to be dated as of the date set forth on the first page hereof.

KING COUNTY, WASHINGTON

CITY OF SEATTLE

By: _____
County Executive

By: _____
Mayor

Date: _____

Date: _____

EXHIBIT A

Material and Milestone Decisions

(* Denotes Milestone Decisions)

Pre-Development and Planning Phase

Agreement on terms of Umbrella Agreement and Transaction Documents (MOU ¶ 7)
Agreement on allocation of reimbursable development costs (MOU ¶ 3.b)

Design and Construction Phase

Agreement on three NBA/NHL arenas for Design Standards (MOU ¶ 15.b)
Agreement on Schematic Design Package (MOU ¶ 15.f)
Agreement on approval of material deviations from Design Standards (MOU ¶ 15.h)
Agreement on approval of material deviations from Schematic Design (MOU ¶ 15.h)
Agreement to intervene and join as a party in action between ArenaCo and specified construction and design-related entities (MOU ¶ 15.l)
Agreement on naming rights (MOU ¶ 20.a)

Conditions Precedent/Public Financing

Agreement that all City-County conditions precedent have been satisfied prior to Public Financing (MOU ¶ 21)
Agreement on structure of Public Financing for First Installment (MOU ¶ 10)
Agreement on exercising option or causing lease prepayment on Transfer Date (MOU ¶ 9)
Agreement on structure of Public Financing for Second Installment (MOU ¶ 10)
Agreement on use of excess Tax Revenue to apply excess amounts to pay down Public Financing or to deposit in City-County Capital Account (MOU ¶ 12.h.(iv))
Agreement to refinance, redeem or defease outstanding Public Financing principal (MOU ¶¶ 10 and 12.h.(iv))

Operations Phase

Agreement on three NBA/NHL arenas for Operating Standards (MOU ¶ 14.a)
Agreement on approval of material changes to Operating Standards (MOU ¶ 14.b)
Agreement on approval of investment of Reserve Account money (MOU ¶ 12.e(ii))
Agreement to draw on Reserve Account (MOU ¶ 12.e.(iii))
Agreement on responses to default, enforcement of security interests/guarantees, and draws on Capital Account and City-County Capital Account (MOU ¶¶ 12.f, 12.d and 12.e)
Agreement on Five-Year CIP (MOU ¶ 13.c)
Agreement on repairs, replacements or maintenance for Arena (MOU ¶ 13.c)
Agreement on use funds in City-County Capital Account (MOU ¶ 12.e)
Agreement on use of the Arena for City-County Events (MOU ¶ 14.c)
Agreement on sale of ArenaCo or assignment of Arena contracts (MOU ¶ 20.c.)
Agreement on Dispute Resolution decisions (MOU ¶ 25)

—
Day-to-Day Decisions

Pre-Development and Planning Phase

Issue call for bids for the Project (MOU ¶ 6)
Agreement on Fair Market Value of Project Site (MOU ¶ 8)

Design and Construction Phase

Attend meetings with and provide input to ArenaCo on development, design and construction (MOU ¶ 15)
Object to material deviations from approved Schematic Design (MOU ¶ 15.f)
Review ArenaCo selection of and contracts with construction/design entities (MOU ¶ 15.i)
Review construction and design contracts for compliance with Other Provisions, Insurance, Indemnification, and Labor Peace Agreement requirements (MOU ¶¶ 15.j, 15.k and 15.n)

Conditions Precedent/Public Financing

Prepare and update schedule of estimated Annual Reimbursement Amount (MOU ¶ 12.c)

Operations Phase

Monitor Rent and Additional Rent Payments (MOU ¶ 12.c)
Monitor Coverage Ratio and Reserve Account Requirements (MOU ¶ 12.e)
Make/maintain filings to perfect security interests (MOU ¶ 12.f)
Prepare monthly accounting on Arena Tax Revenues (MOU ¶ 12.h)
Inspect Arena and retain professional to assist with development of schedule of major maintenance (MOU ¶ 13.c)
Monitor marketing efforts (MOU ¶14.d)

July 27, 2012

**MEMORANDUM OF UNDERSTANDING
SEATTLE SPORTS AND ENTERTAINMENT FACILITY**

THIS MEMORANDUM OF UNDERSTANDING (“MOU”), dated this ___ day of _____, 2012 (“Effective Date”) is entered into among the following parties: The City of Seattle, a Washington municipal corporation (“City”), King County, a political subdivision of the State of Washington (“County”), and WSA Properties III, a Delaware limited liability company (“ArenaCo”). The City, the County and ArenaCo are referred to jointly as the “Parties.”

RECITALS

A. ArenaCo or its affiliate has acquired land (“Project Site”) south of downtown Seattle, Washington, adjacent to First Avenue South between South Massachusetts Street and South Holgate Street, on which it proposes to develop and operate a new multi-purpose sports and entertainment facility (“Arena”). The Arena will be designed to host a National Basketball Association (“NBA”) team (“NBA Team”) and a National Hockey League (“NHL”) team (“NHL Team”) and other events.

B. ArenaCo has approached the City and the County with a proposal for the two governments to participate in the development and ownership of the Arena on the Project Site.

C. An advisory panel (“Panel”) formed by the Mayor for the City and the King County Executive reviewed the ArenaCo proposal. The Panel conducted four public meetings and considered the comments and reports from experts and other members of the community. The Panel has recommended that the City and the County pursue development of the Arena and has identified a number of important issues that should be addressed in any agreements for the development and operation of the Arena.

D. This MOU is intended to be a binding and enforceable agreement of the Parties setting forth the primary business terms that will be included in Transaction Documents (as defined below) and the process to be followed by the Parties, subject to the fulfillment and occurrence of the conditions precedent set forth herein. It reflects the mutual understandings of the Parties regarding those actions, permits, approvals and/or agreements lawful and necessary to accomplish the location, financing, acquisition, design, development, construction, lease, management, operation, use and occupancy of the Arena (collectively, the “Project”). The Parties intend to actively participate and to work together collaboratively, in good faith and with due diligence, to carry out the process described herein and to negotiate the terms of the Transaction Documents consistent with this MOU. These undertakings are personal to the Parties and this MOU shall not be assigned to any other person or entity unless all Parties agree.

UNDERSTANDINGS

1. Purpose and Term of Agreement. This MOU sets forth the basic terms of proposed agreements among the Parties with respect to the Project, which terms will be

memorialized in future agreements and other documents (“Transaction Documents”). The Arena will be designed to host an NBA Team and an NHL Team, and is expected to host other sporting events, family shows, concerts, graduations, and civic and other events. This Agreement will terminate upon the earlier of the effective date of the Umbrella Agreement (defined in paragraph 7) or five (5) years from the Effective Date of this MOU.

2. Location. The Arena will be located on the Project Site, which is south of downtown Seattle.

3. Description; Cost Reimbursement.

a. Description. The Arena will be designed and constructed with approximately 700,000 square feet of usable space and sufficient improvements to have a total approximate capacity of 19,000 attendees for concerts, 18,500 attendees for NBA games, and 17,500 attendees for NHL games. It is not currently possible to estimate the cost of the design, development, and construction of the Arena since the design is not complete and costs will be incurred in the future, and subject to unknown inflation in the costs of materials and labor. The Parties believe that construction and equipping of the Arena, including the cost of acquiring the Project Site, will be accomplished for an aggregate Project cost of approximately \$500 million. The Parties will work to agree upon Plans and Specifications for the Arena that, together with the Project Site acquisition costs, will result in a final Project cost in that approximate amount.

b. Cost Reimbursement. “Development Costs” means reasonable and documented out-of-pocket expenses actually incurred by the City and County directly in connection with development, execution and performance of this MOU, the interlocal agreement between the City and the County, the Umbrella Agreement and Transaction Documents, and the transactions contemplated herein through the Commencement Date (defined in paragraph 9) including, but not limited to, all reasonable and documented expenses of engineers and legal, financial and other required consultants paid by the City or County (but excluding the expenses described in paragraph 4 and any financing or other costs paid out of bond proceeds). ArenaCo shall reimburse the City and County for all reasonable and documented Development Costs up to a maximum amount of \$5 million, with each payment being due within thirty (30) days following ArenaCo’s receipt of an invoice from the City and County as provided herein, with the first payment of any such reimbursable Development Costs to be billed by the City and County at least thirty (30) days prior to the Closing Date, and becoming due and payable on the Closing Date (defined in paragraph 8). Following the Closing Date, any reimbursable Development Costs that become due and payable as provided in this paragraph 3.b through the Commencement Date will be billed by the City and County on a monthly basis and paid by ArenaCo within thirty (30) days following receipt by ArenaCo of any invoice from the City and County. The reimbursement of Development Costs is in addition to expenses payable by ArenaCo in connection with paragraph 4 below.

4. Initial Site Acquisition and Permitting. ArenaCo has acquired or will acquire the property that comprises the Project Site. At its sole cost and expense, ArenaCo will seek a master use permit and all other permits or approvals required for the Project. At ArenaCo’s expense, the City will provide dedicated planning staff to facilitate the review and processing of

permit applications relating to the Project, with planning staff time to be billed at the then applicable rate schedules of the City.

5. **SEPA.** The Parties acknowledge that the Project is subject to review and potential mitigation under various laws, including the State Environmental Policy Act, Chapter 43.21C of the Revised Code of Washington (“RCW”), and the state and local implementing rules promulgated thereunder (collectively, “SEPA”). The City or County may not take any "action" within the meaning of SEPA except as authorized by law, and nothing in this MOU is intended to limit the City’s or County's exercise of substantive SEPA authority.

6. **Call for Bids.** The City and County will make a call for bids for the Project. The call for bids will be made by publication in the *Puget Sound Daily Journal of Commerce* for two consecutive weeks before the date fixed for opening the bids as required by RCW 35.42.080.

7. **Umbrella Agreement.** If ArenaCo is the successful bidder for the Project, or if no bid is received on the call and the City and County determine to proceed with the Project without any further call for bids, then as soon as reasonably practicable the Parties intend to enter into a comprehensive agreement that will include the Transaction Documents in substantially final form as exhibits thereto (the “Umbrella Agreement”). The Umbrella Agreement will incorporate conditions precedent substantially in the form set forth in paragraphs 21 and 22 below, except to the extent that such conditions precedent shall have been met or waived at the time of the execution of the Umbrella Agreement.

8. **Site Conveyance.** Following execution of the Umbrella Agreement and satisfaction of the applicable conditions precedent, the City will fund the First Installment of the initial Public Financing, as defined and provided in paragraph 10, to purchase the Project Site from ArenaCo, and ArenaCo will sell and convey a fee simple interest in the Project Site to the City by statutory warranty deed, free and clear of all liens and encumbrances other than “permitted exceptions” (as hereinafter defined) contained in title reports for the Project Site as of the Closing Date that are reasonably approved by the City. The date on which the City acquires the Project Site from ArenaCo is referred to in this MOU as the “Closing Date.” Permitted exceptions will be agreed to by the Parties no later than the end of the due diligence period under paragraph 21.c below, subject to updating to account for the time period between the end of the due diligence period and the Closing Date. The purchase price for the Project Site will be paid by the City to ArenaCo in cash on the Closing Date. The purchase price will be the then fair market value of the Project Site, as permitted for construction of a facility for use as a multipurpose sports and entertainment arena, based on an appraisal by a mutually agreed-upon MAI- (Member of the Appraisal Institute) certified independent appraiser as of the date the master use permit is issued.

9. **Ground Lease, Lease-Purchase Agreement and Arena Lease.** The City will ground lease the Project Site to ArenaCo for a period of at least 30 years (the “Ground Lease”), commencing on the Closing Date. The Ground Lease will require ArenaCo to pay ground rent in the amount of \$1 million annually, which annual rent will be paid by ArenaCo in equal semi-annual installments, and will be pro-rated for any partial year on a monthly basis. This annual Ground Lease rent obligation will terminate on the Commencement Date as defined below. Also on the Closing Date, the City and County will enter into an agreement (“Lease-Purchase

Agreement”) pursuant to which ArenaCo will construct the Arena building structure (“Arena Facility”) in accordance with the Design Standards as defined in paragraph 15, for lease (with an option to purchase as described in this MOU) to the City and County. The term of the Lease-Purchase Agreement will be co-extensive with the original term of the Ground Lease and the payments to be made by the City and County under the Lease-Purchase Agreement will not exceed the prevailing rates for comparable space.

When the Arena Facility is ready for occupancy (“Commencement Date”), the City and County will commence paying rent, initially for a nominal amount, under the Lease-Purchase Agreement. The City and County will have the right to prepay or cause a trustee to prepay all or a portion of the principal component of all remaining lease payments required under the Lease-Purchase Agreement and will also have the right to exercise the option to purchase the Arena Facility at a price equal to the principal component of all remaining lease payments required under the Lease-Purchase Agreement, as those lease payments may be adjusted consistent with paragraph 10 below. The date that title to the Arena Facility transfers to the City and County is referred to as the “Transfer Date.” The Transfer Date will occur on the day following the date when the Arena Facility is added to the property tax rolls or such later date, not to exceed 180 days thereafter, that ArenaCo may request. ArenaCo will lease the Arena Facility from the City and County or sublease from the City and County or trustee, as the case may be (“Arena Lease”), on the Commencement Date.

On the Transfer Date, the City and County will pay ArenaCo an amount equal to the principal component of all lease payments due under the Lease-Purchase Agreement, as they may be adjusted, or if the City and County have appointed a trustee with respect to certificates of participation in lease payments, then the City and County will cause the trustee to pay to ArenaCo an amount equal to the principal component of all lease payments under the Lease-Purchase Agreement. In either event, the City and County (or a trustee on behalf of the City and County) will purchase the Arena Facility from ArenaCo as provided in this MOU.

10. City-County Public Financing. The total amount to be paid to ArenaCo by the City and County for acquisition of the Project Site and the lease-purchase of the Arena Facility will be \$200 million; provided, however that the actual amount to be paid to ArenaCo will be subject to reduction as provided below. The structure of the Public Financing (as hereinafter defined) will be determined through a collaborative process among the City, the County and ArenaCo, recognizing that the Public Financing will be consistent with the City’s and County’s debt management policies, including policies related to debt capacity and risk profile. The Public Financing will include two installments of approximately thirty (30) year bonds or certificates of participation that have an effective cost of capital similar to general obligation bonds with debt service payments escalating at a rate of 1% per annum for the first ten (10) years of each installment (the “Public Financing”), and each installment will include consideration of: (i) financing obligations at market rates, including only usual and customary financing charges; (ii) utilizing tax-exempt debt; and (iii) utilizing various structuring techniques, including, but not limited to, non-callable bonds, premium bonds and discount bonds, as deemed appropriate by the City and County. The City and the County, in their discretion, may later refinance such obligations to improve borrowing terms. Further, at ArenaCo’s request, the City and County will consider refinancing such obligations if market conditions allow for improved borrowing terms, provided that ArenaCo reimburses the City and County for the reasonable and necessary costs of

such refinancing. Any refinancing of the Public Financing will endeavor to lower debt service costs each year as opposed to redeeming bonds only in late maturity years.

The Parties anticipate that an NHL Team will be committed to play in the Arena after the date on which the NBA Team is acquired and committed to play in the Arena. ArenaCo anticipates that it will proceed with the Project and, if necessary, operate the Arena during the period between the acquisition of the NBA Team and the NHL Team. The Parties recognize that the value of the Arena to the City and the County will be greater upon the commitment of an NHL Team to play in the Arena. In connection with the foregoing, the Public Financing shall only be committed in accordance with the following installments:

(i) First Installment: On the Closing Date, in an amount equal to the fair market value of the Project Site (as determined and provided for in paragraph 8, but in no event to exceed \$100 million) paid to ArenaCo.

(ii) Second Installment: On the Transfer Date (a) if all of the conditions related to an NHL Team set forth in (b) of this subparagraph (ii) have not been satisfied by the Transfer Date, an additional amount supported by the Base Rent and a stabilized level of Arena Tax Revenues that will be based on projections of future tax revenue that take into account long term variables such as team performance and economic conditions in a manner that will be provided in the Umbrella Agreement and Transaction Documents, up to \$120 million (paid to ArenaCo as provided in paragraph 9) less the amount paid to ArenaCo in the First Installment, or (b) if by the Transfer Date an NHL Team license agreement committing the NHL Team to play its home games in the Arena has been executed, together with a non-relocation agreement as described in paragraph 17 and any other necessary agreements with the City and the County related to the NHL Team, and the NHL has acknowledged the Arena Lease and the non-relocation agreement and has approved locating the NHL Team in Seattle, an amount equal to \$200 million, paid to ArenaCo as provided in paragraph 9, less the amount paid to ArenaCo in the First Installment.

11. Ownership of Arena Facility and Improvements. ArenaCo will install all tenant improvements and furnishings, including without limitation the seating, suite furnishings, offices, locker rooms, press areas, basketball floor, ice-making systems and equipment, dasher board systems, sound systems, scoreboards, ribbons, concession equipment, training equipment, and other items (“Arena Tenant Improvements”). For federal income tax purposes, ArenaCo will own all or a portion of those Arena Tenant Improvements, to be set forth in the Transaction Documents or in a schedule included in the Lease-Purchase Agreement or Arena Lease, as applicable, which schedule may be amended from time to time by the mutual written agreement of the Parties. The initial Arena Tenant Improvements will be commensurate with the construction of a first-class arena as set forth in the Design Standards and Operating Standards. The Arena Tenant Improvements (but not any NBA Team- or NHL Team-owned equipment or fixtures) will become the property of the City and County upon the termination of the Arena Lease without any further obligation on the part of the City or County. Upon termination of the Arena Lease, ArenaCo will be obligated to surrender the Arena Facility and Arena Tenant Improvements to the City and County in a condition consistent with the program of capital repairs, replacements and improvements required pursuant to paragraph 13 and in a state of

repair comparable to facilities of a similar age and suitable for continued uninterrupted use by NBA and NHL teams and as a major entertainment facility.

12. Arena Lease. The Arena Lease will provide for the following terms:

a. Term. The initial term of the Arena Lease will be at least thirty (30) years, but in no event shall the initial term be less than the maturity of any Public Financing obligations. The Arena Lease will provide for four options of five (5) years each for ArenaCo to extend the term of the Arena Lease. Subject to applicable law, the annual rental rate will be \$4 million during the first extension term. Beginning with the second extension term, rent will increase by the change in the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all Urban Consumers (Seattle-Tacoma-Bremerton Local Area) between the first and last years of the preceding extension period, if any. During each of the extension terms that are exercised by ArenaCo, the City and County will deposit 100% of all annual rent payments under the Arena Lease into the City-County Capital Account defined in paragraph 12.h(iv). If ArenaCo exercises the option to extend the term of the Arena Lease, the obligations of the NBA Team and (if applicable) the NHL Team to play at the Arena will be similarly extended.

b. ArenaCo Revenues. For the initial term of the Arena Lease, ArenaCo will be entitled to all cash and in-kind revenues associated with the operation, use and enjoyment of the Arena (other than for any City-County Events, as hereinafter defined) (the "Arena Revenues"), subject to the payments and reserves required as described in this paragraph 12, and not including any taxes, fees or charges ArenaCo may be obligated to collect and submit to a taxing or other government authority on behalf of others. Subject to the foregoing, Arena Revenues means all revenues, determined on a cash basis, of whatever kind or nature received or obtained by ArenaCo or a third-party, within the scope of ArenaCo's authority or responsibility under the Umbrella Agreement or the Transaction Documents for the management, operation or maintenance of the Arena, in all cases subject to all revenues reserved to the NBA Team or the NHL Team pursuant to applicable license agreements as required by the NBA and NHL. Arena Revenues include, but are not limited to, box office fees (excluding ticket revenue for the NBA Team and NHL Team), facility fees, parking revenues, revenues from consumable and non-consumable concessions, all other licensing and rent revenues, forfeited security deposits, ticket commission and convenience fees, and other fees actually received by ArenaCo, for or from the following: (1) the use or operation of, or admission to, the Arena or any portion thereof, (2) all rents, royalties, and concession payments from tenants, concessionaires and licensees, (3) interest on or proceeds of investment of any accounts (except the Reserve Account and Capital Account, as described in paragraphs 12.e(ii) and 13.a respectively), (4) rental or use of Arena equipment, (5) services rendered at or related to the Arena, (6) the amounts received from seat use charges and parking use fees, (7) the amounts generated from the use and operation of any Arena internet website and other similar media, (8) the right to sell, or the sale of permanent and ArenaCo temporary signage (but not temporary signage that is reserved or provided to the NBA Team and the NHL Team under their respective license agreements) and Arena sponsorships (including, without limitation, naming rights and founding partner sponsorships), (9) the non-ticket amounts generated from the sale or license of luxury suites and premium seating, and (10) club membership fees, but expressly excluding (notwithstanding the provisions above), in all

events, sums received or collected by ArenaCo for and on behalf of and actually paid to a user of the Arena.

c. Rent Payments. Each year during the term of the Arena Lease, ArenaCo will pay annual rent to the City and County in the amount of \$2 million (“Base Rent”) at least thirty (30) days prior to the date of the City’s first designated semi-annual debt service payment for the Public Financing. In addition, at least thirty (30) days prior to the date of the City’s second designated semi-annual debt-service payment for the Public Financing during each year of the Arena Lease, ArenaCo will pay the City and County the amount (the “Additional Rent”) that is sufficient, when combined with Base Rent and Arena Tax Revenues (described below) received by the City and County for use in that year, to equal the total annual debt service obligations of the City and the County for the Public Financing. “Annual Reimbursement Amount” means the total annual debt-service obligations of the City and County for the Public Financing. A schedule of the estimated Annual Reimbursement Amount will be prepared as an attachment to the Transaction Documents and will be updated and delivered to ArenaCo on the Closing Date and further updated on the Transfer Date.

d. Arena Tax Revenues. “Arena Tax Revenues” means the dollar amount of: (i) all sales tax, property tax, leasehold excise tax, and admission tax revenues attributable to the Arena and Arena Tenant Improvements, as well as other tax revenues attributable to the Arena and Arena Tenant Improvements that have been received by the City or the County on and from the Project Site and Arena, and from all uses and activities conducted thereon, except for those tax revenues that are subject to legal restrictions that preclude their use either for payment of Arena-related debt or expenses hereunder (other than parking taxes attributable by contract to the Arena) plus (ii) City business tax revenues imposed under Chapter 5.45 SMC or any successor provision that the City has reasonably determined it received from ArenaCo and from other business activities engaged in, at, or from the Arena (including without limitation revenues from the business activities that have a substantial nexus with the City). In the event the City or the County issue tax-exempt bonds in connection with the Public Financing, then the underlying tax stream identified by the City or County as the source for paying debt service on such bonds shall be excluded from the definition of “Arena Tax Revenues.”

e. Security for Rent. ArenaCo will secure payment of Base Rent and Additional Rent as described in subparagraphs 12.e through 12.g.

(i) Coverage Ratio. ArenaCo will be required to certify annually whether the Net Arena Revenues for the preceding fiscal year at fiscal year end are equal to at least two times (2.0x) the Annual Reimbursement Amount for the following year in which debt service is paid (the “Coverage Ratio”). ArenaCo’s annual certification must be accompanied by certification from an independent certified public accountant as to the accuracy of the financial information underlying the Coverage Ratio or alternative evidence from ArenaCo reasonably acceptable to the City and County as to the reliability of ArenaCo’s certification. “Net Arena Revenues” means the Arena Revenues less Arena Operating Expenses. ArenaCo will, on a date set forth in the Transaction Documents, provide the City and County with an annual accounting and any reasonably requested documentation to confirm the Coverage Ratio. If Net Arena Revenues are insufficient and fail to meet the Coverage Ratio, ArenaCo promptly (and in no event later than 30 days after the annual accounting is provided to the City and County) will

increase the Reserve Account by an amount such that the balance of the Reserve Account plus Net Arena Revenues equal three times (3.0x) the Annual Reimbursement Amount for the following year. To the extent the amount held in the Reserve Account ever exceeds the Annual Reimbursement Amount for the following year, any amount over the Coverage Ratio in future years will be used to reduce the Reserve Account requirement back to the applicable ratio, provided that in no event will the amount held in the Reserve Account be less than the Annual Reimbursement Amount for the following year.

(ii) **Reserve Account.** As collateral, ArenaCo will fund an account at a financial institution reasonably acceptable to the City and County (the "Reserve Account"). The Reserve Account shall be held in trust for the benefit of the City and County as provided in this MOU, the Umbrella Agreement and the applicable Transaction Documents, and will be governed/managed in accordance with an "account control agreement" to be included among the Transaction Documents, the terms of which control agreement – including a grant to the City and County of a first position security interest in assets of the Reserve Account -- will be consistent with this MOU and mutually agreed upon in good faith by ArenaCo, and the City and County. The initial deposit into the Reserve Account will be due on the Closing Date and will equal the Annual Reimbursement Amount for the following year for the City and County. Thereafter, ArenaCo will make annual deposits into the Reserve Account by June 1 of each year during the term of the Arena Lease that will cause the balance to equal the then next year's actual Annual Reimbursement Amount. All money held in the Reserve Account shall only be invested pursuant to the terms of the account control agreement and such money shall only be invested in investments reasonably acceptable to the City and County. To the extent that the Annual Reimbursement Amount declines due to a restructuring, principal pay-down, or other reduction of the debt service for the Public Financing, then the amount to be held in the Reserve Account will be similarly reduced (provided that the Coverage Ratio is still maintained).

(iii) **Withdrawals and Replenishing Deposit.** If the City or County draws on the Reserve Account or if the value of securities held in the Reserve Account decreases and the balance in the Reserve Account is less than the Annual Reimbursement Amount for the following year, ArenaCo will replenish the Reserve Account within 30 days.

f. Payment Default; First Priority Payment and Lien Position; Parent Guaranty

(i) **Payment Default; First Priority Payment and Lien.** If ArenaCo fails to pay all or any portion of the Base Rent or Additional Rent when due or to make any required deposit into the Reserve Account or the Capital Account when required, then the City and County may draw on the Reserve Account. The City's and County's right to receive required payments of Base Rent and Additional Rent and ArenaCo's obligation to fund the Reserve Account and the Capital Account will have a first-priority payment position on all revenue and receivables of ArenaCo. As the payment obligations of ArenaCo to the City and County hereunder constitute operating expenses, (e.g., including but not limited to rent) such payment obligations will be senior to all debt service payments on any Arena-related financing and intercompany debt. The City's and County's right to receive the required payments of Base Rent and Additional Rent as well as the amounts in the Reserve Account and the Capital Account will be secured by a lien on revenues and receivables of ArenaCo with such lien and its

priority to be agreed upon by lenders to ArenaCo, the City and County and to be separately agreed to by the Parties in the Umbrella Agreement and Transaction Documents and further secured as provided in subsection 12.f(ii) below. In the event of a "Payment Default", which for the purposes of this MOU will be defined as ArenaCo's failure to replenish the Reserve Account to the required amount within thirty (30) days of receipt of notice from the City and County of any draw on the Reserve Account, the City and County may exercise any and all remedies at law or equity or under or pursuant to this MOU, the Umbrella Agreement and the Transaction Documents.

(ii) Parent Guaranty. ArenaCo hereby agrees that the direct equity owner of ArenaCo (the "ArenaCo Parent") will also be the direct equity owner of the entity that owns and operates the NBA Team unless there is a sale, transfer or assignment in accordance with paragraph 20.c(ii). In addition to the security provided for in paragraph 12.f(i) above, ArenaCo shall deliver, on the Transfer Date, an unsecured and unconditional guaranty of ArenaCo Parent (the form of which shall be included in the Transaction Documents) guarantying ArenaCo's obligations under the Arena Lease. Further, to satisfy any default in (A) ArenaCo's obligations under the Arena Lease and (B) the NBA Team's obligations under the non-relocation agreement required by paragraph 21.d, the City and County will also be entitled to receive the first distributions of any proceeds from any sale of the NBA Team, subject only to repayment of any obligations of the NBA Team related to any debt of the NBA Team to the NBA or other lenders approved by the NBA that are secured by the NBA franchise and other assets of the NBA Team up to the \$125 million cap on such debt currently allowed under applicable NBA rules ("NBA Team Secured Debt Obligations"). ArenaCo Parent shall covenant not to enter into any agreement that would interfere with City's and County's rights to receive distributions of the proceeds of sale of the NBA Team payable to City and County as and when provided for in this MOU, and the NBA Team shall covenant not to enter into any agreement granting any lien, security interest or other encumbrance on the NBA Team's assets in excess of the NBA Team Secured Obligations. The Parties also agree to explore further ways to secure the obligations of ArenaCo, ArenaCo Parent and the NBA Team subject to NBA requirements, rules, regulations and agreements. Notwithstanding the foregoing, however, if the NBA revises its rules to allow NBA teams to borrow in excess of the current limit of \$125 million that may be secured by the NBA franchise and other assets of NBA teams, then the NBA Team will be entitled to increase the amount of the NBA Team Secured Debt Obligations; provided, however, that the NBA Team will limit the amount of the NBA Team Secured Debt Obligations that will be senior to the right of the City and County to receive distributions of any proceeds from any sale of the NBA Team to the lesser of: (A) the maximum amount of NBA Team Secured Debt Obligations that is then allowed under NBA rules, or (B) 40% of the then "fair market value" ("FMV") of the NBA Team. The FMV of the NBA Team will be as mutually agreed upon in good faith by the Parties at that time; provided, however that if the Parties are unable to agree upon the FMV of the NBA Team at that time, then the FMV of the NBA Team will be determined by a sports industry recognized appraiser with experience in valuing NBA teams selected by the mutual agreement of the Parties pursuant to a customary valuation process to be specified in the Umbrella Agreement; but provided further, however, that if the NBA Team Secured Debt increase of the NBA Team is being sought in connection with the acquisition of the NBA Team on an arm's-length basis by an unrelated party, then the FMV will be equal to the actual all-in acquisition price of the NBA Team.

g. Special Purpose Entity; Insolvency. ArenaCo and ArenaCo Parent shall be established as bankruptcy remote special purpose entities, with one or more independent managers or directors (as applicable) that would have to approve any bankruptcy filing. If ArenaCo is determined to be bankrupt or insolvent as defined in the Umbrella Agreement or the Transaction Documents; if any receiver, trustee or other similar official of all or any part of the business of ArenaCo is appointed and is not discharged within 60 days after appointment; if ArenaCo makes any general assignment of its property for the benefit of creditors; if ArenaCo files a voluntary petition in bankruptcy or a state court receivership proceeding, or applies for reorganization or arrangement with its creditors, under federal, state or other laws now in force or hereafter enacted; if an involuntary petition of bankruptcy or insolvency is filed against ArenaCo and is not dismissed within 60 days after the filing; and if ArenaCo is in Payment Default then the City and County, at their election and unless prohibited by law may (i) first - draw on the Reserve Account, and (ii) then - foreclose on their security interests in the revenues and receivables from ArenaCo or the Arena, and/or (iii) replace ArenaCo as operator of the Arena, and/or (iv) terminate the Umbrella Agreement and the Arena Lease. These remedies are not exclusive and will be in addition to all other remedies available to the City and County.

h. Flow of Arena Tax Revenues.

(i) Tax Benefits. The Parties acknowledge that transactions provided for in and authorized by this MOU may be structured in the Umbrella Agreement and Transaction Documents in a manner that results in more positive tax benefits to the Parties, including the ability of the City and County to issue tax-exempt debt.

(ii) Arena Tax Revenues. Arena Tax Revenues will be deposited in the Arena Revenue Account. The City and the County will provide ArenaCo with a monthly accounting detailing Arena Tax Revenues collected and distributed.

(iii) Arena Revenue Account. The City will create an "Arena Fund" (and accounts and subaccounts associated therewith) (collectively, "Arena Revenue Account") into which the City and County will deposit any Arena Tax Revenues plus Base Rent and Additional Rent payments received by the City and County.

(iv) City-County Capital Account. On an annual basis, after payment of the Annual Reimbursement Amount has been made and only to the extent of any excess Arena Tax Revenue, the City and County, at their option, but in consultation with ArenaCo, and in the manner established in the Transaction Documents, will either (a) use all or a part of the excess to redeem or defease other outstanding principal of the Public Financing or, (b) deposit all or any remaining part of such excess not used as provided in Section 12.h.(iv) (a) above into a separate account to be used for the below-described capital improvements ("City-County Capital Account"). The City-County Capital Account shall at all times be the property of the City and County. If, at any time during the first ten (10) years of the Arena Lease, the City-County Capital Account has a balance of \$10 million, no additional deposits will be made into the City-County Capital Account. After the tenth (10th) year of the Arena Lease, the allowed balance of the City-County Capital Account will increase by \$2 million annually, until the fifteenth (15th) year, and thereafter the maximum balance of the City-County Capital Account will be \$20 million. Any excess Arena Tax Revenues not deposited to the City-County Capital Account as

provided in this MOU shall be used only to redeem outstanding principal of the Public Financing, in consultation with ArenaCo and for no other purpose until such time as all outstanding principal of the Public Financing has been fully retired or defeased. The deposits described in this paragraph will not in any way limit ArenaCo's obligation to make its annual payment into the Capital Account and to make all capital repairs, replacements and improvements to the Arena as provided in this MOU.

(v) **Termination.** Following the defeasance or redemption of all bonds or certificates of participation issued as part of the Public Financing, the City and County will notify ArenaCo that it may withdraw all amounts remaining in the Reserve Account not otherwise required to satisfy ArenaCo's obligations under the Arena Lease. From and after the date the Arena Lease is terminated, the City and County may withdraw all amounts remaining in the City-County Capital Account.

13. **Capital Improvements.**

a. **Capital Account.** ArenaCo will be required to make (i) a single cash deposit or (ii) two equal semi-annual cash deposits (at ArenaCo's option) into an account ("Capital Account") in an amount equal to \$2 million annually ("Capital Account Requirement"). Funds in the Capital Account shall be used to make capital repairs, replacements or improvements to the Arena in accordance with this paragraph 13. The initial Capital Account deposit will be made on the first anniversary of the Commencement Date and payments will be made semi-annually thereafter on the dates that Base Rent and Additional Rent are due.

b. **Capital Improvements.** ArenaCo will, at its sole cost and expense, make all capital repairs, replacements and improvements relating to the Arena or its use. Capital repairs, replacements and improvements means the purchase, installation, repair or replacement of items with a life expectancy of at least three years, at a cost of five thousand dollars (\$5,000.00) per item or system, including labor costs, and that are necessary or appropriate to maintain the Arena throughout the term of the Arena Lease in good repair in accordance with the Schematic Design Package, Design Standards and Operating Standards (as defined below) or which may be required by applicable law, including but not limited to, all capital improvements necessary to maintain the structural integrity of the Arena ("Capital Expenditures").

c. **Procedure for Making and Approving Capital Improvements and Maintenance Inspections.** ArenaCo will, on an annual basis, prepare a proposed five-year capital budget ("Five-Year CIP") for anticipated Capital Expenditures to be funded by the Capital Account and the City-County Capital Account; provided, however, that nothing herein shall relieve ArenaCo of its obligations set forth in paragraph 13.b above, regardless of whether a Capital Expenditure is contemplated by the Five-Year CIP. Within sixty (60) days of the submission, the City and County will either accept the Five-Year CIP or provide comments. The Parties will undertake best efforts to come to a mutually acceptable agreement on the Five-Year CIP within sixty (60) days thereafter, and if the Parties are unable to reach an agreement within said 60-day period, then the issue will be submitted to the dispute resolution provisions of this MOU. In addition, the Parties will develop a procedure for periodic joint inspections and a schedule of major maintenance activities which shall be prepared or reviewed by professionals knowledgeable about life-cycle cost analysis for comparable public facilities. This procedure

will include (i) the right of the City-County Representative to receive material non-privileged information regarding major capital improvements during the progress of any major capital improvement projects, and (ii) the right of the City and County to enter upon the Arena for the purposes of performing inspections of the Arena and Tenant Improvements. An ArenaCo representative will, at the request of the City and County, accompany the City and County Representative on the inspections. Within 30 days after such inspection, the City and County may provide ArenaCo with a list of any capital repairs, replacements, improvements or maintenance that the City-County Representative reasonably determines are necessary to maintain the Arena and Tenant Improvements in accordance with the Operating Standards. If ArenaCo disputes the City-County Representative's determination, the ArenaCo representative and the City-County Representative will promptly meet to attempt to resolve the dispute. If they fail to resolve the dispute, the parties will attempt to mediate the dispute. If the parties fail to resolve the dispute through mediation, the Parties will submit their dispute the dispute resolution provisions of this MOU.

d. Capital Account Availability. Upon Payment Default, the Capital Account will be available as additional security to the City and County to meet their payment obligations under the Public Financing. ArenaCo may draw on the Capital Account to make any Capital Expenditures consistent with the Five-Year CIP and to fund any other obligations of ArenaCo to make any other capital repairs, replacements and improvements relating to the Arena provided for in this MOU. Subject to the rights of ArenaCo under the Arena Lease, all such capital repairs, replacements and improvements will become the property of the City and County upon completion unless such repairs, replacements or improvements are Tenant Improvements and owned by ArenaCo or the NBA Team or the NHL Team.

e. City-County Capital Account Availability. Provided there is no Payment Default, and subject to any other mutually agreed-upon expenditures to be paid from funds in the City-County Capital Account that are covered in any Five-Year CIP, the funds in the City-County Capital Account shall be utilized only for major repairs to components of the base systems of the Arena and other major improvements (e.g., major repairs to the (i) roof, (ii) HVAC system, (iii) primary sound system, (iv) primary lighting system, (v) ice sheet refrigeration system, (vi) primary scoreboards, (vii) plumbing improvements and replacements, and (viii) primary electrical systems). Any City and County-owned repairs, replacements or improvements are subject to the rights of ArenaCo under the Arena Lease. Notwithstanding the foregoing and in the event of a Payment Default, the City and County may, at their discretion, use any money in the City-County Capital Account for the payment, redemption or defeasance of the Public Financing.

14. Management, Operations and Use.

a. Operating Expenses. ArenaCo will control and will be solely responsible for all day-to-day operations, expenses, and costs for routine maintenance of and repairs to the Arena ("Arena Operating Expenses") to maintain it to a standard comparable to three mutually agreed upon professional basketball and ice hockey arenas suitable for NBA and NHL teams and recently constructed, serving as the home facility for NHL and NBA Teams or under construction ("Operating Standards"). The City and County will have no responsibility for any

Arena Operating Expenses (except for incremental out-of-pocket expenses associated with City-County Events).

(i) **Arena Operating Expenses.** Arena Operating Expenses means all expenses or obligations, as determined on a cash basis, of whatever kind or nature made or incurred by ArenaCo or any third-party management company that may be engaged by ArenaCo, within the scope of ArenaCo's authority or responsibility under this MOU or the Transaction Documents for the management, operation or maintenance of the Arena, including, but not limited to, all reasonable costs of the City and County related to the City-County Representative and ArenaCo's expenses (to the extent not duplicative of other expenses enumerated herein); all payments to be made by ArenaCo or its affiliates under the terms of this MOU, the Umbrella Agreement or the Transaction Documents, including but not limited to: rent payments; Impositions (as defined below); expenses related to parking areas (if applicable); box office expenses for third-party events; all expenses incurred to obtain Arena Revenues (pro-rated where appropriate to reflect an appropriate allocation of revenues between ArenaCo and either the NBA Team or NHL Team); salaries, wages and benefits of personnel working at the Arena including personnel employed by ArenaCo or through its affiliates or service contractors; human resource support services and training and development expenses; contract labor expenses; maintenance and repairs; utilities; deposits for utilities; telephone expenses; management fees paid to any third-party management company; expenses incurred under use or license agreements with licensees or other users of the Arena; telescreen, video and/or scoreboard operation expenses, dues, memberships and subscriptions; security expenses; police, fire, emergency services and other public safety expenses related to the Arena (the estimate and pro ration of which in the event of multiple venue events shall be set forth in the Transaction Documents or as otherwise mutually agreed upon by the Parties); other event-handling activities at the Arena; all expenses payable by ArenaCo under any license agreements with the NBA and NHL teams; audit fees; legal fees; other professional fees; fees payable to concessionaires or other subcontractors; refuse removal expenses; cleaning expenses; taxes (but excluding any taxes, fees or charges ArenaCo may be obligated to collect and submit to a taxing or other government authority on behalf of others); building maintenance supplies; ticket commissions for third-party events; insurance premiums; data processing expenses; advertising expenses relating to Arena advertising and sponsorships; maintenance of advertising and signage relating to all permanent advertising, sponsorships and naming rights; marketing; public relations expenses; expenses and losses (to the extent not duplicative of other expenses enumerated herein) incurred in the production and promotion of events at the Arena; pest control; office supplies; employment fees; freight and delivery expenses; expenses for leasing of equipment; credit and debit facilities and telecheck fees and expenses; Arena-related travel, lodging and related out-of-pocket expenses for officers and directors of ArenaCo or an affiliate; and all damages, losses or expenses incurred by the ArenaCo, its affiliates or any third-party management company as the result of any and all claims, demands, suits, causes of action, proceedings, judgments and liabilities, including reasonable attorneys' fees incurred in litigation or otherwise, assessed, incurred or sustained by or against any of them (to the extent not covered by insurance proceeds actually received). Operating Expenses do not include any payments to third party lenders.

(ii) **Impositions.** As used herein, the term "Impositions" means (without duplication of any expense set forth above) all governmental assessments, franchise fees, excises, license and permit fees, levies, charges and taxes, general and special, ordinary and

extraordinary, of every kind and nature whatsoever which at any time may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on: (a) all or any part of the Arena; (b) any payments received by ArenaCo or its affiliates from any holders of a leasehold interest or license in or to the Arena, from ticketholders (including, without limitation, suite licensees and premium seat ticketholders) attending events at the Arena; or (c) the transactions contemplated hereby or any agreement or document to which ArenaCo or its affiliates are a party which creates or transfers rights with respect to all or part of the Arena.

b. Operations. ArenaCo will operate and manage the Arena in accordance with the Operating Standards, as they may change from time to time by the mutual agreement of the Parties. ArenaCo will not enter into any multi-year contracts or grant any rights with respect to the operation of the Arena that would extend beyond ArenaCo's occupancy under the Arena Lease unless such agreements contain provisions reasonably acceptable to the City and County regarding assignment or termination to be set forth in the Transaction Documents. ArenaCo will provide the City and County with a copy of any such contract. Failure of ArenaCo to operate and manage the Arena in accordance with the Operating Standards or to pay Arena Operating Expenses shall be a default under the Arena Lease and, in addition to other remedies, and subject to reasonable notice and cure provisions mutually agreed upon by the parties, shall entitle the City and County to replace ArenaCo as the operator and manager of the Arena; provided, however, that in the event that ArenaCo disagrees with the City and County that such a default under the Arena Lease has occurred, then such dispute will be submitted and resolved by the parties in accordance with the dispute resolution provisions specified in this MOU. Inspections relating to maintenance of the Arena are permitted as provided in Section 13.c.

c. City-County Events. The City and County will be permitted to use the Arena or portions thereof to host no fewer than 12 events per year that do not conflict with previously scheduled events or hold dates ("City-County Events"). The City and County will have the right to schedule City-County Events in advance based on Arena availability. For City-County Events, the City and/or County will (i) pay no rent or use or license fees, and (ii) be required to pay only the incremental operating costs incurred by ArenaCo with respect to such City-County Events and any applicable taxes. Incremental costs shall not include the costs of foregoing alternative events or attributed overhead operational costs.

d. Marketing. ArenaCo will use commercially reasonable efforts to market the Arena in a manner that promotes and encourages economic development in the area.

e. Team License and Related Agreements. ArenaCo shall enter into license agreements, or other similar agreements, regarding the use of the Arena with the NBA Team and the NHL Team (the "Team License Agreements."). The Team License Agreements shall be subject to the approval of the City and County as being consistent with the terms of this MOU and the Transaction Documents, and shall recognize the City and the County as third-party beneficiaries. In connection with such approval right, each Team License Agreement shall provide (i) that the team shall play its preseason, regular season and playoff home games at the Arena in accordance with paragraph 17; (ii) that the team shall acknowledge and accept, in a separate agreement in the form that will be one of the Transaction Documents, that the Team agrees to the non-relocation provisions in accordance with paragraph 17; (iii) that there is

scheduling priority for the team (but if there is both an NBA Team and an NHL Team then playing in the Arena, subject to reasonable accommodation for any scheduling priority granted to either such team); (iv) for a term of at least 30 years; (v) for payment of rent; (vi) for allocation of the payment of game day expenses; (vii) for allocation of other expenses including maintenance; (viii) for an acknowledgment that ArenaCo shall retain all revenues related to naming rights, Arena founding partner sponsorships and other primary sponsorships related to the Arena; (ix) that ArenaCo shall retain all revenues related to suite sales; (x) that ArenaCo shall retain all revenues not retained by or payable to the teams or leagues for other premium and club seats; (xi) for allocation of revenues from parking, concessions, merchandise, and ticket surcharges (if any); (xii) for marketing of the Arena and the teams; (xiii) for insurance; and (xiv) for indemnification, including indemnification of the City and the County.

15. Arena Design, Development and Construction. ArenaCo will develop, design and construct the Arena as a first-class arena as set forth in the agreed-upon Schematic Design Package and related Design Standards (all as defined below). The City and County will have reasonable ongoing input through a designated representative (the "City-County Representative") in addition to whatever regulatory design procedures and requirements apply. Within ten (10) business days after execution of the Umbrella Agreement, ArenaCo shall designate an individual who shall serve as the ArenaCo representative for the purposes of communicating with the City-County Representative and decision-making regarding any and all matters related to the construction of the Arena and its operation ("ArenaCo Representative"). The ArenaCo Representative shall have the authority to legally commit ArenaCo regarding any matter relating to Arena construction. ArenaCo will use all reasonable efforts to involve and keep the City-County Representative fully informed on a timely basis of all significant aspects and decisions for design and construction of the Arena. In order to enable the City-County Representative to attend, become informed about the status of the Project, participate in discussions and present the City's and the County's position with respect to matters being discussed, the ArenaCo Representative will schedule regular meetings of senior design and construction staff of ArenaCo and other design and construction principals to discuss major issues related to the development and construction of the Project. The City-County Representative will also be notified of weekly design meetings. The City-County Representative will be notified of the time and place of such meetings and of any special meetings held by senior ArenaCo development staff to address similar development issues. The ArenaCo Representative will also participate in such separate meetings with the City-County Representative as the City-County Representative may reasonably request with at least three (3) days' prior notice. The ArenaCo Representative will also timely provide the City-County Representative with copies of significant construction-related documents including schedule updates, meeting minutes, requests for information (RFIs), responses to the RFIs, change order proposals and design changes. The City-County Representative will be entitled to full disclosure of all material matters relating to the Project as more fully described in paragraph 15.m below and will have the rights to specific prior review and approval as set forth in this paragraph 15.m including, without limitation, reasonable approval on the acceptability of the exterior design program. ArenaCo will fully and fairly review and make good faith efforts to address satisfactorily the City-County Representative's reasonable concerns prior to making a final decision in any matters concerning the Arena exterior design, so long as such input is timely received. However, the City-County Representative's review and recommendations, or other actions performed by the City-County Representative as described herein, will not in any manner

cause the City or the County to bear any responsibility for the design or construction of the Arena or any defects related thereto.

a. Cost Allocation. As between ArenaCo, on the one hand, and the City and County, on the other hand, ArenaCo (i) will be solely responsible for the cost of design, permitting and construction of the Arena, including any cost overruns and any remediation of any hazardous materials on the Project Site (to the extent any such hazardous materials are required to be remediated by a state or federal agency with jurisdiction in connection with the construction of the Arena on the Project Site), and (ii) will be solely responsible for any defects related thereto. Nothing herein shall create any obligations on the part of ArenaCo to any third parties. On the Closing Date, ArenaCo will furnish a payment and performance bond issued by a surety reasonably satisfactory to the City and the County naming the City and County as dual obligees in compliance with Chapter 35.42 RCW. As required by RCW 35.42.060, no part of the cost of the construction of the Arena Facility shall ever become an obligation of the City and the County under the Lease-Purchase Agreement.

b. Design Standards. The Arena will, among other things,

(i) conform to the size, configuration and description of the Project Site and conform to the Design Standards and Operating Standards;

(ii) enable ArenaCo to maximize returns generated within the Arena from sources including, without limitation, ticket sales, lease or license of suites and club seats, sales of food, beverages and merchandise, license of intellectual property and advertising, promotional activities and sponsorship;

(iii) be in compliance with the then applicable NBA and NHL requirement standards for arenas and be substantially similar in the quality of the design, construction and capabilities to three (3) mutually agreed upon NBA/NHL arenas; and

(iv) meet the requirements of all applicable federal and state laws and City and County codes and ordinances.

c. Sustainability. The Arena will be designed and constructed to comply with applicable City requirements for sustainable construction and will strive to utilize the most modern practices of sustainable design and construction available at the time of construction in accordance with ArenaCo's business interests.

d. NBA and NHL Approvals. ArenaCo will obtain advance acknowledgements from both the NBA and NHL indicating that the Arena has been designed in a manner sufficient to permit the NBA Team and NHL Team to play their home games at the Arena.

e. Design Process. ArenaCo, with ongoing input from the City-County Representative, will work with the architect to develop a "Schematic Design Package." The Schematic Design Package will conform to the Design Standards and will, at a minimum, consist of a master plan, drawings, plans and specifications and a development program in sufficient detail to describe all material design elements of the Arena. The Parties will continue this

collaborative process through the preparation of design development plans and outline specifications.

f. City-County Design Approval. The City-County Representative will have the right to approve the Schematic Design Package for the Arena, which approval shall not be unreasonably withheld or delayed.

g. Construction; Pedestrian Access. ArenaCo will cause the Arena to be constructed in all material respects in accordance with the Design Standards and Schematic Design Package. In addition to any other infrastructure improvements required by permits for the Arena or resulting from the SEPA process, ArenaCo will participate in causing infrastructure associated with the Arena to be built that will provide safe and convenient pedestrian access from the Arena to the International District and Stadium light rail stations in a manner reasonably acceptable to the City and County.

h. Construction Decisions. It is the intent of the Parties to cause the Arena to be constructed and open for events as soon as reasonably practicable. Consistent with the foregoing, any material deviation from the approved Design Standards or the Schematic Design Package will require the approval of the City-County Representative, which approval shall not be unreasonably withheld or delayed. Nothing in the dispute resolution provisions of the Transaction Documents will limit the City's or County's right to seek injunctive or other relief if ArenaCo fails to comply with the provisions of this paragraph.

i. Contracting. Contracts for construction of the Arena ("Arena Contracts") will be put out for bid to a group of potential contractors who have had extensive experience constructing significant sports and entertainment facilities and are otherwise acceptable to ArenaCo. Arena Contracts will provide for substantial liquidated damages in case of late completion and require payment and performance bonds in favor of ArenaCo and the City and County consistent with industry standards. The Arena Contracts will also include contingency allowances and other appropriate cost overrun and completion protections as reasonably determined by ArenaCo, it being understood that, as between ArenaCo, on the one hand, and the City and County, on the other, any cost overruns will be the sole responsibility of ArenaCo. Arena Contracts will provide for the payment of prevailing wages at the rates specified by regulation for the specific categories of work performed. The selection of and contracts with principal subcontractors, principal engineers, architects, design and other consultants and significant suppliers will be subject to review by the City-County Representative, but ArenaCo will have the final decision-making authority with respect to such matters.

j. Other Provisions. The Project should promote and include the racial and ethnic communities of the City of Seattle and King County. Part of this Project's economic and community contribution is to engage local minority workers and businesses who are historically disenfranchised, as well as low-income workers and businesses. All Parties agree upon the importance of effective strategies and programs to include local minority and woman workers and firms in Project design and construction, with an ongoing commitment by ArenaCo to use reasonable efforts to use such local workers in the operations and maintenance aspects of the Arena. To that end, ArenaCo commits to using the City of Seattle's Inclusion Plan as guidance for use of Women and Minority Business Enterprises (WMBEs) on the Project. This includes

using specific strategies such as the use of the “Worksheet of Possibilities” that helps bidders analyze what work or supply could be subcontracted to WMBE firms, the use of the “Contract Commitment Log” that documents (i) WMBE firms the prime contractor commits to subcontract with and (ii) contract amounts awarded to WMBE firms.

k. Insurance and Indemnification. All contracts for the design and construction of the Arena will include typical provisions for insurance covering, among other things, errors and omissions, general liability, workers’ compensation, business interruption, and builder’s risk. Upon completion of construction of the Arena and during the term of the Arena Lease, ArenaCo will continuously maintain general liability insurance, and property insurance for the full replacement value of the Arena, including casualty due to earthquakes and flood, and other insurance the City and County deem reasonable and applicable to the Arena. The City and County will be additional insureds or loss payees on all insurance policies and will approve the forms and limits of liability of all policies. ArenaCo will defend, hold harmless, and indemnify the City and the County for any costs, expenses or losses arising from the design, construction and operation of the Arena.

l. Disputes with Architects, General Contractors and Other Project Parties. The City and County may, at the sole discretion of each, intervene and join as a party in any action at law or equity or in any arbitration between ArenaCo any one or more of the architects, and any Arena contractor, subcontractor, consultants or suppliers relating to design or construction of the Arena.

m. Access to Information and Personnel. In addition to the access provided to the City-County Representative as set forth in this paragraph 15, all material non-privileged written and electronic communications from or to ArenaCo will include the City-County Representative on the distribution list and will promptly be furnished to the City-County Representative. All material non-privileged documents and other information in all media generated by any of the Key Project Personnel in connection with the Project will be made available to the City-County Representative on a timely basis upon the City-County Representative’s request.

n. Labor Peace Agreement. Following the execution of the Umbrella Agreement, ArenaCo will enter into a "labor peace agreement" providing for the matters specified in the draft agreement set forth in Exhibit A attached hereto and incorporated herein.

16. KeyArena. Prior to completion of the Arena, any NBA and NHL franchise owned by ArenaCo or by an affiliate of or major investor in ArenaCo, or that has committed to play its home games in the Arena, will have the option to play their home games in KeyArena. During the tenancy of any such NBA or NHL teams at KeyArena, ArenaCo will cause certain improvements to be made to KeyArena, and those improvements which are of a permanent nature, which may include modernization of the telephone, data and broadcast "backbones" of the arena, as well as refurbishment and minor renovation to the event-level locker rooms and other spaces, will remain behind after the Arena is completed and opens and will become the property of the City. Any City taxes generated during the tenancy at KeyArena of either the NBA team or the NHL team over the base amount of taxes that is currently received from activities at KeyArena will be used to benefit the Arena Project or KeyArena, as mutually

agreed. Prior to execution of the Transaction Documents, ArenaCo will also provide to and discuss with the City multiple options for re-purposing of KeyArena once the Arena is completed and opens and a long-term operating plan for KeyArena.

17. Non-Relocation. ArenaCo will cause the NBA and NHL franchises committed to play home games in the Arena to enter into binding and enforceable non-relocation agreements with the City and County that will include specific performance, liquidated damages and injunctive relief provisions, pursuant to which the teams will irrevocably and unconditionally commit and guarantee to be domiciled in Seattle and to play at least two (2) pre-season and all their home regular season and post-season games at the Arena for a term of at least 30 years (subject to a limited number of league-approved neutral site games and other agreed upon customary exceptions). The non-relocation agreements will contain terms that require the NBA and NHL franchises to maintain their NBA or NHL membership in good standing during the term of the Arena Lease. Under those non-relocation agreements, the NBA and NHL teams will not relocate from the City of Seattle, will not apply to the NBA or the NHL to transfer to another location outside of the City of Seattle, will not enter into or participate in any negotiations or discussions with, or apply for, or seek approval from, third-parties with respect to any agreement, legislation or financing that contemplates or would be reasonably likely to result in any breach of the non-relocation agreement, and will have no right to terminate the non-relocation agreement during the term of the agreement, in each case except as provided in the definitive non-relocation agreement. The non-relocation agreements will expressly provide that specific performance requiring the NBA franchise and the NHL franchise to play pre-season, regular season and post-season games at the Arena is an appropriate remedy for breach.

18. Governing Law. This MOU is, and the Umbrella Agreement and the Transaction Documents will be, governed by the laws of the State of Washington. Venue for any action under the Transaction Documents, including any bankruptcy proceeding, will be in King County, Washington.

19. Tax Matters. The Parties will mutually endeavor to preserve and/or maximize, as applicable, the tax benefits accruing to each of them. Specifically, the federal tax benefits for ArenaCo and the state and local tax benefits to the City and the County will be maximized to the extent permitted by law. The structure of the transactions as set forth herein may be modified in a manner that results in more positive tax effects to the Parties.

20. Additional Provisions.

a. Naming Rights. ArenaCo will have the right to designate the name of the Arena, subject to approval by the City-County Representative as hereinafter provided, and to name other areas of within the Arena. The City-County Representative will not withhold his or her approval of any name of the Arena, so long as it does not, in the City-County Representative's reasonable judgment, violate the standards of good taste existing in the Seattle-King County area and will not otherwise be an embarrassment to the City or County. Unless the City and County agree otherwise, which agreement will not be unreasonably withheld, the name given to the Arena will not include reference to any state, local or other municipality name unless such reference is to "Seattle" or "King County."

b. Team Name. Subject to NBA approval and applicable rules, regulations, requirements and agreements of the NBA, ArenaCo or an affiliate of ArenaCo shall use its best efforts to acquire from the current owner thereof the "Seattle Sonics / SuperSonics" name, trademarks, memorabilia (banners, trophies and retired jerseys), and the right to use and refer to the history of the "Seattle SuperSonics" (as those rights are more thoroughly described below), and any NBA Team domiciled in Seattle, Washington and operated by ArenaCo or an affiliate of ArenaCo that owns such NBA team will use the name "Seattle SuperSonics." The City will use its best efforts to assist ArenaCo or an affiliate of ArenaCo that owns such NBA Team to: (i) acquire the unrestricted rights to use the name trademarks, any logos, symbols, designs, trade dress (including, but not limited to, team colors) or other indicia associated with the Seattle SuperSonics/SuperSonics for purposes of identifying such NBA Team, and (ii) obtain the right to use and refer to the Seattle SuperSonics history (e.g., statistics, player histories and records) from prior NBA seasons during which the NBA Team formerly known as the Seattle SuperSonics played their NBA home games in Seattle, and (iii) obtain a transfer of the trophies, banners, and retired jerseys and other related memorabilia from the current owner thereof. Subject to NBA approval and applicable rules, regulations, requirements and agreements of the NBA, and subject to ArenaCo or an affiliate of ArenaCo having successfully obtained the rights to the "Seattle Sonics / SuperSonics" name, trademarks, memorabilia (banners, trophies and retired jerseys), and the right to use and refer to the history of the "Seattle SuperSonics" as provided above, and provided further that the City and County are not in breach of the Arena Lease or any of their other material obligations to ArenaCo under the Transaction Documents, if the NBA team domiciled in Seattle and operated by ArenaCo or an affiliate of ArenaCo that owns such rights ever relocates to a City other than Seattle, then ArenaCo or such affiliate of ArenaCo that operates such NBA team shall transfer all rights to the name, trademarks, memorabilia and right to use and reference the history related to the "Seattle SuperSonics" to the City, and further, subject to NBA approval and the applicable rules, regulations, requirements and agreements of the NBA this transfer requirement shall apply to any new name, trademarks, memorabilia or right to use and refer to the history of such NBA team if such NBA team domiciled in Seattle ever adopts a new name with the approval of the City and County or otherwise, and thereafter relocates to a City other than Seattle. When appropriate, ArenaCo or an affiliate will prominently include "Seattle" as part of the team name in public references for marketing, advertising, promotional and other business purposes, subject to the requirements and restrictions of the NBA; provided, however, that it is understood and agreed that the names "SuperSonics" and "Sonics" may be used without the name "Seattle" to market, advertise and promote the team and for other business purposes when deemed appropriate by ArenaCo or an affiliate of ArenaCo that owns the NBA Team.

c. Arena Agreements. The Umbrella Agreement and the Transaction Documents associated with design, development, construction, operation, and maintenance of the Arena will contain such other provisions, representations, warranties, covenants and indemnities as the Parties may agree or as are customarily included in similar documents related to the lease, design, development, construction, operation, and maintenance of NBA and NHL arenas in the United States or of other major public facilities within the City of Seattle. The Umbrella Agreement and the Transaction Documents will not be assignable without the written consent of all Parties, which consent will not be unreasonably withheld, hindered or delayed; provided, however, that the City and County agree that ArenaCo may assign the Transaction Documents: (i) to an affiliate or subsidiary of ArenaCo that is owned or controlled by ArenaCo or ArenaCo's

majority or controlling owners, or (ii) in connection with a sale, transfer or assignment by ArenaCo or such affiliate or subsidiary of a controlling interest in ArenaCo or such an affiliate or subsidiary, or a transfer by ArenaCo or such an affiliate or subsidiary of substantially all of the assets of ArenaCo if (x) the purchaser, transferee or assignee assumes all obligations and liabilities of ArenaCo, or its assignee, under the Transaction Documents, including provision of a guaranty satisfying the requirements of paragraph 12.f.(ii), (y) ArenaCo demonstrates to the reasonable satisfaction of the City and County that such purchaser, transferee or assignee has sufficient financial capability to meet all such obligations and liabilities of ArenaCo and its affiliates under the applicable Transaction Documents, and (z) the purchaser, transferee or assignee together with the individual persons that own, directly or indirectly, such purchaser, transferee or assignee, are of a moral character reasonably acceptable to the City and County.

d. Seattle Domicile. ArenaCo and any affiliate entity of ArenaCo that owns the NBA Team or the NHL Team will be domiciled in Seattle, Washington, and will maintain their headquarters, offices and substantially all of their employees in Seattle, Washington.

e. Review of ArenaCo Financial Information. During the term of the Arena Lease, the City and County will have the right to review all relevant financial records of ArenaCo relating to the ability of ArenaCo to carry out any of its financial obligations under this MOU, the Arena Lease and the Transaction Documents, and of ArenaCo Parent relating to the ability of ArenaCo Parent to carry out any of its financial obligations under this MOU, the Arena Lease and the Transaction Documents, but only if a statutory exemption for such financial records is available under chap. 42.56 RCW (the Public Records Act). If such an exemption is not available, ArenaCo and ArenaCo Parent shall provide an alternative and reliable means by which the City and County can assess the ability of ArenaCo and ArenaCo Parent to carry out their financial obligations under the Arena Lease, this MOU and the Transaction Documents.

f. Community Benefit Agreement. ArenaCo shall enter into a Community Benefit Agreement with appropriate community organizations and the City and County to provide benefits to the communities that will be affected by the Arena. ArenaCo shall communicate with a variety of community organizations, community members and the City and County to identify the appropriate issues to be addressed by the Community Benefit Agreement.

(i) Community Involvement. ArenaCo is committed to having the NBA franchise that will play home games in the Arena maintain a strong presence in the community, as professional sports franchises can have a positive impact on youth. As a regional asset, the NBA franchise will work to establish partnerships with organizations throughout King County that serve youth and underserved communities, particularly in areas where Public Health-Seattle & King County have identified health and education disparities. The NBA franchise will establish partnerships with the goal of contributing to the future success and health of youth with initiatives such as scholarship funds, afterschool programs, youth mentorship and improved basketball facilities in the region to increase opportunities to play and learn the game of basketball.

(ii) Access and Affordability. A successful NBA franchise is one that enables people from all communities and all income levels to attend games. ArenaCo is committed to making tickets to NBA games affordable to middle and low income individuals

and families. To demonstrate this, the NBA franchise will go beyond the league standard for providing affordable tickets (current standard is an average of 500 tickets per game at \$10 or less), by offering an average of 500 tickets per game at \$10 or less plus an additional average of 1,000 tickets per game at \$20 or less for a total of 1,500 tickets at reduced prices (adjusted for inflation over time) based on the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for all Urban Consumers (Seattle-Tacoma-Bremerton Local Area).

g. Economic Impact Analysis.

(i) ArenaCo shall at its sole cost and expense (not to exceed \$200,000) cause an economic impacts analysis (“Analysis”) to be prepared that examines the net economic impacts of the construction and operation of the Arena. The Analysis shall study the net economic costs and benefits of the construction and operation of the Arena in the geographical areas that would be affected by the construction and operation of the Arena and shall consider all relevant segments of the economy that would be affected by the construction and operation of the Arena, including without limitation retail, commercial, industrial and freight transportation. The Analysis shall include, without limitation, study of (a) the net changes in employment, wages, economic activity and tax revenues; (b) the net effects on Port of Seattle economic activity; (c) the net effects on the overall regional economy and the Arena’s compatibility with regional economic development plans; and (d) the net effects on women-owned and minority-owned businesses.

(ii) The Analysis shall be prepared by an independent consultant fully qualified to prepare the Analysis (“Consultant”) selected by the City and County with the approval of ArenaCo, which approval shall not be unreasonably withheld, conditioned or delayed. The scope of the Analysis shall be determined by the City and County based on the reasonable recommendations of the Consultant consistent with the requirements of this Section 20.g and with the approval of ArenaCo, which approval shall not be unreasonably withheld, conditioned, or delayed. Upon selection of the Consultant, ArenaCo and the Consultant shall enter into a written contract (“Consultant Contract”) regarding the preparation of the Analysis. The City and/or County may, at their respective options, be parties or third party beneficiaries under the Consultant Contract. The Consultant Contract shall require, without limitation (a) that ArenaCo shall pay for the Analysis (but not to exceed \$200,000), (b) that no cost or expense of the Analysis shall ever become an obligation of the City or County, (c) that the Consultant shall prepare the Analysis, and (d) that (1) the Consultant shall be considered an agent of the City and County in achieving an adequate Analysis, (2) unless otherwise agreed to in writing by the City and County, the Consultant shall not act as an advocate for or otherwise be retained by ArenaCo or an ArenaCo affiliate until after the Closing Date and the Consultant shall not act as an advocate for or otherwise be retained by any other entity (except City and County) with regard to any of the issues that are addressed in the Analysis until after the Closing Date, (3) any preliminary drafts of the Analysis shall be made available for review by ArenaCo at the same time as they are made available for review by the City and County, and (4) the City and County shall supervise the Analysis preparation process and will have sole authority to approve the final Analysis.

(iii) The Analysis shall be completed according to the following timeline: (a) The City and County will select the Consultant and inform ArenaCo of the selection within twenty-

five (25) days of the Effective Date and ArenaCo shall respond within five (5) days thereafter (and if ArenaCo reasonably disapproves the selection the City and County will select a different Consultant consistent with the timeline and process set forth in this subsection) and (b) the Analysis shall be completed within ninety (90) days following execution of the Consultant Contract. The Parties may agree to modify these timelines and a failure to meet these timelines shall not interfere with the ability of the City and County to exercise their rights under the condition precedent in paragraph 21.g of this MOU.

h. WNBA Team. The Parties hereby affirm the value and importance of maintaining the presence of a Women's National Basketball Association (WNBA) team in the Seattle region. The current WNBA team is the Seattle Storm. The Parties shall use reasonable efforts to support the Seattle Storm or any successor WNBA team operating in Seattle at either the Arena or Key Arena.

21. City/County Conditions Precedent. The obligations of the City and County under this MOU to commit Public Financing are expressly conditioned on the following conditions precedent:

a. Financing and Delivery of Initial Deposit to Reserve Account. (i) ArenaCo has arranged for all financing or other funding necessary to fully finance or fund the Project; (ii) the City and County and their respective councils reasonably determine that they are satisfied that ArenaCo and its investors have the resources to meet their financial obligations under this MOU and the applicable Transaction Documents; and (iii) ArenaCo has arranged for delivery of the required initial deposit into the Reserve Account.

b. SEPA and Permitting. (i) SEPA review associated with any City or County actions as contemplated by paragraph 5 of this MOU has been completed through issuance of a Final Environmental Impact Statement, including consideration of reasonable alternatives, a comprehensive traffic impact analysis, impacts to freight mobility, and pedestrian connections between the Arena and the International District light rail station, the Stadium light rail station, and Pioneer Square; (ii) the master use permit and all other permits required for construction of the Project have been obtained; (iii) the City and County and their respective councils have considered the SEPA review in connection with their respective actions and have determined whether it is appropriate to proceed with or without additional or revised conditions based on the SEPA review; and (iv) any challenges to the Project have been resolved in a manner reasonably acceptable to the Parties.

c. Due Diligence for Site Acquisition. The City and County shall have determined, in their reasonable discretion, that the condition of title to, and the environmental condition of, the Property is suitable for acquisition and subsequent development for the Arena Facility consistent with this MOU. The City and County shall complete their review and determination no later than October 1, 2012, or such later date as may be mutually agreed upon by the Parties. The City-County Representative may give written notice on or prior to October 1, 2012 or such mutually agreed upon later date that the condition of title to or the environmental condition of the Property are not suitable for acquisition and subsequent development for the Arena Facility consistent with this MOU, specifying the reasons therefor, in which case, unless the Parties otherwise mutually agree in good faith upon a reasonably satisfactory method for

ArenaCo to resolve the City's and County's objections to the condition of title to and environmental condition of the Property, this MOU shall terminate. If the City and County do not timely provide such written notice, then the due diligence condition of this paragraph 0.0 shall be deemed to have been waived. Within ten days of the Effective Date, ArenaCo shall provide the City-County Representative with copies of all documents in the possession of ArenaCo that relate to the condition of the Property, including a preliminary commitment for title insurance and any documents relating to the environmental condition of the Property, but excluding any documents that are privileged or proprietary. Such documents shall be provided without warranty. ArenaCo shall also provide the City-County Representative, and other designated employees and consultants of City and County as may be reasonably requested by the City-County Representative, with access to the Property for purposes of conducting due diligence review provided for in this paragraph 21.c, subject to any required consents from current owners and occupants and subject to the City's and County's agreement to indemnify ArenaCo for any costs or damages arising in connection with or relating to such entry ("Right of Entry Agreement". Such entry, and such due diligence testing or investigations to be conducted as provided for in this paragraph 21.c, shall also be subject to the further terms and conditions of such Right of Entry Agreement. If any land is acquired or proposed to be acquired and added to the Project Site after the Effective Date for which ArenaCo has not previously provided the City and County with the documents and access described above for the purposes of enabling the City and County to determine that the condition of title to, and the environmental condition of such additional property is suitable for acquisition and subsequent development of the Arena Facility consistent with this MOU, then the City and County will have up to an additional one-hundred fifty (150) days after receiving written notice of such acquisition or proposed acquisition from ArenaCo and after receiving such documents and access to complete due diligence review of such additional land consistent with this paragraph 0.

d. NBA Team, Lease, Non-Relocation Agreement and Community Benefits Agreement. ArenaCo or a third party under contract with ArenaCo has secured (i) ownership rights to an NBA franchise and (ii) subject to NBA approval and applicable rules, regulations, requirements and agreements of the NBA, the rights to the "Sonic" name, trademarks, memorabilia and right to use and refer to the history or has used its best efforts to do so, as provided for and described in paragraph 20.b of this MOU; and that NBA franchise and the Parties have entered into a non-relocation agreement as described in paragraph 17; and that the Parties and the appropriate community organizations have entered into the Community Benefit Agreement described in paragraph 20.f; and that the NBA has acknowledged the Arena Lease, the NBA has approved locating the NBA Team in Seattle and the NBA has acknowledged the non-relocation agreement; and that ArenaCo has entered into a Team License Agreement with the NBA Team as required by and consistent with paragraph 14.e.

e. The Umbrella Agreement and the Transaction Documents have been negotiated and the City and County are authorized by their councils to execute the documents.

f. Material Adverse Conditions. As of the date of this MOU, the Parties acknowledge that the City and County have sufficient debt capacity and access to financial markets to meet their obligations under this MOU. However, in the case of a natural disaster, a significant change in state or federal law, or a substantive change in financial markets or conditions such that the City and County are unable to issue debt on reasonable terms consistent

with paragraph 10 and the Parties are unable to agree in good faith on viable alternatives, the Public Financing will not occur and the City and County will not be required to make any further financial investment or to provide for the payments to ArenaCo under paragraph 10 or otherwise.

g. Economic Impact Analysis Findings. The Analysis required by Section 20.g of this MOU has been completed and the City and County and their respective councils have considered the Analysis and have determined whether it is appropriate to proceed with or without additional or revised conditions based on the Analysis. The City and County councils shall make this determination by vote within forty-five (45) calendar days following the completion of the Analysis. Calculation of this forty-five (45) day period shall include weekends but shall exclude any City or County holidays and any City Council or County Council recesses.

22. ArenaCo Conditions Precedent. The obligations of ArenaCo under this MOU are expressly conditioned on the following conditions precedent:

a. Permitting. All permits necessary for construction, use and operation of the Arena, and all parking and other facilities accessory to the Arena, shall have been issued and shall be in form and substance satisfactory to ArenaCo in its sole discretion, and the costs and expenses required to remediate any hazardous materials or conditions in connection with the design and construction of the Arena Facility that ArenaCo is required to remediate as provided in paragraph 15.a are reasonably acceptable to ArenaCo.

b. Financing. ArenaCo shall have obtained financing in an amount adequate to construct the Arena and upon rates, terms and conditions satisfactory to ArenaCo in its sole discretion. In connection therewith the Parties understand that ArenaCo may be required by its lenders to request an amendment to the terms hereof in order to facilitate such financing. The City and County shall consider such request, but any amendments hereto shall be (i) in the sole and absolute discretion of each of the City and the County and (ii) subject to all required approvals of each of the City and the County.

23. City and County Cooperation. The City and County may elect to apportion between themselves any of the rights or obligations described herein as rights or obligations of both the City and County, including that the City and the County may elect to apportion all of their rights and obligations to the City. At the option of the City and County, any right obtained by one of them in a contract with ArenaCo, under any of the Transaction Documents may be conferred on the other as a third-party beneficiary. As to any KeyArena issue addressed by the MOU, the Umbrella Agreement or the Transaction Documents, such agreement is only between ArenaCo and the City, and the County shall have no rights or obligations with regard to such agreement.

24. Counterparts. This MOU may be executed in one or more counterparts, each of which will be deemed an original, but all of which, when taken together, will constitute one and the same instrument.

25. Dispute Resolution.

a. In the event any dispute, disagreement, claim or controversy arises between the Parties concerning this Agreement or any of the provisions hereof (each, a "Disputed Matter"), the City-County Representative and the ArenaCo Representative will meet and attempt to resolve the Disputed Matter through negotiations, except as provided in Section 15.h. If the representatives are unable to reach agreement, the Disputed Matter shall be referred jointly to the City's Director of Finance and ArenaCo's chief executive officer. If such executives do not agree upon a decision, then the City's Mayor, the County Executive and ArenaCo's owners or managing members shall meet and attempt to resolve the matter. If such individuals are unable to resolve the Disputed Matter within ten (10) days, then either the City and County, collectively, or ArenaCo may, upon written notice, submit the matter to mediation.

b. Either party may commence mediation by providing to the other party a written request for mediation, setting forth the subject of the Disputed Matter and the relief requested. The parties will cooperate with one another in selecting a mediator and in scheduling the mediation proceedings. Following compliance with the provisions of paragraph 25.a, the parties each covenant that they will participate in the mediation in good faith, and that they will share equally in the costs of such mediation. Either party may seek equitable relief prior to the mediation to preserve the status quo pending the completion of that process. Except for such an action to obtain equitable relief, neither party may commence a civil action with respect to any Disputed Matter submitted to mediation until after the completion of the initial mediation session provided for in this paragraph 25.b, or 45 days after the date of filing the written request for mediation, whichever occurs first. Mediation may continue after the commencement of a civil action, if the parties so desire.

26. Oral Agreements and Commitments. The Parties acknowledge that oral agreements or oral commitments to lend money, extend credit, or forbear from enforcing repayment of a debt are not enforceable under Washington law.

27. Notice Provisions. All notices provided for herein may be delivered in person, sent by Federal Express or other overnight courier service or mailed in the United States mail postage prepaid and, if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a Party shall from time to time direct:

City:

Copies to:

County:

Copies to:

ArenaCo:

Copies to:

Executed as of the date first written above

THE CITY OF SEATTLE
a Washington municipal corporation

By: _____
Its: _____

KING COUNTY, WASHINGTON
a political subdivision of the State of Washington

By: _____
Its: _____

WSA Properties III, LLC, a Delaware limited liability company:

By: Horton Street, LLC, a Delaware limited liability company
Its: Manager

By: Christopher Hansen
Its: Manager

EXHIBIT A

LABOR PEACE AGREEMENT

In order to protect the City of Seattle's, King County's, and the Developer's investment in the Arena from the financial risks of labor disputes, the Developer (ArenaCo) will enter into labor peace or project labor agreements with labor organizations which represent workers in King County and have indicated or may indicate their intent to organize workers at the Arena.

These organizations include but are not necessarily limited to the Seattle Building & Construction Trades Council (project construction), Unite Here Local 8 (food & beverage concessions, restaurant, and hotel employees), Teamsters Local 117 (operations employees), SEIU Local 6 (janitorial employees), and IATSE Local 15 (staging and audiovisual employees).

For construction, the project labor agreements will include a promise by the labor organizations limiting their rights during construction of the Arena to engage in concerted economic action at the Arena aimed at bringing economic pressure to bear against the Developer, including such activities as striking, picketing and boycotting.

For Arena operations, the labor peace agreements shall provide the same guarantee after opening of the facility, and shall extend to any successor or replacement contractor, sub-contractor, operator, or developer acquiring the right to develop or operate business opportunities covered by this agreement during the term of the Arena Lease between ArenaCo and the City of Seattle and King County. This requirement is severable from the obligations to have such a guarantee for the construction phase.

The Developer shall maintain such labor peace or project labor agreements with such labor organizations for the duration of the proprietary interest of the City and County or other public agencies in uninterrupted revenues from the operation of the Arena which agreements will limit the rights of such union and its members to engage in economic activity against the operation.

Copies of the labor peace and project labor agreements will be submitted to the City and County promptly following the execution and delivery thereof by Developer.