

THE PROFESSIONAL BASKETBALL CLUB, LLC

Jan. 18, 2007

The Honorable Chris Gregoire
Governor, State of Washington
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Gregoire

We appreciate the time and interest you have devoted to our effort to find an acceptable new home for the Sonics and Storm in the region. From the outset, you recognized that the region needs to develop a world class multi-purpose arena to serve as a home for major sporting events, concerts, large conventions and large corporate meetings. Virtually every tier-one community in the country has already built such a facility or is in the process of doing so.

We believe the potential for such a venue extends far beyond professional basketball and has the opportunity to benefit the entire region. An excellent example was the news last week that Denver was chosen as the site for the next Democratic National Convention to be held at the Pepsi Center, which is an example of the kind of facility we are proposing here in Puget Sound.

Since assuming ownership of the Sonics and Storm on November 1, we have tried to work as quickly as possible to develop a reasonable proposal that will meet the needs of both the teams and the region. Our group has retained ICON Venue Group and HOK Sport to help shape the vision for the new facility and provide a reasonable estimate of the costs for this multi-purpose complex.

We have said since the very beginning that we want to develop a financing model that is fair to all parties, and which would include the ability for us to make a reasonable return on our investment over time.

As we have explained to you in our discussions, the complexity of the project is greater than even we anticipated. In addition to working with the cities that might be the site of this building, we have also worked with a number of stakeholders, including major employers in the region. These stakeholders have uses for the building but also want to ensure that it is appropriately located to best meet their needs and not disrupt regional transportation corridors. Finally, we have been confronted by construction costs that are rising on a daily basis and have made the project more expensive than other recent arenas.

We currently are considering two sites: one in Renton near "The Landing," the City's new mixed-use retail and housing development, and the other near the Bellevue central business district in an area known as "auto row." Both sites have significant advantages and challenges. We continue working with both City governments in an effort to determine the most acceptable location for a major arena. Both cities are now considering whether such a project is an acceptable use for the future of their city.

Costs

From the work that has been done by our architects and consultants, we estimate that the cost of the building itself will be between \$340 million and \$360 million. That does not include the cost of the land, parking and infrastructure, which we estimate could add \$150 million to \$170 million more to the project. We are working with both municipalities on ideas that could help to contain the costs for parking and infrastructure to bring down the total cost of the project. The building itself would be between 700,000 and 800,000 square feet and would seat at least 18,000 for basketball. In addition it would be designed so it could accommodate NHL Hockey, Arena Football, concerts and large meetings or conventions. It is likely that in whichever location it is built it will encourage the development of one or more hotels near the facility that would need to be built with private dollars.

Operating structure

Since the beginning we have anticipated forming a Public Facilities District similar to the ownership structure of Safeco Field and Qwest Field. Initially we held the view that the Sonics ownership group should operate and control the building; however, it has become clear that the Sonics are really only one tenant in a much larger building project. As a result we are now also evaluating operating structures that share both the decision-making and any revenue that comes from the building. We are still exploring how best to structure an approach that could work for all parties. We would very much appreciate input from you and King County officials regarding what would be an acceptable structure.

Investment

To make this project work, it is clear that we will need at least \$300 million in revenue sources authorized by the state. These would be taxes collected only in King County and would also require the approval of the King County Council and Executive. This would largely include using revenue sources that were used for Safeco Field, Qwest Field and the Kingdome, including the restaurant tax and the rental car tax. These are taxes that are already in place and will be available because of the early retirement of bonds for the other facilities. We also acknowledge that some of these fund sources will need to be reserved for the arts in King County.

It has also become clear that the City where the multipurpose facility is located will need to make an investment against revenues that will be returned to it through increased economic activity in the City as a result of the arena.

Finally, as we have said all along, there will need to be a private investment in the new arena. There are several factors that keep us from providing you an absolute number on the amount of private investment today. There is still a great deal of modeling going on about the potential financial return of the building and the benefit it will provide the team. My obligation to the Sonic ownership group is that I do not enter into any transaction that does not give us at least a fair chance to earn a reasonable profit over time.

The amount of our contribution is made more complex by the financial realities of a team with a non-economic lease and poor financial performance that will likely lead to losses of \$50 million or more before we can get into a new arena. The magnitude of those losses has to impact the amount we can contribute toward an arena.

However, we do recognize that for the project to move forward there is a need for a significant private contribution and we are continuing to do the work that will allow us to come forward with an acceptable level of contribution to a new arena. We clearly would not ask the Legislature to take final action or King County to authorize any taxes for an arena until we could clearly define the extent of private contribution.

There are many issues that need to be resolved before we can ask the Legislature to act. However, we wanted to provide this update of our thinking on this arena project for you and the Legislature to consider.

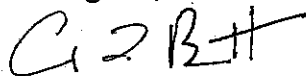
Regardless of whether the Sonics are a tenant in a new facility, it is only a matter of years before there will be general recognition that a complex like we are proposing is needed in the region. The Sonics can be an important part of making the building work for the community.

We need to resolve the future of the Sonics. We are doing all we can to ensure the team has a future in this region. We feel the same need to get the team's future location resolved so that we can devote full attention to improving on court performance.

While we have helped give some clarity to the potential of this project, it is now in the hands of the two local governments we have identified to determine if the Sonics and the construction of a multi-purpose facility have a role in the future of their City. Each City has worked with us cooperatively up to this point and now must make independent decisions about whether it is in their interest to proceed.

We appreciate the support and guidance you have provided us. We expect to provide a definitive proposal as soon as practicable and keep you aware of all new developments.

Best Regards,



Clayton I. Bennett, Chairman
Professional Basketball Club, L.L.C.

Cc: Senator Lisa Brown
Speaker Frank Chopp
Senator Margarita Prentice
Senator Mike Hewitt
Representative Richard DeBolt