

The Professional Basketball Club, LLC

March 14, 2008

The Honorable Mick Cornett
Mayor
The City of Oklahoma City
200 North Walker
Oklahoma City, OK 73102

Re: Relocation of SuperSonics

Dear Mayor Cornett:

The purpose of this letter is to set forth in principle the material terms and conditions on which The Professional Basketball Club, LLC, an Oklahoma limited liability company (the "Company"), proposes to relocate the Seattle SuperSonics professional basketball organization (the "Team") to Oklahoma City (the "City"). As you know, the Company is currently a tenant under an arena lease agreement with the City of Seattle (the "KeyArena Lease"). The KeyArena Lease expires by its terms at the end of the 2009-2010 National Basketball Association (the "NBA") season. The Company and the City of Seattle are currently involved in litigation in federal court in Seattle. The Company has asked the court to determine that the KeyArena Lease is not specifically enforceable and that the Company should be permitted to make a lease termination payment to the City in lieu of playing the Team's home games in Seattle for the remainder of the term of the KeyArena Lease. The timing of the Team's relocation is dependent on a favorable judgment in the litigation, a settlement agreement with the City of Seattle or expiration of the KeyArena Lease and, accordingly, could occur as early as the 2008-09 NBA season or as late as the 2010-11 NBA season.

As noted below, relocation is conditioned on necessary approval of the NBA. The Company has filed its relocation application with the NBA seeking approval to move to Oklahoma City, and Commissioner Stern appointed a Relocation Committee on November 12, 2007 to consider the application. One important element of NBA approval is the renovation of the Ford Center (the "Arena") to meet NBA standards and the construction of an NBA quality training and practice facility (the "Practice Facility") for use by the Team. This letter contemplates that the City will undertake such renovation and construction, with the costs being paid from sales tax collections pursuant to Ordinance No. 23,520, approved by the voters of Oklahoma City on March 4, 2008. The Relocation Committee, Commissioner Stern and other senior executives within the NBA organization are expected to make a site visit to Oklahoma City on Tuesday, March 25, 2008. The Relocation Committee will make a recommendation to the Board of Governors of the NBA, which will meet on April 17-18, 2008 to vote on the

application. The Company is proceeding on the assumption that the NBA will approve the application.

You have advised us that the Arena is owned by the City, leased to the Oklahoma City Public Property Authority (the "Authority") and subleased to SMG, a Pennsylvania general partnership (the "Operator") under a management agreement that authorizes the Operator to manage and operate the Arena on behalf of the City and the Authority. You have also advised us that the Practice Facility will also be owned by the City and leased to the Authority.

Based on the foregoing, the Company and the City agree to proceed in good faith in the negotiation of definitive agreements relating to the Team's relocation to Oklahoma City, on substantially the terms set forth in this letter of intent. The agreements between the City and the Company will be set forth in four basic agreements, as follows: (a) an Agreement for Arena Upgrades and Practice Facility (the "Arena Agreement"), setting forth the terms on which the Arena renovation and Practice Facility construction will be undertaken by the City and Authority, (b) a Team Arena Use License Agreement (the "Arena Lease"), setting forth the terms of the Team's use and occupancy of the Arena, both during and after completion of the renovation, and committing the Team to play its home games at the Arena, (c) a Food and Beverage Agreement (the "Food & Beverage Agreement"), setting forth the terms on which food and beverage services will be provided at the Arena and (d) a Practice Facility Lease Agreement (the "Practice Facility Lease"), setting forth the terms of the Team's use and occupancy of the Practice Facility after completion. These Agreements will be referred to herein collectively as the "Relocation Agreements." The Relocation Agreements will contain the terms outlined in this letter of intent.

I. Arena Arrangements

- A. Site: The City, the Authority and the Operator will make the Arena available to the Team on the terms set forth in the Arena Lease.
- B. Term; Renewal: The Arena Lease will have an initial term of fifteen (15) years, which will begin no sooner than the 2008-2009 NBA season and no later than the 2010-11 NBA season. At the end of the initial Term, the Company will have the right to extend the term for five (5) additional three-year periods. The initial term, together with any extensions, is referred to herein as the "Term."
- C. Use by the Team: During the Term, the Team will have priority with respect to the Arena's schedule for all pre-season, regular season and post-season NBA games and will also have priority for up to 10 non-game day events, which will generally be events associated with the Team and not generating material revenue. The City will

make playing dates available for regular season and post-season games in accordance with NBA rules. The Arena Lease will identify a mutually acceptable protocol for identifying game days and dates for non-game day events consistent with NBA rules and procedures. The Team will commit to play at least one pre-season and all regular season and post-season home games during the Term at the Arena. The City will have the right to lease the Arena to other groups on dates when the Team is not scheduled to play in or otherwise use the Arena. When the Arena is available and court set-up is reasonably possible without significant expense (such as the expense of overtime employees) and not in conflict with set-up for other events, the Arena will be made available to the Team for practices on a first-priority basis.

D. Arena Management:

The Arena will continue to be owned by the City and managed by the Operator or another professional arena management entity that is acceptable to both the City and the Company. The quality of service provided by the Arena manager is critical to the success of the Team, and accordingly, the Arena Lease will set forth performance standards, opportunities for the Company to request corrections of deficiencies and procedures whereby management may be replaced by a new Operator if such deficiencies are not corrected.

E. Arena Office Space:

The Arena Lease will give the Company the right to use designated office space located in the Arena of a sufficient size to accommodate the Company's corporate operations.

F. Team Space:

The Arena Lease will identify certain Team Spaces of which the Company will have exclusive use and control, including the office space described above, locker rooms, a Team store and storage facilities.

G. Rent:

As rent, the Company will agree to remit to the City the following:

1. Game day expenses of \$28,000 per game and additional rent of \$12,000 per game. The game day expenses will be based on certain

performance standards and, if service in addition to that contemplated by such standards is required by the Company, the Company shall bear all incremental costs incurred by the City. These amounts will be subject to Consumer Price Index ("CPI") adjustments at the beginning of year 6 and years 11 through 15 of the Term, with a cap on any increase of 3% per annum (cumulative). These figures are based on an assumption that there will be 24 conversions required in a season, at an average cost of \$6,000. To the extent actual conversions are more or less than such an amount, the parties will reconcile the difference with a cash payment.

2. In consideration of the Company's right to sell naming rights as described below, the sum of \$409,000 annually.. This amount is intended to approximate the amount the City would be expected to receive under its current naming rights arrangements. This amount will be subject to CPI adjustments at the beginning of year 2 and each following year of the Term, with a cap on any increase of 3% per annum (cumulative).

H. Allocation of Expenses:

The City will be responsible for paying all operating expenses of the Arena; provided that the Company will reimburse the City for a reasonable allocation of operating costs related to the Company's use of the Arena office space to the extent that such operating expenses are verifiable and mutually agreed by the parties. The Company will be responsible for its own marketing and operating expenses.

I. Maintenance and Repair,
Capital Improvements:

The City will be responsible for paying all general maintenance and repair costs reasonably necessary in order to ensure that the Arena continues to be a first-class NBA arena. The Arena Lease will provide for a capital improvement fund for the Arena, which will be funded by (a) a \$1.5 million deposit by the City on completion of the Arena Renovations, and (b) the naming rights revenue payable to the City during the Term as provided in I.G.2 above. Provided, however, if the City is

required to provide temporary facilities pursuant to II.F below, the required deposit on completion of the Arena Renovations will be \$1.0 million.

J. Facility Fee:

The City may elect to extend its existing facility fee of \$1 per ticket to include all Team Event ticket sales, excluding tickets sold at a price of \$10 or less.

K. Minor League Ticket Revenue:

Suite Licenses sold by the Company will include tickets to all Arena events, with certain exceptions identified. The Company will remit to the City the face price of all suite tickets so sold and actually used for admission to Oklahoma City Blazers and Oklahoma City Yard Dawgz games. The face price of such tickets will be the price being charged for comparable tickets to such minor league events. To the extent annual payments to the City of such ticket revenues exceed \$75,000, the amount payable by the Team under I.G.1 above shall be correspondingly reduced.

L. Ticketing Agreements:

The Operator has entered into a ticketing agreement with Ticketmaster. The Company will be entitled to enter into its own ticketing agreement and other agreements relating to the sale or distribution of tickets to Team events with Ticketmaster and/or other vendors, and any amounts paid in consideration of any such agreements will be retained by the Company. The use of vendors other than Ticketmaster will be subject to the Operator's reasonable approval so as to assure compatibility with Operator's ticketing system.

M. Food and Beverage Agreement:

The Food and Beverage Agreement will provide that the Team will receive the following percentages of gross revenues (less taxes) from food and beverage operations for Team events (and, as to revenue from food and beverage services to suites, for all other events):

Concessions: 40% of first \$2.5 million; 42.5% of next \$2.5 million and 45% of the balance

Suites: 25% of first \$1.25 million; 27.5% of next \$500 thousand and 30% of the balance

Clubs and Restaurants: 10%

Bars: 15%

The Food and Beverage Agreement will describe services to be provided in premium seating and other areas of the Arena. It will provide that the a separate vendor may be retained to provide food and beverage services to premium seating areas, on terms to be set forth in the Food and Beverage Agreement.

N. Arena Agreements:

The Operator has entered into various agreements relating to the Arena, including, in addition to the Naming Rights Agreement and Ticketing Agreement described elsewhere in this letter of intent, advertising agreements, sponsorship agreements and suite license agreements. With limited exceptions, such agreements provide the Operator the opportunity to renegotiate such agreements in the event a major league sports team agrees to play its home games in the Arena. The Relocation Agreements will obligate the parties to cooperate in good faith in renegotiating such agreements so as to maximize Team revenues, and any such renegotiated agreements will be subject to approval of the Company.

O. Suites:

The Arena Lease will provide that the City and the Operator will each be entitled to the use of one Arena suite for all events, free of any license fee. The Company shall designate the location of such Arena Suites, which location shall be reasonably acceptable to the City. In the case of the Operator, the Company and the Operator shall reasonably cooperate, under circumstances in which all suites can be sold to third parties, to permit substitution of a loge box and a group of contiguous club seats in lieu of an Arena Suite to be provided Operator.

P. Remedies:

The Arena Lease will provide for mutually acceptable remedies in the event of a default by any party.

Q. Economic Benchmark Termination Right:

The Arena Lease will allow the Company to terminate the Arena Lease, the Food & Beverage Agreement and the Practice Facility Lease at the end of the 6th year and at one or

more other yet to be identified points in time during the Term if the average of Team ticket revenues for the preceding two years fall below 85% of a benchmark established as the average of ticket revenues in the first two full seasons following completion of the Arena Renovations (with the benchmark to be adjusted by annual increases in the CPI, with a per annum cap not to exceed 3%). If the Company exercises such right it will be required to pay to the City an amount equal to the unamortized cost of Arena improvements made specifically for NBA purposes. Also, in such event, the City may elect to require the Company to purchase the Practice Facility for its fair market value. This early termination right would be transferable only to an assignee approved by the City. However, the City will approve an assignee if the assignee has received NBA approval as a transferee of the Company's NBA franchise and the assignee assumes the obligations of the Team under the Arena Lease and agrees with the City that it will not file an application with the NBA to relocate the Team any sooner than the next date upon which the early termination right can be exercised.

R. Renovations:

The Arena will be renovated and upgraded with the goal of creating a first-class NBA arena and maximizing potential basketball-related revenues (the "Renovations"). Construction of the Renovations will begin consistent with the schedule described below and will proceed such that the Team's ability to use the Arena will not be adversely impacted in any material manner. The City will retain ultimate control over the Renovations, subject to review and approval by the Company of every aspect of the Renovations, including the selection of new furniture, fixtures and equipment to be installed in the Arena.

S. Plans and Specifications:

Architects for the Renovations will be selected by the City, with the Company's approval, in accordance with the City's procedures for awarding contracts for such services. The City will cooperate in awarding contracts for such services so that work can be undertaken

consistent with the schedule described below. The architectural firm designated to prepare detailed plans and specifications for the Renovations will be referred to herein as the "Architects." The City will direct the Architects to work with the Company, the NBA and their representatives to develop designs, plans and specifications for construction of the Renovations. The parties acknowledge that all designs, plans and specifications relating to the Renovations will be subject to final approval by the Company and the NBA and agree to submit to the NBA any reasonably requested information necessary in order to receive NBA approval of the Renovation program. The Company shall have the right to make changes to the designs, plans and specifications throughout the Renovations process, subject to review and approval by the City and the NBA (if required). Any additional costs created by such changes will be treated as described below under "Budget and Construction."

T. Budget and Construction:

The budget for the Renovations and construction of the Practice Facility (described below) is initially estimated to be approximately \$121 million, which consists of estimated costs for the following items:

- Architectural and engineering costs;
- Construction costs, including infrastructure improvements and related construction management fees and general conditions;
- Furniture, fixtures and equipment costs, including new and/or upgraded scoreboard, video display systems, audio systems, concession equipment, premium seating amenities, convertible seating systems, stage components, media room and other items necessary for the full function of a first-class professional sports and entertainment arena and the Practice Facility;
- Soft costs, including financing costs, consulting fees and project management costs, insurance, permits, utilities and taxes;

and

- Reasonable design and construction cost contingencies and an overall project contingency of not less than 10% of the total Budget.

One or more construction contractors for the Renovations will be selected by the City, with the Company's approval, in accordance with the City's procedures for awarding contracts for such services. The terms of the construction contract will be negotiated by the City, subject to the Company's review and approval.

Once the City has entered into such arrangements, the City and the Company will agree on a total budget for the Renovations based on the contractual arrangements (the "Final Budget"). Subject to the terms of V.B below, the City will be responsible for funding 100% of the Final Budget.

U. Schedule:

The City and the Company will develop a schedule for completion of the Renovations. The schedule will take into account the commencement of the Term and will call for phasing of work in a manner designed to maximize revenue potential for Team events.

II. Practice Facility Arrangements

A. Site:

The City will cause a first-class practice and training facility (the "Practice Facility") to be constructed in Oklahoma City on a site approved by the Company. The Practice Facility will include two basketball practice courts, office space for the Team's basketball operations, weight and exercise room, physical therapy and medical treatment facilities, kitchen and dining facilities, film room, all furniture, fixtures and equipment necessary to operate the Practice Facility and secured parking. The City will retain ownership of the Practice Facility and will lease the Practice Facility to the Authority. The Practice Facility Lease that will grant exclusive use of the Practice Facility to the Company, subject to usage of the Practice Facility for City events as described in II.E

below.

B. Term; Renewal:

The Practice Facility Lease shall begin on the later of the date on which construction is substantially complete or the date on which the Team relocates to Oklahoma City and shall terminate on the same date as the Arena Lease. Any renewal of the Arena Lease will automatically renew the term of the Practice Facility Lease for a corresponding renewal term.

C. Rent; Utilities; Capital Improvements:

As rent for the use of the Practice Facility, the Company will initially pay to the City \$100,000 per year. That amount will be subject to CPI adjustments at the beginning of year 6 and years 11 through 15 of the Term, with a cap on any increase of 3% per annum (cumulative). Of such rent, 20% will be deposited in a capital improvement fund for the Practice Facility. In addition, the Company will be responsible for ordinary operating costs of the Practice Facility, including the cost of insurance, utilities and routine maintenance and repairs.

The City will pay for all capital repairs and replacements reasonably requested by the Company with respect to the Practice Facility.

D. Construction Process:

The City will retain ultimate control over the construction of the Practice Facility, subject to review and approval by the Company of every aspect of the construction, including the selection of new furniture, fixtures and equipment to be installed in the Practice Facility. The construction process shall be treated in a manner substantially similar to the process applicable to the Arena Renovations as described above.

E. City Events

The Team will cooperate with the Oklahoma City Parks Department and other departments of the City to make the Practice Facility available for certain events to be agreed upon during the off- season. The Team will have the right to designate certain areas of the Practice Facility that will not be available for such events.

F. Temporary Arrangements:

If and to the extent the Team's relocation occurs prior to completion of the Arena Renovations and Practice Facility, the City will make available for Team use substitute Team offices and/or a substitute Practice Facility that meets NBA standards and is otherwise reasonably acceptable to the Company.

III. Parking Arrangements

A. Players and Basketball Personnel:

At no cost to the Company, the City shall provide an agreed number of permanent parking spaces immediately adjacent to the Arena for exclusive use by the Team's players, coaches and basketball personnel and, as required, for television trucks and other Company business needs. The parking spaces for players, coaches and basketball personnel shall be made available in a manner and at times as required by NBA rules and procedures.

B. Premium Seating:

The City has obtained a proposal from Central Oklahoma Transportation and Parking Authority ("COTPA") to provide up to 1400 parking spaces to be made available to the Team's premium seating patrons for Team events. The guaranteed per usage rates for such spaces are \$3 for years 1-5, \$4 for years 6 and 7, \$5 for years 8 through 10 and \$8 for years 10 through 15 of the Term. The parties will cooperate to agree on mutually acceptable locations and to finalize the terms of such arrangements with COTPA.

C. Employees:

The City has obtained a proposal from COTPA to provide up to 125 parking spaces to be made available to the Team's employees on a daily basis. The guaranteed monthly rates for such spaces are \$60 for years 1-5, \$70 for years 6 and 7, \$80 for years 8 through 10 and \$95 for years 10 through 15 of the Term. The parties will cooperate to agree on mutually acceptable locations and to finalize the terms of such arrangements with COTPA.

IV. Allocation of Arena Revenues

A. Non-Basketball

The City shall retain all revenues generated from non-Team events at the Arena, excluding

Revenues:

all Arena revenues dedicated to the Company as outlined below.

B. Game Day Revenues:

The Company shall receive all game day revenues attributable to the Team, including ticket sales, concessions in accordance with the Food & Beverage Agreement, merchandise, revenues from a Team store, novelties, temporary signage, advertising, sponsorships, electronic media, print media, promotions and incidental Team revenues. In addition, the Company shall receive all revenue from all premium seating of any nature, including suites, loge boxes and club seats in the Arena, subject to its obligation to remit certain amounts specified in I.L above. The purchaser of a suite will be entitled to tickets to all Arena events, excluding only certain non-access events described below. Suite licensees will be entitled to purchase tickets to such non-access events. The Company shall also receive all revenues from the sale of club and other "premium" seats, including sales prices of tickets and applicable premiums, for all Team events. The owners of club seats will be entitled to purchase tickets for other Arena events, excluding non-access events. For purposes of the foregoing, a non-access event shall be defined to include (a) a designated maximum number (to be agreed upon) of annual events per year selected by the City and the Company such as NCAA events, Big 12 events, U.S. Olympic Committee sanctioned events, hockey tournaments, NBA or other professional sports all-star games, (b) trade shows, conventions or convocations and (c) charitable, community, non-profit or other events for which the Company determines in its discretion that attendance will be limited.

C. Sponsor and Advertising Revenues:

Except as expressly provided herein, the Company shall have the exclusive right to negotiate all Team and Arena sponsorship and advertising contracts and shall receive all Team and Arena sponsor and advertising revenues, which shall include all revenues from the Arena naming rights sponsorship,

major founding and other sponsorships, signage (both interior and exterior), vendor agreements, pouring rights and all other advertising of any nature. In negotiating such contracts, the Company will be entitled to grant exclusives to advertisers at its discretion. However, the Company recognizes that exclusives have the potential to interfere with the staging of other events in the Arena, and the Arena Lease will contain language by which the parties agree to cooperate in minimizing such effects recognizing, however, that the right to grant exclusives is an important ingredient in the value of the advertising to be sold by the Company and no exceptions to any exclusive can be guaranteed. The Arena Lease shall not preclude the sale of temporary advertising at non-Team events, subject to a determination by the Company that such temporary advertising will not violate any outstanding exclusives granted by the Company. The Arena Lease will also provide that the City will be provided, at no cost to it, the use of mutually acceptable time usage on the LED and scoreboard during Team home games solely for the purpose of advertising other Arena events, and not for sale or use by third parties.

D. Naming Rights:

Upon the Company's request following execution of the Arena Lease, the City shall immediately terminate the current License and Naming Rights Agreement (the "Naming Rights Agreement") with Ford Motor Company and Oklahoma Ford Dealers Advertising Fund, Inc. (collectively, "Ford"). In accordance with Section 16 of the Naming Rights Agreement, the City and the Company shall negotiate in good faith with Ford for a period of not less than 90 days to execute a new Naming Rights Agreement with respect to the Arena. If agreement cannot be reached during such 90-day period, then the Company shall have the right to negotiate new naming rights arrangements with another company, subject to the City's reasonable review and approval and Ford's 180-day right of first

refusal under the existing Naming Rights Agreement. The City will bear no expense in connection with any new Naming Rights Agreement, including costs of signage conversions and new supplies.

V. Miscellaneous

A. Conditions:

As discussed above, the Team's relocation to Oklahoma City is dependent on satisfaction of a variety of conditions, including:

- The occurrence of a favorable judgment in the litigation, a settlement agreement with the City of Seattle or expiration of the term of the KeyArena Lease;
- Receipt of NBA approval; and
- Execution of the Relocation Agreements on mutually satisfactory terms.
- The state economic incentives as described in V.D below.

B. Construction Costs:

The City will be responsible for all costs of design and construction with respect to the Renovations and the Practice Facility, including all costs of the nature described under "Budget and Construction" above. However, in no event shall the City be required to expend an amount in excess of the total sales tax collections received by the City pursuant to Ordinance 23,520 described above. If at any point in the design and construction process it appears that such collections will not pay all costs to complete such projects, the City will promptly notify the Company and the parties will confer on possible changes in the plans and specifications or other measures to reduce costs or provide for the payment of cost overruns.

C. Cooperation:

The City agrees to work with the Company in support of the Company's relocation application with the NBA and to provide such information as may be reasonably requested by the Company or the NBA.

D. State Economic Incentives:

The Company will request that the State of Oklahoma provide economic incentives to the Team by enacting amendments to Oklahoma's

Quality Jobs Act. The Company and the City will work together to obtain passage of the necessary legislation as soon as practicable.

E. Expenses:

Except as specified in other provisions of this letter of intent, each of the parties will be responsible for its own costs and expenses incurred at any time in connection with pursuing or consummating the transactions described herein, including expenses of its advisors, legal counsel, agents and other representatives.

F. Parties:

While this letter describes various rights and obligations as those of the City, the parties understand that certain of such rights and obligations will inure to or be performed by the Authority or the Operator, and the Relocation Agreements will more specifically describe the respective rights and obligations of the City, the Authority and the Operator.

G. Definitive Agreements:

Upon execution of this letter of intent, the parties will promptly proceed to finalize the Relocation Agreements. The Relocation Agreements will incorporate the terms and conditions set out in this letter of intent together with all other terms and conditions as the parties or their legal advisors consider necessary or desirable, including representations, warranties and covenants, indemnities relating to such representations, warranties and covenants and conditions.

H. Legal Effect:

The parties are not obligated in any manner with respect to the matters described herein unless and until the parties execute the Relocation Agreements. No subsequent negotiations, discussions or drafts shall imply or create any obligations between the parties, it being the intent of both parties not to be bound unless and until the Relocation Agreements have been properly executed by both parties.

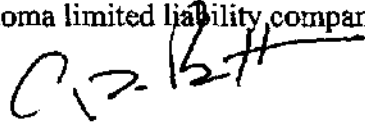
The parties agree to proceed promptly and in good faith to finalize the Relocation Agreements on the terms outlined above. If those agreements have not been finalized and executed by April 15, 2008 neither party shall have further obligations under this letter of intent.

Finally, we would like to express our appreciation for the courtesy and cooperation shown by you and other representatives of the City in this effort. We look forward

to finalizing these agreements and a mutually successful, long term relationship with both the City and the NBA.

If this letter sets forth our agreements, please indicate your concurrence by signature in the space provided below.

The Professional Basketball Club, LLC,
an Oklahoma limited liability company



By: _____
Clayton I. Bennett, Chairman

Date: March 14, 2008

The City of Oklahoma City,
an Oklahoma municipal corporation

By: _____
Mick Cornett, Mayor

Date: March ____, 2008

Approved by Municipal Counselor

By: _____
City of Oklahoma City Municipal Counselor
Date: March ____, 2008