

**CONFIDENTIAL DRAFT
SACRAMENTO ENTERTAINMENT AND SPORTS COMPLEX
PRELIMINARY TERM SHEET
CONCEPTUAL APPROACH
March 1, 2012**

This Preliminary Term Sheet sets forth the basic terms of proposed agreements between the parties with respect to the location, financing, ownership, design, development, construction, operation, use, and occupancy of a new, first class, state-of-the art, multi-purpose entertainment and sports complex (ESC), that will serve as the home of the NBA’s Sacramento Kings and will also host family shows, concerts, sporting events, community oriented events, and numerous other events. The parties acknowledge that this Preliminary Term Sheet is not a binding agreement, and that final terms will be incorporated into definitive legal documents which will govern the proposed transaction and will be subject to approval by each party. The parties intend to negotiate definitive legal documents concerning the ESC which shall contain the basic terms set forth herein, together with such other terms as are mutually agreed upon (consistent with this Preliminary Term Sheet) and as are customarily included in similar agreements for the location, financing, ownership, design, development, construction, operation, use, and occupancy of comparable facilities. The parties intend that the planning, design, development and construction of the ESC will be led by the City of Sacramento which will have final decision making authority, subject to the provisions included herein and that for any matters affecting the Kings, the Kings will have final decision making authority, but that the entire process be a cooperative, mutual endeavor in which the parties actively participate and work together, in good faith and with due diligence – a public/private partnership.

Comment [u1]: Below are comments to your redline. This is not the final version of the Term Sheet. Your version of the redline does not reflect certain changes agreed to by the City, AEG and NBA. This redline was provided to the City 4-13-12.

Comment [u2]: Would need to understand why this language is an issue?

Comment [u3]: Difficult, if not impossible, to isolate “any matters affecting the Kings”. Kings have approval rights over design (see below). Supposed to be cooperative approach.

Parties	City of Sacramento (City) Sacramento Kings, LP (Kings or Team) ICON Venue Group, LLC/David S. Taylor Interests, Inc. (ICON/Taylor) Anschutz Entertainment Group (AEG)
Ownership	The ESC shall be owned by a public sector entity. The City is continuing to evaluate potential ESC ownership options. The ownership structure, as determined by the City, shall be detailed in the definitive legal documents which may include appropriate refinements to the terms set forth in this Preliminary Term Sheet to reflect the final ownership structure, provided that the ownership structure shall not adversely affect the Team or AEG.
Location	The ESC shall be located on land owned in part by the City and may include land currently owned by Inland American at the downtown rail yards. The land parcels are commonly referred to as the City Intermodal Parcel and Inland American Lot 40. The City shall ensure that the site contains sufficient acreage to operate the ESC as contemplated herein. The parties may consider other locations at the rail yards site, and elsewhere, by mutual agreement.

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	See Exhibit 1 for a rendering that illustrates the proposed location of the ESC.
Description	<p>The ESC shall be a new, first class, state-of-the art, multi-purpose entertainment and sports complex that will serve as the home of the Kings and will also host family shows, concerts, sporting events, community oriented events, and numerous other events.</p> <p>See Exhibit 2 for a summary description of the preliminary program elements. The definitive agreements will contain a more detailed description of program elements.</p>
Sources and Uses of Funds	<p>Except as otherwise specified herein, each party shall be solely responsible for securing its financing and other funding sources required for the planning and development of the ESC as outlined herein.</p> <p>The preliminary sources and uses of funds to develop the ESC are summarized in Exhibit 3.</p>
1997 Lease Revenue Bonds	<p>The City, in coordination with the Kings, shall retire the 1997 Lease Revenue Bonds issued by the Sacramento City Financing Authority. The City shall issue new bonds in an amount sufficient to pay all principal, interest, and other amounts (including interest swap penalties (if any)) necessary to retire the 1997 Lease Revenue Bonds, on terms and conditions generally comparable to the terms and conditions of the 1997 Lease Revenue Bonds. The Kings shall make timely payments in an amount sufficient to pay debt service associated with the new bonds to be issued to retire the 1997 Lease Revenue Bonds. Payment shall be made regardless of labor disturbances (strike/lockout) or other force majeure events. The Kings shall provide adequate security or collateral (or a combination thereof) (“Security”) for repayment of the bonds. For purposes hereof, “adequate” shall mean the value of the Security, applying reasonable risk assessment standards to such Security, which, if such Security were liquidated, would yield sufficient proceeds to repay all amounts outstanding on the bonds. If the City and the Kings cannot agree upon the components of adequate Security, such determination shall be made by an independent investment banking firm specializing in municipal finance.</p>
ESC Development Team	The City entered into an agreement on September 27, 2011 to negotiate exclusively with ICON/Taylor for a predevelopment agreement covering the

Comment [u4]: Issue has been raised and discussed with NBA (and Kings) on numerous occasions. City has no obligation to refinance Kings loan. City willing to refinance the loan if adequate security and collateral is provided. City is looking for a combination of lock box, land, and a lien on the team as examples. City willing to be reasonable – see final term sheet language. If NBA is willing to provide a guarantee the City would consider that option.

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	<p>ESC. The agreement specifies that the City and ICON/Taylor intend to work together in a collaborative and cooperative manner to explore opportunities and approaches that will allow for the development of the ESC in a fiscally responsible manner. The City intends to work with a development team that includes ICON/Taylor, AEG, the Team, the NBA, Populous, and Turner to develop the ESC.</p>
<p>ESC Development</p>	<p>The City, together with ICON/Taylor, shall be responsible for all phases of the planning, environmental review, design, development, and construction of the ESC and related infrastructure. Development of the ESC shall be subject to the approvals of <u>each of</u> the parties. Standards, requirements, and timing related to design, development, and construction of the ESC shall be established in the definitive legal documents.</p> <p>The parties intend that the entire project will be conducted as a cooperative, mutual endeavor in which the parties actively participate and work together with due diligence and in a good faith partnership. The City will put in place and manage a design approval process for the ESC whereby all parties will have direct input and will participate in developing a design that achieves the best possible project within the agreed program description and project budget. The Parties <u>Each party</u> will collectively have the right to approve (or disapprove) the ESC design at various stages of the design process, including schematic design, design development, and construction document phases of the project. The City will implement a similar process, <u>with the same approval rights</u>, for project design and construction change orders.</p> <p>The ESC preliminary program is contained in Exhibit 2 which sets forth the intended size and components to be implemented through the design and construction of the project. The ESC shall be constructed in accordance with the program elements and the Quality Standard (as defined below), subject to recognition of the overall size of the ESC reflected in the program elements. The "Quality Standard" for the ESC shall be first-class and state of the art, comparable to other NBA facilities including Amway Center (Orlando), Barclay's Center (Brooklyn), Chesapeake Energy Arena (Oklahoma City), and Pepsi Center (Denver), <u>and satisfying such other standards to be negotiated by the parties</u>. The standard of quality and design of the project shall be comparable, taken as a whole, to the standard of quality used in the design and construction of the facilities above. The ESC design and construction must</p>

Comment [u5]: Would need to discuss and understand intent.

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	<p>comply with NBA Standards, including those related to arena technology and guest experience.</p> <p>The City intends to retain ICON/Taylor to manage and oversee a project delivery team to include Populous and Turner that would design, develop, construct, and commission the ESC pursuant to definitive legal documents to be developed. The specific roles, terms, and conditions of ICON/Taylor, Populous, and Turner would be subject to final negotiations among the parties.</p>
Schedule	The parties shall work cooperatively and make commercially reasonable efforts to open the ESC by September 2015.
Pre-Development Expenses	The City and Kings shall each fund 50% of the pre-development expenses. The identification and schedule for pre-development expenses shall be determined in the pre-development agreement to be entered into by the parties by April 1, 2012.
Completion Guarantee and Cost Overruns	<p>ICON/Taylor, Populous, and Turner intend to work together using an At-Risk Design Build project delivery method with Turner providing a project completion guarantee in accordance with the schedule referred to above, and cost overrun protection covering all design, construction, furniture, fixtures, and equipment (FF&E) and commissioning for the ESC. The Turner contract will be based on a designated set of design documents that have been approved by the all parties. Any changes requested by the parties as the project continues through the design and construction phases that would result in additional costs would be paid for by the party that requests the change, <u>except that the Kings shall not be responsible for any additional costs.</u> The project delivery guarantee shall include separate written guarantees, in form and substance satisfactory to <u>each of</u> the parties, that the ESC will be completed and such guarantee would be backed by Turner Corporation, parent of Turner Construction Company. The terms and conditions of the project completion guarantee and cost overrun protection, including specific inclusions and exclusions, would be subject to final negotiations among the parties, and must be approved by the City in its sole discretion. Cost overruns (if any) associated with items not covered by the Turner contract (e.g. land acquisition, project management fees, and permits/fees) shall be the responsibility of the City. To the extent that the Turner completion guarantee and cost overrun protection is not satisfactory to the City, the parties will revisit this issue; however, no party shall be obligated to incur responsibility to incur cost overruns.</p>

Comment [u6]: Issue has been raised and discussed with NBA (and Kings) on numerous occasions. City will not fund 100% of predevelopment expenses. This does not reflect an additional cost to the Kings. Common practice is for the team (even in a tenant scenario) to cover some or all of predevelopment expenses. See final term sheet that includes AEG commitment.

Comment [u7]: Issue has been raised and discussed with NBA on numerous occasions. Turner contract is intended to cover cost overruns for most of the project. The City will cover items not covered by the Turner contract. If any party requests changes after the original design is approved, the requesting party must pay the resulting costs.

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Non-Compete – Power Balance Pavilion	The Kings shall not operate, or allow others to operate, Power Balance Pavilion in competition with the ESC <u>as an entertainment and sports complex</u> .
Non-Limited Relocation – Kings	The Kings will enter into a binding and enforceable non-relocation agreement with the City that will include standard specific performance and injunctive relief provisions, pursuant to which the Kings will irrevocably and unconditionally commit and guarantee to play all its home pre-season, regular season, and post-season games at the ESC for a term of 30 years (subject to a limited number of league approved neutral site games and other customary exceptions). The non-relocation agreement will contain further customary terms that prohibit the Kings from relocating from the City and require the Kings to maintain its NBA Membership during such term. The Kings shall not relocate from the City, shall not apply to the NBA to transfer to another location outside of the City, shall 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 shall 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. <u>To be discussed.</u>
Management – AEG	AEG shall manage and operate the ESC on behalf of the City pursuant to the terms of a management agreement, <u>which agreement shall be in form satisfactory to the Kings in its sole discretion</u> . The ESC shall be operated in a first class manner, similar to and consistent with that of other comparable facilities that serve as the homes of NBA teams. AEG shall be solely responsible for all aspects of the ESC operation (including the booking of non-Kings events). City oversight roles, responsibilities, and use shall be determined in the definitive legal documents. AEG shall not assign any of its rights under this provision without the approval of the City, in its sole discretion.
Management – Term	AEG shall manage and operate the ESC on behalf of the City for a minimum term of 30 years pursuant to the terms of a management agreement between AEG and the City.
Capital Contribution –	The parties shall determine the timing of the capital contributions for ESC development and construction in the definitive legal documents.

Comment [u8]: Would need to discuss and understand intent.

Comment [u9]: Issue has been raised and discussed with NBA (and Kings) on numerous occasions. City requires a 30 year lease. The parking financing will extend beyond 30 years. The City requires an enforceable, non-relocation agreement that is standard for these projects.

Comment [u10]: City must approve the management agreement as well.

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Timing	
Capital Contribution – AEG	AEG shall pay \$58,750,000 towards development and construction of the ESC <u>at such times as are to be agreed upon by the City, AEG and the Kings</u> . AEG shall have the right, but not the obligation, to obtain private financing for up to a maximum of \$33,750,000. AEG may utilize ESC revenue streams that it is entitled to as security for its private financing. The City shall reasonably cooperate with AEG to facilitate the private financing of a portion of AEG’s Capital Contribution including consideration of customary lender protection and/or rights; however, the City shall not be required to incur any costs or provide any form of credit enhancement to facilitate such private financing. AEG shall not be responsible for constructing the ESC.
Capital Contribution – Kings	The Kings shall pay \$73,250,000 towards development and construction of the ESC. Such amount shall include pre-development expenses paid by the Kings as described above <u>at such times as are to be agreed upon by the City, AEG and the Kings</u> . The Kings shall have the right, but not the obligation, to obtain private financing for its Capital Contribution. The Kings may utilize ESC revenue streams that it is entitled to as security for its private financing or other obligations. The City shall reasonably cooperate with the Kings to facilitate the private financing of its Capital Contribution including consideration of customary lender protection and/or rights; however, the City shall not be required to incur any costs or provide any form of credit enhancement to facilitate such private financing. The Kings shall have the right, but not the obligation, to utilize proceeds from the sale of its approximately 85 acres of land at the site in North Natomas toward its Capital Contribution or other uses. The Kings shall not be responsible for constructing the ESC.
Capital Contribution – Other	The City shall identify, provide, or cause other public and/or private entities to provide a total of \$258,525,000 toward the planning, design, development and construction of the ESC <u>at such times as are to be agreed upon by the City, AEG and the Kings</u> . Such amount shall include pre-development expenses paid by the City as described above. The City shall identify, provide, or cause other public and/or private entities to provide sufficient funds to pay for necessary infrastructure improvements to provide reasonable access to and from the ESC. The preliminary sources and uses of funds for the ESC are summarized in Exhibit 3.
Use and Occupancy	<u>Subject to good faith negotiations between AEG, the City and the Kings with</u>

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	<p>respect to terms relating to use and occupancy. AEG shall manage the ESC on behalf of the City. The ESC will serve as the home of the Kings and will also host family shows, concerts, sporting events, community oriented events, and numerous other events. The parties shall use commercially reasonable efforts to market the ESC aggressively to promote activity and economic development in the area.</p> <p>The Kings shall have priority in scheduling NBA games and practices at the ESC. The Kings may use the ESC, free of charge, for practices and other Team and/or event related activities or events (collectively with Team games, Kings Events), the scheduling of which will be provided for in the definitive legal documents.</p> <p>The City shall be permitted to use the ESC to host up to 12 civic-oriented events per year that do not conflict with other previously scheduled events (City Events). The City shall not contract this right to for-profit third parties. AEG and the City shall cooperate and work together to provide the Sacramento Convention and Visitors Bureau (SCVB), the Sacramento Convention Center, and similar entities with access to the ESC subject to the limitations above. The City will have the right to schedule City Events in advance based on ESC availability. For City Events, the City shall: 1) pay no rent, 2) retain all event related revenues, and 3) only be required to pay the incremental costs incurred by the ESC. The City shall also have the right to utilize the ESC for small meetings, banquets, etc. (City Minor Events) as long as such events do not conflict with other previously scheduled events.</p>
Ticket Surcharge	<p>AEG shall charge a 5.0% ticket surcharge on all events held at the ESC. The ticket surcharge shall be applied to all paid tickets sold, including tickets to club seats (including loge boxes) but excluding tickets to suites (except as provided below),- and shall be paid by the respective event (or AEG if the tickets are not included in the manifest). In the case of suites, the ticket surcharge shall be applied to non-Kings Events that have an established ticket price separate from the annual suite license fee. All ticket surcharge revenue collected from ESC events shall be disbursed to the City each month by the respective party (AEG, Kings, Etc.). The City shall retain all revenue generated by the ticket surcharge, except as otherwise provided herein.</p>
Agreement with	<p>No later than April 15, 2012. <u>Subject to good faith negotiations between AEG</u></p>

Comment [u11]: Would need more precise language regarding access. Practice court would be available at any time at no cost. Access to the ESC, and responsibility for any costs, for other Team events must be determined. If the Team hosts the All Star Game, for example, the terms would need to be determined. See final term sheet language.

Comment [u12]: Would need a short term target for MOU.

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AEG ~~and the Kings and~~ AEG and the Kings shall enter into ~~a 30-year~~ an agreement for such time period as may be agreed upon under which the Kings will play their home games in the ESC, containing the following principal terms and other terms to be negotiated:

1. Except as otherwise provided, the Kings shall control and retain all revenues relating to Kings Events and the Team's operations, including revenues from the sale of tickets, broadcast and other media rights, Team game day inventory, such as rotating and other temporary signage (including LED signage), on court promotions, seat backs, pole pads etc., and other revenues typically retained 100% by an NBA team.
2. With respect to sales of suites and other premium seating, the Kings shall receive the value of tickets to Kings Events; additional revenues from such sales, net of direct expenses, shall be divided 50% to the Kings and 50% to AEG.
3. AEG shall have the exclusive rights to sell arena signage and naming rights; provided, that the Kings shall have the right to approve terms of all such sales and the direct expenses relating thereto. The parties shall agree on the number of exclusive categories. The Team shall contribute an agreed upon level of game day team inventory to such sales ~~and the~~. The revenues from such signage and naming rights and such sales, net of direct expenses, shall be divided 50% to the Kings and 50% to AEG.
4. The Kings shall retain 100% of net food and beverage and merchandise revenues during Kings Events.
- ~~5. The Kings shall be responsible for game day operating expenses in connection with Kings Events.~~
- ~~6~~5. AEG shall be responsible for Annual Operating Expenses of the ESC, as described below.
- ~~7~~6. Subject to the provisions outlined herein and in the definitive legal documents, the Kings shall be bound by the terms of the ESC's ticketing agreement.

The definitive legal documents shall be subject to good faith negotiations respecting customary amenities such as Kings' controlled bunker suites.

Comment [u13]: Issue has been raised and discussed with NBA (and Kings) on numerous occasions. City requires a 30 year lease. The Kings indicated they wanted a 15 year lease (potentially with termination penalties) in the meeting with AEG on March 21. This is simply not acceptable.

Comment [u14]: Would need to discuss with AEG. Would need some reasonableness standard.

Comment [u15]: Issue has been raised and discussed with NBA. Virtually every NBA team pays for its own game day expenses. Kings must pay game day operating expenses. List was provided to NBA.

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	<u>clubs, restaurants and the like and shall also be</u> structured to ensure that, <u>subject to the foregoing</u> , the rights and obligations of the parties under the Agreement with AEG shall be preserved.
Naming Rights	Any name proposed to be associated with the ESC shall be tasteful and not to be a cause for embarrassment to the City and shall not include any companies primarily known for tobacco products, etc. <u>and shall be approved by the Kings.</u>
Parking	<p>The Kings shall retain net parking revenues from City owned or controlled parking garages and lots for Kings Events. <u>For purposes of this Term Sheet, "City owned or controlled" shall include any entity that owns the ESC, that issues bonds to fund the City's capital contributions or that owns parking garages funded by such bond issuance.</u> The identification of such garages and lots, and the methodology to determine parking revenues directly attributable to Kings Events, shall be determined in the definitive legal documents.</p> <p>To the extent parking revenues received by the Kings from City owned or controlled facilities is less than \$2,640,000 in any ESC operating year (such amount to be escalated by 3% per year following the opening of the ESC) (the Base Parking Amount), the Kings shall receive the proceeds of ticket surcharges received by the City from non-Kings Events, but only to the extent such surcharges exceed \$1,100,000 in that <u>ESC operating year and subsequent years</u> (such amount to be escalated by 3% per year following the opening of the ESC)- To the extent <u>and only until</u> such <u>time as the Kings have received</u> parking revenues payable to the Kings from City owned or controlled facilities would be more than <u>and proceeds of ticket surcharges from non-Kings Events for such ESC operating year in an amount equal to</u> the Base Parking Amount in any for such <u>such</u> ESC operating year, the City shall retain the excess.</p> <p>Except for Kings Events, the City shall retain net parking revenues from City owned or controlled parking garages and lots during all other events.</p>

Comment [u16]: Would need to understand better.

Comment [u17]: Would need to discuss guidelines for naming rights but no veto rights.

Comment [u18]: Would need to discuss.

Comment [u19]: Would need to discuss. Is this just clarification or is there a proposed change?

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Premium Seating Parking	<p>The City shall construct a parking structure for premium seat holders adjacent to the ESC that will contain at least 1,000 spaces and otherwise be reasonably satisfactory to AEG and the Team. The City shall not charge an additional fee over and above the premium seating license fee to the Kings or premium seat holders for use of the parking structure and shall pay all costs associated with the construction, operation and maintenance of the parking structure, provided that AEG shall agree to pay for access to spaces in the parking structure at then current market rates. The City shall use commercially reasonable efforts to complete the parking structure by the opening of the ESC, and in any event shall complete the parking structure no later than the beginning of the third NBA season to be played in the ESC.</p> <p>If the parking structure is not completed by the opening of the ESC, on a temporary basis:</p> <p>(a) The City shall provide access to 300 spaces in the City-owned Old Sacramento parking structure for premium seating holders during ESC events. AEG shall only be required to pay the incremental costs incurred to operate the parking structure during Events; and</p> <p>(b) The County of Sacramento (County) shall provide access to 700 spaces in the County-owned parking structure located at 725 7th Street for premium seating holders during ESC events. AEG shall only be required to pay the incremental costs incurred to operate the parking structure during Events.</p>
Other Event Revenues	Except for City Events and Kings Events, AEG shall receive all revenues from all other events.
Property Taxes	AEG shall pay any and all property taxes associated with all real property interests in the ESC. The Kings shall reimburse AEG for 50% of any such real property taxes. Each party shall be responsible for its own personal property and any other taxes related to its operations and income.
Targeted Taxes	The City shall not impose on all or any portion of the ESC or the Team any targeted or special taxes or assessments, including special district taxes or assessments. The ESC will be subject to all City taxes or assessments of general applicability.

Comment [u20]: Issue has been raised and discussed with NBA (and Kings) on numerous occasions. Premium seating parking structure will not be constructed without this provision.

Comment [u21]: Would need to understand intent. All entities that are subject to pay generally applicable taxes must pay.

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<p>Annual Operating Expenses</p>	<p>AEG shall be responsible for all annual operating expenses and routine maintenance and repairs (Annual Operating Expenses) of the ESC. By way of illustration and not limitation, Annual Operating Expenses include:</p> <ul style="list-style-type: none"> • Salaries, wages and benefits • Routine maintenance • Routine repairs • Insurance • Utilities • Supplies and equipment • Human resources • Training • Contract labor • Setup/tear down • Changeover • ESC marketing/promotion • Premium seating marketing/promotion • Year round security • Cleaning • Telephone • Professional services (e.g. legal, accounting, etc.) • Travel/lodging • Equipment rental • Taxes/permits/fees/licenses • Dues and subscriptions • Public relations • Common area maintenance/landscaping • Others <p>The City shall have no responsibility for any operating expenses of the ESC (except for incremental, out-of-pocket expenses associated with City Events). City oversight roles, responsibilities, and use shall be determined in definitive legal documents.</p>
<p>Capital Repairs</p>	<p>AEG shall be responsible for making (or causing others to make) any and all ESC capital repairs, replacements, and improvements (Capital Repairs). Identification of ESC capital repairs, replacements, and improvements shall be</p>

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	<p>determined by the mutual agreement of the City and AEG. However, AEG shall maintain the ESC in a first class manner so as to cause it to remain in a condition comparable to that of other NBA facilities of similar size, design, and age, ordinary wear and tear excepted. City oversight roles and responsibilities shall be determined in definitive legal documents. Capital Repairs shall be paid out of the Capital Repairs Reserve Fund (see below). To the extent that the Capital Repairs Reserve Fund balance is insufficient to pay for required Capital Repairs, the parties shall fund any shortfalls as follows:</p> <ol style="list-style-type: none"> 1. City – 50.0% 2. AEG – 50.0%
Capital Repairs Fee	<p>AEG shall charge a \$1.00 per ticket Capital Repair Fee on paid general admission tickets for all events to pay for capital repairs, replacements, and improvements of the ESC during the term of the management agreement. The Capital Repair Fee shall be subject to annual escalation to be determined in the definitive legal documents. The Kings shall remit any Capital Repair Fees it collects directly to the Capital Repairs Reserve Fund. All other Capital Repair Fees collected from ESC events shall be remitted to AEG within 10 business days following such events by the respective party.</p>
Capital Repairs Reserve Fund	<p>AEG shall deposit all Capital Repair Fee revenue into a segregated and dedicated Capital Repairs Reserve Fund for capital repairs, replacements, and improvements to the ESC. Any surplus in the Capital Repairs Reserve Fund upon termination of the AEG management agreement (including any extensions thereof) shall be determined in the definitive legal documents.</p>
Municipal Services	<p>Customary Subject to good faith negotiations between the parties, the City shall provide customary police, traffic control, and other similar City-based services (Municipal Services) for all ESC events shall be provided by the City at a general level and manner appropriate for ESC events. The Kings shall be responsible for any and all costs incurred by the City for Municipal Services provided for Kings Events on terms to be set forth in the definitive legal documents. The Kings and the City, shall cooperatively determine appropriate public and private staffing levels for police/security, traffic control, fire prevention, emergency medical, street cleaning/trash removal and other similar services based upon anticipated attendance for Kings Events held at the ESC; however, the City shall have final approval over appropriate staffing and service</p>

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	<p>levels. The City shall use a “reasonableness standard” in determining appropriate staffing and service levels. In the event that the parties cannot agree on appropriate staffing and service levels, the Team shall have the right to submit such dispute to a mutually agreed upon mediator or to arbitration for accelerated dispute resolution. Notwithstanding the foregoing, if the City determines that an emergency public safety issue exists with respect to a particular Kings Event, the City shall have the right to determine and impose the staffing level for such event. AEG shall insure that other events shall be responsible for any and all costs incurred by the City for Municipal Services provided.</p>
Team Name	<p>The Kings shall include “Sacramento” as the first part of the Team’s name. For example, the Team must be named the “Sacramento ____”. The Kings may not include any other geographic, City, County, or State reference in the Team name. The Kings shall reasonably reference Sacramento in public statements (whether marketing, advertising, or otherwise).</p>
Corporate Headquarters	<p>The Kings shall maintain their corporate headquarters within the City limits <u>and shall be provided with office space suitable for its needs in the ESC.</u></p>
Team Transfer	<p>Upon any sale or other transfer of all or substantially all of the assets of the Team (including the Kings NBA membership) prior to execution of definitive legal documents, the new owner must assume any and all obligations of this Preliminary Term Sheet. Except as provided above, <u>may be mutually agreed upon</u>, any assignment of any party’s rights under this Preliminary Term Sheet is subject to the other parties’ consent in their sole discretion.</p>
Affordable Programs	<p>The Kings shall make reasonable efforts to provide attractive and meaningful programs to keep the NBA affordable for families in the Sacramento region.</p>
Vendor Rights	<p>AEG shall be solely responsible for identifying and entering into third party vendor contracts for the ESC. Upfront proceeds from third party vendors (e.g. concessionaire, ticketing agency, etc.) to the ESC shall require the approval of the City and the Kings. Third party vendor agreements shall: reflect market rate terms, be generally consistent with agreements in comparable facilities, and subject to parameters to be defined in the definitive legal documents, shall require approval of the City and the Kings, not to be unreasonably withheld or conditioned. The City shall be a party to third party vendor agreements, subject</p>

Comment [u22]: Issue has been raised and discussed with NBA (and Kings) on numerous occasions. Kings currently pay municipal services.

Comment [u23]: Arena operations and basketball operations office space is included.

Comment [u24]: Would need to understand intent. Are you suggesting new owners don’t have to honor the terms and conditions of this agreement?

Comment [u25]: City wants additional protection in the definitive legal documents. Why delete?

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	to parameters to be defined in the definitive legal documents.
Agreements with AEG Affiliates	Any agreements with AEG, or any of its affiliates, shall: reflect market rate terms, be generally consistent with agreements in comparable facilities, and require approval of the City and the Team, not to be unreasonably withheld or conditioned in its sole discretion. The City shall be a party to any agreements with AEG, or any of its affiliates, subject to parameters to be defined in the definitive legal documents.
NBA All Star Game	The Team shall request that the NBA host the NBA All Star Game at the ESC within three years of opening.
Internet	AEG shall provide the City with a banner on the ESC website. Such banner shall serve as a link to the City's internet home page. The Kings shall provide the ESC with a banner on the Team's website. Such banner shall serve as a link to the ESC's internet home page.
<u>Team Suite</u>	<u>The Kings shall be provided with one complimentary, furnished luxury suite at the ESC (location to be agreed upon), including tickets and preferred parking to all events at the ESC.</u>
Public Sector Suite	The City shall have an option to use one complimentary, furnished luxury suite at the ESC (location to be agreed upon), including tickets and preferred parking to all events, for any official City purpose during the term of the management agreement. Distribution of tickets to the City suite will be subject to the City's ticket distribution policy.
Public Sector Tickets	The Kings shall provide the City 10 complimentary tickets per Kings Event (location to be agreed upon) for any official City purpose during the term of its use agreement. Distribution of tickets will be subject to the City's ticket distribution policy.
Operating Profit Definition	Operating Profit shall be the difference between: a) all revenues retained by AEG relating to the operation of the ESC, including but not limited to: rent, concessions revenue, merchandise revenue, premium seating revenue, naming rights revenue, sponsorship revenue, ticketing handling fees and rebates, facility fees (except those earmarked for Capital Repairs Reserve Fund), interest income,

Comment [u26]: Both need to approve.

Comment [u27]: Would need to discuss with AEG.

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	handling fees, etc. less: b) all unreimbursed Event Expenses and Annual Operating Expenses paid by AEG relating to the operation of the ESC.
Operating Profit Allocation (Waterfall)	<p>Operating Profits shall be allocated by AEG on an annual basis as follows:</p> <ul style="list-style-type: none"> - First \$10,000,000 (escalated annually by CPI) to be allocated 85% to AEG and 15% to City. - Next \$5,000,000 (escalated annually by CPI) to be allocated 70% to AEG and 30% to City. - Remainder to be allocated 50% to AEG and 50% to the City.
Natomas Land Use Entitlements	<p>The City will work cooperatively with the Kings to remove of record existing, mutual land use restrictions affecting approximately 85 acres of land at the site in North Natomas (Kings Land) and approximately 100 acres of adjacent land in North Natomas (City Land). The City agrees to expedite the process, <u>on a “most favored nations” basis</u>, for obtaining “highest and best use” land use entitlements (including but not limited to General Plan Amendment, Community Plan Amendment, Rezone, Master Parcel Map and Infrastructure Financing Plan) consistent with City land use policies and the goals of the North Natomas Community Plan for all such land in anticipation of a sale or development of such land by the Kings or the City, respectively.</p> <p><u>The City and the Kings will independently plan, entitle and sell its property and pay its respective costs and expenses incurred in obtaining such entitlements. Each party shall retain the proceeds from the sale of its respective land if sold independently, less any site specific costs for its respective land as described below.</u></p> <p>The City and the Kings will<u>may</u> consider entering into a joint planning, entitlement, land sale, cost and revenue sharing agreement relating to such land. In the event the parties elect to sell the parcels under a joint agreement, the net proceeds shall be allocated pro rata, based on the number of acres owned by each party, less any site specific costs, including: demolition of Power Balance Pavilion and other associated structures; demolition of baseball stadium foundation; cost of removing reciprocal easements; costs of all entitlement and EIR including, but not limited to, all pre-planning, engineering, CEQA consultants, and litigation defense (if any); community outreach costs; mitigation costs required under the EIR; and, marketing costs/commissions, among others.</p>

Comment [u28]: Would need to understand intent. Language seems problematic.

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	<p>However, environmental contamination remediation and disposal shall be borne by the individual property owner and not shared. Any existing fees, penalties, or other liabilities are to be paid in full and borne by the responsible party.</p> <p>If no such joint agreement is reached to sell such land, each party will independently plan, entitle and sell its property and pay its respective costs and expenses incurred in obtaining such entitlements. Each party shall retain the proceeds from the sale of its respective land if sold independently.</p>
Benchmarks	<p><u>The City and the Kings shall engage in good faith negotiations as to applicable deadlines for the occurrence of each of the following events:</u></p> <p><u>(i) The completion by the City of a bond offering which shall have produced net proceeds of at least \$258,525,000 to be used in the manner described in the Section entitled “Capital Contribution – Other”.</u></p> <p><u>(ii) The completion by the City of a bond offering to refinance the 1997 Lease Revenue Bonds as described in the Section entitled “1997 Lease Revenue Bonds.”</u></p> <p><u>(iii) The City Council (or such other lead agency under applicable law) shall have completed and certified the EIR, approved the projects contemplated under this Term Sheet with appropriate findings, shall have adopted, if necessary, a statement of overriding considerations and shall have filed and posted a Notice of Determination; and all legal challenges to the EIR shall have been resolved in a manner which allows such projects to proceed as proposed under this Term Sheet.</u></p> <p><u>(iv) The acquisition by the City of all land and entitlements necessary for the construction of the ESC shall have occurred.</u></p> <p><u>(v) The commencement of the ground-breaking and construction of the ESC shall have occurred and be continuing without interruption.</u></p> <p><u>If any of these events do not timely occur to the satisfaction of the Kings, the Kings may terminate the definitive agreements and its obligations thereunder without any liability to any party.</u></p>
Local Television Rights	<p><u>The Kings shall have entered into a local telecast agreement in form satisfactory to the Kings and the NBA.</u></p>

Comment [u29]: Parties intent was to address benchmarks in definitive legal documents.

Would need reciprocal rights with regard to Kings and AEG milestones (e.g. design approval, financing commitments, etc.).

Comment [u30]: Full amount includes a combination of sources as outlined in the City staff report..

Comment [u31]: This is unlikely to happen until 2015.

Comment [u32]: Would need to have specific dates to be agreed upon and remedies.

Comment [u33]: Would need a timeframe for this.

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Non-Discrimination	AEG and the Kings agree to comply with the City's non-discrimination code requirements.
Confidentiality	<p>Each partyThe City agrees not to disclose, and to cause its affiliates and representatives not to disclose, to any third party any <u>financial</u> information regarding the existence of this Preliminary Term Sheet (or any draft hereof), the terms of the proposed transaction or the existence or status of negotiations with respect thereto <u>or other confidential information provided to it pursuant to this agreement or the definitive legal documents.</u> Disclosure by any party to persons essential to consummation of the transaction contemplated hereby shall not be considered a breach of this provision, provided that such person agrees to maintain the confidentiality hereof. Disclosure under this section by a party pursuant to a final order of a court of competent jurisdiction shall not be a breach of this Preliminary Term Sheet.</p> <p>The City agrees not to disclose, and to cause its affiliates and representatives not to disclose, to any third party any financial information or other confidential information provided to it pursuant to this agreement or the definitive legal documents.</p>

Comment [u34]: No longer applicable as the document is public.

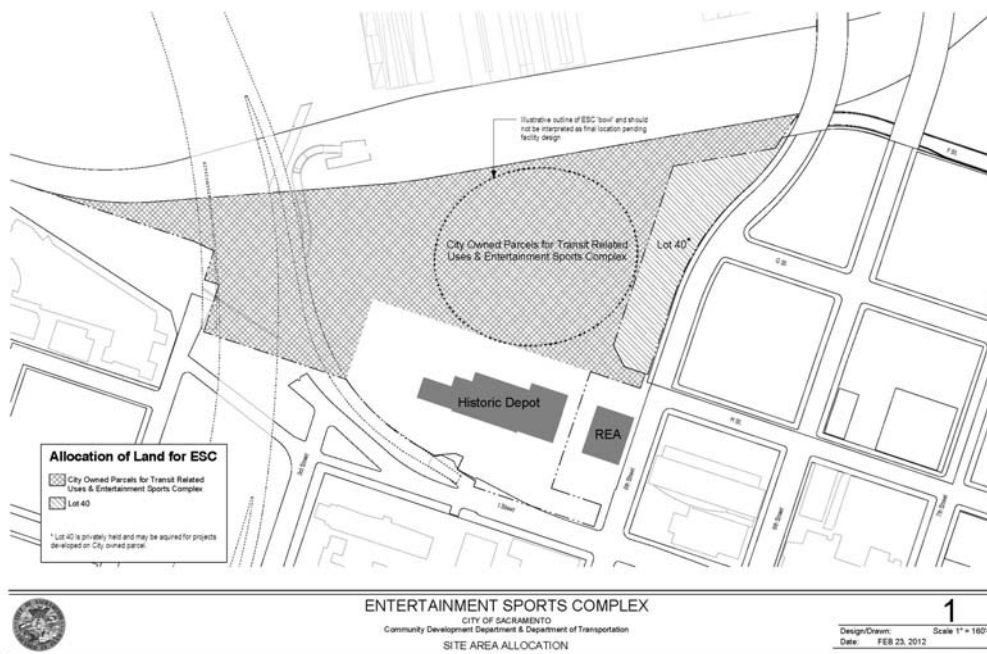
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EXHIBIT 1
LOCATION



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EXHIBIT 2
PRELIMINARY PROGRAM DESCRIPTION

SACRAMENTO ESC PROGRAM SUMMARY	
Basketball Capacity (Minimum)	18,500
Standard Suites	40
Super or Mini Suites	10
Party Suites	4
Loge Seats	192
Ledge Seats	80
Club Seats	1,430
Courtside Club Seats	330
Space Type	Gross Square Feet
Classification 1: Spectator & Arena Bowl Facilities	150,180
Classification 2: Premium Facilities	59,808
Classification 3: Circulation	193,826
Classification 4: Food, Retail, & Spectator Facilities	107,297
Classification 5: Team Facilities & Practice Facility	51,337
Classification 6: Administration	26,207
Classification 7: Media Facilities	14,385
Classification 8: Event Facilitates & Operations Support	90,657
Classification 9: Parking	TBD
Estimate of Gross Building Square Footage (G.S.F.)	693,697

Source: ICON.

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EXHIBIT 3
SOURCES AND USES OF FUNDS

Sources of Funds	
Parking Public-Private Partnership (P4)/Other	\$258,525,000
Sacramento Kings	\$73,250,000
ESC Operator	\$58,750,000
Sources of Funds - Total	\$390,525,000
Uses of Funds	
Start-Up Expenses	\$2,500,000
Sales and Marketing	\$850,000
ESC Land Acquisition	\$18,917,543
ESC Site Development	\$3,150,000
Design and Professional Services	\$17,825,959
Legal and Governmental Services	\$1,100,000
Project Administration	\$14,094,973
Construction	\$257,836,846
Systems and Equipment	\$30,200,000
Permits, Testing, Fees, Taxes, and Special Assessments	\$16,135,980
Insurance, Financing, and Transaction Costs	\$9,500,000
Owner Contingency	\$18,409,688
Completion Guarantee/Cost Overrun Protection	To Be Determined
Uses of Funds - Total	\$390,520,988
Surplus/(Deficit)	\$4,012

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Summary Report:	
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Original Filename:	
Original DMS: iw://SM-DMS/LA/2205147/1	
Modified Filename:	
Modified DMS: iw://SM-DMS/LA/2205147/3	
Changes:	
<u>Add</u>	49
<u>Delete</u>	42
<u>Move From</u>	3
<u>Move To</u>	3
<u>Table Insert</u>	3
<u>Table Delete</u>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Total Changes:	100