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December 16, 2011

Via email: curtis.mccrary@gmail.com
douglas.biggers@gmail.com

cc'd: exeter44@aol.com

RE: Rialto Lease Request for Accommodation Response

Dear Curtis,

The Rio Nuevo Multipurpose Facilities Purpose District (“District”) has been asked by the Rialto Foundation (“Rialto”) for further financial accommodations and other revisions to the existing IGA lease.

The District understands the Rialto’s requested proposal for further rent and other adjustments. As you know the Rialto’s proposal comes at a time when the District’s revenue stream has decreased, its debt burden remained intact and the vast majority of its TIF revenue committed by the City and its old District Board to long term debt. We emphasize this fact as there seems to be a general lack of understanding regarding the Auditor General’s report, including their observation:

“Based upon our analysis, the District has operating funds necessary to pay obligations including administrative costs, debt service expenses, and capital expense commitments through 2013,*assuming no new debt is issued or new projects started ...* (emphasis added).”

We are acutely aware that many if not all of the merchants residing in the District would welcome rent abatements from their Landlords and ease of credit terms to facilitate the construction of capital improvements. We are also intensely aware that many of the individual taxpayers living within the District’s boundaries would welcome the same thing. We strongly feel that with this awareness comes a responsibility to assure the taxpaying residents of the District, whether commercial or individual, that TIF funds are being invested in projects that make real business sense and generate revenue. We are obligated to conserve and expend resources carefully and use them to generate additional TIF revenues; not simply administer a “block grant” program.

With the above in mind, the Reset of Terms section below identifies a brief revised outline of the District’s ongoing discussions over the past few weeks. The revisions are a result of the District’s consideration of your proposal and the breakfast meeting in November. With respect to the ongoing financial condition disclosed, the District recognizes that bankruptcy is an option for the Rialto because, although the Rialto entered into a lease with the City on behalf of the District, even after a significant District reset of terms in Fall 2010, it cannot now meet the revised lease

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obligations. While the District has no desire to see the Rialto fail, the decision of whether to file for reorganization bankruptcy or otherwise is entirely in the Rialto's hands; not the District's. Moreover, the District is unable to act in a manner to violate the gift clause. This economic reality as well as the significant lease accommodations granted by the District in fall 2010 place the District in a difficult situation.

At this point in time the District is reluctant to further reduce its limited unrestricted income or undertake long term obligations. The District is however willing to offer some medium term rent relief which should assist the Rialto Foundation's stabilization of income and cash flow pressures as moves into 2012.

The majority of the below 'Reset of Terms' should certainly come as no surprise as the contents has been communicated in the past from the District to Curtis McCrary, Doug Biggers and Michael McGrath. The District remains committed to successfully negotiating an arrangement that benefits the downtown as a whole as well as the Rialto. The following sets forth the general parameters of an arrangement ("Restructuring Agreement") that the District is willing to consider at one of the next board meetings for approval if you, the Rialto and the supporting Rialto entities are in agreement.

District "Reset of Terms" offer:

The District will abate the Rialto's rent obligation for six (6) consecutive months beginning January 1, 2012 as follows:

- A. Rialto shall directly enter into negotiations to lease its desired bathroom area and corner space directly with the owner of that property (which we believe to be Rialto Block, LLC) subject to reasonable approval by the District.
- B. The District shall receive at least five percent annually of each of the various bar gross revenues and any merchandising after an agreed upon start up period above a specified breakpoint (to be no more than \$250,000 per year) on a monthly basis.
- C. A specific and irrevocable commitment identifying a minimum amount of budgeted capital expense improvements being made by the Rialto (or through the Rialto) within the Rialto leased premises owned by the District or its successor in interest after stabilization.
- D. The District requires the Rialto, Stiteler and any other entities working with or renting to the District, to name the District as additional insureds and be named endorsed for all the premises rented by or attached to the Rialto including the areas which serve alcohol.
- E. The Option to Purchase the Rialto shall be removed from the Rialto IGA Lease.
- F. Per the Rialto presentation, Mr. Biggers shall retire and no longer be involved as of December 31, 2011 and license(s) pertinent to the operation of the premises shall be transferred to the Rialto.
- G. Any liquor license(s) maintained or held in connection with beverage sales conducted on the premises shall be held in the manner required by law and state licensure authorities. Specifically, if there is a proposal that there be both a for profit and a non-profit activity

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conducted in conjunction with the sale of alcohol on the premises , then the appropriate approvals and license(s), even if that means two (2) licenses, shall be secured and such licenses shall be maintained free and clear of any encumbrance, lien or pledge; and

- H. The Rialto shall pay reasonable attorney and account fees incurred by the District in connection with the District’s efforts to renegotiate and amend and restate the Rialto IGA lease into a new lease form provided by the District to be reimbursed upon _____.

Please confirm the Rialto’s agreement with the above by signing below and returning this letter agreement to us by 5:00 pm on Wednesday, December 21st, 2011 via email to jodibain@hotmail.com. As always, the terms set out in this letter are subject to any Board review and or additional approval that may be sought after you indicate the Rialto’s concurrence to the above. The District’s goal is to work with the Rialto while ensuring that the District and the taxpayers’ positions are not diminished through additional accommodations.

Thank you.

John Sundt, Esq.
Special Counsel
Rio Nuevo Multipurpose Facilities District

Agreed Upon By:

Rialto Theater Foundation: _____
Curtis McCrary Date