

Engagement and Right of First Refusal Agreement

This Agreement, made this ____ day of _____, 200__ by and between the National Trust Community Investment Corporation (“NTCIC”) and _____ (“Theater”) and together (“Parties”) outlines the terms and conditions under which the Parties intend to collaborate to determine the feasibility of using federal historic tax credits and, if applicable, state historic tax credits and New Markets Tax Credits to help finance the rehabilitation of the _____ Theater (“Project”). If the use of these tax credits is deemed to be feasible and desirable by the Parties, this agreement further outlines a process by which the Parties will negotiate in good faith to close the tax credit transaction into an investment fund managed by NTCIC.

Feasibility Phase

1. Initial Discussions – Key staff and board members of the Theater will review the League of Historic American Theaters (“LHAT”) website material (http://www.lhat.org/PDF/HTFF_factsheet.pdf) on the Historic Theatre Financing Fund. The Parties will then conduct an introductory conference call that includes key staff and board members of the Project and key staff of NTCIC. During the call, the Project staff and board shall discuss the scope, costs, timing, programming plan, ownership and funding status of Project. NTCIC staff shall explain the basic rules and regulations, advantages and disadvantages and the ownership structuring requirements of the tax credit investment process. NTCIC staff shall also provide on this call a rough estimate of the value of the potential tax credit equity generated from the proposed transaction and contact information for other theaters that have successfully closed transactions with NTCIC in the past.

2. Initial Follow Up Work Products – If the Parties mutually agree that a tax credit transaction is worth investigating further, the Theater will send a preliminary budget to NTCIC and NTCIC will produce a more detailed estimate of the value of the tax credits (whichever apply) and a legal transaction diagram. After the delivery of these items, and the Theater’s indication of continuing interest in pursuing a tax credit transaction, the Project will commit to attend the next scheduled LHAT tax credit training session. At this stage, the Theater will research the annual real estate tax, if any, it will have to pay as a for-profit entity during the compliance period in order to understand the net value of the tax credits. NTCIC will also make the Theater aware of other structuring issues such as tax-exempt leasing rules.

3. Assessment Visit – An initial assessment visit to the Project will be conducted by NTCIC staff and consultants to determine the kind of technical assistance the Theater will need to plan the theater renovation and complete a tax credit transaction.

Protecting the Irreplaceable

4. Development of Detailed Sources and Uses Budget and Operating Pro Forma – NTCIC shall then provide the staff or consulting resources to work with Project staff to develop a full Project budget including (1) all sources of grants, contributions, loans and tax credit equity; and, (2) all expense items including hard construction and soft costs. In addition, NTCIC will work with Project staff to develop an operating projection for the applicable tax credit compliance period.

Fund Raising Phase

NTCIC will issue a nonbinding letter of interest in providing tax credit equity in the amounts and on terms indicated in the budget. The Theater will then raise all funds needed to complete the Project. NTCIC will remain available from time to time during the fundraising period to answer questions related to its future involvement. NTCIC will also make a site visit during the Fund Raising period to meet with the Theater board and major funding sources and stakeholders.

Commitment and Closing Phase

Once all sources of funding have been legally committed, NTCIC will begin its formal due diligence and in its sole discretion, issue a term sheet that details the terms and conditions of the equity offer. That term sheet will be contingent upon NTCIC Investment Committee approval.

NTCIC shall not issue a term sheet on any theater transaction that involves foreclosable debt beyond the equity pay-in period.

In exchange for providing the above services at no cost to the Project, the Parties agree to negotiate in good faith for one hundred twenty (120) (the “Negotiation Period”) days to reach agreement on and execute the term sheet. The Negotiation Period may be extended by the mutual agreement of the Parties. If the Theater fails to bargain in good faith during the Negotiation Period (as extended) to reach an agreement on a term sheet, then Theater agrees to pay the cost of the NTCIC’s technical assistance and third-party legal and accounting costs which the parties agree is valued at \$20,000.00 plus any costs of collection, including attorneys’ fees.

[THIS SPACE LEFT BLANK INTENTIONALLY]

National Trust Community Investment Corporation

By: _____
John Leith-Tetrault
President

Theater: _____

By: _____
Its: _____