

October 21, 1986

Memorandum of Agreement between Back Alley Theatre and an investor group of the Theatre's Board of Directors:

The investor group of directors of The Back Alley Theatre will purchase the property leased by the Theatre on Burbank Boulevard in Van Nuys for \$300,000 subject to the Theatre's existing lease through October 31, 1987 and will extend the Theatre's lease on the following terms:

1. Commencing November 1, 1987 the Theatre will have two consecutive dependent six month options (through April 30, 1988 and October 31, 1988) to continue to lease the property and six additional consecutive dependent month-to-month options thereafter through April 30, 1989. Each option is exercisable by written notice given not later than 90 days before commencement of each optional term.

2. The rental payment for the two six month options will be the carrying costs on the property (approximately \$2,700 per month) plus the cost of exterior repairs. The rental payment for each of the six months beyond October 31, 1988 would be carrying costs plus exterior repairs plus \$833.33 per month (which represents a 10% annual return to the investors on their \$100,000 investment).

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The investor group of directors of The Back Alley Theatre <sup>will</sup> ~~proposes to~~ purchase the property leased by the Theatre on Burbank Boulevard in Van Nuys for \$300,000 subject to the Theatre's existing lease through October 31, 1987 and <sup>to</sup> extend the Theatre's lease on the following terms: <sub>will</sub>

1. Commencing November 1, 1987 the Theatre will have two consecutive dependent six month options (through April 30, 1988 and October 31, 1988) to continue to lease the property and six additional consecutive dependent month-to-month options thereafter through April 30, 1989. Each option is exercisable by written notice given not later than <sup>90</sup> ~~60~~ days before commencement of <sup>each</sup> ~~the~~ optional term. ~~for the two six-month options and not later than 30 days before commencement of the optional term for each of the six month-to-month options.~~

2. The rental payment for the two six month options will be the carrying costs on the property (approximately \$2,700 per month) plus the cost of exterior repairs. The rental payment for each of the six months beyond October 31, 1988 would be carrying costs plus exterior repairs plus \$833.33 per month (which represents a 10% annual return to the investors on their \$100,000 investment).

3. The investors may sell the property at any time subject to the Theatre's leasing rights as indicated above.

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E.  
AGREED.