MEETING DATE: **06.27.11**

AGENDA ITEM: **Consideration of Digital Projection System Conversion for Pacific Theatres.**

ATTACHMENTS

Pacific Theatres Loan Repayment Schedule

Per the DDA, Repayment of the Agency's expenditure and OM's officers' loan will be made from Theater revenues once operational expenses and the threshold amount (defined below) have been deducted. Notwithstanding, if remaining revenues are not available to fund the "First Tier" payment (as defined below), the Agency is obligated to make that payment from other available funds. The payment scheule is as follows:

	Purpose	Amount (annual)
Threshold Amount	Compensation to OM for expenses of actual money, efforts and energies during the extended time for the Town Plaza Project approvals due to extensive revisions, threatened lawsuits and initiative election.	\$135,600 for 10 years. (\$11,300 scheduled monthly payment)
First Tier	Repayment of principal and interest to OM's officers for the \$1.2 million loan to construct one of the additional two Theater screens.	\$196,961 for 11 years. (\$16,413 scheduled monthly payment)
Second Tier	Repayment of principal to Agency for the \$1 million to construct the additional Theater screen.	\$127,476 for 11 years. (\$10,624 scheduled monthly payment)
Third Tier	Repayment of principal to Agency for initial \$11.4 million to construct a ten screen theater.	\$871,380 for 30 years. (\$72,615 scheduled monthly payment)
Fourth Tier	Additional compensation to Agency and OM if additional revenues remain after all of the payments described above has been satisfied.	Agency to receive 75% of the remaining funds and OM to receive 25%.

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SENT VIA EMAIL AND FEDEX

June 17, 2011

Ms. Elaine Gerety-Warner
City of Culver City
9770 Culver Boulevard
Culver City, CA 90232

Re: Request for Approval (Revised from letter dated June 2nd, 2011)
Digital Projector Conversion at Culver City Theaters
Culver City, CA

Dear Ms. Gerety-Warner:

As we have been discussing, I am writing to seek your approval to use funds from the capital expenditure reserve to convert all the projectors at the Culver City Theaters to digital projectors.

To continue to operate the theaters as first-class theaters, stay competitive within the market, and satisfy the obligations of our lease agreement the theaters must convert its projectors to digital. The Culver City Theaters currently have one (1) digital screen with 3D capability. The cost of purchasing digital projectors is extremely expensive; however, third party suppliers have been offering a virtual print fee ("VPF") program to exhibitors that allow exhibitors to purchase digital equipment at a lower upfront cost.

Furthermore, to satisfy the obligations of the lease agreement between City of Culver City and OliverMcMillan Culver City Theaters, LLC and further defined in the Management Agreement between OliverMcMillan Culver City, LLC and Pacific Theaters Exhibition Corp., section V. A. [501]. 3. A. (6) of the Lease Agreement requires Lessee (OliverMcMillan) to make necessary capital improvements to take into account technological changes within the Competitive Set. The theaters within the Competitive Set have already converted their screens to digital projectors. The Culver City Theaters must follow suit in order to stay competitive in the marketplace.

OliverMcMillan has examined all the options of converting to digital projectors and the equipment lease agreements that have been chosen have been attached for your review. The total cost of the conversion is estimated at $428,000 which includes the purchase of the existing NEC digital screen from Dolby, the long- term lease of eleven (11) new Sony digital projectors,

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and the purchase of three (3) RealD 3D systems. The cost of the conversion will be drawn from the capital expenditure reserve totaling approximately $780,000 on May 31st, 2011. After the conversion the balance of the reserve will represent approximately 45% of the current balance.

If you have any further questions please let me know.

Very truly yours,

John Shaw
Managing Director
OliverMcMillan Management Services, Inc.

CC: Bill Persky
Susan LaVallie
Andrew Laing
Matt Masterson

Attachments: Sony Master Lease Agreement
RealD Master Lease Agreement