December 9, 2025

City of Billings
316 N 26th Street
Billings, MT 59101

Attn: Kevin Iffland

Re: Prospective Purchase of the Babcock Theatre, 2812 2nd Ave N, Billings, MT 59101

The purpose of this letter is to set forth the terms and conditions under which Art House Management LLC, A Montana Nonprofit Limited Liability Company ("Buyer") will enter into an agreement for the purchase of the referenced property ("Purchase and Sale Agreement"), including the land, real property and all infrastructure related to the operation of the property located thereon and any other rights, easements, benefits or intangibles owned, controlled or in use by Seller in connection with the current or previous operation of the property (hereinafter referred to as the "Property").

1. **Property. The Property** to be acquired by the Buyer is 2812 2nd Ave N, Billings, MT 59101. Tax ID A00642A, Legal Description: HISTORIC BABCOCK BUILDING (11), S03, T01 S, R26 E, UNIT 1A, 41% COMMON AREA INTEREST, LOC @ LTS 7-12 FRAC OF LT 6 BLK 93 BILLINGS ORIGINAL TOWNSITE

2. **Purchase Price.** The "Purchase Price" for the Property will be One Dollar **($1.00)** cash with contingencies as noted herein.

3. **Payment of Purchase Price.** The Purchase Price will be paid as follows:

   (a) Buyer will deposit into escrow One Dollar **($1.00)** upon opening of escrow ("Deposit"). The deposit shall become non-refundable upon full execution of the PSA.

   (b) Buyer will pay the balance between the Deposit and the Purchase Price at closing.

4. **Title, Survey & Title Insurance.** A Warranty Deed on close of escrow will convey title to the Property to Buyer. Title shall be conveyed subject to exceptions approved by Buyer. Seller will provide Buyer with a standard Owner's Policy of Title Insurance in the amount of the Purchase Price. In the event Buyer chooses to have an extended policy the buyer shall pay for the additional cost, if any. Title company to be selected at Seller's Choice.

5. **Escrow.** The escrow holder and title company will be Seller's Choice, or another company mutually agreed to.

6. **Contingencies.** Buyer shall have a one hundred eighty (180) day due diligence/contingency period to conduct any due diligence they deem necessary. Buyer to have three (3) additional thirty (30) day extension periods to accommodate for any delays related to contingency items below. Buyer's current Lease with Seller to terminate on the day of Closing.

   Contingencies to include:

   (a) Title Commitment Review
   (b) Buyer approval of Appraisal and Loan Commitment related to the acquisition plus remodel expenses
   (c) City Council Approved funds totaling $1,500,000 (one million, five-hundred thousand dollars)
      i. Funds to be allocated to Buyer via a combination of City general funds, CIP, TIF funds and/or a new endowment. Exact allocation of each to be discussed and mutually agreed upon by the parties.
      ii. TIF Fund reimbursement payment to be phased based on partial project completion per agreed upon project milestones, similar to the reimbursement process used for the 2025-2026 Babcock sign/marquee renovation.
   (d) Any/all other due diligence Buyer deems necessary in their sole discretion.

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7. **Closing.** Close of escrow shall be no later than thirty days (30) following execution of the Purchase and Sale Agreement. All of the Deposit shall be applicable to the Purchase Price at closing.

8. **Closing Costs, Credits and Pro-Rations.** Seller will pay the cost of a standard form title policy and one-half of the escrow fees and documentary transfer taxes. All other costs will be allocated between Buyer and Seller in accordance with customary practice. Property taxes, utilities and any other matters will be pro-rated as of the close of escrow.

9. **Rights of Entry.** During escrow, Buyer will have the right to enter the Property for any purpose in connection with its purchase of the Property and conduct such inspections, as Buyer deems necessary. Buyer will keep the Property free and clear of all liens and repair or replace any damage (if any) resulting from such entry.

10. **Buyer's Default.** In the event of a default by Buyer, Seller will be entitled to the amount of any non-refundable deposits in escrow as liquidated damages and as Seller's sole and exclusive remedy against Buyer.

11. **Seller's Default.** In the event of a default by Seller, Buyer will be entitled to sue for damages, including, but not limited to specific performance.

12. **Assignment.** Buyer shall have the right to assign its interest to another entity by giving written notice thereof to Seller and escrow holder prior to the closing date.

13. **Preparation of Purchase Agreement.** Within ten (10) business days of mutual acceptance of this non-binding letter, Buyer shall present a Purchase Agreement to Seller. Buyer and Seller agree to work in good faith to agreement on the Purchase Agreement. During such time, Seller shall not consider any other proposals to purchase the Property and shall inform all inquiries that the Property has been withdrawn from the market.

14. **Real Estate Broker's Commission.** None

15. **Non-Binding Effect.** This letter is not a binding agreement on either party, except as it relates to Seller not considering other offers for the Property and is subject to the execution of a mutually acceptable purchase and sale agreement.

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NAI Business Properties
Commercial Real Estate Services, Worldwide.

APPROVED AND ACCEPTED

Art House Management LLC

By: _____

Date: _____

City of Billings

By: _____

Its: _____

Date: _____

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Billings, Montana USA 59102
+1 406 256 5000

naibusinessproperties.com