

## FRANCHISE DISCLOSURE DOCUMENT



**ALAMO DRAFTHOUSE CINEMAS, LLC**  
a Texas limited liability company

~~612 A East 6th Street~~

3908 Avenue B

Austin, Texas ~~78701~~78751

(512) 861-7000

www.drafthouse.com

missy.reynolds@drafthouse.com

www.drafthouse.com

missy.reynolds@drafthouse.com

The franchise offered is a theater/restaurant concept combining first-run movies with in-theater food and beverage service ("Venue").

The total investment necessary to begin operation of a ~~single~~new build Alamo Drafthouse Cinemas franchised venue is ~~\$9,052,500~~where you own the land and building ranges from \$13,360,166 to \$21,482,500~~16,092,868~~, exclusive of any land purchase. ~~This or land carrying costs.~~ The total investment necessary to begin operation of a new build Alamo Drafthouse Cinemas franchised venue where you lease the building ranges from \$5,360,166 to \$8,092,868, exclusive of any land purchase or land carrying costs. The total investment necessary to begin operation of a conversion Alamo Drafthouse Cinemas franchised venue where you lease the building ranges from \$5,078,133 to \$8,174,684, exclusive of any land purchase or land carrying costs. In all three cases, this includes \$175,000~~197,500~~ to ~~\$345,000~~242,500 that must be paid to the franchisor or affiliate as an initial ~~franchisee~~franchise fee, design/PIP review fees, initial training fees and reimbursement for opening assistance costs~~and real estate services fees.~~

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Missy Reynolds, ~~612 A East 6th Street~~3908 Avenue B, Austin, Texas ~~78701~~78751, (512) 861-7095, missy.reynolds@drafthouse.com~~missy.reynolds@drafthouse.com~~.

The terms of your contract will govern your franchise relationship. Do not rely on this Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: ~~May 28, 2019~~ July 20, 2019 2020

~~STATE COVER PAGE~~**How to Use This Franchise Disclosure Document**

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| <b><u>QUESTION</u></b>                                                                          | <b><u>WHERE TO FIND INFORMATION</u></b>                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>How much can I earn?</u></b>                                                              | <u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits G-1 and G-2.</u> |
| <b><u>How much will I need to invest?</u></b>                                                   | <u>Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.</u>                                                                             |
| <b><u>Does the franchisor have the financial ability to provide support to my business?</u></b> | <u>Item 21 or Exhibits B-1 and B-2 include financial statements. Review these statements carefully.</u>                                                                                                                                                                     |
| <b><u>Is the franchise system stable, growing, or shrinking?</u></b>                            | <u>Item 20 summarizes the recent history of the number of company-owned and franchised outlets.</u>                                                                                                                                                                         |
| <b><u>Will my business be the only Alamo Drafthouse business in my area?</u></b>                | <u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>                                                                                                                        |
| <b><u>Does the franchisor have a troubled legal history?</u></b>                                | <u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>                                                                                                                                 |
| <b><u>What's it like to be an Alamo Drafthouse franchisee?</u></b>                              | <u>Item 20 or Exhibits G-1 and G-2 list current and former franchisees. You can contact them to ask about their experiences.</u>                                                                                                                                            |
| <b><u>What else should I know?</u></b>                                                          | <u>These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.</u>                                                              |

## **What You Need To Know About Franchising Generally**

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

## **Some States Require Registration**

Your state may have a franchise law, or other law, that requires a franchisor ~~franchisors~~ to register ~~or file with a state franchise administrator before offering or selling franchises in your the state.~~ ~~REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.~~ Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachment E.

~~Call the state franchise administrator listed in Exhibit E for information about the franchisor or about franchising in your state.~~

~~MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH~~

~~DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.~~

Please consider

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following RISK FACTORS before you buy this franchise:

~~1. THE FRANCHISE AND DEVELOPMENT AGREEMENTS REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION/ARBITRATION/MEDIATION ONLY IN TRAVIS COUNTY, TEXAS. OUT OF STATE LITIGATION/ARBITRATION/MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO SUE/ARBITRATE/MEDIATE WITH US IN TEXAS THAN IN YOUR HOME STATE.~~

~~2. THE FRANCHISE AND DEVELOPMENT AGREEMENTS STATE THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW, WHICH MAY SUPERSEDE IT IN YOUR STATE. YOU MAY WANT TO COMPARE THESE LAWS.~~

~~3. YOU AND YOUR SPOUSE MUST SIGN A PERSONAL GUARANTY MAKING EACH OF YOU JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISEE, WHETHER OR NOT YOUR SPOUSE IS INVOLVED IN THE OPERATION OF THE BUSINESS. THE GUARANTY PLACES THE PERSONAL ASSETS OF YOU AND YOUR SPOUSE AT RISK.~~

~~4. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION THAT WE CONTROL.~~

~~5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

~~We use the services of one or more FRANCHISE BROKERS or referral services to assist us in granting our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for granting our franchise or referring you to us. You should be sure to do your own investigation of the franchise.~~

risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation only in Texas. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Texas than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

**ALAMO DRAFTHOUSE CINEMAS, LLC**  
**STATE EFFECTIVE DATES**

~~This Disclosure Document is either not registered or registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:~~

| State        | Effective Date |
|--------------|----------------|
| California   |                |
| Hawaii       | June 13, 2019  |
| Illinois     | June 6, 2019   |
| Indiana      | June 6, 2019   |
| Maryland     |                |
| Michigan     | June 6, 2019   |
| Minnesota    |                |
| New York     |                |
| North Dakota |                |
| Rhode Island | June 12, 2019  |
| South Dakota |                |
| Virginia     |                |
| Washington   |                |
| Wisconsin    | June 5, 2019   |

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### Exhibits and Attachments



State Addenda to Disclosure Document

|                        |                                                                |
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| Exhibit A-1            | Franchise Application and Confidentiality Agreement            |
| Exhibit A-2            | Franchise Agreement                                            |
| Exhibit A-3            | State Amendments to Franchise Agreement                        |
| Exhibit B-1            | Financial Statements of Alamo Drafthouse Cinemas Holdings, LLC |
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| Exhibit C              | Electronic Funds Transfer Authorization                        |
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| Exhibit E              | State Administrators                                           |
| Exhibit F              | Agents for Service of Process                                  |
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| Exhibit G-2            | List of Franchisees Who Have Left the System                   |
| Exhibit H              | Form of General Release                                        |
| <del>Exhibit I-1</del> | <del>Development Agreement</del>                               |
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State Effective Dates

Receipts

## ITEM 1

### THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We have written the Disclosure Document in “plain English” in order to comply with legal requirements. Any differences in the language in this Disclosure Document describing the terms, conditions or obligations under the Franchise Agreement, Development Agreement or any other agreements is not intended to alter in any way your or our rights or obligations under the particular agreement. In this Disclosure Document, Alamo Drafthouse Cinemas, LLC is referred to as “we,” “us,” or “our” and the person or entity that will be signing the Franchise Agreement (defined below) is referred to as “you” or “your.”

#### **Franchisor**

We were formed as a Texas limited liability company on April 22, 2010 as “Alamo Newco, LLC” and changed our name to Alamo Drafthouse Cinemas, LLC and began operations on May 28, 2010. Our principal business address is ~~612 A East 6th Street~~ 3908 Avenue B, Austin, Texas ~~78701~~ 78751 and we do business under our limited liability company name and the Marks described below.

We or our predecessors have franchised theater/restaurant venues that feature first run movies combined with in-theater food and beverage service (“Venues”) since January 2003. The Venues are generally located in urban areas. The Venues will feature the marks “Alamo Drafthouse” and “Alamo Drafthouse Cinema” and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13. These principal marks and all other marks that may be designated by us in the future in writing for use with the System (defined below) are referred to in this Disclosure Document as the “Marks.”

We indirectly own ~~4719~~ Venues as of the date of this Disclosure Document, all but one of which we acquired from certain of our officers and directors described in Item 2 in connection with the Restructuring Transaction described below. Certain of our officers and directors have had ownership interests in Venues since April 1997. We have not offered franchises in any other line of business and we do not engage in any other business activity.

Except as described in this Disclosure Document, we have not offered franchises in this or any other line of business.

#### **Our Parents, Predecessors and Affiliates**

We acquired the assets of our immediate predecessor Alamo Drafthouse Cinemas, Ltd. (“ADC II”) on May 28, 2010. ADC II was originally formed as a Texas limited partnership on May 17, 2004 under the name “Alamo Drafthouse Cinemas, Ltd.” (“ADC I”) and began business in July 2004. On March 11, 2008, ADC I was merged into its then parent Alamo Ownership Group, Ltd., which merged entity became ADC II. On May 28, 2010, ADC II was renamed ADC Partners, Ltd. and became our past parent. Our other past parent is League Holdings, LLC, a Texas liability company formed on April 22, 2010, which contributed its assets to our current parent as part of the Restructuring Transaction described below. ADC Partners, Ltd. (formerly ADC II) and League Holdings, LLC share our principal business address at ~~612 A East 6th Street~~ 3908 Avenue B, Austin, Texas ~~78701~~ 78751.

ADC I acquired the business in July 2004 from ADCFS, Ltd., a Texas limited partnership (“ADCFS”) formed in January 2003 and cancelled in July 2006. The last known principal business address of ADCFS was 2700 West Anderson Lane, Austin, Texas 78757.

Our current direct parent is Alamo Drafthouse Cinemas Holdings, LLC, a Delaware limited liability company (“Alamo Holdings”) formed on April 9, 2018. On June 12, 2018, Alamo Holdings purchased

100% of the then current ownership interests in us as part of an overarching restructuring transaction (collectively, the “Restructuring Transaction”) in which our previous owners contributed substantially all of their ownership interests in us and, among other pass-through entities, the 19 Venues that they indirectly owned, to two new indirect parent entities that own Alamo Holdings and us indirectly, namely Catalina Brothers, Ltd., a Texas limited partnership formed on March 20, 2018 and controlled by our ~~President and Chief Development Officer~~ Board Member Dave Kennedy (“Catalina”) and Major Kong Industries, Ltd, a Texas limited partnership formed on April 10, 2018 and majority controlled by our ~~Chief Executive Officer~~ Chairman Tim League (“Major Kong”). Alamo Holdings, Catalina and Major Kong all share our corporate address at ~~612 A East 6th Street~~ 3908 Avenue B, Austin, Texas ~~78701~~ 78751. As part of the Restructuring Transaction, our former affiliate Alamo South Lamar, L.P. also contributed the intellectual property relating to our Rolling Road Show and Fantastic Fest events to us, which we may make available to franchisees from time to time.

One day after the Restructuring Transaction, our indirect Parents Catalina and Major Kong sold a minority interest in Alamo Holdings to ACP Alamo Holdings, Inc., a Delaware corporation formed on April 27, 2018 (“ACP”), which is an investment vehicle controlled by investment funds managed by Altamont Capital Management, LLC, a California limited liability company formed on May 22, 2010 (“Altamont”). Altamont, ACP and their related entities all share the same principal business address at 400 Hamilton Avenue, Suite 230, Palo Alto, California 94301.

Concurrently with the sale of the minority interest in us to ACP, our parent Alamo Holdings also purchased four previously franchised Venues in and around San Antonio, Texas, which we now treat as company-owned Venues.

Our ~~Chief Executive Officer~~ Chairman Tim League indirectly owns Alamo Bloc, LLC, a California limited liability company that ~~is developing~~ opened a Venue in Los Angeles, California on July 19, 2019. Its principal business address is also ~~612 A East 6th Street~~ 3908 Avenue B, Austin, Texas ~~78701~~ 78751.

Effective December 3, 2012, we spun off our Drafthouse Films division to an affiliate named Drafthouse Media, LLC (“Drafthouse Media”). Drafthouse Media distributes films occasionally that our franchisees may be permitted to run at their Venues. Drafthouse Media is a Texas limited liability company that shares are principal address and is owned by our ~~Chief Executive Officer~~ Chairman Tim League and our ~~President and Chief Development Officer~~ Board Member Dave Kennedy.

Prior to the Restructuring Transaction, we purchased our current affiliate Mondo Tees, LLC in April 2018 from our ~~Chief Executive Officer~~ Chairman Tim League. Mondo Tees, LLC creates and sells TV and comic paraphernalia and merchandise that is made available for sale to franchisees. Mondo Tees, LLC is a Texas limited liability company that shares are principal address.

Our ~~Chief Executive Officer~~ Chairman Tim League also has an indirect ownership interest in Neon Rated, LLC, a Delaware limited liability company that distributes films occasionally that our franchisees may be permitted to run at their Venues. Its principal address is 35 Clifton Place, Brooklyn, New York 11238.

ADCFS offered Alamo Drafthouse Cinema franchises from January 2003 until July 2004. ADC I offered Alamo Drafthouse Cinema franchises from August 2004 to March 2008. ADC II offered Alamo Drafthouse Cinema franchises from March 2008 to May 2010.

To our knowledge, our parents, predecessors and affiliates have not conducted any other business and have not offered franchises in any other line of business.

There are no other parents, predecessors or affiliates required to be disclosed in this Disclosure Document.

## Agents for Service of Process

Our agents for service of process are listed in Exhibit F.

## Description of Franchise

We franchise the right to establish and operate a single Venue under the Marks and the System under the terms of the Franchise Agreement. Your Venue will typically have between 35,000 and 45,000 square feet of space, have 98 to 112 movie screens showing first-run movies and offering in-theater food and beverage service.

The Venue will be established and operated under a comprehensive and unique system (the “System”) that includes distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control (including point of purchase and tracking systems); training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the Operations Digital Library that are provided to you (described in Item 11).

We offer the right to establish and operate a Venue under the terms of a single unit franchise agreement (the “Franchise Agreement”). The Franchise Agreement that you must sign is attached as Exhibit A-2 to this Disclosure Document. You may be an individual or legal entity. Under the Franchise Agreement, certain parties are characterized as your Principals (referred to in this Disclosure Document as “your Principals”). The Franchise Agreement is signed by us, by you, and by those of your Principals whom we designate as Controlling Principals. In most instances, we will designate your principal equity owners and executive officers, and certain affiliated entities as Controlling Principals. By signing the Franchise Agreement, your Controlling Principals agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and noncompetition, and to personally guarantee your performance under the Franchise Agreement (See Item 15). Depending on the type of business activities in which you or your Principals may be involved, we may require you or your Principals to sign additional confidentiality and noncompetition agreements.

You must also designate an “Operating Principal” who will be the main individual responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, the person you designate as your Operating Principal must maintain an equity interest in you. The Operating Principal must sign the Franchise Agreement as the Operating Principal and as one of your Controlling Principals (See Item 15). The Operating Principal must individually make certain covenants in the Franchise Agreement and must personally guarantee your performance under the Franchise Agreement.

We typically require you to complete and submit a franchise application and confidentiality agreement (“Franchise Application”) to us and pay us an initial franchise application fee before we begin material discussions with you regarding a specific transaction or potential site for a specific Venue. Our form franchise application and confidentiality agreement is attached as Exhibit A-1. Information regarding the Application Fee is set forth in Item 5.

~~Historically, we entered into multi-venue development agreements with prospective franchisees. We now intend to focus solely on single Venue transactions under the Franchise Agreement, but we will consider an existing franchisee who has successfully proven their financial and operational capabilities for additional development in and around their Venue. However, in certain, very limited circumstances, we may offer to you the right to enter into an area development agreement to develop more than 1 franchised Venue within a specifically described geographic area (the “Development Agreement”). The Development Agreement that you must sign is attached as Exhibit I to this Disclosure Document. We~~

~~will determine the geographic area before you sign the Development Agreement and it will be included in the Development Agreement (the "Potential Venues Area"). Under a Development Agreement, you must establish more than 1 Venue within the Potential Venues Area according to a development schedule, and to enter into a separate Franchise Agreement for each Venue established under the Development Agreement. The Franchise Agreement for the first Venue developed under the Development Agreement will be in the form attached as Exhibit A to this Disclosure Document. For each additional Venue developed under the Development Agreement, you must sign the form of Franchise Agreement that we are then offering to new franchisees. The size of the Potential Venues Area will vary depending upon local market conditions and the number of Venues to be developed, and as further explained in Item 12 we may not offer you any exclusivity under the Development Agreement or we may limit any exclusivity granted to you as to both geographic scope and time such that you may compete with us or other franchisees to find sites for Venues in your Potential Venues Area.~~

~~The person or entity signing the Development Agreement is referred to as the "Developer." The Development Agreement contains concepts similar to the Franchise Agreement involving the "Developer's Principals," Controlling Principals of Developer, and an Operating Principal of Developer. For purposes of this Disclosure Document, the terms your Principals, Controlling Principals and Operating Principal, include those persons having similar obligations identified in both the Development Agreement and Franchise Agreement, and the terms you, your, and Franchisee also include the Developer under the Development Agreement, unless we have noted otherwise. Any reference to the "Agreements" means the Development Agreement and the Franchise Agreement, as applicable.~~

~~We are an authorized supplier of certain pre opening site selection, design and construction services (collectively, "Real Estate Services"). If you engage us to perform Real Estate Services, you may sign a real estate services agreement with us (depending on the type of Real Estate Services, and you will pay us an agreed Real Estate Services Fee based on the Real Estate Services we perform. See Items 5, 8 and 11.~~

We may permit you to develop and operate a separately branded bar on the premises of your Venue (the "Bar"). We will have approval over any and all names, trademarks or logos you select for use in the Bar, and may at our election own and register the names, trademarks and logos for your Bar, but we are not obligated to do so. In all cases, the names, trademarks and logos for your Bar will be considered part of the Marks, the Bar will be considered part of the Venue and the Bar must be developed and operated under the System and pursuant to our standards and specifications. You will not be permitted to use the names, trademarks or logos of the Bar other than on the premises of the Venue, and in no case may you use the names, trademarks or logos of the Bar in any other business venture during or after the term of your Franchise Agreement. See Items 13 and 15.

### **General Description of the Market and Competition**

The market for the theater/restaurants is developing in some areas and developed in other areas. The competition for the Venues will generally be other theater chains in the area. We plan controlled expansion into areas that we determine can support the Venues to improve name recognition and the reputation of the System through both franchised and company operated Venues. We believe that our competitive position will be improved based on that expansion, and that our concept will be able to attract customers consistently in those markets. (See Item 20).

### **Regulations Specific to the Industry**

The theater/restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to business generally, such as the Americans With Disabilities Act, Federal Wage and Hour Laws and the Occupation, Health and Safety Act, also apply to theater/restaurants. However, other laws, rules and regulations have particular applicability to theater/restaurants.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and restaurant sanitary conditions. The Affordable Care Act of 2010 and regulations issued by the U.S. Food and Drug Administration, with enforcement expected in mid-2017 require certain restaurants and other covered establishments to disclose certain nutritional information regarding certain menu items. Certain states and municipalities have similar menu labeling laws that apply to restaurants and other covered establishments. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

State alcoholic beverage regulatory authorities administer and enforce laws and regulations that govern the sale of alcoholic beverages. The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

In the U.S., film distributors license movies by film “zones” that reflect specific local areas. Films are licensed on a theatre-by-theatre and film-by-film basis from film distributors. For new release films, film distributors typically establish geographic “zones” and offer each available film to one theatre in each zone. The size of a film zone is generally determined by the population density, demographics and box office revenues potential of a particular market or region. Generally, only one theatre within a zone will play a particular movie. There are two types of zones: “free zones” (or “non-competitive zones”) and “competitive zones.” Free zones contain only a single theatre. Competitive zones contain two or sometimes more theatres competing for the exclusive license to exhibit a movie within the zone. Currently all of the existing Venues are located in free zones. If a Venue is located in a competitive zone, its revenue potential will be materially negatively impacted. You must obtain our prior written consent to operate a Venue in a competitive zone. We make no assurances that your Venue will be located in a free zone.

~~You should consider these laws and regulations when evaluating your purchase of a franchise.~~

## **ITEM 2 BUSINESS EXPERIENCE**

~~Chief Executive Officer~~Chairman: Tim League

Tim has served as our Executive Chairman since May 2020. From June 2018 to May 2020, Tim served as our Chief Executive Officer since June 2018, and has also served as Chief Executive Officer of our parent Alamo Holdings ~~since June 2018.~~ Tim has also served as President of the general partner of our indirect parent Major Kong since June 2018. Tim served as our Chief Executive Officer and Manager from May 28, 2010 to June 2018.

~~Chief Strategy~~Executive Officer: ~~Dave Kennedy~~Shelli Taylor

~~Dave has served as our Chief Strategy Officer since May 2019. From June 2018 to May 2019, Dave served as our President and Chief Development Officer. Since June 2018, Dave has also served as President and Chief Development Officer of our parent Alamo Holdings and as Manager of the general partner of our indirect parent. Dave served as our Manager from May 28, 2010 to June 2018.~~

Shelli has served as our Chief Executive Officer since May 2020. From October 2017 to April 2020, Shelli was President and Chief Operating Officer of United Planet Fitness Partners in Austin, Texas. From December 2015 to September 2017, Shelli served as Senior Vice President, China Retail Operations, for Starbucks Coffee Company in Shanghai, China.

Chief ~~Creative~~Revenue Officer: Mike Sherrill

Mike has served as our Chief ~~Creative~~Revenue Officer since May 2020. From March 2013 to May 2020, Mike was our Chief Creative Officer, and has also served as Chief Creative Officer of our parent Alamo Holdings since June 2018. Mike served as our Chief Operating Officer from May 28, 2010 to February 2012. Mike previously served as Chief Operating Officer of Alamo South Lamar, L.P. from September 2005 to May 28, 2010.

Chief Financial Officer: ~~Martin Hornsby~~ Matt Vonderahe

~~Martin~~Matt has served as our Chief Financial Officer since May 28, 2010, and has also served as August 2020. From July 2016 to August 2020, Matt was the Chief Financial Officer of our parent Alamo Holdings since June 2018. The Marshall Retail Group in Las Vegas, Nevada. From October 2005 to July 2016, Matt was the Vice President of Finance for The Container Store in Coppell, Texas.

Chief Operating Officer: Cesar Guzman

Cesar has served as our Chief Operating Officer since June 2018, and has also served as Chief Operating Officer of our parent Alamo Holdings since June 2018. Cesar served as our Chief Operations Officer from November 2014 to June 2018. He previously served as our Vice President of Operations from August 2013 to November 2014 and our Director of Operations from February 2012 to August 2013.

Chief ~~Information~~Brand Officer: Michael Trafton

Michael has served as our ~~Chief Information Officer~~ since June 2018, and has also served as Chief ~~Information~~Brand Officer of our parent Alamo Holdings since June 2018April 2020. From July 2016 to April 2020, Michael served as our Chief Technology Officer from July 2016 to June 2018. From July 1999 to July 2016, Michael was the founder of Blue Fish Development Group in Austin, Texas.

Senior Vice President, ~~Franchise~~Chief Development Officer: Chris Drazba

Chris has served as our Chief Development Officer since May 2020. From April 2019 to May 2020, Chris served as our Senior Vice President of Franchise Development since April 2019. From June 2015 to April 2019, Chris was Vice President, Development for InterContinental Hotels Group in Atlanta, Georgia. From September 2011 to June 2015, Chris was Vice President of Owner & Franchise Services at InterContinental Hotels Group in Atlanta, Georgia.

Director of Franchise Relations: David Fortson

David

Senior Vice President of Corporate Development: Keith Thompson

Keith has served as our ~~Director of Franchise Relations~~ Senior Vice President of Corporate Development since November 2014. He previouslyApril 2020. From May 2019 to April 2020, Keith served as our ~~Director of Operations~~ fromSenior Vice President of Real Estate. From March 2015 to May 2019, Keith served as Principal of Entertainment Real Estate, LLC in Knoxville, Tennessee.

Vice President of Construction: Dave Ballew

Dave has served as our Vice President of Construction since December 2018. From August 2013 to November 2014, Dave served as our Director of Construction. From the year 2004 to August 2013, David was Area July 2012 to July 2015, Dave served as our Director for Carino's Italian in Austin, Texas of Construction and Presentation.

Senior Director of Corporate, Compliance and Legal Affairs: Missy Reynolds

Missy has served as our Director of Corporate Legal Senior Director, Compliance and Legal Affairs since June 2020. From September 2018 to May 2020, Missy served as our Director of Real Estate and Development from Director of Corporate Legal. From February 2012 to August 2018, Missy previously served as our Director of Real Estate Paralegal at Embree Asset Group, Inc. from April 2011 to February 2012 in Georgetown, Texas. Director of Business and Development.

Senior Director, Investment Analysis, Market Planning & Insights: Annie Mooney

Annie has served as our Senior Director, Investment Analysis, Market Planning & Insights since June 2020. From March 2019 to May 2020, Annie served as our Senior Director of Business Development since & Real Estate. From April 2015 to March 2019, Annie served as our Director of Business Development. From September 2012 to March 2015, Annie previously served as Relationship Banking Officer with Frost Bank from September 2012 to March 2015 and in Austin, Texas.

Senior Director of Business Development with Formation Strategies from August 2011 to August 2012. Before August 2011, Annie served as Commercial Underwriter for Clearinghouse CDFI in Lake Forest, California from 2007 to 2011. Marketing: Rachel Pletz

Business Development Associate: Joshua Walker

Josh

Rachel has served as our Business Senior Director Development Associate Marketing since March June 2019. From August 2017 to March June 2019, Josh Rachel served as a Sr. Analyst with 7-Eleven, Inc. in their Mergers & Acquisitions (M&A) group in Dallas, Texas. From August 2015 to May 2017, Josh attended Southern Methodist University (SMU) in Dallas, Texas obtaining a Master in Business Administration degree. Vice President Brand Management with Neighborly in Ann Arbor, Michigan. From December 2012 to May 2015, Josh August 2018, Rachel served as a Financial Analyst for Box Ventures in Oklahoma City, Oklahoma Director Development & Relationship Marketing with InterContinental Hotels Group in Atlanta, Georgia.

The following persons do not have a position with us, but have management responsibility related to our franchise program:

Manager: Randall Eason

Randall has served as a Manager of our parent, Alamo Holdings since June 2018. Randall also concurrently serves as a Managing Director for Altamont Capital Partners in Palo Alto, California, and has held that position since May 2010.



Manager: Kevin Mason

Kevin has served as a Manager of our parent, Alamo Holdings since June 2018. Kevin also concurrently serves as a Principal for Altamont Capital Partners in Palo Alto, California, and has worked for Altamont Capital Partners since July 2012.

Manager: K.C. Moylan

K.C. has served as a Manager of our parent, Alamo Holdings since June 2018. K.C. also concurrently serves as an Operating Partner to Altamont Capital Partners in Palo Alto, California, and has worked with Altamont Capital Partners in that capacity since November 2014. Previously, K.C. served as President and COO of Pei Wei Asian Diner, where he had a 13 year-tenure.

Contractor: Keith Thompson

~~Keith has served as an independent contractor for us for real estate services since May 2019. Keith also concurrently serves as a Principal and Chief Investment Officer of Entertainment Real Estate, LLC in Knoxville, Tennessee, and has done so since 2005.~~

Contractor: Tim Reed

~~Tim has served as an independent contractor for us for real estate services since January 2017 through his entity Cinema Consultants, LLC. From December 2011 to January 2017, Tim was our Chief Development Officer. He served as our Senior Vice President, Real Estate from October 2010 to December 2011.~~

\*\*\*\*\*

~~We may engage one or more franchise brokers to provide franchise brokerage or referral services to us. If you are introduced to us by a franchise broker that we have engaged, and you sign a franchise agreement with us, we will pay them compensation based on a percentage of your initial franchise fee and/or continuing royalty.~~

Board Member: Dave Kennedy

Dave has served as our Board Member since May 2020. Prior to that he served as Chief Strategy Officer from May 2019 to April 2020. From June 2018 to May 2019, Dave served as our President and Chief Development Officer. Since June 2018, Dave has also served as President and Chief Development Officer of our parent Alamo Holdings and as Manager of the general partner of our indirect parent. Dave served as our Manager from May 28, 2010 to June 2018

### ITEM 3 LITIGATION

Pending

None

Completed

~~Timothy A. League and Karrie W. League v. Alamo Drafthouse Cinemas, Ltd. et al. (Cause No. D-1 GN-09-000588), District Court of Travis County, Texas, 201<sup>st</sup> Judicial District. On February 24, 2009, Timothy and Karrie League (the "Leagues") filed a civil action against our predecessor ADC II, David Kennedy and others relating to some entity reorganizations involving ADC II and certain of our affiliates. In this action the Leagues alleged fraud, constructive fraud, breach of fiduciary duty, oppressive conduct and breach of partnership agreement and sought an order, among other things, declaring the reorganizations null and void and rescinding ADC II's purchase of the System from the Leagues, as well as unspecified damages. The parties settled the lawsuit on May 28, 2010, and as part of the settlement the settling parties created us, our predecessor ADC II contributed its assets to us and the Leagues redeemed certain partnership interests in ADC II. ADC II also paid the Leagues \$505,000 in cash and signed a Development Agreement, 5 new license agreements and certain ancillary management and other services agreements with the League's relating to their 3 then existing Venues, and the Leagues agreed to begin paying royalties to ADC II on all their Venues.~~

~~Except for the action described above, no~~

No litigation is required to be disclosed in this Item.

### ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

### ITEM 5 INITIAL FEES

#### Franchise Application Fee

You must pay us a franchise application fee of \$37,500 ("Application Fee") when you submit your Franchise Application. If you withdraw your franchise interest before we sign a Franchise Agreement or Development Agreement, or we elect not to offer you a franchise, we will refund the Application Fee without interest, less a \$5,000 processing fee. If we enter into a Franchise Agreement (or Development Agreement) with you, we will apply the Application Fee to your Initial Franchise Fee (or Initial Development Fees), as applicable. Except as noted above, the Application Fee is non-refundable.

#### Initial Franchise Fee

You must pay us a franchise fee of \$125,000 for the right to establish a single Venue under a Franchise Agreement. You must pay the initial franchise fee in full when you sign the Franchise Agreement and the initial franchise fee is the same for all franchisees under this offering, but we will credit your payment of the Application Fee to ~~you~~your initial franchise fee at the time of payment (if not already credited to any development fees you have under a Development Agreement with us). The initial franchise fee is not refundable.

#### Design/PIP Review Fee

~~483428320-15~~

You will pay to us a \$7,500 design/PIP review fee when you submit your plans to construct or refurbish the premises for your Venue. The design/PIP review fee is not refundable once paid.

### **Initial Training Fees**

You must pay us a \$5,000 initial training fee for your Operating Principal and each of your initial Managers who travel to Austin for initial training. We anticipate that you will send between 3 and 8 persons to our initial training program, for a total of between \$15,000 and \$40,000 in initial training fees. The initial training fees are not refundable once paid. See Item 11 for information regarding the initial training for Managers and Operating Principal. See Items 6 and 11.

### **Opening Assistance Costs**

You must reimburse us for the associated costs (including but not limited to payroll, travel, lodging and meals) of our opening training team members and opening assistance for each Venue. We estimate these costs to range from \$50,000 to \$70,000 for a set of 16 to 24 opening training team members for your first Venue and will decrease as fewer opening training team members are required for your second and other Venues. See Items 6 and 11.

### **Real Estate Services Fee**

~~We are an authorized supplier of Real Estate Services. See Item 1. If you engage us to perform Real Estate Services, you will sign a form of real estate services Agreement and pay us a Real Estate Services Fee up to \$150,000 for the Real Estate Services we perform. We have not previously performed Real Estate Services, and do not have a specific form of real estate services agreement prepared. We will agree on the scope of Real Estate Services and may prepare a form of real estate services agreement depending on the scope of the Real Estate Services if you elect to engage us. The Real Estate Services Fee for Real Estate Services is not refundable. See Items 7, 8 and 11.~~

### **Initial Development Fee**

~~We do not generally enter into Development Agreements with prospects. However, if we consider you for development rights and you enter into a Development Agreement to develop more than 1 Venue, you must pay a separate development fee of \$50,000 per Venue to be developed when you sign the Development Agreement. The basis for calculating the development fee will be the same for all franchisees entering into Development Agreements under this offering; however, the actual dollar amount paid may vary depending on the number of Venues you commit to develop. You must pay the initial development fee in full when you sign the Development Agreement, but we will credit your payment of the Application Fee to your development fees. The development fee is not refundable.~~

## **ITEM 6 OTHER FEES**

| Type of Fee (1)                     | Amount                                                                | Due Date                          | Remarks                                                                                                                                                                                                                   |
|-------------------------------------|-----------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Continuing Services and Royalty Fee | 5% of Gross Sales. (2)                                                | Weekly on Wednesday.              | Amounts due will be withdrawn by EFT from your designated bank account (3). We reserve the right to modify the due date for payment.                                                                                      |
| Marketing Fund                      | Currently 0.5% of Gross Sales.<br>Maximum of 1% of Gross Sales.       | Weekly on Wednesday.              | We have the right to require you to contribute up to a maximum of 1% of Gross Sales. Amounts due will be withdrawn by EFT from your designated bank account. (3) We reserve the right to modify the due date for payment. |
| Local Marketing Requirement         | No less than 1% of the Gross Sales of the Venue on local advertising. | Annually (but reported quarterly) | You must submit to us quarterly an advertising expenditure report accurately reflecting such                                                                                                                              |

|                                                 |                                                                                                                                                                                           |                                                    |                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | <u>marketing, promotional and public relations programs and activities for the Venue in your Limited FA Area ("Local Advertising").</u>                                                   |                                                    | <u>expenditures for the preceding period on or before the 15th of the month following the end of the quarter. See Items 7 and 11.</u>                                                                                                                                            |
| Cooperative Advertising                         | <u>Up</u> Currently none, but if instituted an amount up to 100% of your required expenditures for local advertising (which is current set at 1% of Gross Sales).                         | As determined by Cooperative.                      | No Cooperatives have been established as of the date of this Disclosure Document. Cooperatives will be comprised of all franchised and company-owned Venues located in designated geographic areas. Each Venue will have 1 vote in the cooperative.                              |
| Advertising & Promotional Materials             | Varies, depending on your advertising needs.                                                                                                                                              | When billed.                                       | See Items 7 and 11.                                                                                                                                                                                                                                                              |
| Film Booking Services Fee                       | <u>Then current amount, currently \$30 per screen per week</u>                                                                                                                            | <u>When billed.</u>                                | <u>Alamo reserves the right to modify the Film Services Fee, timing and manner of payment no more than once per calendar year based on Alamo's anticipated costs upon 30 days' prior written notice. See Film Services Agreement at Attachment E to the Franchise Agreement.</u> |
| Extension Fee                                   | \$5,000 per extension per Venue                                                                                                                                                           | Concurrent with notice of request for an extension | You may obtain up to two 6-month extensions of a Development Period under the Development Schedule per Venue if you timely notify us, pay the extension fee and are otherwise diligently attempting to comply with the Development Schedule.                                     |
| Interest                                        | 18% or highest rate allowed by applicable law.                                                                                                                                            | On demand.                                         | Interest may be charged on all overdue amounts.                                                                                                                                                                                                                                  |
| Training of Replacement and Successor Personnel | \$5,000 per person                                                                                                                                                                        | Before Training                                    | <del>No charge</del> See Item for providing instructors and materials; the charges for initial training of initial Managers and Operating Principal. See Item 11 for information regarding the initial training for Managers and Operating Principal.                            |
| Opening Assistance                              | An amount equal to the payroll, travel, lodging and meals of each of our opening training team members that we send to your Venue.                                                        | When billed                                        | You must pay for the payroll, traveling, lodging and meals of between 16 and 24 opening team members for your first Venue and for a lesser number of opening team members for your second and other Venues. See Item 5 and 11.                                                   |
| Additional Assistance                           | If you request additional assistance, you must pay an amount equal to the payroll, travel, lodging and meals of each of our employees used to provide the assistance.                     | When billed.                                       | Any additional assistance you request is billed at actual costs.                                                                                                                                                                                                                 |
| Transfer Fee                                    | \$25,000 plus our reasonable costs and expenses associated with the transfer, including training costs, legal and accounting fees and costs, and referral fees paid to franchise brokers. | Before transfer.                                   | No fee is charged if you transfer your rights to an entity controlled by you. <del>The transfer fee is the same under both the Franchise Agreement and the Development Agreement.</del>                                                                                          |
| Public Offering                                 | \$10,000 or any greater amount necessary to reimburse us for our reasonable costs and expenses in reviewing the proposed securities offering.                                             | When billed.                                       | This covers our cost to review the proposed offering of your securities. <del>The offering fee is the same under both the Franchise Agreement and the Development Agreement.</del>                                                                                               |
| Renewal Fee                                     | 25% of then current initial franchise fee.                                                                                                                                                | On signing renewal franchise agreement.            | You must give us at least 6 months' notice; remodel to current standards; sign then current agreement.                                                                                                                                                                           |
| Additional or Remedial Training                 | Our cost in providing the training, estimated between \$1,000 and \$5,000.                                                                                                                | Before additional training.                        | We reserve the right to charge a fee for additional or remedial training that is not mandatory. We do not charge for mandatory training. Cost will vary based on the staff, location, duration and type of training being offered. See Item 11.                                  |
| Additional Training                             | Our then current cost per request;                                                                                                                                                        | When billed.                                       | We may prepare training videos or materials for                                                                                                                                                                                                                                  |

|                                    |                                                                                                                                                                                                                                                                                                                 |                        |                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Materials Fees                     | currently \$20 an hour for paper materials; \$50 to \$300 flat rate for videos; \$150 to \$250 for expedited requests. We do not expect fees per request to exceed \$500.                                                                                                                                       |                        | your staff for non-standard product offerings from time to time. If you request such videos or materials, we will charge you a fee depending on the type of video or materials and the timing in which you need them.                                                                                                                                                 |
| Support Fee                        | \$500 per week                                                                                                                                                                                                                                                                                                  | Weekly                 | If you fail to have a replacement Manager trained or certified as meeting our standards after a Manager leaves, we may charge you this fee until your replacement manager is trained or certified, as applicable                                                                                                                                                      |
| Site Evaluation                    | <u>No fee for initial site visit, but you must pay us the then current site evaluation fee (currently \$1,000 per person per visit, plus expenses) for the second or any other additional site evaluations.</u>                                                                                                 | 15 days after billing. | We provide the initial on-site evaluation at no charge. See Items 5 & 11.                                                                                                                                                                                                                                                                                             |
| Online Ticket Purchasing Fee       | Our then current fee per ticket, currently \$1.59 per ticket.                                                                                                                                                                                                                                                   | Weekly on Wednesday    | You must participate in our online ticket purchasing program We may charge a service and/or transaction fee from customers for each ticket purchased online. Amounts due will be withdrawn by EFT from your designated bank account.                                                                                                                                  |
| Customer Satisfaction Survey Tools | Our then current pass through fee, currently <del>\$45 to \$75</del> per month                                                                                                                                                                                                                                  | When billed.           | We use a Net Promoter Score measurement system to track our guest feedback per Venue and per market. <del>We also use Net Promoter Score to capture our employee feedback.</del> We currently purchase the service and pass through the cost to each Venue via a monthly cost reimbursement.                                                                          |
| <u>Listen360 Fee</u>               | <u>Our then current fee, currently \$43 per month per Venue</u>                                                                                                                                                                                                                                                 | <u>When billed.</u>    | <u>Listen360 is our current customer engagement software. This fee is a pass through based on pro rata costs of our license to use the software.</u>                                                                                                                                                                                                                  |
| Inspection and Testing             | Cost of inspection or testing, estimated between \$500 and \$2,000.                                                                                                                                                                                                                                             | When billed.           | We will require you to pay an independent laboratory or us for the cost of inspection or testing on a quarterly basis if you purchase or lease items used in the Venue from sources we have not previously approved. The cost will depend on the number and type of items and the person selected to do the inspection or testing. (see Item 8).                      |
| Merchandise Purchases              | Will vary depending on the merchandise to be purchased.                                                                                                                                                                                                                                                         | When billed.           | We will require you to purchase from us or our affiliates certain merchandise, including uniforms, prepackaged food products and promotional products and memorabilia, for use in the Venue and for resale to your customers. (see Item 11). These items will be sold for cost plus shipping and handling.                                                            |
| In-House Creative Services Fees    | Will vary depending on the material and our costs to acquire or produce the material, but generally will range from \$100.00 to \$3,000 per month.                                                                                                                                                              | Monthly.               | We will provide you with certain pre-show entertainment and ad montage free of charge, but we also make available our creative services for projects as needed for your Venue and we will charge you for these materials. See Item 8.                                                                                                                                 |
| Loyalty Program Costs              | A prorata portion of the variable fees we pay to our third-party vendor based on your Venue's number of customers/members and emails you generate to customers/members associated with your Venue, estimated to range from \$1,000 to \$5,000 annually per Venue based on the number of your customers/members. | When billed.           | You must participate in our loyalty program (currently called the Alamo Victory Program) and pay any ongoing membership costs associated with the loyalty program. We currently pay the fixed annual fees for the loyalty program from our Fund and seek reimbursement from company-affiliated and franchised Venues for their prorata portion of the variable costs. |
| <u>Subscription Program Costs</u>  | <u>Varies according to Season Pass redemptions.</u>                                                                                                                                                                                                                                                             | <u>When billed.</u>    | <u>Venues pay the costs of film consumption by Season Pass holders. See items 8 and 11.</u>                                                                                                                                                                                                                                                                           |

|                                                                                                                                                   |                                                                                                                                                                                                                      |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Manager Feeder Program Fees                                                                                                                       | Will vary depending on the position and tenure of the person hired; currently ranges from \$40,000 to \$60,000 if you hire a General Manager and from \$16,000 to 40,000 if you hire a Manager or Creative Director. | On demand.                            | We may permit you to interview and hire a General Manager, <del>Creative Director</del> or Manager at existing Venues that we or our affiliates own and operate. You must pay us or our affiliate a fee if you hire someone through our manager feeder program. See Item 15.                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Indemnification                                                                                                                                   | Varies according to loss.                                                                                                                                                                                            | On demand.                            | You must indemnify us when certain of your actions result in loss to us under the Agreements (see Item 9).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Audit Fee                                                                                                                                         | Cost of audit, estimated between \$1,000 to \$5,000.                                                                                                                                                                 | When billed.                          | Payable only if we find, after an audit, that you have understated any amount you owe to us by more than 2%. The cost will depend on the number of items and time periods being audited, and the third party selected to do the audit.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <del>Late Payment, Reporting and/or Denial of Access- Fee</del><br><u>Payment of our Damages and Costs for Enforcement of Franchise Agreement</u> | <del>\$50 per day you are late or deny electronic us access to your POS system</del><br><u>Varies according to our damages, costs and expenses incurred.</u>                                                         | <del>Daily</del><br><u>On demand.</u> | <del>If you fail to pay royalties when due, fail to submit royalty reports weekly as required or fail to grant us access to your POS system for reporting and inspection purposes, we may charge you \$50 per day until the payment or report is received, or the access is reinstated. You must pay us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us in connection with obtaining any remedy available to us for any violation of the Franchise Agreement and, subsequent to the termination or expiration of the Franchise Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of the Franchise Agreement.</del> |
| <del>Listen360 Fee</del>                                                                                                                          | <del>\$43 per month per Venue</del>                                                                                                                                                                                  | <del>When billed.</del>               | <del>Listen360 is our current customer engagement software. This fee is a pass through based on pro-rata costs of our license to use the software.</del>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Steritech                                                                                                                                         | <del>Currently</del><br><u>The then current fee, currently</u> \$434 per Venue per calendar quarter, subject to an additional \$434 per additional visit following an audit failure                                  | When billed.                          | You must engage an approved third -party vendor to perform operational and food safety audits of your Venue on at least a quarterly basis. We currently have only one approved vendor (The Steritech Group, Inc.) to perform these audits.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <del>Workify -Change to Guess Satisfaction Tool</del>                                                                                             | Then current fee, currently \$500 implementation fee and \$867 per Venue per month                                                                                                                                   | When billed.                          | We currently require you to use this online people management program for anonymous feedback.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Mirus                                                                                                                                             | <del>Currently</del><br><u>Then current fee, currently</u> \$125 per Venue per month                                                                                                                                 | When billed.                          | Mirus is a third-party business intelligence tool installed on the Aloha and Vista servers to poll sales and labor data on a daily basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Aloha Configuration Center                                                                                                                        | <del>Currently</del><br><u>Then current fee, currently</u> \$125 per Venue per month                                                                                                                                 | When billed.                          | Aloha Configuration Center pushes menu, tender, comp and price changes down from an enterprise level.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| HotSchedules                                                                                                                                      | <del>Currently</del><br><u>Then current fee, currently</u> <del>\$182</del> <u>138</u> per Venue/per Month                                                                                                           | When Billed                           | HotSchedules is a system we use for scheduling, labor tools, <del>logbook entry</del> , staff certifications and more. It also allows access to our training program Schoox.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Schoox                                                                                                                                            | <del>Currently</del><br><u>Then current fee, currently</u> <del>\$99</del> <u>106</u> per Venue/per month                                                                                                            | When Billed.                          | This is our training platform of which all training materials are posted and updated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <u>Logbook</u>                                                                                                                                    | <u>Then current fee, currently \$30 per Venue/per month</u>                                                                                                                                                          | <u>When billed.</u>                   | <u>Logbook allows managers to record daily activities and notify other managers of concerns.</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

### Notes:

(1) All fees and expenses described in this Item 6 are nonrefundable and are generally uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may be subject to

increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

(2) “Gross Sales” means the total selling price of all services and products and all income of every other kind and nature related to the Venue (including, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Venue), whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the electronic point of sale system and any cash shortage will not be considered in the determination. Gross Sales includes (i) the full value of meals provided to your employees as an incident to their employment (except you may credit the value of any discounts against Gross Sales during the week in which the meals are provided), and (ii) all proceeds from the sale of coupons, gift certificates or vouchers (but their retail price may be credited against Gross Sales during the week in which the coupons, gift certificates or vouchers are redeemed). Gross Sales expressly excludes the following:

(a) Sums representing sales taxes collected directly from customers, based on present or future laws of federal, state or local governments, collected by you in the operation of the Venue, and any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Venue, provided that the taxes are actually transmitted to the appropriate taxing authority;

(b) Receipts from any public telephone, vending machine, or video games installed in your Venue, except for your share of the revenues;

(c) Tips or gratuities paid directly by Venue customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities;

(d) Proceeds from isolated sales of trade fixtures not constituting any part of your products and services offered for resale at the Venue nor having any material effect on the ongoing operation of the Venue required under the Franchise Agreement; and

(e) Sums representing online ticket purchasing service and/or transaction fees that are collected directly from customers, provided such fees are remitted to us.

(3) The continuing services and royalty fee and Fund contribution will be withdrawn from your designated bank account by electronic fund transfer (“EFT”) weekly on Wednesday based on Gross Sales from the preceding Accounting Period (see Sections 4.2 and 8.3 of the Franchise Agreement), unless we require otherwise. You must maintain sufficient funds in your designated bank account to pay the continuing services and royalty fee and required Fund contribution.

## **ITEM 7 ESTIMATED INITIAL INVESTMENT**

### **YOUR ESTIMATED INITIAL INVESTMENT**

#### **ESTIMATE FOR A 40,000 SQUARE FOOT NEW BUILD VENUE WITH 10 SCREENS AND 1,000 SEATS (LAND & BUILDING OWNED BY FRANCHISEE)**

| <u>Type of Expenditure</u> | <u>Low Range</u> | <u>High Range</u> | <u>Method of Payment</u> | <u>When Due</u> | <u>To Whom Payment is to be Made</u> |
|----------------------------|------------------|-------------------|--------------------------|-----------------|--------------------------------------|
|----------------------------|------------------|-------------------|--------------------------|-----------------|--------------------------------------|

|                                                                          |                            |                            |                    |                                            |                                          |
|--------------------------------------------------------------------------|----------------------------|----------------------------|--------------------|--------------------------------------------|------------------------------------------|
| <u>Initial Franchise Fee (including Application Fee)</u>                 | <u>\$125,000</u>           | <u>\$125,000</u>           | <u>Lump Sum</u>    | <u>Upon signing of Franchise Agreement</u> | <u>Us</u>                                |
| <u>Design or PIP Fee (Note 2)</u>                                        | <u>\$7,500</u>             | <u>\$7,500</u>             | <u>Lump Sum</u>    | <u>As Arranged</u>                         | <u>Us and Third-Party Vendor</u>         |
| <u>Land (Note 3)</u>                                                     | <u>Highly Variable</u>     |                            | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Land Owner</u>                        |
| <u>Carrying Costs (Note 3)</u>                                           | <u>Highly Variable</u>     |                            | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Site Work &amp; Building (Note 3)</u>                                 | <u>\$8,537,666</u>         | <u>\$9,436,368</u>         | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Furniture &amp; Equipment (Note 4)</u>                                | <u>\$3,638,000</u>         | <u>\$4,494,000</u>         | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Pre-Opening (Note 5)</u>                                              | <u>\$180,000</u>           | <u>\$300,000</u>           | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Deposits (Note 6)</u>                                                 | <u>\$100,000</u>           | <u>\$150,000</u>           | <u>Lump Sum</u>    | <u>As Arranged</u>                         | <u>Vendors and State</u>                 |
| <u>Initial Inventory (Note 7)</u>                                        | <u>\$100,000</u>           | <u>\$150,000</u>           | <u>Lump Sum</u>    | <u>As Arranged</u>                         | <u>Vendors</u>                           |
| <u>Training (Note 8)</u>                                                 | <u>\$155,000</u>           | <u>\$240,000</u>           | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Us and Third-Party Vendors</u>        |
| <u>Business Licenses &amp; Permits (Note 9)</u>                          | <u>\$10,000</u>            | <u>\$30,000</u>            | <u>Lump Sum</u>    | <u>As Arranged</u>                         | <u>Vendors, Municipalities and State</u> |
| <u>Liquor Licenses (Note 10)</u>                                         | <u>\$7,000</u>             | <u>\$160,000</u>           | <u>As Arranged</u> | <u>As Arranged</u>                         | <u>Municipalities</u>                    |
| <u>Additional Funds (Note 11)</u>                                        | <u>\$500,000</u>           | <u>\$1,000,000</u>         | <u>As Needed</u>   | <u>As Arranged</u>                         |                                          |
| <b><u>Total for a Single Franchise (*see Notes at end of Charts)</u></b> | <b><u>\$13,360,166</u></b> | <b><u>\$16,092,868</u></b> |                    |                                            |                                          |



**ESTIMATE FOR A 40,000 SQUARE FOOT NEW BUILD VENUE WITH 10 SCREENS AND 1,000 SEATS  
(BUILDING LEASED TO FRANCHISEE WITH \$200.00 PER SQUARE FOOT IN TENANT IMPROVEMENT  
ALLOWANCE)**

| <u>Type of Expenditure</u>                                               | <u>Low Range</u>          | <u>High Range</u>         | <u>Method of Payment</u> | <u>When Due</u>                            | <u>To Whom Payment is to be Made</u>     |
|--------------------------------------------------------------------------|---------------------------|---------------------------|--------------------------|--------------------------------------------|------------------------------------------|
| <u>Initial Franchise Fee (including Application Fee)</u>                 | <u>\$125,000</u>          | <u>\$125,000</u>          | <u>Lump Sum</u>          | <u>Upon signing of Franchise Agreement</u> | <u>Us</u>                                |
| <u>Design or PIP Fee (Note 2)</u>                                        | <u>\$7,500</u>            | <u>\$7,500</u>            | <u>Lump Sum</u>          | <u>As Arranged</u>                         | <u>Us and Third-Party Vendor</u>         |
| <u>Carrying Costs (Note 3)</u>                                           | <u>Highly Variable</u>    |                           | <u>As Arranged</u>       | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Site Work &amp; Building (Note 3)</u>                                 | <u>\$537,666</u>          | <u>\$1,436,368</u>        | <u>As Arranged</u>       | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Furniture &amp; Equipment (Note 4)</u>                                | <u>\$3,638,000</u>        | <u>\$4,494,000</u>        | <u>As Arranged</u>       | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Pre-Opening (Note 5)</u>                                              | <u>\$180,000</u>          | <u>\$300,000</u>          | <u>As Arranged</u>       | <u>As Arranged</u>                         | <u>Contractors and Vendors</u>           |
| <u>Deposits (Note 6)</u>                                                 | <u>\$100,000</u>          | <u>\$150,000</u>          | <u>Lump Sum</u>          | <u>As Arranged</u>                         | <u>Vendors and State</u>                 |
| <u>Initial Inventory (Note 7)</u>                                        | <u>\$100,000</u>          | <u>\$150,000</u>          | <u>Lump Sum</u>          | <u>As Arranged</u>                         | <u>Vendors</u>                           |
| <u>Training (Note 8)</u>                                                 | <u>\$155,000</u>          | <u>\$240,000</u>          | <u>As Arranged</u>       | <u>As Arranged</u>                         | <u>Us and Third-Party Vendors</u>        |
| <u>Business Licenses &amp; Permits (Note 9)</u>                          | <u>\$10,000</u>           | <u>\$30,000</u>           | <u>Lump Sum</u>          | <u>As Arranged</u>                         | <u>Vendors, Municipalities and State</u> |
| <u>Liquor Licenses (Note 10)</u>                                         | <u>\$7,000</u>            | <u>\$160,000</u>          | <u>As Arranged</u>       | <u>As Arranged</u>                         | <u>Municipalities</u>                    |
| <u>Additional Funds (Note 11)</u>                                        | <u>\$500,000</u>          | <u>\$1,000,000</u>        | <u>As Needed</u>         | <u>As Arranged</u>                         |                                          |
| <b><u>Total for a Single Franchise (*see Notes at end of Charts)</u></b> | <b><u>\$5,360,166</u></b> | <b><u>\$8,092,868</u></b> |                          |                                            |                                          |

**(IMPORTANT: THESE TOTALS DO NOT CONTAIN CARRYING COSTS, WHICH ARE TOO HIGHLY VARIABLE TO ESTIMATE)**

**ESTIMATE FOR A 40,000 SQUARE FOOT CONVERSION OF AN EXISTING DINE-IN  
CINEMA WITH 10 SCREENS AND 1000 SEATS  
(BUILDING LEASED TO FRANCHISEE WITH \$80.00 PER SQUARE FOOT IN TENANT  
IMPROVEMENT ALLOWANCE)**

| Type of Expenditure                                                         | <del>Estimated Amount (Note 1)</del><br><b>Low Range</b>                                                                                                                                     | <b>High Range</b>                                            | Method of Payment   | When Due                                                 | To Whom Payment is to be Made     |
|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------|----------------------------------------------------------|-----------------------------------|
| Initial Franchise Fee (including Application Fee)                           | \$125,000                                                                                                                                                                                    | <u>\$125,000</u>                                             | Lump Sum            | <del>On</del> <u>Upon</u> signing of Franchise Agreement | Us                                |
| <del>Real Estate Services Fee (Note 2)</del>                                | <del>\$0 to \$150,000</del>                                                                                                                                                                  |                                                              | <del>Lump Sum</del> | <del>As Arranged</del>                                   | Us                                |
| Design <del>Compliance</del> or PIP Fee (Note <del>32</del> )               | <u>\$7,500</u>                                                                                                                                                                               | \$7,500                                                      | Lump Sum            | As Arranged                                              | Us and Third Party Vendor         |
| Land (Note 43)                                                              | Highly Variable                                                                                                                                                                              |                                                              | As Arranged         | As Arranged                                              |                                   |
| Carrying Costs (Note 43)                                                    | Highly Variable                                                                                                                                                                              |                                                              | As Arranged         | As Arranged                                              | Contractors and Vendors           |
| <del>Site work and building</del> Work & Building (Note 43)                 | <u>\$1,068,833</u>                                                                                                                                                                           | <del>\$4,400,000 to \$15,100,000</del><br><u>\$1,518,184</u> | As Arranged         | As Arranged                                              | Contractors and Vendors           |
| Furniture & Equipment (Note <del>54</del> )                                 | <u>\$2,824,800</u>                                                                                                                                                                           | <del>\$3,800,000 to \$4,300,000</del><br><u>\$4,494,000</u>  | As Arranged         | As Arranged                                              | Contractors and Vendors           |
| Pre-Opening (Note <del>65</del> )                                           |                                                                                                                                                                                              | <del>\$180,000 to \$300,000</del>                            | As Arranged         | As Arranged                                              | Contractors and Vendors           |
| Deposits (Note <del>76</del> )                                              |                                                                                                                                                                                              | <del>\$100,000 to \$150,000</del>                            | Lump Sum            | <u>As Arranged</u>                                       | Vendors and State                 |
| Initial Inventory (Note <del>87</del> )                                     |                                                                                                                                                                                              | <del>\$100,000 to \$150,000</del>                            | Lump Sum            | <u>As Arranged</u>                                       | Vendors                           |
| Training (Note <del>98</del> )                                              | <u>\$155,000</u>                                                                                                                                                                             | <del>\$140,000 to \$200,000</del><br><u>\$240,000</u>        | <u>As Arranged</u>  | As Arranged                                              | Us and Third Party Vendors        |
| Business Licenses & Permits (Note <del>109</del> )                          | <del>Highly Variable</del><br><u>\$10,000</u>                                                                                                                                                | <u>\$30,000</u>                                              | Lump Sum            | <u>As Arranged</u>                                       | Vendors, Municipalities and State |
| Liquor Licenses (Note 10)                                                   | <u>\$7,000</u>                                                                                                                                                                               | <u>\$160,000</u>                                             | <u>As Arranged</u>  | <u>As Arranged</u>                                       | <u>Municipalities</u>             |
| Additional Funds (Note 11)                                                  | <u>\$500,000</u>                                                                                                                                                                             | <del>\$200,000 to \$1,000,000</del>                          | <u>As Needed</u>    | <u>As Arranged</u>                                       |                                   |
| <b>Total for a Single Franchise</b><br><i>(*see Notes at end of Charts)</i> | <u>\$5,078,133</u>                                                                                                                                                                           | <u>\$8,174,684</u>                                           |                     |                                                          |                                   |
| <b>Total-</b>                                                               | <u>\$9,052,500 to \$21,482,500</u><br><b>(IMPORTANT:<br/>THESE TOTALS DO NOT CONTAIN LAND, OR CARRYING COSTS OR BUSINESS LICENSES OR PERMITS, WHICH ARE TOO HIGHLY VARIABLE TO ESTIMATE)</b> |                                                              |                     |                                                          |                                   |

Notes:

- The cost ranges listed are estimates for a typical 10 screen, ~~44,000~~40,000 square foot, 1,000 seat Alamo Drafthouse Cinema. The number of screens and size of foot print will directly affect your initial investment. These initial investment figures are only estimates of what the actual costs may be. We make no representation that your costs will come within the ranges estimated and cannot guarantee that you will not incur additional costs to open an Alamo Drafthouse Cinema. All amounts other than initial franchise fee are approximate and represent estimates. We cannot assure you that you will not have additional expenses starting the business. Your costs will depend on factors such as the size and location of your Venue, your management skills, experience and business acumen, competition and the amount of sales obtained during the initial

period. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

(2) ~~Payable only if you engage us to perform Real Estate Services, which includes a fee up to \$150,000. See Items 1, 5, 6, 8 and 11.~~

(3)

(2) This is Alamo design team that will help do the initial layout, give comments on feasibility plans and do plan reviews for your proposed Venue.

(43) Venues are typically located in commercially zoned shopping or entertainment areas. If you do not own space for your Venue, you must purchase or lease the land and building and finish out space in accordance with our specifications. Real estate costs vary significantly. A typical Alamo Drafthouse Venue has from 98 to 4+12 screens and requires 35,000 to 45,000 square feet. We do not estimate the cost of any land purchase, your carrying costs or your building and occupancy permits, which would vary dramatically by region and market conditions. You must verify development and constructions costs in your area. Build-out costs will vary, based on the size, condition and location of the premises. The high estimate includes a Venue with a Bar. See Item 1.

(54) All equipment (including required and other computer equipment) and fixtures in the theaters, mezzanine, kitchen, back and front bars, lobby and hallways. Our approved suppliers will make available to you certain customized data base configurations and upgrades specific for the Venue to be loaded on to your systems. The high estimate includes a Venue with a Bar. See Item 1.

(65) The amounts represent pre-opening marketing and promotional activities, which may vary significantly depending upon the local media market and the proximity of your Venue to other Alamo Drafthouse Venues.

(76) These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for the Venue described in Item 8. These amounts are also our estimates of the initial deposits to film distributors for the films you will be showing at the Venue and our estimates to obtain utility service for the Venue, including water, sewer, electricity, gas and telephone.

(87) These amounts represent your initial inventory of food supplies, beverages, cups and paper goods for use in the first month of operating your franchise business.

(98) ~~We provide initial training of your initial~~ These estimates include (i) your Initial Training Fees for the Operating Principal and initial Managers at no charge for the instructors or materials. These estimates include (generally between 3 to 8 persons in total) who will attend our initial training program in Austin, Texas; (ii) your out-of-pocket costs associated with the your trainees attending our initial training of the Operating Principal and Managers program in Austin, Texas (including payroll, travel, lodging, and meals and wages); and (3) your reimbursement payments to us for the costs of 16 to 24 of our opening training team members (including payroll, travel, lodging and meals) traveling to your Venue for pre- and post-opening assistance. These amounts do not include any fees or expenses for training any other personnel. These costs will vary depending on your selection of lodging and dining facilities, mode and distance of transportation and pay scale. ~~These estimates also include your reimbursement payments to us for the costs of 16 to 24 opening training team members (including payroll, travel, lodging and meals).~~ The high estimate includes a Venue with a Bar. See Item 1.

- (10) These are the estimates of costs for obtaining local business licenses that typically remain in effect for 1 year. ~~We are unable to estimate the cost of your, but not for a liquor license because of wide variations in costs depending on, which is addressed separately.~~
- (10) Liquor license costs depend on a wide variety of factors like, such as location, the availability of liquor licenses, the ability to move a license and the market value of liquor licenses. These figures do not include occupancy and construction permits. The cost of these permits and licenses will vary substantially depending on the location of the~~The ranges in the Item 7 chart are derived from our experience in California, Colorado, Missouri, New York, North Carolina and Texas. However, there may be certain limited jurisdictions where liquor licenses could be much more expensive due to availability, but we do not expect our franchisees to develop Venues in such jurisdictions. You are responsible for determining the potential costs for a liquor license in the geographic area in which you desire to develop and operate your Venue.~~
- (11) The Additional Funds category cover a start-up period of 3 months and includes, additional design services, legal, organizational costs and initial operating funds. These figures are estimates based on our experience and our affiliates' experience developing and operating Venues, particularly in Austin, Texas. We cannot assure you that you will not have additional expenses starting the Venue. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; time of year Venue opens; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service. These amounts do not include overages that you may incur if you attempt to start construction before we consent to your architect, Venue plans or contractor, or if you attempt to continue construction with plans or modifications that have not received our consent.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment.

Unless otherwise stated, the amounts described above are not refundable.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase or lease and install all fixtures, furnishings, equipment (including projection, sound and audio visual systems and point of sale and computer systems), decor items, signs and related items we require, all of which must conform to the standards and specifications in our Operations Digital Library (as defined in Item 11) or in any other written format. You may not install or permit to be installed on the Venue premises any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items not approved by us.

To maintain that the highest degree of quality and service, you must operate the Venue in strict conformity with the methods, standards and specifications that we state in the Operations Digital Library or in other written material. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper goods that meet our standards and specifications. All menu items must be prepared according to the recipes and procedures specified in the Operations Digital Library or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items or differing amounts of any items. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Operations Digital Library, and we may require you to

implement modified standards and specifications immediately, although we generally provide you a reasonable time to implement material changes to the standards and specifications.

You must participate in our Film Services Program by signing our film booking and related backend services agreement (current form attached as Attachment E to the Franchise Agreement), participate in such film services programs and pay all then current fees required for participation by the standards set from time to time. You must show our then current pre-show entertainment, which is typically shown before each film or program, as well as our ad reel shown before each film. Both pre-show and ad reel are delivered to you either from us, our affiliate or another approved agent. We, our affiliate or the approved agent decide the content and length of all pre-show entertainment and ad reel. We will also provide programming, which can include repertory titles, movie parties and new releases. Some of this programming may be deemed 'core' and must be played in every market. Some of these shows will require an additional fee or box office percentage split, which will be communicated at the time of programming and booking. We provide our standard pre-show entertainment and ad montage at no cost to you. In-house creative services will be available to you from time to time at your request for a fee ranging from \$100 to \$3,000 per month.

You must participate in our guest loyalty program (~~current~~currently called the Alamo Victory Program) and pay any ongoing membership costs associated with the loyalty program. We currently pay the fixed annual fees for the loyalty program from our Fund and seek reimbursement from company-affiliated and franchised Venues for their prorata portion of the variable costs, but we may require you to pay fees directly in the future. See Items 6 and 11.

You must participate in our Season Pass subscription membership program or any successor or equivalent program, and sign any agreements or pay any fees we may require in the future for participation.

You must engage an approved third party vendor to perform operational and food safety audits of your Venue on at least a quarterly basis. We currently have only one approved vendor (The Steritech Group, Inc.) to perform these audits. The Steritech Group, Inc. currently charges \$375 per calendar quarter. If your Venue scores below 80, we may require operational and food safety audits on a monthly basis. You can contact them through Laura Streelman, Client Support Administrator – Retail, THE STERITECH GROUP, INC; phone 704.749.7609; fax 704.541.8970 and toll free 888.868.2435.

You must engage an approved third party vendor to check your projection and sound equipment in your Venue on at least a quarterly basis. You may contact us for a list of recommended vendors in your geographic area.

~~SonyBarco~~ 4K projection technology is currently our only exclusive projection provider ~~and~~ QSC Audio ~~is~~and Dolby ATMOS are currently our ~~only~~ exclusive auditorium audio ~~suppliers~~suppliers.

You must purchase the Vista and Aloha point of sale system software and related hardware from a source we designate (see Item 11).

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from your inventory or from the Venue free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications (see Item 6).

provided or previously approved. You also must participate in all advertising and promotional campaigns according to the terms and conditions we establish for these campaigns. We will approve or disapprove your proposed advertising plans and materials within 15 business days after receipt of these plans and materials.

You must participate in any gift certificate, voucher or card program we establish and honor any such gift certificates, vouchers or cards presented at the Venue. You must participate in any online ticket purchasing program we establish through our website or through any third-party website, and honor any tickets purchased online for movies at the Venue. You may not create or issue your own gift cards or vouchers, and you may not create your own online ticket purchasing program, unless we expressly permit you to do so in writing. See Item 11.

You must obtain our consent to the site for the Venue before you acquire the site or sign a lease. We have specific requirements regarding the information we need to approve a site. You must also obtain our consent to any contract of sale or lease for the Venue before you sign the contract or lease. Franchisor's acceptance of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Operations Digital Library or otherwise in writing from time to time, a current list of which is included in Attachment C to the Franchise Agreement.

We have designated Weiss Architecture, Inc. and Hodges Architects as our preferred providers of architectural services to our franchisees. Contact information for Weiss Architecture, Inc. is 2111 Travis Heights, Austin, Texas 78704; (512) 447-6806; contact: Richard Weiss. Contact information for Hodges Architects is 13642 Omega, Dallas, Texas 75244; (972) 387-1000; contact: George DeHaven. If you contract with Weiss Architecture, you must contract with Hodges, and vice versa.

Before you open the Venue for business, you must obtain the insurance coverage for the Venue specified in the Franchise Agreement, including comprehensive general liability insurance, automobile liability coverage, worker's compensation insurance, liquor liability insurance, employee's liability insurance, business interruption insurance and excess coverage "umbrella" insurance. Also, related to any construction, renovation or remodeling of the Venue, you must maintain builder's risks insurance and performance and completion bonds. You must obtain the policies from an insurance company we approve. The policies must include, at a minimum, the insurance coverage and policy limits we specify. We may change the coverage requirements and the amounts, in our discretion, and will advise you of the changes in writing. You may, after obtaining our written consent, elect to have reasonable deductibles under certain of the coverages.

We may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. We may engage third party consultants to assist with these negotiations, and pay them a portion of the savings that we obtain for the System. We may also receive discounts on purchases of projection, sound and audio-visual systems and point of sale systems and software from approved suppliers, which discounts are also made available to you if you purchase through these suppliers. We also may receive discounts from approved suppliers of equipment for the Venue. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above in which we require you to participate.

Except as disclosed below, we generally do not anticipate receiving rebates from our designated or approved suppliers. Instead, we attempt to negotiate reductions in the invoice price of the products sold to our franchisees and us. We do not undertake any obligation to negotiate price reductions as each supplier has their own position on the granting (and tracking/accounting for) of price reductions. We and/or our affiliates have entered into an agreement with Coca-Cola North America ("CCNA") that provides upfront and store opening monies to be directed to our general system marketing programs and continuing payments to all corporate and franchised Venues based on Venue purchases of CCNA

fountain syrup. We have also entered into an agreement with Dr Pepper Seven Up, Inc (“DPSU”) that provides direct revenue to each Venue based on each gallon of DPSU fountain syrup purchased. The amount of the revenue to each Venue is based on the total of number of gallons purchased by all Venues. We reserve the right to modify these or other beverage agreements in the future to receive direct monies or benefits from our beverage suppliers based on franchisee purchases. In 2011, we entered into an agreement with Fandango through which we will receive a fee for every ticket purchased online through Fandango.

You must purchase or lease virtually all goods and services necessary to establish and operate the Venues from us or our designees, from suppliers approved by us, or in accordance with our specifications. We estimate that these purchases and leases (excluding real estate leases) will be approximately 10% of your cost to establish the Venue and 50% to 60% of your costs to operate the Venue.

We are currently ~~an approved~~ a mandatory supplier of ~~Real Estate Services, Venue opening support services (See Items 5, 6 and 11), and~~ we may purchase and resell to franchisees certain third ~~party~~ products and services and manufactured merchandise that franchisees use or offer and sell in their Venues and we may also perform event and creative services for our franchisees. See Items 1, 5, and 11. During our fiscal year ended ~~December 27, 2018~~ January 2, 2018-2020, we and Alamo Holdings received ~~\$881,760~~ \$37,635 from franchisee purchases, which is ~~40.19%~~ of our and Alamo Holdings’ total consolidated revenues of \$190,427,356 225,092,431 during such fiscal year.

Except for ~~Real Estate Services~~ our performance of Venue opening support services, our purchase and resale of products and services or merchandise and our performance of event and creative services, neither we nor our affiliates are currently approved suppliers of goods or services necessary to establish or operate the Venues, but we and our affiliates do provide certain other voluntary programs in which our franchisees can participate. Specifically:

- ☐ Our affiliate Drafthouse Films distributes films occasionally that our franchisees may be permitted to run at their Venues. Our affiliate Drafthouse Films received revenues of ~~\$1,223~~ \$1,575 in the fiscal year ended ~~December 27, 2018~~ January 2, 2018-2020 from licensee and franchisee purchases related to the distribution of Drafthouse Films titles and programming.
- ☐ Our former affiliate Alamo South Lamar, L.P. conducted a Rolling Roadshow program during our last fiscal year in which it hosted screenings of famous movies at various locations around the country, including at franchisee Venues occasionally. During the fiscal year ended ~~December 27, 2018~~ January 2, 2018-2020, our former affiliate Alamo South Lamar, L.P. received \$0 in revenue from franchisees participation in the Rolling Roadshow program.
- ☐ During the fiscal year ended ~~December 27, 2018~~ January 2, 2018-2020, our former affiliate Mondo Tees, LLC, received ~~\$471,981~~ \$39,228 in revenue sharing related to joint sales promotions of Alamo branded merchandise.
- ☐ During the fiscal year ended ~~December 27, 2018~~ January 2, 2018-2020, related party Neon Rated, LLC received ~~\$375,718~~ \$453,137 in revenue from franchisees running films that it distributed.

See Item 1 for more information on these entities.

We or our affiliates may in the future derive revenue from required purchases of goods or services necessary to establish or operate the Venues, either through rebates from approved vendors or from direct sales to franchisees. We do not offer you any material benefits based on your purchase of goods or services or use of approved vendors.

Except for our former affiliate Alamo South Lamar, L.P. and current affiliates or related parties Drafthouse Films, and Mondo Tees, LLC and Neon Rated, LLC (which are owned by us therefore indirectly owned in part by our Executive Chairman Tim League and our Board Member Dave Kennedy), neither we nor any of our officers owns any interest in any of our third ~~party~~ party suppliers.

When determining whether to grant new or additional franchises, we consider many factors, including compliance with the foregoing requirements.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise and other Agreements. It will help you find more detailed information about your obligations in these Agreements and in other items of this Disclosure Document.**

| Obligation                                                                       | Section in Agreement                                                                                                         | Disclosure Document Item |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| a. Site selection and acquisition/lease                                          | Article II of Franchise Agreement                                                                                            | Items 8 and 11           |
| b. Pre-opening purchases/leases                                                  | Articles VI, VII and VIII of Franchise Agreement                                                                             | Items 5, 6, 7, 8 and 11  |
| c. Site development and other pre-opening requirements                           | Article II of Franchise Agreement                                                                                            | Items 1, 8 and 11        |
| d. Initial and ongoing training                                                  | Article VI of Franchise Agreement                                                                                            | Items 5, 6 and 11        |
| e. Opening                                                                       | Article VI of Franchise Agreement                                                                                            | Items 7 and 11           |
| f. Fees                                                                          | Articles IV and VIII of Franchise Agreement and <del>Article II of Development Agreement</del>                               | Items 5 and 6            |
| g. Compliance with standards and policies/ <del>Operations Digital Library</del> | Articles II, III, VI VII, VIII, IX, X, XI and XII of Franchise Agreement                                                     | Items 11 and 14          |
| h. Trademarks and proprietary information                                        | Articles IX and X and Attachment C of Franchise Agreement, <del>Article VIII and Attachment B to Development Agreement</del> | Items 11, 13 and 14      |
| i. Restrictions on products/services offered                                     | Article VII of Franchise Agreement                                                                                           | Items 8 and 16           |
| j. Warranty and customer service requirements                                    | Article VII of Franchise Agreement                                                                                           | Item 8                   |
| k. Territorial development and sales quotas                                      | <del>Article III of Development Agreement</del> None                                                                         | <del>Item 12</del>       |
| l. Ongoing product/service purchases                                             | Article VII of Franchise Agreement                                                                                           | Items 6 and 8            |
| m. Maintenance, appearance and remodeling requirements                           | Articles II, VII and XIV of Franchise Agreement                                                                              | Items 8 and 11           |
| n. Insurance                                                                     | Article XII of Franchise Agreement                                                                                           | Items 7 and 8            |
| o. Advertising                                                                   | Article XIII of Franchise Agreement                                                                                          | Items 6, 8 and 11        |
| p. Indemnification                                                               | Article XV of Franchise Agreement and <del>Article IX of Development Agreement</del>                                         | Item 6                   |
| q. Owner's participation/management/staffing                                     | Articles VI, XIV, XV and XVII of Franchise Agreement and <del>Article V of Development Agreement</del>                       | Items 1, 11 and 15       |
| r. Records and reports                                                           | Articles IV, VII and XI of Franchise Agreement                                                                               | Item 6                   |
| s. Inspections and audits                                                        | Articles II, VII and XI of Franchise Agreement                                                                               | Items 6, 8 and 11        |
| t. Transfer                                                                      | Article XIV of Franchise Agreement and <del>Article VII of Development Agreement</del>                                       | Items 6 and 17           |
| u. Renewal                                                                       | Article III of Franchise Agreement                                                                                           | Items 6 and 17           |
| v. Post-termination obligations                                                  | Article XVII of Franchise Agreement and <del>Article VI of Development Agreement</del>                                       | Items 6 and 17           |
| w. Non-competition covenants                                                     | Article X and Attachment C of Franchise Agreement, <del>Article VIII and Attachment B of Development Agreement</del>         | Item 17                  |
| x. Dispute resolution                                                            | Article XVIII of Franchise Agreement and <del>Article X of Development Agreement</del>                                       | Item 17                  |

## ITEM 10 FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours.



## ITEM 11

### FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, Alamo Drafthouse Cinemas, LLC is not required to provide you with any assistance.

#### Pre-Opening Obligations

Under the terms of the Franchise Agreement, before the opening of a Venue, we will provide the following assistance and services:

1. Our written site selection guidelines and the site selection assistance we deem advisable. (Franchise Agreement, Section 5.1(a)).
2. On-site evaluations as we deem necessary or in response to your reasonable request for site approval. (Franchise Agreement, Section 5.1(b)).
3. On loan, 1 set of sample architectural and design plans and specifications for a Venue for adaptation by you, at your expense. (Franchise Agreement, Section 5.1(c)). We reserve the right to review and approve any contractor engaged to perform construction or remodeling of the Venue.
4. On loan, online access to the Operations Digital Library (as described below), which we may revise. (Franchise Agreement, Section 5.1(d)). Our Operations Digital Library current consists of 6,609 items or "pages". Our System does not include any personnel policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Operations Digital Library or otherwise for your optional use. You will determine to what extent, if any, these policies and procedures might apply to your operations at the Venue. We neither dictate nor control labor or employment matters for franchisees and their employees and we are not responsible for the safety and security of Venue employees or patrons.
5. A list of our approved suppliers. (Franchise Agreement, Section 5.1(i)).
6. An initial training program for your initial Operating Principal and Managers. (Franchise Agreement, Section 5.1(j)).
7. Up to two weeks of on-site pre-opening assistance at the Venue as we find appropriate. (Franchise Agreement, Sections 5.1(k) and 6.5(d)).
8. Samples or camera-ready artwork of certain advertising and promotional materials and information we may develop for use in the pre-opening promotion of the Venue. (Franchise Agreement, Section 5.1(f)).

We are not required to provide any other service or assistance to you before the opening of the Venue.

#### Post-Opening Obligations

We will provide the following services and assistance after the opening of the Venue:

1. As we reasonably determine necessary, visits to, and evaluations of, the Venue and the products and services provided there to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section 5.1(e)).

2. Samples or camera-ready artwork of certain advertising and promotional materials we may develop for in-store marketing and Local Advertising for the Venue. (Franchise Agreement, Section 5.1(f)).

3. Advice and written materials (including updates to the Operations Digital Library) concerning techniques of managing and operating the Venue, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section 5.1(g)).

4. Occasionally, certain merchandise, including prepackaged food products and promotional products and memorabilia, for use in the Venue and for resale to your customers, in quantities sufficient to meet your customer demand, at a reasonable cost may be made available to franchisees in the System. We also may, at our option, make available to you certain other equipment, inventory and decor items at a reasonable cost. (Franchise Agreement, Section 5.1(h)).

5. Up to two weeks of on-site post-opening assistance at the Venue as we find appropriate, subject to our reimbursement of costs. (Franchise Agreement, Sections 5.1(k) and 6.5(d)).

6. Training programs and other related activities regarding the operation of the Venue as we may conduct for you, or Venue personnel generally, which your Operating Principal, Managers and other Venue personnel may be required to attend, subject to your payment of initial training fees for your personnel. (Franchise Agreement, Section 6.5(c)).

7. Certain on-site remedial training for your Venue personnel when you reasonably request it or as we find appropriate. If you request the remedial training, we may require you to pay actual costs of payroll, travel, lodging and meals of each of the employees providing the training and our expenses in providing the training (See Item 6). (Franchise Agreement, Section 6.5(e)).

8. Administration of the advertising fund and cooperatives, if established. (Franchise Agreement, Sections 8.3 and 8.4).

9. Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), provided that you and your Controlling Principals have fully complied with the terms of the Franchise Agreement. (Franchise Agreement, Section 9.4).

10. Provision of film booking and related backend services for you Venue if/when then required by the Operations Digital Library from time to time. (Franchise Agreement, Section 5.1(m)).

11. Management of our then current Guest loyalty program, including Alamo Season Pass program or any successor or equivalent program. (Franchise Agreement, Section 5.1(n)).

We are not required to provide any other service or assistance to you for the continuing operation of the Venue.

#### **Obligations Under Development Agreement**

~~Under certain limited circumstances and in certain limited geographic areas, we may offer you the right to sign a Development Agreement. For us to offer you a Development Agreement, you must meet our financial criteria, we must be satisfied that you are capable of operating more than one Venue and you and we must agree on a Potential Venues Area within which you are to select sites for the Venues you develop, subject to site selection criteria contained in your Franchise Agreements for such Venues. (Development Agreement, Section 3.1(b)). If you sign a Development Agreement, it will detail the~~

~~conditions that you must satisfy in order to obtain Franchise Agreements for the establishment and operation of Venues, which include, for example, compliance with the Development Schedule, compliance with other agreements between you and us, satisfaction of our financial criteria for developers and submission of all information and documents that we may request. We do not provide any additional assistance to you under the Development Agreement which is not provided for in the Franchise Agreement. Depending on your market and the potential for other Venues, we may not offer you any exclusivity under the Development Agreement, or we may only offer you exclusivity for a limited period of time.~~

### **Advertising and Marketing**

We may occasionally develop and administer, or grant you permission to use, advertising and marketing programs, including gift card sales programs, customer retention and loyalty programs, affiliate programs, third party voucher programs, merchandising such as glasses and magazines, and online and app ticket purchasing programs, designed to promote and enhance the collective success of all Venues operating under the System. You must participate in all such advertising and marketing programs in accordance with the terms and conditions we establish for each program, and must adhere to any restraints or limitations we set for your own use of such programs at your Venue.

Each Venue must participate in our loyalty program and pay any ancillary costs of participating in the program. There are two pieces of software that allow our loyalty program to work - Movio and Vista loyalty. ~~We pay the annual software licensing fee for Movio.~~ Each Venue pays the one-time Vista loyalty license fee, which is currently \$3400, plus the annual Vista licensing fee for this software, which is 15%-currently \$510 annually. You will also incur costs for your use of the loyalty program with your customers/members. ~~Costs~~Movio costs will vary based on our ~~then~~ current contract with our third party vendor, but ~~we~~ currently ~~your~~ monthly costs are 1.5 cents for each active customer/member associated with your Venue and a prorated fee for each email you generate~~anticipate~~ that is based on the portion of the total database that your members represent. The total system fee for emails is currently Marketing Fund will cover \$50,000 of the \$246,155 annual cost, plus the total 7% annual increase. Each Venue will be charged \$1,000408 per month, but could increase to up to \$5,000 based on customer/member increases and licensing fee increases. You pay your prorated portion of this fee. Your prorated monthly email fee ~~changes monthly based on the total portion of the email database your market represents at that time, to cover an annual fee of \$4,900 per Venue.~~ Movio and Vista fees are subject to change based on third party agreements, and we reserve the right to reduce or cease use of Fund amounts for some or all of these programs.

You must participate in our Season Pass subscription membership program or any successor or equivalent program. In the current program, Guests sign up via "home venue" for Season Pass. Once a guest registers, the Guest's credit card is changed through us or our affiliates through our servicing team. Revenue from the Season Pass program is booked to the Venue that the Guest selects as its home Venue, and applied as a credit to the next accounting period, which we will reconcile with your Venues royalties and other fees and amounts due. Each Venue will pay for the cost of film consumption directly. As subscribers use their Season Pass, all incidental revenue (except Internet Ticketing/Convenience Fees) is retained at the Venue where the Season Pass redemption was used. We reserve the right to modify the Season Pass program fees, terms and conditions from time to time.

You must spend, annually throughout the term of this Agreement, not less than 1% of the Gross Sales of the Venue on advertising, marketing, promotional and public relations programs and activities for the Venue in and around your Limited FA Area ("Local Advertising"). You must submit to us quarterly an advertising expenditure report accurately reflecting such expenditures for the preceding period on or before the 15th of the month following the end of the quarter. In connection with the initial opening of the Venue, you must conduct an advertising and marketing campaign as we prescribe. You must submit ~~to us for review~~ your marketing and PR plan and budget to us for review and our consent at least 3 months prior to the Venue's grand opening date.

We must approve all advertising and press releases. We will approve or disapprove all advertising materials within 15 business days of our receipt of those materials. You must not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent. We have sole discretion and control over advertising and use of the Marks on social media outlets, including without limitation Facebook~~and~~, Twitter, Instagram, YouTube or other similar outlets that may exist in the future. You must follow our requirements for all email marketing and social media advertising or use. We have the right to default you under your Franchise Agreement if you fail to follow our requirements for all social media advertising and use, and if you fail to timely cure your defaults we may terminate your Franchise Agreement.

We must approve in writing the person(s) you desire to hire to oversee your programming and promotions in your market(s) as well as the person(s) you desire to hire to oversee all marketing, PR and social media in your market(s).

We have established a marketing fund (the "Fund") on behalf of the System for advertising and marketing. You must make weekly contributions to the Fund to be paid in the same manner as the royalty payments. Initially that contribution will be 0.5% of your Venue's Gross Sales. We may increase the amount you must contribute to the Fund, up to a maximum of 1% of your Venue's Gross Sales. We or our affiliates will contribute to the Fund generally on the same basis as you do for Venues that we or they operate.

We or someone we designate will administer the Fund. We will direct all advertising and marketing programs and have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Venues operating under the System. In administering the Fund, we and our designees are not required to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. Except for a portion of the Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the Website), the Fund is not used to solicit the sale of franchises.

The Fund may be used to satisfy the costs of developing, preparing, administering, conducting and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs and activities of every kind and nature, through media now existing or that may be developed in the future, including the cost of developing, maintaining and updating our Website, running our loyalty program, preparing and conducting television, radio, magazine, newspaper and electronic advertising and social marketing campaigns; direct mail and outdoor billboard advertising; public relations activities; guest satisfaction surveys; conducting marketing research; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. All sums you pay to the Fund will be maintained in a separate account and we may use them to defray our reasonable administrative costs and overhead that we may incur in the administration or direction of the Fund and advertising and marketing programs for you and the System. The Fund and its earnings will not benefit us in any other way. The Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. Any sums paid to the Fund that are not spent in the year ~~they that~~ are collected will be spent in the following year ~~or returned to the contributors in proportion to the amounts paid by them, without interest.~~

We will prepare an annual statement of the operations of the Fund that will be made available to you if you request it. We are not required to have the Fund statements audited. Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors on the basis described above. During our ~~2018~~2019 fiscal year, the Fund had contributions \$1,690,377 of ~~\$1,504,901~~ and expenditures of \$1,604,923 1,780,405, and the Fund monies were spent as follows:

|            |      |       |
|------------|------|-------|
| Production | 2.29 | 1.26% |
|------------|------|-------|

|                               |        |
|-------------------------------|--------|
| Media                         | 68.43  |
| 66.73%                        |        |
| Administrative/Agency Expense | 29.28  |
| 32.01%                        |        |
| Total                         |        |
| 100.00                        | 100.0% |

At the end of fiscal year ~~2018~~2019, the Fund had a balance of \$188,368, which is carried over for expenditures in our fiscal year ~~2019~~2020, 341.

We currently advertise the Venues and the products offered by the Venues primarily using digital media, radio and direct mail. As the number of Venues in the System expands, we envision using other forms of media, including: ~~print, television, radio, magazine, electronic advertising campaigns; and direct mail advertising~~. Members of our staff develop the majority of our advertising and creative assets. We presently conduct advertising on a local basis. Once the franchise program has been established, we contemplate advertising on a regional and local basis through the use of the Fund, Local Advertising and Cooperatives (described below).

We may designate any geographic area in which 2 or more Venues are located as an advertising coverage area to establish an advertising Cooperative. The members of the Cooperative for any area will consist of all Venues located in the area, whether operated by us, our affiliates or franchised. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the right to form, dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for an advertising coverage area where your Venue is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must sign all documents we request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the advertising coverage area in which your Venue will be located will be provided to you if you request it.

You must contribute to the Cooperative the amounts required by the documents governing the Cooperative. However, you will not be required to contribute more than your expenditure requirement for local advertising during each month to the Cooperative unless, subject to our approval, the members of the Cooperative agree to the payment of a larger fee. You may apply the payments toward satisfaction of your Local Advertising requirement. All contributions to the Cooperative will be maintained and administered according to the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. Currently, no Cooperatives exist. Each Cooperative must prepare an annual financial statement reporting its expenditures for the previous year to its members.

Neither the Fund nor any Cooperative will use any funds for advertising that is principally a solicitation for the sale of franchises for Venues.

Except as described above, we are not obligated to spend any amount on advertising in the area where your Venue is located.

There is not currently an advertising council composed of franchisees that advises us on advertising policies. However, we ~~intend~~expect to form a ~~franchisee~~franchise advisory council ~~in the near future~~ that will, among other things, advise us on advertising policies.

## **Training**

All training occurs under your Franchise Agreement. No later than 120 days before the date the Venue begins operation, your Operating Principal and your General Manager, Venue Rental Manager, Creative

Manager, Assistant Managers, Kitchen Manager, Bar Manager and AV-Presentation Manager (collectively, "Managers") must attend and complete, to our satisfaction, our initial training program. We will conduct this training at our corporate headquarters and/or a Venue operated by us in Austin, Texas, or at another location we designate that has been certified for training. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement Operating Principals and Managers and other personnel needing training, the number of new Venues being opened by our affiliates and the timing of the scheduled openings of Venues to be operated by our affiliates and franchisees generally. The initial training program will generally last 6 to 12 weeks (dependent on the position training). ~~We~~You will pay us an initial training fee equal to \$5,000 times the number of initial training attendees (typically between 3 to 8 persons in total), and we will provide instructors and training materials for the initial training of your initial Operating Principal, Managers and other Venue personnel ~~at no charge to you~~. We will determine whether the Operating Principal and any Manager have satisfactorily completed initial training. If the Operating Principal or any Manager does not satisfactorily complete the initial training program or if we determine that these persons cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training. Any Operating Principal or Manager subsequently designated by you must also receive and complete the initial training. We may charge a reasonable fee for the initial training we provide to a replacement or successor Operating Principal or Manager (we currently charge \$5,000 per person for such additional initial training). If you fail to have a replacement Manager attend training and be certified as meeting our requirements, we may charge you a support fee of \$500 per week until a replacement Manager is trained or certified. You must pay for all expenses you and your Operating Principal, Managers and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The Operating Principal, Managers and other personnel must attend any additional training programs and seminars we offer if required to do so. For all of these programs and seminars, we will provide the instructors and training materials. The frequency and duration of such additional training will vary, as will the location, and mandatory nature of such training. In the past, we have generally offered franchisees the opportunity to attend additional training at their discretion and not made it mandatory. In most instances, such additional training will be operational in nature for your General Manager and other onsite personnel or address new or ancillary products or services we may permit franchisees to offer in their Venues, will occur at our headquarters in Austin, Texas and/or at a Venue in Austin, Texas or at another location we designate that has been certified for training, and, if made mandatory, will not occur more often than once a year or last beyond one week in duration. We reserve the right to charge a reasonable fee for the additional training programs and seminars that we provide on an optional basis. You must also pay for all expenses you or your Operating Principal, Managers and other personnel incur in participating in any additional training, including costs of travel, lodging, meals, and wages (see Item 6).

For the opening of your first Venue, we will send between 16 and 24 opening training team members for on-site pre-opening and opening training, supervision, and assistance to you for up to two weeks before opening and up to two weeks after opening. It is your responsibility to pay for all of our costs associated with the 16 to 24 opening training team members, including payroll, travel, lodging and meals. See Items 5, 6 and 7 for the range of costs of our opening training team members.

Our opening training is administered and directed by Nick Vega. Mr. Vega has been our Director of Training since August 2013 and has been involved in training generally since 1999. General Managers at existing training Venues have between 5 and 15 years' experience operating Venues or other restaurants or theatres. We may also draw on the experience of other training professionals. The instructional materials used in the initial training consist of our Operations Digital Library Opening Venue Training Package (geared toward hourly positional training), LMS (Learning Management System) library, marketing and promotion materials, programs related to the operation of the point of purchase system, and other written directives related to the operation of the Venue (collectively, the "Operations Digital Library").

The subjects covered, hours of classroom and on the job training and instructors providing the initial training program for the General Manager and other Managers are described below:

### TRAINING PROGRAM

| Subject                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Weeks of On The Job Training | Location                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------|
| <b>Managers</b><br><br><b>4-Wall, GM, KM Programs includes, but not limited to:</b> <ul style="list-style-type: none"> <li>• Overall Alamo Venue Management</li> <li>• Staff Scheduling</li> <li>• Labor Forecasting systems</li> <li>• Inventory Systems</li> <li>• Sanitation &amp; Food Safety Systems</li> <li>• Operation Management of Guest Services</li> <li>• Guest Feedback Systems</li> <li>• Staff Development Systems</li> <li>• Alamo Financials, NPS &amp; eNPS focuses</li> </ul> | 8-12 weeks                   | Austin, Texas <u>(or other certified training venue)</u> |
| <b>Creative Manager Program includes, but not limited to:</b> <ul style="list-style-type: none"> <li>• 1st Run Film Booking</li> <li>• Programming Systems &amp; Standards</li> <li>• Social Media Systems &amp; Standards</li> <li>• Victory Systems &amp; Standards</li> <li>• Interactive Events</li> <li>• Venue Operations Overview</li> <li>• Guest Feedback Systems</li> </ul>                                                                                                             | 6-8 weeks                    | Austin, Texas <u>(or other certified training venue)</u> |

The entire training program may be changed due to updates in materials, methods, manuals and personnel without notice to you.

The subjects and time periods allocated to the subjects actually taught to you and your personnel may vary based on the experience of those persons being trained.

If you reasonably request or as we deem appropriate, we will, when our personnel is available, provide you with additional trained representatives who will provide on-site remedial training to your Venue personnel. For additional training that you request, you will be required to pay actual costs for the services of our trained representatives, plus their costs of travel, lodging, meals, and wages.

Franchised Venues can become training certified by learning and performing all parts of the Venue Training Certification program and maintaining all brand standard metrics, to our satisfaction. The Venue Training Certification is facilitated by the brand Training Department and is taught and administered through a number of one-on-one training calls with an identified Training Manager and finalized by on-site visit(s). Venues that obtain and maintain their training certification are able to partner with the brand Training Department to facilitate the initial training program on-site.

The Table of Contents for our Operations Digital Library is attached as Exhibit D to this Disclosure Document.

## **Site Selection**

Site selection occurs under your Franchise Agreement. You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Venue and for constructing and equipping the Venue at the accepted site.

If your site is not known when we and you sign the Franchise Agreement, you will be required to search for a potential site for the Venue in your Potential Site Area (as defined in Item 1) that will be determined before you sign the Franchise Agreement and described in Attachment B to the Franchise Agreement. We will determine the Potential Site Area in our sole discretion before you sign the Franchise Agreement based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market.

You will select the site for the Venue from within the Potential Site Area, subject to our consent. The Venue may not be relocated without first obtaining our written consent. Before you lease or purchase the site for the Venue, you must locate a site that satisfies our site selection guidelines. You must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. You must submit information and materials for the proposed site to us for consent no later than 30 days after you have signed the Franchise Agreement. We will have 15 days after we receive this information and materials from you to consent to the proposed site as the location for the Venue. You must purchase or lease, at your expense, the site for the Venue within 45 days after we consent to it. You must obtain our consent of any sale or lease contract before you sign it (see Item 8). Your lease must at a minimum contain our Required Franchise Lease Terms contained in Attachment C to the Franchise

We will provide to you with our current written site selection guidelines and any other site selection counseling and assistance we think is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

We may provide on-site evaluations of the proposed site. We will not provide an on-site evaluation for any proposed site before receiving from you the materials you must submit to us as described above. After that, if we think an on-site evaluation of your proposed site is necessary or if you reasonably request, we will provide an on-site evaluation. We reserve the right to charge a reasonable fee for each evaluation as well as a fee for our reasonable expenses including the cost of travel, lodging, meals and wages.

We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Venue will be approximately 12 to 24 months. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Venue, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Venue, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Venue, including purchasing inventory and supplies. You must open the Venue and begin business within 180 days after you obtain possession of the accepted location, unless you obtain a written extension of this time period from us. If you do not obtain a site that we accept, and or fail to construct the ~~store~~ Venue within the time periods required in Section 2 of the



Franchise Agreement, we may terminate the Franchise Agreement and your deposit and/or initial franchise fee will be forfeited to us.

In all cases, we must provide our consent to your architect, Venue plans and contractor, and you must only use plans and undergo construction with our consent. If you proceed with an architect or a contractor that has not received our consent, or you proceed with construction under plans that have not received our consent, we reserve the right to instruct you to cease use of an unapproved architect, contractor or related vendor, instruct you to modify plans or cease work on unapproved aspects of the plans, instruct you to redo some aspect of the venue to comply with the DCM, instruct you to cease construction altogether, or cease some aspect of construction that is non-compliant and/or prohibit you from opening the Venue until strict compliance is achieved.

~~If you sign a Development Agreement with us, all of your Venues that you develop must be located within the Potential Venues Area described in the Development Agreement.~~

~~We are an authorized supplier of the Real Estate Services described in Items 1, 5, 7 and 8, which includes site selection, design and construction services.~~

### **Computer and Electronic Point of Sale Systems and Support**

#### **Point-of-Sale Software and Hardware Requirements:**

You must install and maintain the computer hardware and software we deem necessary to operate the required point-of-sale software systems. We reserve the right to modify our requirements from time to time, and require you to comply with the modifications upon notice to you.

#### **Vista Point-of-Sale for Tickets**

Vista Entertainment Solutions' suite of products is the current required point-of-sale system for ticket sales. The hardware required to run Vista consists of servers, terminals, and kiosks (optional). The software required to run Vista consists of specific operating systems, databases, and Vista software modules. You must check with Alamo Drafthouse Corporate IT ("Corporate IT") for a list of the specific hardware and software versions that are required at the time of installation.

**Vista Server:** The Vista server is used to schedule, sell, report and manage all theater ticketing. You must install a computer server at the Venue that is capable of running the required Vista server software. It must meet the following minimum requirements:

- Operating System: Microsoft Windows Server 2016
- Database: Microsoft SQL 2017
- Storage: 1 TB or greater configured in a RAID 5 array
- Memory: 32 GB RAM or greater

**Box Office Terminals:** Box office terminals are required for in-theater ticket sales and to pick up tickets sold online. You must install box office terminals capable of running the required Vista point of sale software. You must install 1 point-of-sale terminal at the box office for every 300 seats in the theater; typically, a total of 2-3 box office terminals are installed. There are many different terminal hardware choices, but not all are reliable. Therefore, the box office terminal hardware must be approved in advance by Corporate IT or selected from a list of pre-approved options. The box office terminals must meet the following minimum requirements:

- Operating System: Microsoft Windows 7 Pro or higher
- Storage: 120 GB or greater

**Aloha:** You must purchase help desk and phone software support for the Aloha POS system at a price of approximately \$1,200 per year per venue.

Extended service contracts are highly recommended for all hardware to limit the downtime in the event of a hardware failure. These service contracts are typically available from the vendor who provided the hardware, for example, NCR for terminal and POS hardware or Dell for server hardware.

Third party management and support of your Venue's computing infrastructure and network equipment is highly recommended. IronEdge Group is our current recommended partner and provides a complete venue support program for \$1,500 per month per theater. This solution includes a telephone help desk, proactive hardware alerting, site connectivity monitoring, and firewall/wireless network maintenance/configuration. A menu of solutions is available from IronEdge Group for additional costs based on specific PCI requirements including backup, log monitoring, anti-virus and file integrity monitoring.

#### PCI Compliance Requirements:

You must ensure that your networks and point-of-sale systems are always compliant with the current Payment Card Industry Data Security Standards (PCI DSS). You must ensure that the operating systems on your terminals, kiosks and servers are always on a PCI Compliant version. Any non-compliant operating systems must be upgraded or replaced within 120 days of falling out of compliance.

#### Disaster Recovery Requirements:

You must maintain a disaster recovery plan that limits the downtime and loss of data in the event of a network or hardware failure. Your disaster recovery procedures should include regular backups of critical servers and databases and offsite or cloud storage of data backups.

#### Firewall and Network Security Requirements:

You are currently required to install and maintain a hardware and software firewall device on your point-of-sale network that follow closely to the Payment Card Industry (PCI) DSS merchant requirements as stated on the <http://www.pcisecuritystandards.org> website. The point-of-sale network that processes credit cards must be segmented from all other internal venue networks.

To ensure your network is PCI compliant, you must use an approved third-party network management company or PCI Compliance vendor such as IronEdge Group or the NCR Security Services program. The name and contact information of the external vendor must be provided to Corporate IT. We may provide guidance on third party PCI compliance vendors, cyber liability insurance or breach protection insurance to you, but you are ultimately responsible for validating and submitting proof of PCI compliance for your Venue.

#### High-Speed Internet Access Requirements:

The venue must have high speed Internet access that permits you to run credit card/gift card transactions, sell tickets online, browse to the Internet, transmit/receive email, and download custom video content from our FTP site. The venue must have at least two Internet connections, providing fault tolerance and fail over in the case of an Internet outage on one of the connections.

The first (primary) Internet connection must be a fiber connection with at least 20MB down and 20MB up, although 50MB down and 50MB up is recommended. At least 1 static IP address must be included with the fiber connection.

The secondary Internet connection can be a lower-cost copper connection. It must have at least 100MB down and 10MB up. At least 13 static IP addresses must be included with the secondary internet connection.

Alamo Corporate/Vendor Access and Data Reporting:

You must allow Corporate IT to have immediate and secure access to your network, point-of-sale, databases, and other computing systems, and there is no contractual limitation on our access or our use of any information we may obtain from that access. Specifically, you must install and maintain a system that permits Corporate IT and our representatives to access and electronically retrieve and push any information or updates to/from your point-of-sale systems or other computer systems, including information concerning your Venue's restaurant and online ticket sales, at the times and in the manner of our choosing. You must, at our option, sign any documents we deem necessary to permit us or our representatives to retrieve this information.

You must install and maintain the following software components that enable data reporting and synchronization.

**Aloha Configuration Center**, which pushes menu, tender, comp and price changes down from an enterprise level, with monthly costs of approximately \$125 per month per venue.

**Mirus**, a third party business intelligence tool which is installed on the Aloha and Vista servers and polls sales and labor data on a daily basis. It costs approximately \$125 per month per theater.

**Vista Head Office**, a component of the Vista point-of-sale system that pushes down films, events, and ticket prices to Venues.

Included Day to Day IT Support for Franchise Locations:

In order to ensure consistent reporting across all Venues, our IT will perform the following support and system administration tasks at no extra charge to you.

Aloha

- Creation of new menu items
- Creation of new comps
- Creation of new promos

All Aloha-related requests must be submitted by Tuesday at 4pm Central Time for implementation by Thursday. Any requests received after the 4pm cut off will be fulfilled the following week.

Vista

- Creation or modification of price cards
- Creation of merchandise items and barcodes
- Creation of vouchers
- Creation of new ticket types

All Vista-related requests must be submitted two weeks before they need to be active.

Additional / Emergency IT Support for Franchise Locations:

If you are having an IT related issue, we prefer that you contact a certified IT support vendor such as POS Solutions, Vista, or IronEdge Group.

Examples of Emergency Support requests include:

Aloha

- Server is down
- All terminals are down
- EDC processing is turned off, but credit cards still won't work Vista
- Server is down
- All terminals are down
- Online ticketing is down

Included IT Support for New Franchise Venue Openings:

As part of the new franchise venue opening ("NVO") process, Corporate IT provides a standard NVO support package under which we will perform the following activities to assist you with planning and implementing the point-of-sale and other computer systems for your new venue. You must pay for any the travel expenses related to on-site visits that are part of the standard NVO support package.

You are ultimately responsible for the implementation of these systems and their adherence to the brand standards. Corporate IT serves in a support capacity only.

*Summary of Standard NVO Support Package*

| Activity                                     | Scope                      |
|----------------------------------------------|----------------------------|
| Vendor Responsibility Meeting                | 1 <sup>st</sup> Venue Only |
| Build Out Venue-Specific Ticket Types        | All New Venues             |
| Remote Installation of Operations Dashboard  | All New Venues             |
| Review Hardware Order                        | All New Venues             |
| On-Site Support During IT Installation       | All New Venues             |
| Remote Installation of Reporting Tools       | All New Venues             |
| Remote Installation of Guest Feedback System | All New Venues             |
| Ticketing Go-Live Support                    | All New Venues             |
| 1 <sup>st</sup> Venue Grand Opening Support  | 1 <sup>st</sup> Venue Only |

**Vendor Responsibility Meeting:** A Corporate IT team member will take part in an initial 2-hour meeting with the Franchise Operator to discuss our recommended IT vendors, including the capabilities and typical responsibilities of each vendor and the key players for each vendor. This meeting typically occurs only for a Franchise Operator's first venue.

**Build Out Venue-Specific Ticket Types:** A Corporate IT team member will spend approximately 8 hours building out venue-specific ticket types in Vista.

**Remote Installation of Operations Dashboard:** A Corporate IT team member will spend approximately 2 hours remotely installing and configuring our in-house operations dashboard and ticket monitor software solution.

**Review Hardware Order:** A Corporate IT team member will spend approximately 2 hours reviewing each new venue's IT hardware order prior to the order being placed to ensure they are complete and accurate.

**On-Site Support During IT Installation:** A Corporate IT team member will be onsite for 2 days of support during the week of the IT installation to confirm the IT installation is adhering to brand standards. If the venue is not fully ready for the IT installation when the Corporate IT team member arrives, we reserve the right to cancel the IT installation and reschedule it, and you will be charged for the Corporate IT team member's time at a rate of \$1,750 per day.

**Remote Installation of Reporting Tools:** A Corporate IT team member will spend approximately 4 hours remotely installing / configuring our reporting software package and its POS integrations.

**Remote Installation of Guest Feedback System:** A Corporate IT team member will spend approximately 2 hours remotely installing our current guest feedback software package.

**Ticketing Go-Live Support:** A Corporate IT team member will spend approximately 1-2 hours on a “ticketing go-live” conference call. The purpose of this meeting is to run through the ticketing process and ensure all sales channels are functioning as expected.

**1<sup>st</sup> Venue Grand Opening Support:** A Corporate IT team member will spend approximately 2 days onsite to support the Grand Opening of your first franchise location. This activity is only performed for a Franchise Operator’s first venue, but may be purchased for subsequent venues at an additional charge (see below).

Additional Options for New Franchise Venue Opening Support:

If you would like additional NVO support beyond what is included in the standard NVO support package, you may purchase additional support at an additional charge.

*Summary of Additional NVO Support Options*

| Activity                   | Price           |
|----------------------------|-----------------|
| Additional On-Site Support | \$1,750 per Day |
| NVO Project Coordinator    | \$10,000        |
| Initial Aloha Menus        | \$3,500         |
| Grand Opening Support      | \$1,750 per Day |

**Additional On-Site Support:** If your venue is not completely ready for the IT installation when the IT installation team arrives, it will likely slow down the installation process and require the IT installation team to stay longer than planned to complete the IT installation. If this happens and if the Corporate IT team member’s schedule permits, the Corporate IT team member will stay for additional days to help complete the IT Installation at a rate of \$1,750 per day plus travel expenses. You may also request additional on-site support at the same rate of \$1,750 per day plus travel expenses. Non-working travel days will be billed at \$500 each.

**NVO Project Coordinator:** If you would like a Corporate IT team member to server as an NVO Project Coordinator, acting as the new venue’s interface between the Alamo NVO Project Manager and the IronEdge NVO team on the weekly SmartSheet call, one can be available for \$10,000 per NVO. This would include a minimum of 2 hours a week for the duration of the 5 months between the initial call and the Grand Opening.

**Initial Aloha Menus:** Each new venue will require the one-time creation of Aloha menus, submenus and print routing hierarchy. If you would like a Corporate IT team member to create and configure these, this activity can be performed for \$3,500. Corporate IT will work with the venue to verify and adjust these items until the venue is satisfied that they are correct. Corporate IT will also answer any questions about this configuration from the IT Install to the Grand Opening during normal business hours (M-F 8am-5pm Central Time).

**Grand Opening Support:** If you would like a Corporate IT team member to be on-site to support your new venue’s grand opening, one can be provided at a rate of \$1,750 per day plus travel expenses, with a 2 -day minimum. Note: There is no charge for supporting the grand opening of your 1<sup>st</sup> venue.

## ITEM 12 TERRITORY

### Franchise Agreement

The Franchise Agreement grants you the right to operate a Venue using the Marks and System at a single location that you select and that we accept. Attachment B to the Franchise Agreement lists the specific street address or physical space of the accepted location. You must operate the Venue only at this accepted location and may not relocate the Venue without first obtaining our written consent, which we may withhold at our sole discretion and may condition on, among other things, the new location being within an agreed range from the original Venue, you reimbursing us for our costs and you adhering to a relocation schedule agreed between you and us. You may not establish or operate another Venue unless you enter into a separate Franchise Agreement.

If your location is not known when we and you sign the Franchise Agreement, you will be required to search for a potential site for the Venue in an agreed Potential Site Area that will be determined before you sign the Franchise Agreement and described in Attachment B to the Franchise Agreement. See Item 8. We will determine the Potential Site Area in our sole discretion before you sign the Franchise Agreement based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution that we control. However, on a case-by-case basis, we may agree to temporarily refrain from establishing or authorizing any other person or entity, other than you, to establish a Venue operating under the System and the Marks in the immediate vicinity of your Venue so long as you and your affiliates are in compliance with the Franchise Agreement and any other agreements with us and our affiliates. Any such ~~limited~~ exclusivity will be granted only in our sole discretion, and will be ~~limited~~specific as to both geographic scope (described as the Limited FA Area in your Franchise Agreement) and time (described as the Limited FA ~~Exclusivity~~ Period in your Franchise Agreement). The Limited FA Area may range from a site or retail development specific area to up to a 3-mile radius around your Venue, and is generally referenced by streets, landmarks or metes and bounds descriptions. The Limited FA ~~Exclusivity~~ Period may range from 1 year to the full duration of the term of the Franchise Agreement. Any Limited FA Area and Limited FA ~~Exclusivity~~ Period granted to you will be described in Attachment B to the Franchise Agreement. We determine whether to offer you a Limited FA Area and Limited FA ~~Exclusivity~~ Period based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market. If your Location is known, we will designate your Limited FA Area and Limited FA ~~Exclusivity~~ Period before you sign the Franchise Agreement. If your Location is not yet known, we will designate your Limited FA Area and Limited FA ~~Exclusivity~~ Period when you receive consent to your Location, and we will update Attachment B to the Franchise Agreement.

Regardless of whether we grant you any Limited FA Area and Limited FA ~~Exclusivity~~ Period, we and our affiliates (and all respective successors and assigns, by purchase, merger, consolidation or otherwise) reserve all rights that the Franchise Agreement does not expressly grant to or confer upon you, including, without limitation: (i) the right to advertise and promote Venues, the System and/or the Marks both inside and outside the Potential Site Area or Limited FA Area (if any) during and after the Limited FA ~~Exclusivity~~ Period (if any); (ii) the right to operate, and grant to others the right to operate, retail theater/restaurant establishments that feature first run movies with in-theater food and beverage service establishments that may use aspects of the System, but are identified by trade names, trademarks, service marks or trade dress other than the Marks, both inside and outside the Potential Site Area ~~or Limited DA Area (if any) during and after the Limited DA Exclusivity Period (if any)~~, and regardless of proximity to

or competitive impact upon your Venue; (iii) the right to operate, and grant to others the right to operate, retail movie theater establishments that may use aspects of the System and are identified either by the Marks or by other trade names, trademarks, service marks or trade dress both inside and outside the Limited FA Area, and regardless of proximity to or competitive impact upon your Venue, so long as such any such establishments identified by the Marks and located in the Limited FA Area (if any) during the Limited FA ~~Exclusivity~~ Period (if any) do not offer in-theater food and beverage service; (iv) the right to operate, and grant to others the right to operate, restaurant, bar and other food and beverage establishments that may use aspects of the System and are identified either by the Marks or by other trade names, trademarks, service marks or trade dress both inside and outside the Limited FA Area, and regardless of proximity to or competitive impact upon your Venue, so long as such any such establishments identified by the Marks and located in the Limited FA Area (if any) during the Limited FA ~~Exclusivity~~ Period (if any) do not offer first run movies; (v) the right to offer and sell private label and other collateral products or services identified either by the Marks or by other trade names, trademarks, service marks or trade dress at or from any location (including through the internet) or through any other form of distribution system, such as pre-packaged movies, food and beverage services and products and memorabilia; and (vi) the right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate theater and/or restaurant establishments that feature first run movies and/or food and beverages within the Limited FA Area, and we or our successors or assigns will have the right to operate and license other to operate such establishments under the trademarks or service marks of such other business at, from and/or physically contiguous to such establishment premises within the Limited FA Area (if any) during the Limited FA ~~Exclusivity~~ Period (if any) regardless of proximity to or competitive impact upon your Venue.

Any territorial rights (i.e., Limited FA ~~Exclusivity~~ Period and Limited FA Area) granted to you under the Franchise Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingency. If granted, the Limited FA ~~Exclusivity~~ Period and Limited FA Area may not be unilaterally altered before the Franchise Agreement expires or terminates, but as noted above the Limited FA ~~Exclusivity~~ Period may not run the entire term of the Franchise Agreement.

There are no restrictions on us from soliciting or accepting orders from consumers located inside the Potential Site Area or Limited FA Area (if any). We reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the Potential Site Area or Limited FA Area (if any) using the Marks (including the sale of gift cards). Although we have not done so, we also reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within the Potential Site Area or Limited FA Area (if any) of products or services under trademarks different from the ones you will use under the Franchise Agreement. We are not required to pay you any compensation for soliciting or accepting orders from inside the Potential Site Area or Limited FA Area (if any).

You may solicit and accept orders outside of the Potential Site Area or Limited FA Area (if any), including the right to use other channels of distribution that we may authorize, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of the Potential Site Area or Limited FA Area (if any).

~~Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark, which business sells or will sell goods or services similar to those you will offer.~~

#### ~~**Development Agreement**~~

~~We only enter into Development Agreements in limited circumstances.~~

~~If you enter into a Development Agreement, you are assigned a Potential Venues Area where you have to develop 2 or more Venues according to a specified development schedule attached to the Development Agreement and agreed to before it is signed (the "Development Schedule"). The size of the Potential Venues Area may be a single or multi county area, single state area or some other area, and will be described in Section 1.1 of the Development Agreement. We will determine the Potential Venues Area in our sole discretion before you sign the Development Agreement based on various market and economic factors.~~

~~You must develop Venues in the Potential Venues Area under the Development Schedule in Article III. of the Development Agreement. You may in certain instances have the right to purchase extensions of the time you need to develop Venues by providing us notice, paying us a fee and demonstrating to us that you are diligently attempting to satisfy your development obligations. See Item 6. You and we agree to the Development Schedule before signing the Development Agreement. If you stop operating any Venues during the term of the Development Agreement, you must develop a replacement Venue within a reasonable time (not to exceed 210 days) after you stop operating the original Venue. If you transfer your interest in a Venue during the term of the Development Agreement, in compliance with the related Franchise Agreement for the Venue, the transferred Venue will continue to be counted in determining whether you have complied with the Development Schedule, unless the transferred Venue is no longer operated as an Alamo Drafthouse Venue. In that case, you must develop a replacement Venue within a reasonable time (not to exceed 210 days) after the transferred Venue ceases to be operated as an Alamo Drafthouse Venue.~~

~~We generally do not provide you any exclusivity under the Development Agreement. You may compete with us or our other franchisees to locate sites for Venues in the Potential Venues Area. However, on a case by case basis, we may temporarily agree to refrain from establishing or authorizing any other person or entity, other than you, to establish a Venue operating under the System and the Marks in the Potential Venues Area or a lesser agreed geographic area for an agreed period of time so long as you and your affiliates are in compliance with the Franchise Agreement and any other agreements with us and our affiliates. Any such limited exclusivity will be granted only in our sole discretion, and will be limited as to both geographic scope (ranging from a fraction of the Potential Venues Area to the full Potential Venues Area and described as the Limited DA Area in your Development Agreement) and time (ranging from 1 year to the duration of the Development Agreement and described as the Limited DA Exclusivity Period in your Development Agreement), each selected at our discretion. We will determine whether to offer you any limited exclusivity, as well as the specific geographic scope and time for any such Limited DA Area and Limited DA Exclusivity Period, before you sign the Development Agreement based on various market and economic factors such as an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites and the growth trends in the market.~~

~~We and our affiliates (and all respective successors and assigns, by purchase, merger, consolidation or otherwise) reserve all rights that the Development Agreement does not expressly grant to or confer upon you, including, without limitation: (i) the right to advertise and promote Venues, the System and/or the Marks both inside and outside the Potential Venues Area or Limited DA Area (if any) during and after the Limited DA Exclusivity Period (if any); (ii) the right to operate, and grant to others the right to operate, retail theater/restaurant establishments that feature first run movies with in theater food and beverage service establishments that may use aspects of the System, but are identified by trade names, trademarks, service marks or trade dress other than the Marks, both inside and outside the Potential Venues Area or Limited DA Area (if any) during and after the Limited DA Exclusivity Period (if any), and regardless of proximity to or competitive impact upon the Venues; (iii) the right to operate, and grant to others the right to operate, retail movie theater establishments that may use aspects of the System and are identified either by the Marks or by other trade names, trademarks, service marks or trade dress both inside and outside the Potential Venues Area or Limited DA Area (if any) during and after the Limited DA Exclusivity Period (if any), and regardless of proximity to or competitive impact upon the~~



~~Venues, so long as such any such establishments identified by the Marks and located inside the Limited DA Area (if any) during the Limited DA Exclusivity Period (if any) do not offer in theater food and beverage service; (iv) the right to operate, and grant to others the right to operate, restaurant, bar and other food and beverage establishments that may use aspects of the System and are identified either by the Marks or by other trade names, trademarks, service marks or trade dress both inside and outside the Potential Venues Area or Limited DA Area (if any) during and after the Limited DA Exclusivity Period (if any), and regardless of proximity to or competitive impact upon the Venues, so long as such any such establishments identified by the Marks and located inside the Limited DA Area (if any) during the Limited DA Exclusivity Period (if any) do not offer first run movies; (v) the right to offer and sell private label and other collateral products or services identified either by the Marks or by other trade names, trademarks, service marks or trade dress at or from any location (including through the internet) or through any other form of distribution system, such as pre-packaged movies, food and beverage services and products and memorabilia; and (vi) the right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate theater and/or restaurant establishments that feature first run movies and/or food and beverages located inside the Limited DA Area (if any) during the Limited DA Exclusivity Period (if any), and Franchisor or its successors or assigns will have the right to operate and license other to operate such establishments under the trademarks or service marks of such other business at, from and/or physically contiguous to such establishment premises inside the Limited DA Area (if any) during the Limited DA Exclusivity Period (if any) regardless of proximity to or competitive impact upon the Venues.~~

~~You must exercise the development rights only by entering into a separate Franchise Agreement with us for each Venue. We may, in our discretion, permit you to exercise the development rights through affiliated entities that are either your wholly owned subsidiaries or commonly controlled entities with ownership identical to yours. The Franchise Agreement to be signed for the first Venue you develop under the Development Agreement must be signed and delivered to us concurrently with the signing and delivery of the Development Agreement and will be in the form of the Franchise Agreement attached to this Disclosure Document. All additional Venues developed under this Development Agreement must be established and operated under our form of Franchise Agreement then being used by us for Venues under the System. The then current form of Franchise Agreement may differ from the form attached to the Disclosure Document.~~

~~If we grant you any territorial rights over the Potential Venues Area under the Development Agreement, such territorial rights are not dependent on the achievement of a certain sales volume, market penetration or other contingency except as stated below. Also, except as stated below, the Potential Venues Area may not be altered before the Development Agreement expires or terminates.~~

~~You must open each Venue and commence business in accordance with the Development Schedule. You may seek up to two extensions of six months each on a per Venue basis by providing us written notice and paying a \$5,000 extension fee per extension, and we will grant you the extension if we believe you are diligently pursuing development of the Venue. If you fail to open a Venue in compliance with the Development Schedule as required in the Development Agreement, or in any other manner commit a material event of default under the Development Agreement as described in Item 17 and above, we may, in addition to our other remedies, terminate or modify your territorial rights (if any), reduce the area of territorial rights (if any), or reduce the number of Venues that you may establish under the Development Agreement.~~

~~Except as described above, we~~

We generally do not grant any right of first refusal to obtain additional Venue locations. If you wish to obtain an additional location, you must either have entered into a Development Agreement that grants you the right to establish more than 1 Venue or enter into a separate Franchise Agreement for the additional location.

Neither we nor our affiliates currently operate, franchise, or conduct business through alternative channels of distribution offering products or services similar to those offered by the Venue under different marks. There are, however, no restrictions in the Franchise Agreement or the Development Agreement that would restrict our ability to do so.

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark, which business sells or will sell goods or services similar to those you will offer.

### ITEM 13 TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us, including the Marks described in Item 1. These Marks may be used only in the manner we authorize and only for the operation of your Venue at the location specified in the Franchise Agreement.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our ownership of, or our rights in and to, the Marks.

We own the following principal Marks registered with the U.S. Patent and Trademark Office on the Principal Register and have filed all required affidavits:

| Mark                                       | Registration Number (Application Number) | Registration Date (Application Date) |
|--------------------------------------------|------------------------------------------|--------------------------------------|
| ALAMO DRAFTHOUSE                           | 2,852,845                                | June 30, 2010, renewed June 15, 2014 |
| ALAMO DRAFTHOUSE CINEMA (and Design)       | 4,199,310                                | August 28, 2012                      |
| ALAMO DRAFTHOUSE                           | 4,283,046                                | January 29, 2013                     |
| ALAMO DRAFTHOUSE                           | 4,283,047                                | January 29, 2013                     |
| ALAMO DRAFTHOUSE (and Design)              | 4,283,048                                | January 29, 2013                     |
| A (and Design)                             | 4,279,913                                | January 22, 2013                     |
| <del>Glass Half Full</del> GLASS HALF FULL | 4,668,059                                | January 6, 2015                      |
| BAR O' FUN                                 | 5,215,261                                | May 30, 2017                         |
| DRAFTHOUSE RECOMMENDS                      | 5,867,216                                | September 24, 2019                   |
| FANTASTIC FEST                             | 3,818,137                                | September 3, 2019                    |
| HOUSE OF WAX BAR                           | 5,105,698                                | December 20, 2016                    |
| QUOTE-ALONG                                | 7,735,436                                | August 1, 2018                       |
| ROLLING ROADSHOW                           | 2,871,866                                | August 10, 2014                      |
| THE BIG SHOW AT ALAMO DRAFTHOUSE           | 8,767,030                                | April 21, 2020                       |
| THE HIGHBALL                               | 3,810,562                                | March 26, 2020                       |
| TRIVIADOME                                 | 5,841,231                                | August 20, 2019                      |
| VICTORY                                    | 86,329,823                               | February 10, 2015                    |
| WEIRD WEDNESDAYS                           | 2,871,867                                | August 10, 2014                      |

There are no currently effective determinations of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement,

**ITEM 14**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

**Patents and Copyrights**

We have no patents or registered copyrights that are material to the Venue.

**Confidential Operations Digital Library**

You must operate the Venue in accordance with the standards and procedures specified in the Operations Digital Library. We will loan one copy of the Operations Digital Library to you for the term of the Franchise Agreement.

You must treat the Operations Digital Library and any other manuals we create or approve for use in your operation of the Venue, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, record or reproduce in any manner these materials, in whole or in part, or make them available to any unauthorized person. The Operations Digital Library remains our sole property and must be kept in a secure place on the Venue premises.

We may revise the contents of the Operations Digital Library and you must comply with each new or changed standard. You must also insure that the Operations Digital Library is kept current at all times. If there is a dispute as to the contents of the Operations Digital Library, the terms maintained by us at our home office will be controlling.

**Confidential Information**

We claim proprietary rights in certain of our recipes that are included in the Operations Digital Library and which are our trade secrets. You and each of your Controlling Principals are prohibited, during and after the term of the Franchise Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of the Franchise Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Venue that may be communicated to you or any of your Controlling Principals or that you may learn about, including these trade secrets. You and each of your Controlling Principals can divulge this confidential information only to your employees who must have access to it to operate the Venue. Neither you nor your Controlling Principals are permitted at any time, without first obtaining our written consent, to copy, record or reproduce in any manner the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Operations Digital Library, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

If we ask, you must have your Managers and any of your other management personnel who have received or will have access to confidential information, sign similar covenants. (See Item 17). The covenants will be substantially as described in Attachment D to the Franchise Agreement and Attachment C to the ~~Development~~ Agreement. Your Principals also must sign these covenants.

If you or your Controlling Principals develop any new concept, process or improvement in the operation or promotion of the Venue, you must promptly notify us and give us all necessary information, free of charge. You and your Controlling Principals must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL**  
**OPERATION OF THE FRANCHISED BUSINESS**

When you sign the Agreements, you must designate and retain at all times an individual to serve as the “Operating Principal” under the Agreements. If you are an individual, you must be the Operating Principal. If you are an entity, the Operating Principal must be one of your Controlling Principals and must hold an ownership interest in you or any entity that directly or indirectly controls you. Except as may be provided in the Agreements, the Operating Principal’s interest in you must remain free of any pledge, lien, encumbrance, voting agreement, proxy, or purchase right or option.

The Operating Principal may, at his option, and subject to our approval, designate an individual to perform the duties and obligations of the Operating Principal described in the Agreements and in this Disclosure Document. The Operating Principal must take all necessary action to ensure that the designee conducts and fulfills all of the Operating Principal’s obligations and will remain fully responsible for his performance. The Operating Principal (or his designee, if applicable) must devote substantial full time and best efforts to the supervision and performance of the Venue under the Agreements. The Operating Principal must sign the Agreements as one of your Controlling Principals, and will individually guarantee all of your obligations, and will be jointly and severally bound by all of your obligations and the obligations of the Operating Principal and your Controlling Principals under the Agreements.

The Operating Principal (and any designee) must meet our standards for these positions, as provided in the Operations Digital Library or other written instructions. Under the Agreements, the Operating Principal (or his designee) must satisfy the training requirements stated in the Franchise Agreement.

If, during the term of the Agreements, the Operating Principal or any designee cannot serve as Operating Principal or no longer qualifies, you must promptly notify us and designate a replacement within 30 days after the Operating Principal or designee stops serving or no longer meets the requirements. Any replacement must meet the same qualifications listed above. You must provide for interim management of the Venue until you designate a replacement. This interim management must be conducted in accordance with the Agreements.

As described in Item 1, we have identified certain persons under the ~~Franchise Agreement and Development Agreement~~ Agreement that we refer to in this Disclosure Document as your Principals. Your Principals include your spouse, if you are a married individual, your Principals also include those of your business entity’s officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals and all holders of an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

If we designate certain of your Principals as Controlling Principals, they must sign the Franchise ~~Agreement and Development Agreement, as applicable~~ Agreement, and agree to be individually bound by certain obligations under the Agreements, including confidentiality and non-competition covenants and to personally guarantee your performance under the Agreements. We typically designate your principal equity owners and executive officers, as well as any other affiliated entities that operate Venues as Controlling Principals.

You must retain at all times a General Manager, Assistant Managers, Venue Rental Manager, Creative ~~Director/Manager~~ Manager, Kitchen Manager, ~~Projection Bar Manager~~ AV-Presentation Manager and the other personnel that are needed to operate and manage the Venue (collectively, the “Managers”). The Managers must satisfy our educational and business criteria as provided to you in the Operations Digital Library or other written instructions, and must be acceptable to us. We may permit you to interview and hire Managers that currently work at existing Venues that we or our affiliates own and operate, and you

will pay us (or our affiliate) a fee if you hire one of these Managers. See Item 6 for a description of the current fees. In addition, the General Manager must be responsible for the supervision and management of the Venue, the Kitchen Manager must be responsible for the supervision and management of the restaurant operations at the Venue, the Projection Bar Manager must be responsible for the supervision and management of the bar operations at the Venue, the AV-Presentation Manager must be responsible for the supervision and management of the theater operations, the Creative Director/Manager must direct the operation and management of signature events, promotions and local marketing and the Venue Rental Manager must market and book the Venue for private and corporate events. All of the Managers must devote full time and best efforts to their duties. The Managers also must satisfy the applicable training requirements in the Franchise Agreement. If a Manager cannot serve in the position or does not meet the requirements, he must be replaced within the same time period and under the same conditions stated above for the Operating Principal.

If available, we may permit you to interview and hire a General Manager, ~~Creative Director~~ or other key manager employed at an existing Venue that we or our affiliates own and operate. You must pay us or our affiliate a fee if you hire someone through our manager feeder program. This fee will vary depending on the position and tenure of the person hired; and currently ranges from \$40,000 to \$60,000 if you hire a General Manager and from \$16,000 to 40,000 if you hire a Manager ~~or Creative Director~~.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from your Managers and any of your other management personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you (except for any limited partners) who is not designated as a Controlling Principal and does not sign the ~~Franchise Agreement or Development Agreement~~ as a Controlling Principal. You must require all of your management personnel to sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you (see Item 14). These covenants will be in substantially the same form attached to the Franchise Agreement as Attachment D ~~and the Development Agreement as Attachment C~~. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the noncompetition covenants contained in the attachments or eliminate the noncompetition covenants altogether for any party that is required to sign an agreement as described in this paragraph. (See Item 17).

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must comply with all of our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including projection, sound and audio visual systems and point of sale and computer systems), utensils and other kitchen items and products used or sold at the Venue (see Item 8).

You must sell or offer for sale all menu items, food products, and other products and services we require, in the manner and style we require, as expressly authorized by us in writing. You must sell and offer for sale only the menu items, and other products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by you at the Venue at any time, and there are no limits on our right to make those changes. As noted in Item 1, if we permit you to develop and operate a Bar on the premises of your Venue, the Bar will be considered part of the Venue and the Bar must be developed and operated under the System and pursuant to our standards and specifications.

You must show only the category of movies (first run, second run or art house), pre-show or advertising tapes that we have approved for showing and must discontinue showing any content that we may

| term                                                                    |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. Requirements for franchisee to renew or extend                       | Section 3.2                  | To renew you must give at least 6 months' notice, repair and update equipment and Venue premises, not be in breach of any agreement with us or our affiliates, have the right to remain in possession of Venue premises, pay renewal fee, sign our then-current franchise agreement (which may contain materially different terms and conditions than your franchise agreement) and general release, and comply with current qualification and training requirements (see State Amendments to Disclosure Document and Agreements).                                                                                                                                                                            |
| d. Termination by franchisee                                            | Not Applicable               | <del>Not Subject to applicable law, not Applicable</del>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| e. Termination by franchisor without cause                              | Not Applicable               | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| f. Termination by franchisor with cause                                 | Sections 16.1, 16.2 and 16.3 | Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| g. "Cause" defined – curable defaults                                   | Sections 16.2 and 16.3       | We may terminate you for cause if you fail to cure certain defaults, including: If you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required), fail to have signed the Confidentiality and Noncompetition Covenants contained in the Franchise Agreement within 5 days after a request, fail to procure and maintain required insurance within 7 days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice.                                                 |
| h. "Cause" defined – non-curable defaults                               | Sections 16.1 and 16.2       | We may terminate you for cause if you fail to cure certain defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to acquire an accepted location within time required, fail to remodel when required, fail to open Venue when required, abandon or lose right to the Venue premises, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without our consent or maintain false books or records. |
| i. Franchisee's obligations on termination/non-renewal                  | Section 17                   | Obligations include: you must cease operating the Venue and using the Marks and System and completely de-identify the business, pay all amounts due to us or our affiliates, return all Operations Digital Library materials and other proprietary materials, comply with confidentiality requirements, and at our option, sell or assign to us your rights in the Venue premises and the equipment and fixtures used in the business.                                                                                                                                                                                                                                                                        |
| j. Assignment of contract by franchisor                                 | Section 14.1                 | We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| k. "Transfer" by franchisee – defined                                   | Section 14.2(a)              | Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Venue or you (if you are not a natural person).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| l. Franchisor approval of transfer by franchisee                        | Section 14.2(b)              | You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| m. Conditions for franchisor approval of transfer                       | Section 14.2(b)              | Conditions include: you must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and sign current Franchise Agreement (see State Amendments to Disclosure Document and Agreements).                                                                                                                                                                                                                                                                                                                                                                                                     |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 14.4                 | Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| o. Franchisor's option to purchase franchisee's business                | Sections 17.12 and 14.4      | Other than assets on termination, nonrenewal or right of first refusal, we have no right or obligation to purchase your business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| p. Death or disability of franchisee                                    | Section 14.5                 | If you or a Controlling Principal are a natural person, on death or permanent disability, your successor must be approved by us, or franchise must be transferred to someone approved by us within 6 months after death or notice of permanent disability.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|                                                                           |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| q. Non-competition covenants during the term of the franchise             | Section 10.3(a)                    | <del>You</del> <u>Subject to applicable law, you</u> are prohibited from operating or having an interest in (i) any movie theater business or other business that combines a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue in the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we have used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks and (ii) any restaurant, bar or restaurant and bar business that is located within a 3 mile radius of the Venue or any other Alamo Drafthouse Venue utilizing the Marks and/or System. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 10.3(b)                    | <del>You</del> <u>Subject to applicable law, you</u> and your Controlling Principals are prohibited from operating or having an interest in a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue which is located, or is intended to be located within a 50-mile radius of the former Venue's location or any other Venue in existence or under construction as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable. <u>But see Washington Amendments to Disclosure Document and Agreements.</u>                       |
| s. Modification of the agreement                                          | Sections 10.1(e), 10.3(e) and 18.3 | Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Operations Digital Library as amended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| t. Integration/merger clause                                              | Section 18.2                       | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable federal and state law). No other representations or promises will be binding, except that nothing in this Disclosure Document will be excluded from that on which you may rely.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| u. Dispute resolution by arbitration or mediation                         | Sections 18.8 and 18.9             | <del>Except</del> <u>Subject to applicable law, except</u> for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters or arbitrated in Austin, Texas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| v. Choice of forum                                                        | Section 18.10                      | <del>The</del> <u>Subject to applicable law, the</u> venue for all proceedings related to or arising out of the Franchise Agreement is the state and Federal courts located in Travis County, Texas, unless otherwise brought by us (see State Amendments to Disclosure Document and Agreements).                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| w. Choice of law                                                          | Section 18.10                      | <del>The</del> <u>Subject to applicable law, the</u> Franchise Agreement is to be interpreted, governed and construed under Texas law (except for Texas choice of law rules) (see State Amendments to Disclosure Document and Agreements).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

~~This table lists certain important provisions of the Development and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.~~

| Provision                                                    | Section in Development or other agreement | Summary                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <del>a. Length of the term of the franchise</del>            | Article IV                                | <del>Term continues until you have completed your development obligations in accordance with the Development Schedule.</del>                                                                                                                                  |
| <del>b. Renewal or extension of the term</del>               | Not Applicable                            | Not Applicable                                                                                                                                                                                                                                                |
| <del>c. Requirements for franchisee to renew or extend</del> | Not Applicable                            | Not Applicable                                                                                                                                                                                                                                                |
| <del>d. Termination by franchisee</del>                      | Not Applicable                            | Not Applicable                                                                                                                                                                                                                                                |
| <del>e. Termination by franchisor without cause</del>        | Not Applicable                            | Not Applicable                                                                                                                                                                                                                                                |
| <del>f. Termination by franchisor with cause</del>           | Sections 6.1-6.3                          | <del>Following certain defaults, we may terminate the Agreement or modify your territorial rights or alter your Development Schedule, rather than terminate the Agreement.</del>                                                                              |
| <del>g. "Cause" defined — curable defaults</del>             | Sections 6.2 and 6.3                      | <del>We may terminate you for cause if you fail to cure certain defaults, including: If you or your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required).</del> |

| Provision                                                                            | Section in Development or other agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                      |                                           | fail to have signed the Confidentiality and Noncompetition Covenants contained in the Agreement within 30 days after a request, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice or fail to cure any other default that is susceptible of cure within 30 days after notice. If you have both a Development Agreement and a Franchise Agreement, an uncured default under one is also a default under the other.                                                                                                                                                                                                                                                                                                             |
| <del>h. “Cause” defined — non-curable defaults</del>                                 | Sections 6.1 and 6.2                      | We may terminate you for cause based on certain noncurable defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws or similar state laws, have outstanding judgments against you for over 30 days, fail to comply with the Development Schedule, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, or transfer any interest without our consent.                                                                                                                                                                                                                                 |
| <del>i. Franchisee’s obligations on termination/non-renewal</del>                    | Section 6.5                               | Obligations include: you must cease developing Venues or, on a partial termination of territorial or development rights under 6.4, must continue to develop only in accordance with any modified Development Schedule, and must comply with all applicable confidentiality and noncompetition covenants.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <del>j. Assignment of contract by franchisor</del>                                   | Section 7.1                               | We have the right to transfer or assign the Development Agreement to any person or entity without restriction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <del>k. “Transfer” by franchisee — defined</del>                                     | Section 7.2(a)                            | Includes sale, assignment, conveyance, gift, pledge, mortgage or other disposal or encumbrance of any direct or indirect interest in the Agreement or you (if you are not a natural person).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <del>l. Franchisor approval of transfer by franchisee</del>                          | Section 7.2(b)                            | You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <del>m. Conditions for franchisor approval of transfer</del>                         | Section 7.2(b)                            | Conditions include: you must pay all amounts due us and our affiliates, not otherwise be in default, execute a general release, remain liable for pre-transfer obligations and pay a transfer fee. Transferee must meet our criteria, assume post transfer obligations, execute our then standard Agreement and attend training (see State Amendments to Disclosure Document and Agreements).                                                                                                                                                                                                                                                                                                                                                                    |
| <del>n. Franchisor’s right of first refusal to acquire franchisee’s business</del>   | Section 7.4                               | Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions offered by a third party.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <del>o. Franchisor’s option to purchase franchisee’s business</del>                  | Not Applicable.                           | Not Applicable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <del>p. Death or disability of franchisee</del>                                      | Section 7.5                               | If you or a Controlling Principal are a natural person, on death or permanent disability, your successor must be approved by us, or interest must be transferred to someone approved by us within 12 months after death or 6 months after notice of permanent disability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <del>q. Non-competition covenants during the term of the franchise</del>             | Section 8.2(a)                            | You are prohibited from operating or having an interest in (i) any movie theater business or other business that combines a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue in the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we have used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks and (ii) any restaurant, bar or restaurant and bar business that is located within a 3 mile radius of the Venue developed under the Development Agreement or any other Alamo Drafthouse Venue utilizing the Marks and/or System. |
| <del>r. Non-competition covenants after the franchise is terminated or expires</del> | Section 8.2(b)                            | You and your Controlling Principals are prohibited from operating or having an interest in a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue which is located, or is intended to be located within a 50 mile radius of your existing or former Venues’ locations any Venue in existence or under construction as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable.                                                                                                                                        |
| <del>s. Modification of the agreement</del>                                          | Sections 8.2 and 10.3                     | Agreement may not be modified unless mutually agreed to in writing, except we may unilaterally decrease the scope of certain noncompetition covenants.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |



| Provision                                                    | Section in Development or other agreement | Summary                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <del>t. Integration/merger clause</del>                      | <del>Section 10.2</del>                   | <del>Only the terms of the Agreement and other related written agreements are binding (subject to applicable federal and state law). No other representations or promises will be binding, except that nothing in this Disclosure Document will be excluded from that on which you may rely.</del> |
| <del>u. Dispute resolution by arbitration or mediation</del> | <del>Sections 10.7 and 10.8</del>         | <del>Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters in Austin, Texas.</del>                                                                                             |
| <del>v. Choice of forum</del>                                | <del>Section 10.9</del>                   | <del>The venue for all proceedings related to or arising out of the Agreement is the state and Federal courts located in Travis County, Texas, unless otherwise brought by us (see State Amendments to Disclosure Document and Agreements).</del>                                                  |
| <del>w. Choice of law</del>                                  | <del>Section 10.9</del>                   | <del>The Agreement is to be interpreted and construed under Texas law (except for Texas choice of law rules) (see State Amendments to Disclosure Document and Agreements).</del>                                                                                                                   |

The provision in the ~~Franchise Agreement or Development~~ Agreement that terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

## ITEM 18 PUBLIC FIGURES

Except as described below, we do not use any public figure to promote our franchise.

We use quotes from various public figures on our website. None of these public figures (i) has been given or promised any compensation or other benefit from us for the use of these quotes, (ii) is involved in our management or control, or (iii) has any investment in us.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in this Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

\*\*\*\*\*

The below table sets forth certain average and median Gross Sales per screen and average and median costs per screen for our last fiscal year ending December 27, 2018 for (1) 12 franchised Venues that were open and operating all 12 months during our last fiscal year; (2) 15 company affiliated Venues that were directly or indirectly owned by us, our Chief Executive Officer Tim League or our Chief Strategy Officer Dave Kennedy and that were open and operating all 12 months during our last fiscal year; and (3) all 27 franchised and company affiliated Venues that were open and operating all 12 months during our last fiscal year. We have excluded the Ritz, which is a 2-screen Venue in Austin, Texas owned by us that shows specialty programming. We have also excluded any Venues that either opened or closed during the 2018 fiscal year and were therefore not open the entire fiscal year, which includes one franchised Venue previously located in Houston, Texas (closed in June 2018). See Item 1, Item 20 and Exhibit G-1.

Data used in these tables is based on information reported to us by our accounting team, our Chief Executive Officer Tim League, our Chief Strategy Officer Dave Kennedy and our franchisees. We have not audited or verified this information.

Notes explaining certain points in the below three charts are found at the end of the last chart.

{Charts begin on the following page}

**STATEMENT OF AVERAGE AND MEDIAN GROSS SALES PER SCREEN AND INCOME**  
**STATEMENT CATEGORIES AS PERCENTAGE OF SALES**  
**FOR THE YEAR ENDED DECEMBER 27, 2018**

**Chart 1**

| <b><u>Franchised and Company Affiliated Venues-</u></b><br><b><u>(27 Venues)</u></b>  |                                                                                                |                                                                                                |
|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <b>Gross Sales Per Screen</b>                                                         |                                                                                                |                                                                                                |
|                                                                                       | <b>Average</b>                                                                                 | <b>Median</b>                                                                                  |
| <b>Average/Median Gross Sales per Screen-</b>                                         | <b>\$1,242,523</b><br><i>12 of the 27 Venues (44%)<br/>equaled or exceeded this<br/>figure</i> | <b>\$1,138,441</b><br><i>14 of the 27 Venues (52%)<br/>equaled or exceeded this<br/>figure</i> |
| <b>Average/Medium Screens per Venue</b>                                               | <b>7.7</b>                                                                                     | <b>8.0</b>                                                                                     |
| <b>Income Statement Categories as Percentage of Sales</b>                             |                                                                                                |                                                                                                |
|                                                                                       | <b>Average</b>                                                                                 | <b>Median</b>                                                                                  |
| <b>Sales</b>                                                                          |                                                                                                |                                                                                                |
| Box Office                                                                            | 37.3%                                                                                          | 37.4%                                                                                          |
| Food and Non-Alcoholic Beverages                                                      | 47.5%                                                                                          | 48.0%                                                                                          |
| Beer and Wine Sales                                                                   | 17.8%                                                                                          | 17.5%                                                                                          |
| Venue Rental & Other                                                                  | 2.1%                                                                                           | 1.8%                                                                                           |
| Complimentaries                                                                       | (4.8%)                                                                                         | (4.5%)                                                                                         |
| <i>Total Sales</i>                                                                    | <i>100.0%</i>                                                                                  | <i>100.0%</i>                                                                                  |
| <b>Cost of Goods Sold</b>                                                             |                                                                                                |                                                                                                |
| Cost of Box Office                                                                    | 59.8%                                                                                          | 59.0%                                                                                          |
| Cost of Food and Non-alcoholic Beverages                                              | 21.9%                                                                                          | 21.9%                                                                                          |
| Cost of Beer and Wine                                                                 | 19.3%                                                                                          | 19.1%                                                                                          |
| Cost of Venue Rental & Other                                                          | 52.3%                                                                                          | 35.8%                                                                                          |
| <i>Total Cost of Goods Sold</i>                                                       | <i>36.8%</i>                                                                                   | <i>36.7%</i>                                                                                   |
| <i>Gross Profit</i>                                                                   | <i>63.2%</i>                                                                                   | <i>63.3%</i>                                                                                   |
| <b>Expenses</b>                                                                       |                                                                                                |                                                                                                |
| Payroll                                                                               | 22.9%                                                                                          | 22.6%                                                                                          |
| Advertising/Promotional                                                               | 1.6%                                                                                           | 1.4%                                                                                           |
| Insurance                                                                             | 1.5%                                                                                           | 1.3%                                                                                           |
| Utilities                                                                             | 2.2%                                                                                           | 2.0%                                                                                           |
| Repair & Maintenance                                                                  | 4.3%                                                                                           | 4.2%                                                                                           |
| Merchant Service Fees                                                                 | 2.5%                                                                                           | 2.5%                                                                                           |
| G&A Expenses                                                                          | 3.2%                                                                                           | 3.0%                                                                                           |
| Direct Operating Taxes                                                                | 0.5%                                                                                           | 0.4%                                                                                           |
| Royalty Expense — Pro Forma 5%                                                        | 5.0%                                                                                           | 5.0%                                                                                           |
| <i>Total Expenses</i>                                                                 | <i>43.7%</i>                                                                                   | <i>43.1%</i>                                                                                   |
| <b>Pro Forma Operating profit before Corporate<br/>Overhead and Occupancy Expense</b> | <b>19.5%</b>                                                                                   | <b>19.8%</b>                                                                                   |

~~\*The Highest Gross Sales per screen for the 27 Venues was \$3,499,263. The Lowest Gross Sales per screen for the 27 Venues was \$664,131.~~

**Chart 2**

| <b><u>FRANCHISED VENUES-</u></b>                          |                                                                                             |                                                                                             |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>(12 Venues)</b>                                        |                                                                                             |                                                                                             |
| <b>Gross Sales Per Screen</b>                             |                                                                                             |                                                                                             |
|                                                           | <b>Average</b>                                                                              | <b>Median</b>                                                                               |
| <b>Average/Median Gross Sales per Screen<sup>±</sup></b>  | <b>\$970,751</b><br><i>6 of the 12 Venues (50%)<br/>equaled or exceeded this<br/>figure</i> | <b>\$940,671</b><br><i>6 of the 12 Venues (50%)<br/>equaled or exceeded this<br/>figure</i> |
| <b>Average/Median Screens per Venue</b>                   | <b>8.3</b>                                                                                  | <b>8.0</b>                                                                                  |
| <b>Income Statement Categories as Percentage of Sales</b> |                                                                                             |                                                                                             |
|                                                           | <b>Average</b>                                                                              | <b>Median</b>                                                                               |
| <b>Sales</b>                                              |                                                                                             |                                                                                             |
| Box Office                                                | 36.1%                                                                                       | 36.8%                                                                                       |
| Food and Non-Alcoholic Beverages                          | 49.7%                                                                                       | 50.2%                                                                                       |
| Beer and Wine Sales                                       | 16.1%                                                                                       | 16.4%                                                                                       |
| Venue Rental & Other                                      | 2.2%                                                                                        | 1.3%                                                                                        |
| Complimentaries                                           | (4.1%)                                                                                      | (4.3%)                                                                                      |
| <i>Total Sales</i>                                        | <i>100.0%</i>                                                                               | <i>100.0%</i>                                                                               |
| <b>Cost of Goods Sold</b>                                 |                                                                                             |                                                                                             |
| Cost of Box Office                                        | 62.3%                                                                                       | 60.3%                                                                                       |
| Cost of Food and Non-alcoholic Beverages                  | 22.0%                                                                                       | 21.9%                                                                                       |
| Cost of Beer and Wine                                     | 19.9%                                                                                       | 19.5%                                                                                       |
| Cost of Venue Rental & Other                              | 58.0%                                                                                       | 31.9%                                                                                       |
| <i>Total Cost of Goods Sold</i>                           | <i>37.2%</i>                                                                                | <i>36.3%</i>                                                                                |
| <i>Gross Profit</i>                                       | <i>62.8%</i>                                                                                | <i>63.7%</i>                                                                                |
| <b>Expenses</b>                                           |                                                                                             |                                                                                             |
| Payroll                                                   | 22.3%                                                                                       | 22.5%                                                                                       |
| Advertising/Promotional                                   | 1.5%                                                                                        | 1.5%                                                                                        |
| Insurance                                                 | 1.7%                                                                                        | 1.5%                                                                                        |
| Utilities                                                 | 2.1%                                                                                        | 2.0%                                                                                        |
| Repair & Maintenance                                      | 3.7%                                                                                        | 3.6%                                                                                        |
| Merchant Service Fees                                     | 2.4%                                                                                        | 2.5%                                                                                        |
| G&A Expenses                                              | 3.6%                                                                                        | 2.9%                                                                                        |
| Direct Operating Taxes                                    | 0.5%                                                                                        | 0.0%                                                                                        |
| Royalty Expense—Pro Forma 5%                              | 5.0%                                                                                        | 5.0%                                                                                        |
| <i>Total Expenses</i>                                     | <i>42.9%</i>                                                                                | <i>43.0%</i>                                                                                |
| <b>Pro Forma Operating profit before Corporate</b>        | <b>19.9%</b>                                                                                | <b>20.9%</b>                                                                                |

|                                           |  |  |
|-------------------------------------------|--|--|
| <del>Overhead and Occupancy Expense</del> |  |  |
|-------------------------------------------|--|--|

~~\*The Highest Gross Sales per screen for the 12 Franchised Venues was \$1,396,816. The Lowest Gross Sales per screen for the 12 Franchised Venues was \$734,815.~~

**Chart 3**

| <b><u>COMPANY AFFILIATED VENUES</u></b><br><b>(15 Venues)</b>                     |                                                                                               |                                                                                               |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Gross Sales Per Screen</b>                                                     |                                                                                               |                                                                                               |
|                                                                                   | <b>Average</b>                                                                                | <b>Median</b>                                                                                 |
| <b>Average/Median Gross Sales per Screen*</b>                                     | <b>\$1,487,118</b><br><i>5 of the 15 Venues (33%)<br/>equaled or exceeded this<br/>figure</i> | <b>\$1,379,110</b><br><i>7 of the 15 Venues (47%)<br/>equaled or exceeded this<br/>figure</i> |
| <b>Average/Medium Screens per Venue</b>                                           | <b>7.3</b>                                                                                    | <b>7.0</b>                                                                                    |
| <b>Income Statement Categories as Percentage of Sales</b>                         |                                                                                               |                                                                                               |
|                                                                                   | <b>Average</b>                                                                                | <b>Median</b>                                                                                 |
| <b>Sales</b>                                                                      |                                                                                               |                                                                                               |
| Box Office                                                                        | 38.3%                                                                                         | 38.3%                                                                                         |
| Food and Non-Alcoholic Beverages                                                  | 45.7%                                                                                         | 47.8%                                                                                         |
| Beer and Wine Sales                                                               | 19.3%                                                                                         | 18.1%                                                                                         |
| Venue Rental & Other                                                              | 2.0%                                                                                          | 1.9%                                                                                          |
| Complimentaries                                                                   | (5.3%)                                                                                        | (5.3%)                                                                                        |
| <b>Total Sales</b>                                                                | <b>100.0%</b>                                                                                 | <b>100.0%</b>                                                                                 |
| <b>Cost of Goods Sold</b>                                                         |                                                                                               |                                                                                               |
| Cost of Box Office                                                                | 57.9%                                                                                         | 58.1%                                                                                         |
| Cost of Food and Non-alcoholic Beverages                                          | 21.7%                                                                                         | 21.9%                                                                                         |
| Cost of Beer and Wine                                                             | 18.8%                                                                                         | 18.5%                                                                                         |
| Cost of Venue Rental & Other                                                      | 47.6%                                                                                         | 35.8%                                                                                         |
| <b>Total Cost of Goods Sold</b>                                                   | <b>36.5%</b>                                                                                  | <b>36.7%</b>                                                                                  |
| <b>Gross Profit</b>                                                               | <b>63.5%</b>                                                                                  | <b>63.3%</b>                                                                                  |
| <b>Expenses</b>                                                                   |                                                                                               |                                                                                               |
| Payroll                                                                           | 23.4%                                                                                         | 23.0%                                                                                         |
| Advertising/Promotional                                                           | 1.9%                                                                                          | 1.4%                                                                                          |
| Insurance                                                                         | 1.3%                                                                                          | 1.0%                                                                                          |
| Utilities                                                                         | 2.3%                                                                                          | 1.9%                                                                                          |
| Repair & Maintenance                                                              | 4.7%                                                                                          | 4.4%                                                                                          |
| Merchant Service Fees                                                             | 2.6%                                                                                          | 2.6%                                                                                          |
| G&A Expenses                                                                      | 2.9%                                                                                          | 3.0%                                                                                          |
| Direct Operating Taxes                                                            | 0.5%                                                                                          | 0.5%                                                                                          |
| Royalty Expense—Pro Forma 5%                                                      | 5.0%                                                                                          | 5.0%                                                                                          |
| <b>Total Expenses</b>                                                             | <b>44.6%</b>                                                                                  | <b>43.8%</b>                                                                                  |
| <b>Pro Forma Operating Profit before Corporate Overhead and Occupancy Expense</b> | <b>18.9%</b>                                                                                  | <b>20.0%</b>                                                                                  |

\* The Highest Gross Sales per screen for the 15 Company Affiliated Venues was \$3,499,263. The Lowest Gross Sales per screen for the 15 Company Affiliated Venues was \$664,131.

1. ~~“Gross Sales” means the total selling price of all services and products and all income of every other kind and nature related to the Venue (including income related to venue rental activities, and any sales or orders of food products or food preparation services provided from or related to the Venue), whether for cash or credit and regardless of collection in the case of credit. Gross Sales excludes the sales and other taxes collected by in the operation of Venues, and also excludes Online Ticket Purchasing Fee revenue for both Franchised Venues and Company Affiliated Venues. The Gross Sales attainable by each Venue depends on many factors, including geographic differences, number of movie screens, seating capacity, competition within the immediate market area, brand recognition in the local market, the quality and service provided to customers of the Venue, the condition of the Venue premises, as well as the management skill, experience, business acumen and marketing and sales efforts of the Venue operator.~~

2. ~~“Average / Median”. These columns state the Average Total Sales per Screen, the Median Total Sales per Screen and the Average percentages for each line item for the Venues. Average Total Sales per Screen is the Total Sales per Screen for all Venues divided by the total screens for all venues. Median Total Sales per Screen means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.~~

3. ~~“Sales” numbers are presented as a percentage of the related Sales under each category, and not as a percentage of total, aggregated Sales for a Venue.~~

4. ~~“Advertising/Promotional” includes the 0.5% Marketing Fund contribution paid by both Franchised Venues and Company Affiliated Venues.~~

5. ~~“Repairs & Maintenance” includes equipment repairs, janitorial services, trash removal, pest control, and projection supplies as well as the Aloha Configuration Center costs described in Item 6 of this Disclosure Document.~~

6. ~~“G&A Expenses” for both Franchised Venues and Company Affiliated Venues include a number of fees described in Item 6 of this Disclosure Document that are payable by both Franchised Venues and Company Affiliated Venues, including Loyalty Program costs, Listen360 fees, Steritech fees, Workify fees, Mirus fees, and HotSchedules fees and costs, but do not include pass through Online Ticket Purchasing Fee costs for both Franchised Venues and Company Affiliated Venues or In House Creative Services Fees and Schoox fees for either Franchised Venues and Company Affiliated Venues.~~

7. ~~“Royalty Expense” Pro Forma 5%” includes a 5% cost to reflect the continuing royalty fee paid by franchisees, but not by Company Affiliated Venues.~~

8. ~~“Pro Forma Operating Profit before Corporate Overhead and Occupancy Expense” does not include expenses for rent, common area maintenance, property taxes, accounting, corporate oversight, depreciation, interest expense, amortization, initial outlays for furniture, fixtures and equipment or owners compensation.~~

**~~Some Venues have earned the amounts above. Your individual results may differ. There is no assurance you will sell as much.~~**

~~Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.~~

~~\*\*\*\*\*~~

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tim League, 3908 Avenue B 612 A East 6th Street, Austin, Texas 78701-7875101, Tel: 512-861-7000, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ~~ITEM 20~~ ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1  
SYSTEMWIDE OUTLET SUMMARY FOR FISCAL YEARS ~~2016~~2017 TO ~~2018~~2019**

| Outlet Type                                   | Year            | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change    |
|-----------------------------------------------|-----------------|----------------------------------|--------------------------------|---------------|
| Franchised                                    | <del>2016</del> | <del>42</del>                    | <del>44</del>                  | <del>+2</del> |
|                                               | 2017            | 14                               | 17                             | +3            |
|                                               | 2018            | 17                               | 19                             | +2            |
|                                               | <u>2019</u>     | <u>19</u>                        | <u>22</u>                      | <u>+3</u>     |
| Company-Owned <sup>*/**/**</sup><br><u>**</u> | <del>2016</del> | <del>40</del>                    | <del>41</del>                  | <del>+1</del> |
|                                               | 2017            | 11                               | 12                             | +1            |
|                                               | 2018            | 12                               | 17                             | +5            |
|                                               | <u>2019</u>     | <u>17</u>                        | <u>19</u>                      | <u>+2</u>     |
| <b>Total Outlets</b>                          | <del>2016</del> | <del>22</del>                    | <del>25</del>                  | <del>+3</del> |
|                                               | 2017            | 25                               | 29                             | +4            |
|                                               | 2018            | 29                               | 36                             | +7            |
|                                               | <u>2019</u>     | <u>36</u>                        | <u>41</u>                      | <u>+5</u>     |

\* Before June 2018, we had an ownership interest in 1 Venue in Brooklyn, New York, our ~~Chief Executive Officer~~Chairman Tim League indirectly owned 4 Venues in Austin, Texas, 1 Venue in Yonkers, New York and 1 Venue in San Francisco, California, and our ~~President and Chief Development Officer~~Board Member Dave Kennedy indirectly owned 1 Venue in Austin, Texas, 1 Venue in Littleton, Colorado and 1 Venue in Denver, Colorado; and together Tim and Dave indirectly owned 1 Venue in Austin, Texas and 1 Venue in Kansas City, Missouri. These Venues were all contributed to our parent Alamo Holdings as part of the Restructuring Transaction described in Item 1, but have always been described in Item 20 as company-owned facilities. See Item 1.

\*\*In June 2018, Alamo Holdings purchased four previously franchised Venues in and around San Antonio, Texas.

\*\*\*Our Executive Chairman Tim League indirectly owns 1 Venue in Los Angeles, California that was open and operating as of our last fiscal year. We list this Venue that was open and operating as of January 2, 2020 as Company-Owned in these tables, but we do not own any interest in or exercise any financial control over this Venue or its revenue, which is indirectly owned by Tim League.



**TABLE NO. 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR) FOR FISCAL YEARS ~~2016~~2017 TO 2018**2019

| State  | Year            | Number of Transfers |
|--------|-----------------|---------------------|
| Totals | <del>2016</del> | <del>0</del>        |
|        | 2017            | 0                   |
|        | 2018            | 0                   |
|        | <u>2019</u>     | <u>0</u>            |

**TABLE NO. 3**  
**STATUS OF FRANCHISE OUTLETS FOR FISCAL YEARS ~~2016~~2017 TO 2018**2019

| State             | Year                   | Outlets at Start of Year | Outlets Opened      | Terminations        | Non-Renewals        | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|-------------------|------------------------|--------------------------|---------------------|---------------------|---------------------|--------------------------|-----------------------------------|----------------------------|
| Arizona           | <del>2016</del>        | <del>0</del>             | <del>1</del>        | <del>0</del>        | <del>0</del>        | <del>0</del>             | <del>0</del>                      | <del>1</del>               |
|                   | 2017                   | 1                        | 0                   | 0                   | 0                   | 0                        | 0                                 | 1                          |
|                   | 2018                   | 1                        | 1                   | 0                   | 0                   | 0                        | 0                                 | 2                          |
|                   | <u>2019</u>            | <u>2</u>                 | <u>1</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>                 | <u>0</u>                          | <u>3</u>                   |
| Minnesota         | <del>2016</del>        | <del>0</del>             | <del>0</del>        | <del>0</del>        | <del>0</del>        | <del>0</del>             | <del>0</del>                      | <del>0</del>               |
|                   | 2017                   | 0                        | 0                   | 0                   | 0                   | 0                        | 0                                 | 0                          |
|                   | 2018                   | 0                        | 1                   | 0                   | 0                   | 0                        | 0                                 | 1                          |
|                   | <u>2019</u>            | <u>1</u>                 | <u>0</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>                 | <u>0</u>                          | <u>1</u>                   |
| Missouri          | <del>2016</del>        | <del>0</del>             | <del>0</del>        | <del>0</del>        | <del>0</del>        | <del>0</del>             | <del>0</del>                      | <del>0</del>               |
|                   | 2017                   | 0                        | 1                   | 0                   | 0                   | 0                        | 0                                 | 1                          |
|                   | 2018                   | 1                        | 0                   | 0                   | 0                   | 0                        | 0                                 | 1                          |
|                   | <u>2019</u>            | <u>1</u>                 | <u>0</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>                 | <u>0</u>                          | <u>1</u>                   |
| Nebraska          | <del>2016</del>        | <del>1</del>             | <del>0</del>        | <del>00</del>       | <del>0</del>        | <del>0</del>             | <del>0</del>                      | <del>1</del>               |
|                   | 2017                   | 1                        | 0                   | 00                  | 0                   | 0                        | 0                                 | 1                          |
|                   | 2018                   | 1                        | 0                   | 00                  | 0                   | 0                        | 0                                 | 1                          |
|                   | <u>2019</u>            | <u>1</u>                 | <u>1</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>                 | <u>0</u>                          | <u>2</u>                   |
| <del>Texas*</del> | <del>2016</del>        | <del>9</del>             | <del>2</del>        | <del>0</del>        | <del>0</del>        | <del>0</del>             | <del>1</del>                      | <del>10</del>              |
| <u>Texas*</u>     | 2017                   | 10                       | 1                   | 0                   | 0                   | 0                        | 0                                 | 11                         |
|                   | 2018                   | 11                       | 4                   | 0                   | 0                   | 4                        | 1                                 | 10                         |
|                   | <u>2019</u>            | <u>10</u>                | <u>1</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>                 | <u>0</u>                          | <u>11</u>                  |
| Virginia          | <del>2016</del>        | <del>2</del>             | <del>0</del>        | <del>0</del>        | <del>0</del>        | <del>0</del>             | <del>0</del>                      | <del>2</del>               |
|                   | 2017                   | 2                        | 1                   | 0                   | 0                   | 0                        | 0                                 | 3                          |
|                   | 2018                   | 3                        | 1                   | 0                   | 0                   | 0                        | 0                                 | 4                          |
|                   | <u>2019</u>            | <u>4</u>                 | <u>0</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>                 | <u>0</u>                          | <u>4</u>                   |
| <b>Totals</b>     | <b><del>2016</del></b> | <b><del>12</del></b>     | <b><del>3</del></b> | <b><del>0</del></b> | <b><del>0</del></b> | <b><del>0</del></b>      | <b><del>1</del></b>               | <b><del>14</del></b>       |
| <b>Totals</b>     | <b>2017</b>            | <b>14</b>                | <b>3</b>            | <b>0</b>            | <b>0</b>            | <b>0</b>                 | <b>0</b>                          | <b>17</b>                  |
|                   | <b>2018</b>            | <b>17</b>                | <b>7</b>            | <b>0</b>            | <b>0</b>            | <b>4</b>                 | <b>1</b>                          | <b>19</b>                  |
|                   | <u><b>2019</b></u>     | <u><b>19</b></u>         | <u><b>3</b></u>     | <u><b>0</b></u>     | <u><b>0</b></u>     | <u><b>0</b></u>          | <u><b>0</b></u>                   | <u><b>22</b></u>           |

\*In June 2018, Alamo Holdings purchased four previously franchised Venues in and around San Antonio, Texas.

**TABLE NO. 4**  
**STATUS OF COMPANY-OWNED OUTLETS FOR FISCAL YEARS ~~2016~~2017 TO ~~2018~~2019\***

| State                    | Year                        | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|--------------------------|-----------------------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| California               | <del>2016</del>             | <del>1</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>1</del>               |
| <del>California***</del> | 2017                        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|                          | 2018                        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|                          | <u>2019</u>                 | <u>1</u>                 | <u>1</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>2</u>                   |
| Colorado                 | <del>2016</del>             | <del>1</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>1</del>               |
|                          | 2017                        | 1                        | 1              | 0                                  | 0              | 0                          | 2                          |
|                          | 2018                        | 2                        | 0              | 0                                  | 0              | 0                          | 2                          |
|                          | <u>2019</u>                 | <u>2</u>                 | <u>1</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>3</u>                   |
| Michigan                 | <del>2016</del>             | <del>1</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>1</del>               |
|                          | 2017                        | 1                        | 0              | 0                                  | 1              | 0                          | 0                          |
|                          | 2018                        | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                          | <u>2019</u>                 | <u>0</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>0</u>                   |
| Missouri                 | <del>2016</del>             | <del>1</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>1</del>               |
|                          | 2017                        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|                          | 2018                        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|                          | <u>2019</u>                 | <u>1</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>1</u>                   |
| New York                 | <del>2016</del>             | <del>1</del>             | <del>1</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>2</del>               |
|                          | 2017                        | 2                        | 0              | 0                                  | 0              | 0                          | 2                          |
|                          | 2018                        | 2                        | 0              | 0                                  | 0              | 0                          | 2                          |
|                          | <u>2019</u>                 | <u>2</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>2</u>                   |
| North Carolina           | <del>2016</del>             | <del>0</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>0</del>               |
|                          | 2017                        | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
|                          | 2018                        | 0                        | 1              | 0                                  | 0              | 0                          | 1                          |
|                          | <u>2019</u>                 | <u>1</u>                 | <u>0</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>1</u>                   |
| Texas**                  | <del>2016</del>             | <del>5</del>             | <del>0</del>   | <del>0</del>                       | <del>0</del>   | <del>0</del>               | <del>5</del>               |
|                          | 2017                        | 5                        | 1              | 0                                  | 0              | 0                          | 6                          |
|                          | 2018                        | 6                        | 0              | 4                                  | 0              | 0                          | 10                         |
| <b>Totals</b>            | <del>2016</del> <u>2019</u> | 10                       | <del>10</del>  | 0                                  | 0              | 0                          | <del>11</del> <u>10</u>    |
| <b>Totals</b>            | <u>2017</u>                 | <u>11</u>                | <u>2</u>       | <u>0</u>                           | <u>1</u>       | <u>0</u>                   | <u>12</u>                  |
|                          | <u>2018</u>                 | <u>12</u>                | <u>1</u>       | <u>4</u>                           | <u>0</u>       | <u>0</u>                   | <u>17</u>                  |
|                          | <u>2019</u>                 | <u>17</u>                | <u>2</u>       | <u>0</u>                           | <u>0</u>       | <u>0</u>                   | <u>19</u>                  |

\* Before June 2018, we had an ownership interest in 1 Venue in Brooklyn, New York, our Chief Executive Officer Tim League indirectly owned 4 Venues in Austin, Texas, 1 Venue in Yonkers, New York and 1 Venue in San Francisco, California, and our ~~President and Chief Development Officer~~Board Member Dave Kennedy indirectly owned 1 Venue in Austin, Texas, 1 Venue in Littleton, Colorado and 1 Venue in Denver, Colorado; and together Tim and Dave indirectly owned 1 Venue in Austin, Texas and 1 Venue in Kansas City, Missouri. These Venues were all contributed to our parent Alamo Holdings as part of the Restructuring Transaction described in Item 1, but have always been described in Item 20 as company-owned facilities. See Item 1.

\*\*In June 2018, Alamo Holdings purchased four previously franchised Venues in and around San Antonio, Texas.

\*\*\*Our Executive Chairman Tim League indirectly owns 1 Venue in Los Angeles, California that was open and operating as of our last fiscal year. We list this Venue that was open and operating as of January 2, 2020 as Company-Owned in these tables, but we do not own any interest in or exercise any financial control over this Venue or its revenue, which is indirectly owned by Tim League.

**TABLE NO. 5**  
**PROJECTED OPENINGS AS OF ~~DECEMBER 28~~JANUARY 3, ~~2018~~2020**

| State       | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets In The Next Fiscal Year | Projected New Company-Owned Outlets In The Next Fiscal Year* |
|-------------|---------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------|
| Arizona     | 1                                                 | 0                                                        | 0                                                            |
| *California | 0                                                 | 0                                                        | 1                                                            |
| Colorado    | 0                                                 | 0                                                        | 1                                                            |

|                     |                      |                      |                      |
|---------------------|----------------------|----------------------|----------------------|
| D.C.                | 1                    | 0                    | 0                    |
| <del>Florida</del>  | <del>0</del>         | <del>0</del>         | <del>0</del>         |
| <del>Nebraska</del> | <del>1</del>         | <del>1</del>         | <del>0</del>         |
| New York            | 0                    | 0                    | <del>10</del>        |
| Texas               | <del>23</del>        | 1                    | 0                    |
| Virginia            | 1                    | 0                    | 0                    |
| <b>Totals</b>       | <b><del>65</del></b> | <b><del>21</del></b> | <b><del>30</del></b> |

~~\*This projected Venue is indirectly owned by our Chief Executive Officer Tim League.~~

### **List of Current Franchisees**

The names, addresses and telephone numbers of all franchisees and their Venues as of the end of our most recently completed fiscal year, are attached as Exhibit G-1.

### **List of Former Franchisees**

The names, addresses and telephone numbers of all franchisees who have had a Venue terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date, are attached as Exhibit G-2. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**If you buy this franchise, your contract information may be disclosed to other buyers when you leave the system.**

### **Purchase of Previously-Owned Franchise**

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

### **Confidentiality Clauses**

During the last 3 fiscal years, we have signed agreements with franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experience. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

### **Franchisee Associations**

We are not aware of any trademark-specific franchisee organization associated with our franchise.

**ITEM 20      ~~ITEM 21~~**  
**FINANCIAL STATEMENTS**

Attached as Exhibit B-1 are:

1. The ~~interim, unaudited~~audited consolidated financial statements of our parent Alamo Drafthouse Cinemas Holdings, LLC as of and for the 3 fiscal periods~~year~~ ended ~~March 28, 2019~~January 2, 2020.

2. The audited consolidated financial statements of our parent Alamo Drafthouse Cinemas Holdings, LLC as of and for the year ended December 27, 2018.

3. The interim, unaudited financial statements of our parent Alamo Drafthouse Cinemas Holdings, LLC for the six fiscal periods ended July 2, 2020.

Exhibit B-1 also contains Guarantees of Performance by our parent Alamo Drafthouse Cinemas Holdings, LLC of our obligations under the ~~Development Agreements and~~ Franchise Agreements that we enter into with you.

Please note that our parent Alamo Drafthouse Cinemas Holdings, LLC has only been in existence since April 2018, and therefore does not have a balance sheet for two previous fiscal year-ends before this Disclosure Document issuance date or ~~a~~ statements of operations, stockholders equity, and cash flows for three previous fiscal years.

To present a balance sheet for two previous fiscal year-ends before this Disclosure Document issuance date and ~~a~~ statements of operations, stockholders equity, and cash flows for three previous fiscal years, we have also included certain of our own prior audited financial statements as Exhibit B-2, as follows:

1. Our audited consolidated financial statements as of and for the year ended December 28, 2017 and Independent Auditors' Report.

~~2. Our audited consolidated financial statements as of and for the year ended December 29, 2016 and Independent Auditors' Report.~~

\*\*\*

We and our parent Alamo Drafthouse Cinemas Holdings, LLC operate on a fiscal year calendar based on a Friday through Thursday fiscal week. The final day of fiscal year 2019, 2018, and 2017~~and 2016~~ occurred on January 2, 2020, December 27, 2018, and December 28, 2017~~and December 29, 2016~~, respectively.

**ITEM 21      ~~ITEM 22~~**  
**CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- |               |                                                     |                               |
|---------------|-----------------------------------------------------|-------------------------------|
| 1.            | Franchise Application and Confidentiality Agreement | <u>Exhibit A-1</u>            |
| 2.            | Franchise Agreement                                 | <u>Exhibit A-2</u>            |
| 3.            | Electronic Funds Transfer Authorization             | <u>Exhibit C</u>              |
| 4.            | Form of General Release                             | <u>Exhibit H</u>              |
| <del>5.</del> | <del>Development Agreement</del>                    | <del><u>Exhibit I-1</u></del> |

**ITEM 22**      ~~ITEM 23~~  
**RECEIPT**

When you receive this Disclosure Document, please have all applicants sign and return Copy 2 of the appropriate Receipt page attached at the back of this Disclosure Document to Alamo Drafthouse Cinemas, LLC, ~~612 A East 6th Street~~3908 Avenue B, Austin, Texas ~~78701~~78751, acknowledging your receipt of this Disclosure Document. Please keep Copy 1 for your records. We cannot offer or sell you a franchise until we receive the properly signed receipt.

**STATE ADDENDA TO ALAMO DRAFTHOUSE CINEMAS, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

1. Item 3 of the Disclosure Document is supplemented by the following language:

Neither we nor any person or franchise broker identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. Item 5 of the Disclosure Document is supplemented by the following language:

Based upon our financial condition, the California Department of Business Oversight has imposed a fee deferral requirement. Accordingly, you will not be required to pay the Initial Development Fees, Initial Franchise Fees and other fees or reimbursements due to us and/or our affiliates before your Venue opens until we have completed all our pre-opening obligations to you and you begin operating your first Venue.

3. Item 6 of the Disclosure Document is supplemented to reflect that 10% per annum is the highest interest rate allowed in California.

4. Item 17 of the Disclosure Document is supplemented by the following language:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise-Agreement/~~Development~~ Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise-Agreement/~~Development~~ Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise-Agreement/~~Development~~ Agreement contains a covenant not to compete which extends beyond the termination of the agreement. This provision may not be enforceable under California law.

The Franchise-Agreement/~~Development~~ Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

The Franchise-Agreement/~~Development~~ Agreement requires submission of dispute to courts located in Texas. This provision may not be enforceable under California law.

The Franchise-Agreement/~~Development~~ Agreement requires you to waive your right to a trial by jury. This provision may not be enforceable under California law.

The California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise.

The Franchise-Agreement/~~Development~~ Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damage clauses are unenforceable.

**ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

The State Cover Page and Item 17 of this disclosure document are amended by adding the following:

1. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Franchise Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Franchise Agreement.
2. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning non-renewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
3. Any release of claims or acknowledgments of fact contained in the Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act will be void and are deleted with respect to claims under the Act.
4. Section 41 of the Illinois Franchise Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.
5. The following is added to Item 5 of the Disclosure Document:

All initial fees and payments due to us before you open your Venue for business are deferred until we complete our pre-opening obligations to you and you open your Venue for business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.



**ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

4

1. Item 5 of this disclosure document is amended by adding the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

2. Item 17, under the Summary column of parts (c) and (m), is amended to include the following paragraph:

A general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

23. Item 17, under the Summary column of part (h), is amended to include the following sentence:

A provision in the Franchise Agreement that provides for termination on your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

34. Item 17, under the Summary column of part (v), is modified to include the words "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."

45. Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

**(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.**

**(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTling ANY AND ALL CLAIMS.**

**(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.**

**(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.**

**(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.**

**(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.**

3. Item 5, “Initial Fees”, of the Disclosure Document is amended to provide that the initial franchise fee is used to cover the costs of training, support, software and for general corporate purposes.

4. Item 17, “Renewal, Termination, Transfer and Dispute Resolution”, is supplemented for the ~~Development Agreement and~~ Franchise Agreement, under the categories entitled “Termination by Franchisee” and “Assignment of Contract by Us” respectively, by the following language that will be deemed an integral part thereof:

In Item 17, section d., *Termination by Franchisee* - Notwithstanding any rights you may have in the Agreement permitting you to terminate the Agreement, the franchisee ~~or area developer~~ may also have additional rights to terminate the Agreement on any grounds available by law.

In Item 17, section j., *Assignment of Contract by Franchisor* - However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise ~~or area development~~ agreement.

In Item 17, section w., *Choice of Law* - The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee ~~or upon the area developer~~ by article 33 of the General Business law of the state of New York.

**ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

1. ~~Items 6 and 17(i)~~ Item 5 of this disclosure document ~~are~~ is amended by adding the following:

All initial fees and payments due to us before you open your first Venue for business are deferred until we complete our pre-opening obligations to you and you open your first Venue for business.

2. ~~Items 6 and 17(i)~~ of this disclosure document are amended to reflect that all liquidated damages provisions in the ~~Development Agreement and~~ Franchise Agreement are deleted in their entirety.

23. Item 17(r) of this disclosure document is amended to reflect that covenants not to compete such as those contained in the ~~Development Agreement and~~ Franchise Agreement are generally considered unenforceable in the State of North Dakota.

34. Item 17(v) of this disclosure document is amended to reflect that the jury trial waiver provisions in the ~~Development Agreement and~~ Franchise Agreement are deleted in their entirety.

45. Item 17(w) of this disclosure document is amended to reflect that the choice of law provisions in the ~~Development Agreement and~~ Franchise Agreement may not be enforceable in the State of North Dakota.

**ADDENDUM TO ALAMO DRAFTHOUSE CINEMAS, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Liquidated damages due to us based on a premature termination of the Development Agreement or Franchise Agreement, or related to an improper transfer of the Development Agreement or Franchise Agreement, are limited to an amount equal to the Royalty Fees we would have received during the lesser of 24 months or the remainder of the term.

The Washington Department of Financial Institutions requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Notwithstanding the post-term covenants against competition in described in Item 17 and in the Franchise Agreement, the post-term covenant against competition under the Franchise Agreement will apply to you and your Controlling Principals operating or having an interest in a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue which is located, or is intended to be located within a 20-mile radius of your existing or former Venues' locations any Venue in existence or under construction.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per

year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**EXHIBIT A-1**

**FRANCHISE APPLICATION AND CONFIDENTIALITY ~~GREEMENT~~ AGREEMENT**

**EXHIBIT A-2**  
**FRANCHISE AGREEMENT**



**ALAMO DRAFTHOUSE CINEMAS, LLC**

**FRANCHISE AGREEMENT**

**(Location)**

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# ALAMO DRAFTHOUSE CINEMAS, LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is dated as of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") by and between Alamo Drafthouse Cinemas, LLC, a Texas limited liability company ("Franchisor"), and \_\_\_\_\_ ("Franchisee").

## RECITALS

Franchisor has the right to use and license the use of a specific system ("System") for the establishment and operation of theater/restaurant venues that feature first run movies combined with in-theater food and beverage service ("Venues").

The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Alamo Drafthouse" and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (the "Marks").

Franchisee wishes to obtain the right to use the System for the operation of an Alamo Drafthouse Venue at the location specified in Attachment B hereto, as well as to receive the training and other assistance provided by Franchisor, and acknowledges the importance of operating the Alamo Drafthouse Venue in conformity with Franchisor's high standards of quality and service.

Franchisor wishes to grant Franchisee a franchise for the operation of an Alamo Drafthouse Venue.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

## ARTICLE I. GRANT

1.1 Grant. Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, the right and license, and Franchisee hereby accepts the right and obligation, to operate a Venue under the Marks and the System at the Location in accordance with this Agreement. Franchisee and the Controlling Principals (as defined in Section 18.17) have represented to Franchisor that they have entered this Agreement with the intention to comply fully with the obligations to construct a Venue hereunder and not for the purpose of reselling the rights to develop the Venue hereunder. Franchisee and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by Franchisee and the Controlling Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Venue is open for business to the public and in accordance with Section 2.6.

1.2 Location/Potential Site Area.

(a) The specific street address of the Venue location consented to by Franchisor shall be set forth in Attachment B (the "Location"). Franchisee shall not relocate the Venue without the prior written consent of Franchisor. This Agreement does not grant to Franchisee the right or license to operate the Venue or to offer or sell any products or services described under this Agreement at or from any other location. If Franchisee is unable to continue the operation of the Venue at the Location because of the occurrence of a force majeure event (as described in Section 16.2(e), then Franchisee may request the consent of Franchisor to relocate the Venue to another location in the Potential Site Area (or if not applicable such other geographic area adjacent to the Venue agreed to by Franchisor). If Franchisor consents to Franchisee's request to relocate the Venue, then Franchisee shall comply with the site selection and construction procedures set forth in Article II.

(b) If the Location is not known when Franchisor and Franchisee enter into this Agreement, Franchisee shall search for a potential site for the Venue in an agreed geographic area ("Potential Site Area") described in Attachment B and in accordance with Article II of this Agreement.

### 1.3 Limited FA Area/Limited FA ~~Exclusivity~~ Period/Reservation of Rights.

(a) Upon designation of the Location, Franchisee may be assigned a separate geographical area for purposes of ~~limited~~certain types of exclusivity ("Limited FA Area") for a limited period of time ("Limited FA ~~Exclusivity~~ Period"), each of which if assigned (at Franchisor's sole discretion) will be described in Attachment B. If Franchisee is assigned a Limited FA Area and Limited ~~Exclusivity~~FA Period, then except as provided in this Agreement, and subject to Franchisee's and the Controlling Principals' full compliance with this Agreement, any other agreement among Franchisee or any of its affiliates (defined as any entity that is controlled by, controlling or under common control with such other entity) and Franchisor or any of its affiliates, neither Franchisor nor any affiliate shall establish or authorize any other person or entity, other than Franchisee, to establish a Venue operating under the System and the Marks in the Limited FA Area during the Limited FA ~~Exclusivity~~ Period, each as described in Attachment B.

(b) Franchisee acknowledges and understands that the rights granted hereunder pertain only to the establishment of a Venue operating under the System and the Marks, that the license granted hereby is only for the operation of one Venue operating under the System and the Marks and that Franchisor and its affiliates operate Venues under the System and the Marks and may operate other businesses as they deem appropriate.

(c) Accordingly, regardless of whether Franchisee is assigned a Limited FA Area and Limited FA ~~Exclusivity~~ Period, Franchisor and its affiliates (and their respective successors and assigns, by purchase, merger, consolidation or otherwise) reserve all rights that this Agreement does not expressly grant to or confer upon Franchisee, including, without limitation: (i) the concurrent right to advertise and promote Venues, the System and/or the Marks both inside and outside the Potential Site Area or Limited FA Area (if any) during and after the Limited Limited FA ~~Exclusivity~~ Period (if any); (ii) the right to operate, and grant to others the right to operate, retail theater/restaurant establishments that feature first run movies with in-theater food and beverage service establishments that may use aspects of the System, but are identified by trade names, trademarks, service marks or trade dress other than the Marks, both inside and outside the Potential Site Area or Limited FA Area (if any) during and after the Limited ~~DA ~~Exclusivity~~FA~~ Period (if any), and regardless of proximity to or competitive impact upon your Venue; (iii) the right to operate, and grant to others the right to operate, retail movie theater establishments that may use aspects of the System and are identified either by the Marks or by other trade names, trademarks, service marks or trade dress both inside and outside the Limited FA Area, and regardless of proximity to or competitive impact upon your Venue, so long as such any such establishments identified by the Marks and located in the Limited FA Area (if any) during the Limited FA ~~Exclusivity~~ Period (if any) do not offer in-theater food and beverage service; (iv) the right to operate, and

grant to others the right to operate, restaurant, bar and other food and beverage establishments that may use aspects of the System and are identified either by the Marks or by other trade names, trademarks, service marks or trade dress both inside and outside the Limited FA Area, and regardless of proximity to or competitive impact upon your Venue, so long as such any such establishments identified by the Marks and located in the Limited FA Area (if any) during the Limited FA ~~Exclusivity~~ Period (if any) do not offer first run movies; (v) the right to offer and sell private label and other collateral products or services identified either by the Marks or by other trade names, trademarks, service marks or trade dress at or from any location (including through the internet) or through any other form of distribution system, such as pre-packaged movies, food and beverage services and products and memorabilia; and (vi) the right to acquire or be acquired by (regardless of the form of the transaction) a business which operates or licenses others to operate theater and/or restaurant establishments that feature first run movies and/or food and beverages within the Limited FA Area, and we or our successors or assigns will have the right to operate and license other to operate such establishments under the trademarks or service marks of such other business at, from and/or physically contiguous to such establishment premises within the Limited FA Area (if any) during the Limited FA ~~Exclusivity~~ Period (if any) regardless of proximity to or competitive impact upon your Venue.

1.4 Variations. Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any given circumstance, to vary standards for any System franchisee based upon the peculiarities of the particular site or circumstance, business potential, trade area, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of such franchisee's business. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder.

## **ARTICLE II. SITE SELECTION, PLANS AND CONSTRUCTION**

2.1 Franchisee's Responsibility. Franchisee assumes all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Venue and for constructing and equipping the Venue at such site. If the Location is not known at the time of execution of this Agreement, any such site must be located in the Potential Site Area described in Attachment B. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Venue unless the site is accepted as set forth below. While Franchisor may render assistance to Franchisee in the selection of a site, Franchisee has sole responsibility for locating, selecting, procuring and developing a site for the Venue and Franchisee may and is encouraged to consult with real estate and other professionals of Franchisee's choosing in discharging such responsibility. Franchisee acknowledges that Franchisor's consent to a prospective site is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Venue operated at that site will be profitable or otherwise successful, and cannot create a liability for Franchisor. Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Venue.

### **2.2 Site Selection.**

(a) Consent to Site. Prior to acquiring by lease or purchase a site for the Venue, Franchisee shall locate a site for the Venue in the Potential Site Area described in Attachment B that satisfies the site selection guidelines provided to Franchisee by Franchisor pursuant to Section 5.1 and shall submit to Franchisor in the form specified by Franchisor a description of the site, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, together with such other information and materials as Franchisor may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee's favorable prospects for obtaining the site. Recognizing that time is of the essence, Franchisee shall



submit such information and materials for the proposed site to Franchisor for its consent no later than thirty (30) days after the execution of this Agreement. Franchisor shall have thirty (30) days after receipt of this information and materials to consent, in its sole discretion, to the proposed site as the location for the Venue. No site may be used for the location of the Venue unless it is consented to in writing by Franchisor.

(b) Acquisition of Site. If Franchisee will purchase the premises for the Venue, Franchisee shall submit a copy of the proposed contract of sale to Franchisor for its written consent prior to its execution and shall furnish to Franchisor a copy of the executed contract of sale within ten (10) days after execution. If Franchisee will occupy the premises of the Venue under a lease, Franchisee shall submit a copy of the lease to Franchisor for written consent prior to its execution and shall furnish to Franchisor a copy of the executed lease within ten (10) days after execution. Franchisor's acceptance of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Operations Digital Library or otherwise in writing from time to time, a current list of which is included in Attachment C. Franchisor shall have fifteen (15) days after receipt of the lease or the proposed contract of sale to consent to such documentation prior to its execution. Within forty-five (45) days after Franchisor has consented to the site for the Venue (or such longer period as Franchisor consents to in writing), Franchisee shall acquire such site by purchase or lease. Failure by Franchisee to acquire the site for the Venue within the time and in the manner required herein shall constitute a material event of default under this Agreement.

(c) Description of Site, Limited FA Area and Limited FA ~~Exclusivity~~ Period. After a site for the Venue located in the Potential Site Area described in Attachment B is consented to by Franchisor and acquired by Franchisee pursuant to this Agreement, the Location, Limited FA Area (if any) and Limited FA ~~Exclusivity~~ Period (if any) shall be described in Attachment B.

2.3 Zoning and Permits. Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Venue premises. Prior to beginning the construction of the Venue, Franchisee shall (a) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Venue, and (b) certify in writing to Franchisor that the insurance coverage specified in Article XII is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained. Upon request, Franchisee shall provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

2.4 Plans and Specifications. Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction of the Venue at its own expense from an architectural design firm consented to by Franchisor. Franchisee shall adapt the prototypical architectural and design plans and specifications for construction of the Venue provided to Franchisee by Franchisor in accordance with Section 5.1(c) as necessary for the construction of the Venue and shall submit such adapted plans to Franchisor or its designated representative for review before commencing any site work or construction. Such plans must be submitted with a \$7,500 Design/PIP Fee payable to Franchisor for its review and consent to such plans. Franchisee acknowledges and agrees that Franchisee has or will be provided with Franchisor's Design and Construction Manual [version 5 dated ~~August 16~~September 20, 20192018] ("DCM") and that, unless otherwise agreed in writing by both parties, the Venue will be developed strictly in accordance with this version of the DCM regardless of whether a newer version is later issued during the construction phase. If Franchisor or its representative determines, in its sole discretion, that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, and in this event will notify Franchisee of any objection(s) within thirty (30) days of receiving such plans. If Franchisor or its representative fails to notify

Franchisee of an objection to the plans within this time period, Franchisee may use such plans. If Franchisor or its representative objects to any such plans, Franchisor or its representative shall provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Within twenty (20) days of receiving such objections, Franchisee shall incorporate the requested changes into such plans and resubmit them to Franchisor or its representative for review. Franchisor or its representative shall notify Franchisee within fifteen (15) days of receiving the resubmitted plans whether the plans are acceptable. Franchisee acknowledges that Franchisor's or its representative's review of such plans relates only to compliance with the System and that acceptance by Franchisor of such plans does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor or its representative that such plans are accurate or free of error concerning their design or structural application.

2.5 Construction. Franchisee shall not commence construction or remodeling of the Venue until Franchisor has consented to the use of plans in accordance with Section 2.4. Upon Franchisor's consent to the use of the plans, Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Venue. Commencement of construction shall be defined as the time at which any site work is initiated by or on behalf of Franchisee at the location accepted for the Venue. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises. Franchisor reserves the right to review and provide its consent to any contractor engaged to perform construction or remodeling of the Venue before such contractor begins work. During the time of construction or remodeling, Franchisee shall provide Franchisor or its designated representative with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative shall make such on-site inspections as it may deem reasonably necessary to evaluate such progress, and Franchisee and its contractor shall provide Franchisor full access to the site for such evaluations. Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an inspection of the completed Venue. Franchisee acknowledges and agrees that it will not open the Venue for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

2.6 Opening. Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, and unless Franchisee obtains an extension of such time period from Franchisor in writing, Franchisee shall open the Venue and commence business within three hundred (300) days after Franchisee has obtained possession of the Location; provided that in all cases Franchisee may not open the Venue to paying customers/Guests within the twenty-one (21) day period following receipt of the certificate of occupancy for the Venue and Franchisee must strictly adhere to the final pre-opening checklist prepared by Franchisor for the Venue. The date the Venue opens for business to the public as provided herein ("Opening Date") shall be set forth in Attachment B. Prior to opening, Franchisee shall complete all exterior and interior preparations for the Venue, including installation of equipment, fixtures, furnishings and signs, in accordance with the plans and specifications consented to by Franchisor, and shall strictly comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Article VI, to Franchisor's satisfaction. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from commencing business unless or until such obligations are complied with in strict adherence to the plans and specifications. Franchisee's failure to open the Venue and commence business in accordance with the foregoing shall be deemed a material event of default under this Agreement.

Franchisor in accordance with Section 4.2(d). Upon written notice to Franchisee, Franchisee may be required to pay such royalty fees directly to Franchisor in lieu of EFT at Franchisor's sole discretion.

(d) Interest. Franchisee shall not be entitled to withhold payments due Franchisor under this Agreement on grounds of alleged nonperformance by Franchisor hereunder. Any payment or report not actually received by Franchisor on or before such date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither Franchisee nor the Franchisee's Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

~~(e) Late Fee. If the payments or reports are not received by Franchisor as required by this Section or Franchisee unilaterally blocks or hinders Franchisor's access to Franchisee's POS system, Franchisee shall pay to Franchisor, in addition to the overdue amount, a fee of fifty dollars (\$50) per day for each day that the royalty is unpaid or the report is not received. This fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report or information, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay royalties and/or submit reports in accordance with the terms of this Agreement. If for any reason the fee of fifty dollars (\$50) is deemed to be interest charged, required or permitted, in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party that paid such amount.~~

4.3 Gross Sales. For the purposes of this Agreement, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Venue (including, without limitation, any sales or orders of food products or food preparation services provided from or related to the Venue), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the point of sale system and any cash shortage shall not be considered in the determination. Gross Sales shall expressly exclude the following:

(a) Sums representing sales taxes collected directly from ~~customers~~Guests, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Venue, and any other tax, excise or duty that is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Venue, provided that such taxes are actually transmitted to the appropriate taxing authority;

(b) Receipts from any public telephone, vending machine, or video games installed in the Venue, except for Franchisee's share of the revenues;

(c) Tips or gratuities paid directly by Venue ~~customers~~Guests to Franchisee's employees or paid to Franchisee and then turned over to these employees by Franchisee in lieu of direct tips or gratuities;

(d) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Venue nor having any material effect upon the ongoing operation of the Venue required under this Agreement; and

(e) Sums representing online ticket purchasing service and/or transaction fees that are collected directly from ~~customers~~Guests, provided such fees are remitted to Franchisor.

Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such authorization may be revoked or withdrawn at any time in writing by Franchisor in its discretion. The following are included within the definition of "Gross Sales" described except as noted below:

(f) The full value of meals furnished to Franchisee's employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the week in which the meals were furnished for the purpose of determining the amount of Gross Sales upon which the royalty fee is due; and

(g) All proceeds from the sale of coupons, gift certificates or vouchers; provided, that at the time such coupons, gift certificates or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the week in which such coupon, gift certificate or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which the royalty fee is due. If sales proceeds are not recorded and reported for royalty purposes at the time the coupon, gift certificate or voucher is sold, or if such coupons, gift certificates or vouchers are distributed free of charge, no credit against Gross Sales is permitted upon redemption of such coupon, gift certificate or voucher.

## **ARTICLE V. FRANCHISOR'S OBLIGATIONS**

5.1 Franchisor Services. Franchisor agrees to provide the services described below with regard to the Venue:

(a) Site Selection Guidelines. Franchisor's written site selection guidelines and such site selection assistance as Franchisor may deem advisable.

(b) On-Site Evaluation. At Franchisor's discretion, such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site evaluation; provided, however, that Franchisor shall not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site prepared pursuant to Article II. Franchisor will provide the initial on-site evaluation at no charge to Franchisee. If additional on-site evaluations are deemed appropriate by Franchisor, or upon Franchisee's reasonable request, Franchisor reserves the right to charge a reasonable fee for performing each such evaluation and a fee representing the reasonable expenses incurred by Franchisor (or its designee) in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, meals and wages.

(c) Plans and Specifications. On loan, a set of sample architectural and design plans and specifications for a Venue. Franchisee shall independently, and at Franchisee's expense, have such architectural and design plans and specifications adapted for construction of the Venue in accordance with Article II.

(d) Operations Digital Library. On loan, one (1) set of confidential brand standards materials and such other manuals and written materials as Franchisor shall have developed for use in the Venue (as the same may be revised by Franchisor from time to time, the "Operations Digital Library"), as more fully described in Section 10.1.

(e) Visits. Visits to the Venue and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor, as more fully described in Section 7.5(g).

(f) Advertising Materials. Samples or camera ready artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Venue.

(g) Operating Techniques. Advice and written materials concerning techniques of managing and operating the Venue from time to time developed by Franchisor, including new developments and improvements in Venue equipment and food products and the packaging and preparation thereof.

(h) Merchandise. From time to time and at Franchisor's discretion, at a reasonable cost make available for resale to Franchisee's ~~customers~~ Guests, certain merchandise identifying the System, such as pre-packaged food products and memorabilia, in sufficient amounts to meet ~~customer~~ Guest demand. Similarly, Franchisor may make available from time to time certain Venue equipment and decor items at a reasonable cost.

(i) List of Suppliers. A list of approved suppliers as described in Section 7.4 from time to time as Franchisor deems appropriate.

(j) Training. An initial training program for Franchisee's Operating Principal and its General Manager, Kitchen Manager, ~~Projection~~ AV-Presentation Manager (each as defined in Section 6.4) and other Venue personnel and other training programs in accordance with the provisions of Section 6.5.

(k) On-Site Assistance. On-site pre-opening and post-opening assistance at the Venue in accordance with the provisions of Section 6.5(d).

(l) Marketing Fund. Administration of a marketing fund and/or, if and when established, advertising cooperatives in accordance with Article VIII.

(m) Film Services. Provision of film booking and related backend services for the Venue if/when then required by the Operations Digital Library from time to time.

(n) Guest Loyalty Programs. Management of Franchisor's then current Guest loyalty program mandated or permitted by the Operations Digital Library from time to time, including Alamo Season Pass program or any successor or equivalent program.

## **ARTICLE VI. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS**

6.1 Optimum Sales. Each of Franchisee and the Controlling Principals covenants and agrees that it is a privilege to develop and operate a Venue, and shall make all commercially reasonable efforts to operate the Venue so as to achieve optimum sales.

6.2 Entity Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and the Controlling Principals represent, warrant and covenant that:

(a) Due Formation. Franchisee is duly organized and validly existing under the state law of its formation;

(v) The Operating Principal (or his designee) shall satisfy the training requirements set forth in Section 6.5.

(c) Replacement. If the Operating Principal or any designee is not able to continue to serve in the capacity of Operating Principal or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Operating Principal or such designee ceases to serve or be so qualified, such replacement being subject to the same qualifications and restrictions listed above. Franchisee shall provide for interim management of the activities contemplated under this Agreement until such replacement is so designated, such interim management to be conducted in accordance with this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement.

#### 6.4 Managers.

(a) Designation. Franchisee shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Venue, a kitchen manager ("Kitchen Manager") to direct the operation and management of the restaurant portion of the Venue, ~~and a projectionbar manager (the "ProjectionBar Manager") to direct the operation and management of the beverage program for the Venue and an AV-presentation manager (the "AV-Presentation Manager" and, collectively with the General Manager and the Kitchen Manager, the "Managers") to direct the operation and management of the theater portion of the Venue.~~ Franchisee shall designate its Managers at least sixty (60) days prior to the opening of the Venue. The General Manager shall be responsible for the daily operation of the Venue. The Kitchen Manager shall be responsible for the daily operation of the restaurant portion of the Venue. The ProjectionBar Manager shall be responsible for the daily operation of the beverage program for the Venue. The AV-Presentation Manager shall be responsible for the daily operation of the theater portion of the Venue. A Manager may be one of the Controlling Principals. If Franchisee hires one or more Managers as part of Franchisor's then current manager feeder program, Franchisee will pay Franchisor or its affected Affiliate the then current fees associated with the hiring of a Manager at the level and tenure of the hired Manager(s). Franchisor reserves the right to also approve in writing before any hiring the person(s) Franchisee desires to hire to oversee programming and promotions and/or social media for the Venue.

(b) Qualifications. Each Manager shall, during the entire period he serves as a Manager, meet the following qualifications:

(i) The Manager shall satisfy Franchisor's educational and business experience criteria as set forth in the Operations Digital Library or otherwise in writing by Franchisor.

(ii) The Manager shall devote full time and best efforts to the supervision and management of the Venue, the restaurant portion of the Venue, or the theater portion of the Venue, as applicable.

(iii) The Manager shall be an individual acceptable to Franchisor.

(iv) The Manager shall satisfy the training requirements set forth in Section 6.5.

(c) Replacement. If a Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by Franchisor). Franchisee shall provide for interim management of

the Venue until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. If Franchisee fails to have a replacement Manager satisfactorily complete Franchisor's training or certified as meeting such requirements, in lieu of termination, Franchisor may charge Franchisee an additional support fee until such Manager is properly trained or certified in accordance with Franchisor's requirements. Such support fee shall be in the amount of five hundred dollars (\$500) per week, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 4.2(c) at the same time Franchisor withdraws the royalty fee.

6.5 Training. Franchisee agrees that it is necessary to the continued operation of the System and the Venue that Franchisee's Operating Principal and Managers receive such training as Franchisor may require, and accordingly agrees as follows:

(a) Initial Training. Not later than one hundred twenty (120) days prior to the date the Venue commences operations, Franchisee's Operating Principal, General Manager, Venue Rental Manager, Creative Manager, Assistant Managers, Kitchen Manager, Bar Manager and AV-Presentation Manager shall attend and complete, to Franchisor's satisfaction, Franchisor's initial training program. Training of such persons shall be conducted by Franchisor or its designee at a Franchisor-operated Venue or such other location designated by Franchisor, if the Venue is the first Venue developed by Franchisee. ~~Franchisor~~Franchisee shall ~~provide instructors and training materials for the pay, in advance, an initial training fee equal to \$5,000 times the number of persons who will attend such initial training of the initial Operating Principal and Managers at no charge to Franchisee program.~~

(b) Replacement Training. Franchisor shall determine, in its sole discretion, whether the Operating Principal and Managers have satisfactorily completed initial training. If the initial training program is not satisfactorily completed by the Operating Principal or a Manager, or if Franchisor in its reasonable business judgment based upon the performance of the Operating Principal or a Manager, determines that the training program cannot be satisfactorily completed by any such person, Franchisee shall designate a replacement to satisfactorily complete such training. Any Operating Principal or Manager subsequently designated by Franchisee shall also receive and complete such initial training. Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to a replacement or successor Operating Principal or Manager, if Franchisee is not approved by Franchisor to provide such training. Franchisee shall be responsible for any and all expenses incurred by Franchisee or Franchisee's Operating Principal, Managers and other Venue personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

(c) Additional Training. Franchisee's Operating Principal, Managers and such other Venue personnel as Franchisor shall designate shall attend such additional training programs as Franchisor may offer from time to time, if Franchisor requires such attendance. For all such programs, Franchisor will provide the instructors and training materials. However, Franchisor reserves the right to impose a reasonable fee for such additional training programs that are not mandatory. Franchisee shall be responsible for any and all expenses incurred by Franchisee or its Operating Principal, Managers and other Venue personnel in connection with such additional training, including, without limitation, costs of travel, lodging, meals, and wages.

(d) Opening Assistance. In connection with the opening of the Venue, Franchisor shall provide Franchisee with opening assistance by one or more trained representatives of Franchisor. The trained representatives will provide on-site pre-opening and opening training, supervision, and assistance to Franchisee for a period of time ranging from two weeks prior to opening to two weeks after opening. With respect to the opening assistance described above and any such assistance provided to a replacement Venue established by Franchisee pursuant to Section 1.2, Franchisee shall reimburse

(c) Movies. To show only the category of movies, pre-show, ad roll, signature programming and advertising tapes that have been expressly approved for showing in writing by Franchisor and to discontinue showing any content that Franchisor may, in its sole discretion, disapprove in writing at any time. At no time shall Franchisee show any hardcore pornographic movies. Franchisee will also follow all then current standards for movie and digital projection resolution set by Franchisor from time to time (currently the 4K digital resolution standard). Franchisee will participate in all special program offerings and bundles from time to time as part of national or regional promotions.

(d) Inventory. To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies, paper goods, uniforms and apparel and merchandise that conform to Franchisor's standards and specifications; to prepare all menu items in accordance with the recipes and procedures for preparation contained in the Operations Digital Library or other written directives, including, but not limited to, using the brand and/or type of ingredients required by Franchisor and the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's standards and specifications by the use or offer of non-conforming items or differing amounts of any items.

(e) Testing. To permit Franchisor or its agents, at any reasonable time, to remove samples of food or non-food items from the Venue, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications.

(f) Equipment. To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including projection, sound and audio visual systems and point of sale and computer systems), decor items, signs, and related items as Franchisor may reasonably direct from time to time in the Operations Digital Library or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Venue premises, any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items not previously approved as meeting Franchisor's standards and specifications. Franchisee must engage an approved third party vendor to check projection and sound equipment at the Venue on at least a quarterly basis or as otherwise required in the Operations Digital Library or other written directives.

(g) Inspections. To grant Franchisor and its agents the right to enter upon the Venue premises and, in Franchisor's discretion, to examine any motor vehicle used in connection with Venue operations at any time for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during an inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so taking the corrective action (including, without limitation, any necessary reinspection). Any such fee is payable by Franchisee immediately upon demand. Upon reasonable notice, Franchisor's personnel may tour the Venue with prospective franchisees, provided that Franchisor will exercise its best efforts to avoid disruption to the Venue or Franchisee's staff in connection with any such tours.

(h) Staff. To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that its employees preserve good ~~customer~~Guest relations and comply



with such dress code as Franchisor may prescribe. Franchisor may directly or indirectly perform Venue employee feedback as part of its Guest satisfaction programs. Franchisee acknowledges that Franchisor vigorously promotes a safe working environment for all of its own personnel and therefore requires that Franchisee develop and maintain sufficient harassment training and materials for the Venue and its own personnel, and Franchisor will make available its own harassment training materials for consideration and use by Franchisee. Notwithstanding the foregoing, Franchisor and Franchisee acknowledge and agree that Franchisor shall not, and shall have no right or authority to, control the employees of the Venue or Franchisee's other employees. Franchisor shall have no right or authority with respect to the hiring, termination, discipline, work schedules, pay rates or pay methods of employees of the Venue or of Franchisee. Franchisee acknowledges and agrees that all employees of the Venue and of Franchisee shall be the exclusive employees of Franchisee and shall not be employees of Franchisor nor joint employees of Franchisee and Franchisor.

(i) Gift Cards; Voucher Programs. To participate in any gift certificate, gift card or similar program established by Franchisor. Franchisee shall purchase and maintain a minimum inventory of gift certificates or cards, shall offer such gift certificates or cards for sale and shall honor any such gift certificates or cards presented at the Venue for the purchase of tickets or food or beverage items. Franchisee may not create or issue its own gift certificates or cards and shall only sell gift certificates or cards approved by Franchisor. Franchisee must adhere to Franchisor's then current specifications with respect to any voucher programs such as Groupon, Living Social or other similar offerings, including with respect to the calculation of Gross Sales based on the sale and redemption of vouchers and similar certificates.

(j) Online Ticket Purchasing. To participate in any online ticket purchasing program established by Franchisor. Franchisee shall honor any tickets purchased online for movies at the Venue. Franchisor may charge a service and/or transaction fee from the ~~customer~~Guest for each ticket purchased online, which fee will be retained by Franchisor. Franchisee may not create its own online ticket purchasing program. If Franchisee collects the service and/or transaction fee from the ~~customer~~Guest, Franchisee must remit to Franchisor the full amount of the fee at the same time and in the same manner as the corresponding royalty fee is paid.

(k) ~~Customer~~Guest Loyalty Programs. To participate in any ~~customer~~Guest loyalty program established by Franchisor and pay all participation fees due to Franchisor or any third party vendor, including but not limited to the Alamo Season Pass program or any successor or equivalent thereto.

(l) Reserved Seating Program. To participate in any reserved seating program established by Franchisor and follow all standards for any such reserved seating program that Franchisor sets from time to time.

(m) Bar. If Franchisor permits Franchisee to develop and operate a separately branded bar on the premises of the Venue (the "Bar"), Franchisor will have approval over any and all names, trademarks or logos Franchisee selects for use in the Bar, and Franchisor may at its election own and register the names, trademarks and logos for the Bar, but Franchisor is not obligated to do so. In all cases, the names, trademarks and logos for the Bar will be considered part of the Marks, the Bar will be considered part of the Venue and the Bar must be developed and operated under the System and pursuant to Franchisor's standards and specifications. Franchisee and the Principals shall not use the names, trademarks or logos of the Bar other than on the premises of the Venue, and in no case may Franchisee or the Principals use the names, trademarks or logos of the Bar in any other business venture during or after the term of this Agreement.

(n) Film Services Programs. To sign Franchisor's then current film booking and related backend services agreement (attached as Attachment E), participate in such film services programs and pay all then current fees required for participation by the Operations Digital Library set from time to time.

7.6 Computer Systems. Franchisee shall install and maintain the point of sale systems and computer hardware and software (including, without limitation, point of sale software) Franchisor requires for the operation of the Venue and shall follow the procedures related thereto that Franchisor specifies in the Operations Digital Library or otherwise in writing. Among other things, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to access and retrieve electronically any information stored in Franchisee's point of sale and computer systems, including, without limitation, information concerning Venue Gross Sales and online ticket sales, at the times and in the manner that Franchisor may specify from time to time. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor or its representative to access and retrieve electronically all information stored on any point of sale or computer system used in connection with the Venue. Franchisor also may require Franchisee to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System and/or pay Franchisor's pro rata costs for use and participation in any software licenses that Franchisor obtains and requires to be used in the Venue. All information contained in and collected by any such computer program shall be the sole and exclusive property of Franchisor. Franchisee must implement and maintain an approved Payment Card Industry (PCI) compliance program for the Venue. Franchisor may suggest third party PCI compliance vendors occasionally, but Franchisee is free to submit alternative PCI compliance vendors to Franchisor for approval or seek approval to perform Franchisee's own PCI compliance. Franchisee must submit PCI compliance reports to Franchisor in the manner and frequency Franchisor sets in the Operations Manual. Franchisee's failure to comply will be a material default under this Agreement.

7.7 Internet Website.

(a) Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the bit speed required by Franchisor from time to time. Franchisee shall maintain an electronic mail account with an Internet service provider acceptable to Franchisor. Franchisee shall read the electronic mail for the Venue on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided herein.

(b) Franchisor has established, or may establish, an Internet Website that provides information about the System and the products and services offered by Venues. Franchisor has sole discretion and control over the Website (including timing, design, contents and continuation). Franchisor may use part of the Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of the Website.

(c) Franchisor may (but is not required to) include at the Website an interior page containing information about Franchisee's Venue. If Franchisor includes such information on the Website, Franchisor may require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting.

(d) Franchisor also shall have the sole right (but no obligation) to develop an Intranet through which Franchisor and its franchisees can communicate by e-mail or similar electronic means. If Franchisor develops such an Intranet, Franchisee agrees to use the facilities of the Intranet in strict

compliance with the standards, protocols and restrictions that Franchisor includes in the Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

(e) Franchisor has sole discretion and control over any profiles using or relating to the Marks, or that display the Marks, that are maintained on social media outlets, including without limitation Facebook, Instagram and Twitter. Franchisor may use part of the Fund monies it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such profiles. Franchisor may (but need not) establish guidelines pursuant to which Franchisee may establish profiles or otherwise establish a presence on such social media outlets. In that event, Franchisee shall comply with the standards, protocols and restrictions that Franchisor imposes from time to time on such use.

7.8 Recipes. Franchisee acknowledges and agrees that Franchisor may develop for use in the System certain products that are prepared from Franchisor proprietary recipes and that bear the Marks. Because of the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that Franchisor closely controls the production and distribution of such products. Accordingly, Franchisee agrees that with respect to such products, whether or not such products are proprietary, Franchisee shall use only products manufactured by or on behalf of Franchisor, and shall purchase solely from Franchisor or from a source designated by Franchisor or, with respect to products manufactured by or on behalf of Franchisor, from a seller of such products, all of Franchisee's requirements for such products. Franchisee further agrees to purchase from Franchisor or from a source designated by Franchisor for resale to Franchisee's ~~customers~~Guests certain merchandise identifying the System as Franchisor shall require, such as pre-packaged food products and memorabilia and promotional products, in amounts sufficient to satisfy Franchisee's ~~customer~~Guest demand.

7.9 Advertising Materials. Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Venue), and other items that may be designated by Franchisor to bear the Marks in the form, color, location and manner prescribed by Franchisor.

7.10 Complaints. Franchisee shall process and handle all consumer complaints connected with or relating to the Venue, and shall promptly notify Franchisor by telephone and in writing of all: (a) food related illnesses, (b) safety or health violations, (c) claims exceeding One Thousand Dollars (\$1,000.00), and (d) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Venue during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

7.11 Vehicles. Any vehicle used by Franchisee in connection with the operation of the Venue shall meet Franchisor's image and other standards. Franchisee shall place such signs and decor items on the vehicle as Franchisor requires and shall at all times keep such vehicle clean and in good working order. Franchisee shall not permit anyone to operate a vehicle used in connection with the Venue who is under the age of eighteen (18) years or who does not possess a valid driver's license under the laws of the state in which the Venue is located. Franchisee shall require each such person who operated a vehicle used in connection with Venue operations to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, Franchisor does not set forth any standards or exercise control over any motor vehicle utilized by Franchisee.

7.12 Guest Information. All guest information (information that: (i) can be used (alone or when used in combination with other information within your control) to identify, locate or contact an

Franchisee will limit the notices to Venue guests to those required by the legal obligation or as pre-approved by Franchisor. Franchisee will reasonably cooperate in connection with any notices to Venue guests regarding theft or loss and Franchisee will assist with sending such notices upon request by Franchisor.

## **ARTICLE VIII. ADVERTISING AND RELATED FEES**

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

8.1 Advertising Programs. Franchisor may from time to time develop and administer advertising and sales promotion programs, including, without limitation, gift card programs, online ticket purchasing programs and ~~customer~~<sup>Guest</sup> loyalty programs, designed to promote and enhance the collective success of all Venues operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

8.2 Local Advertising. In addition to the ongoing advertising contributions set forth herein and subject to any allocation of Franchisee's expenditures for local advertising to the Cooperative as described in Section 8.4, Franchisee shall spend, annually throughout the term of this Agreement, not less than one percent (1%) of the Gross Sales of the Venue on advertising, marketing, promotional and public relations programs and activities for the Venue in its Limited FA Area ("Local Advertising"). Franchisee shall submit to Franchisor quarterly an advertising expenditure report accurately reflecting such expenditures for the preceding quarter on or before the 15<sup>th</sup> day of the month following the end of each calendar quarter. If that day is not a business day, then such report shall be due on the next business day. In connection with the initial opening of the Venue, Franchisee shall conduct an advertising and marketing campaign as prescribed by Franchisor or as otherwise agreed to by Franchisor and Franchisee.

### 8.3 Marketing Fund.

(a) Establishment. Franchisor has established a marketing fund (the "Fund") on behalf of the System for advertising and marketing. Franchisor will, from time to time, designate a percentage of the Gross Sales of the Venue to be contributed to the Fund and Franchisee agrees to contribute that amount at the same time and in the same manner as the corresponding royalty fee is paid; provided that Franchisee will not be required to contribute to the Fund more than one percent (1%) of the Gross Sales of the Venue. In reviewing and establishing or modifying the marketing fee, Franchisor shall consider the level of advertising and marketing expenditures by Venues operated by Franchisor and by competitors of the System, media costs, available marketing resources, population changes, changes in market conditions, the degree of market penetration of the System, and such other factors as Franchisor deems relevant to the operation of the Fund. Franchisee shall be provided with thirty (30) days prior written notice of any such change in the marketing fee.

(b) Administration. Franchisor or its designee will administer the Fund as follows:

(i) Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Venues operating under the System.

(i) Divert, or attempt to divert, any business or ~~customer~~Guest of the Venue to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any movie theater business or other business that combines a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue, which is located in the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks.

(iii) Own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any restaurant, bar or restaurant and bar business that is located within a three (3) mile radius of the Venue or any other Alamo Drafthouse Venue utilizing the Marks and/or System.

(b) Post-Term Covenants. In consideration for the specialized training, trade secrets, confidential information and rights described in Section 10.3(a), Franchisee and Controlling Principals covenant that with respect to Franchisee, and for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of Franchisee's interest in, this Agreement (or, with respect to each of the Controlling Principals, commencing upon the earlier of: (1) the expiration, termination of, or transfer of all of Franchisee's interest in, this Agreement or (2) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as described in Section 18.17) and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Controlling Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or ~~customer~~Guest of the Venue hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing development agreement or franchise agreement between Franchisor and Franchisee.

(iii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any movie theater business or other business that combines a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue, which business is, or is intended to be, located within a fifty (50)-mile radius of the former Venue's Location or within a fifty (50)-mile radius of the location of any other Venue in existence or under construction at any given time during such period.

(c) Public Company. Section 10.3(a)(ii) and (b)(iii) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

(d) Reasonableness. The parties acknowledge and agree that each of the covenants contained in this Section are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other

## ARTICLE XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

15.1 Relationship. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

15.2 Notice to Public. Franchisee shall hold itself out to the public as an independent contractor conducting its Venue operations pursuant to the rights granted by Franchisor. Franchisee agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Venue premises established for the purposes hereunder or on any vehicle used in connection with the Venue and on all letterhead, business cards, forms, and as further described in the Operations Digital Library, Franchisor reserves the right to specify in writing the content and form of such notice.

15.3 No Authority. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom.

15.4 Employment Policies. Franchisor does not exercise any direction or control over the employment policies or employment decisions of Franchisee. All employees of Franchisee are solely employees of Franchisee, not Franchisor. Franchisee is not Franchisor's agent for any purpose in regard to Franchisee's employees or otherwise.

15.5 Indemnification. Franchisee shall and hereby does indemnify and shall defend at its own cost and save harmless Franchisor and its affiliates, and their officers and employees, and their respective successors and assigns, from and against all losses, costs, liabilities, damages, claims and expenses, of every kind and description, however caused, including allegations of negligence by Franchisor or its employees and agents, whether such negligence be sole, joint or concurrent, or active or passive, and including reasonable attorneys' fees, directly or indirectly arising out of or resulting from the construction, operation, alteration, repair or use of the Venue or the Venue premises, including the sale of any food or beverage products, service or merchandise by the Venue or the operation of any motor vehicle, or of any other business conducted on or in connection with the Venue by the Franchisee, or because of any act or omission of the Franchisee or anyone associated with, employed by, or affiliated with Franchisee in connection with us or any third party (including any ~~customer~~ Guest or vendor). Franchisee shall promptly give written notice to Franchisor of any action, suit, proceeding, claim, demand, inquiry, or investigation related to the foregoing. Franchisor shall in any event have the right, through counsel of its choice at Franchisee's expense, to control the defense or response to any such action if it could affect the interests of Franchisor, and such undertaking by Franchisor shall not, in any manner or form, diminish Franchisee's obligations to Franchisor hereunder. Under no circumstances shall Franchisor be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this indemnification and against Franchisee, and the failure of Franchisor to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Franchisor from Franchisee. Franchisee acknowledges that this Section clearly and unequivocally meets the requirements of the express negligence rule of the Texas Supreme Court and irrevocably waives any claim to the contrary. The obligations of Franchisee under this Section shall survive the termination, expiration or transfer of this Agreement, or any interest herein.

or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein.

(g) Threat to Public Health. If a threat or danger to public health or safety results from the construction, maintenance or operation of the Venue.

(h) Failure to Maintain Operating Principal or Managers. If Franchisee fails to designate a qualified replacement or successor Operating Principal (or his designee, as applicable) or General Manager, Kitchen Manager, ~~Bar Manager~~ or ~~Projection~~AV-Presentation Manager within the time required under Section 6.3(c) and 6.4(c), respectively.

(i) Transfer Without Consent. If Franchisee or any of the Controlling Principals purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Venue to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer, contrary to the terms of Article XIV.

(j) Monetary Default. If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay when due any monetary obligation owing to Franchisor, or any of its affiliates or vendors, under this Agreement or any other agreement, or to submit the financial or other information required by Franchisor under this Agreement and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply).

(k) Noncompetition. If Franchisee or any of the Controlling Principals fails to comply with the in-term covenants in Section 10.3 or Franchisee fails to obtain execution of the covenants and related agreements required under Section 10.3(g) within thirty (30) days after being requested to do so by Franchisor.

(l) Confidential Information. If, contrary to the terms of Section 10.2(a) , Franchisee or any of the Controlling Principals discloses or divulges any confidential information provided to Franchisee or the Controlling Principals by Franchisor, or fails to obtain execution of covenants and related agreements required under Section 10.2(b) within thirty (30) days after being requested to do so by Franchisor.

(m) Transfer Upon Death or Disability. If an approved transfer upon death or permanent disability of Franchisee or any Controlling Principal is not effected within the time period and in the manner prescribed by Section 14.5.

(n) False Books. If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor.

(o) Breach of Certain Covenants. If Franchisee or any of the Controlling Principals breaches in any material respect any of the covenants set forth in Section 6.2 or has falsely made any of the representations or warranties set forth in Section 6.2.

(p) Failure to Maintain Insurance. If Franchisee fails to procure and maintain such insurance policies as required by Article XII and Franchisee fails to cure such default within seven (7) days following notice from Franchisor.

(q) Fraud or Conduct Affecting the Marks. If Franchisee or any of the Controlling Principals commits fraud in connection with the purchase or operation of the Venue or otherwise engages

in conduct that, in the sole judgment of Franchisor, materially impairs the goodwill association with the Marks.

(r) Misuse of Marks. If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or with the System or Franchisor's rights therein; and does not cure such default within twenty-four (24) hours following notice from Franchisor.

(s) Default Under Lease/Failure to Incorporate Required Franchise Covenants to Lease. If Franchisee fails to comply with any of the requirements imposed by the lease for the Venue premises or ~~fails to obtain the related collateral assignment of lease~~Required Franchise Covenants to Lease in favor of Franchisor in accordance with Attachment C, and does not cure such default within the cure period, if any, specified in the lease or assignment, or in a written notice from Franchisor with respect to the Required Franchise Covenants to Lease set forth in Attachment C.

(t) Cross Default. If Franchisee or any of its affiliates are in default under any Franchise Agreement or other agreement (including but not limited to the Film Services Agreement) with Franchisor or any of its affiliates and does not cure such default within the time period provided in such Franchise Agreement.

(u) Multiple Defaults. If Franchisee and/or the Controlling Principals commit two (2) or more events of default under this Agreement in any 12-month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor.

16.3 Default and Right to Cure. Except as provided in Sections 16.1 and 16.2 of this Agreement, upon any default by Franchisee that is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the thirty (30)-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty-day period or such longer period as applicable law may require. Defaults that are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

(a) If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith.

(b) If Franchisee fails to maintain or observe any of the standards, specifications or procedures prescribed by Franchisor in this Agreement or otherwise in writing.

(c) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

16.4 Additional Remedies. If Franchisee is in default of this Agreement, Franchisor may, in addition to any other remedies it may have, suspend Franchisee's participation in any advertising or other program Franchisor offers, including any web page for the Venue maintained on Franchisor's web site, for so long as Franchisee remains in default.



after termination or expiration of this Agreement, to purchase the Venue premises including any building thereon, if applicable, for the fair market value of the land and building. Franchisor shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee does not own the land on which the Venue is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined in accordance with appraisal procedure described above.

(c) Assignments. With respect to the options described in Sections 17.11 and 17.12(a) and (b), Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

17.13 Closing of Purchase. The time for closing of the purchase and sale of the properties described in Section 17.12(a) and (b) shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date Franchisor receives and obtains all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 17.11 shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Section 17.12(a) or (b), in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

17.14 Assignment of Options. Franchisor shall be entitled to assign any and all of its options in this Section to any other party, without the consent of Franchisee.

17.15 Assignment of Telephone Numbers. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Venue and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor all Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 6.9, Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, e-mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

## ARTICLE XVIII. MISCELLANEOUS

18.1 Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be ~~personally delivered or sent by expedited (a) personal delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by prepaid facsimile or email (provided that the sender confirms the facsimile or email by sending an original confirmation copy by certified or registered mail or;~~ (b) expedited delivery service ~~within three; or (3c) business days after~~

~~transmission) email~~, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Alamo Drafthouse Cinemas, LLC  
~~612 East 6th Street~~  
3908 Avenue B  
Austin, Texas ~~78701-78751~~  
Attention: ~~Chief Financial Officer~~ Director of Corporate Legal  
Facsimile: \_\_\_\_\_  
Email: missy.reynolds@drafthouse.com

Notices to Franchisee and  
the Controlling Principals:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Email: \_\_\_\_\_

~~Any notices sent by personal delivery shall be deemed to have been given at the time of personal delivery or, in the case of facsimile or email, upon transmission (provided confirmation is sent as described above) or, in the case of upon receipt. Any notice sent by expedited delivery service or registered or certified mail, shall be deemed given two (32) business days after the date and time of mailing the notice is picked up by the expedited delivery service. Any notices sent by email shall be deemed given upon transmission. Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.~~

18.2 Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Franchisee and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements between Franchisor and Franchisee and the Controlling Principals. Notwithstanding the foregoing, nothing in this Agreement, the documents referred to herein or the Attachments hereto is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document provided to Franchisee in connection with this Agreement.

18.3 Amendments. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

18.4 No Waiver. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising out of any breach or default by Franchisee or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Franchisee or the Controlling Principals, or as to a subsequent breach or default by Franchisee or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

**CONTROLLING PRINCIPALS GUARANTY**

This Controlling Principals Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on \_\_\_\_\_, 20\_\_ to Alamo Drafthouse Cinemas, LLC, a Texas limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the "Franchise Agreement") with \_\_\_\_\_ ("Franchisee").

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Controlling Principals herein and in the Franchise Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor acknowledges that Guarantor is included in the term "Controlling Principals" as described in Section 18.17 of the Franchise Agreement.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Controlling Principals set forth in the Franchise Agreement. Additionally, if Guarantor is designated as the Operating Principal, Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Operating Principal set forth in the Franchise Agreement.

Guarantor does hereby guaranty to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Franchise Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Franchisee and/or any of its assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Franchisee (collectively, the "Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor or extension of time of payment thereof. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Franchisor shall not be required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under any agreement between Franchisee and Franchisor.

**LOCATION, POTENTIAL SITE AREA, LIMITED FA AREA, LIMITED FA-  
EXCLUSIVITY PERIOD, OPENING DATE, STATEMENT OF OWNERSHIP  
INTERESTS AND FRANCHISEES PRINCIPALS**

1. LOCATION

Pursuant to Sections 1.2(a) and 2.2(c) of the Franchise Agreement, the Venue shall be located at the following Location: \_\_\_\_\_.

2. POTENTIAL SITE AREA

Pursuant to Section 1.2(a) of the Franchise Agreement, the Potential Site Area shall be: \_\_\_\_\_.

3. LIMITED FA AREA

Pursuant to Section 1.3 of the Franchise Agreement, the Limited FA Area shall be: \_\_\_\_\_.

4. LIMITED FA-~~EXCLUSIVITY~~ PERIOD

Pursuant to Section 1.3 of the Franchise Agreement, the Limited FA-~~Exclusivity~~ Period shall be: \_\_\_\_\_.

5. OPENING DATE

Pursuant to Section 2.6 of the Franchise Agreement, the Opening Date of the Venue is \_\_\_\_\_, 20\_\_.

6. STATEMENT OF OWNERSHIP INTERESTS

The following is a list of all shareholders, partners or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

| <u>Name</u> | <u>Percentage of Ownership/Nature of Interest</u> |
|-------------|---------------------------------------------------|
| _____       | _____                                             |
| _____       | _____                                             |

7. FRANCHISEE'S PRINCIPALS

In addition to the persons listed in paragraph 5, the following is a list of all of Franchisee's Principals described in and designated pursuant to Section 18.17 of the Franchise Agreement. Unless designated as a Controlling Principal, each of Franchisee's Principals shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Attachment D (see Sections 10.2(b) and 10.3(g) of the Franchise Agreement):

**REQUIRED FRANCHISE COVENANTS TO LEASE**

In accordance with Section 2.2(b) of this Agreement, Franchisee's lease or sublease for the premises of the Venue shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

\_\_\_ Franchise Covenants. Alamo Drafthouse Cinemas, LLC, a Texas limited liability company, as franchisor ("Franchisor"), and Tenant, as franchisee, have entered into a Franchise Agreement dated \_\_\_\_\_, 201\_\_ (the "Franchise Agreement"), governing Tenant's rights and obligations with respect to the development and operation of the Leased Premises by Tenant as an Alamo Drafthouse Cinema. To induce Franchisor to enter into the Franchise Agreement, Landlord and Tenant agree to comply with the following provisions for the benefit of Franchisor:

\_\_\_1 Landlord and Tenant agree not to modify the agreed term of this Lease set forth in Section \_\_\_, the use clause of this Lease set forth in Section \_\_\_ or the exclusive and operating radius provisions set forth in Section \_\_\_ without the prior written consent of Franchisor.

\_\_\_2 In the event that Franchisor elects to modify branding and signage materials used by the majority of Alamo Drafthouse Cinemas in the United States, then Landlord agrees not to unreasonably withhold or delay its consent to any changes to external signage situated on the exterior of the Leased Premises requested by Tenant from time to time to ensure that the signage and branding of the Leased Premises remains consistent with Franchisor's national branding. Any approved changes shall be completed in compliance with the provisions of Section \_\_\_.

\_\_\_3 In the event of any default or breach by Tenant under this Lease, Landlord agrees to provide Franchisor with notice of such breach to the following address, such notice to be sent in the manner required by the notice provisions set forth in Section \_\_\_:

Alamo Drafthouse Cinemas, LLC

~~612 A East 6<sup>th</sup> Street~~

3908 Avenue B

Austin, TX 78701

~~Attn: CFO~~ Texas 78751

Attention: Director of Corporate Legal

Email: [missy.reynolds@drafthouse.com](mailto:missy.reynolds@drafthouse.com)

Franchisor may change its address for notice purposes at any time and from time to time by providing notice of such change of address to Landlord. Franchisor shall have the opportunity (but no obligation) to cure any breach or default by Tenant under this Lease during the cure and grace periods available to Tenant under Section \_\_\_, except that the commencement of such cure and grace periods shall begin on the effective date of notice to Franchisor of the applicable default or breach. Landlord agrees to accept any cure of a default tendered or performed by Franchisor.

\_\_\_4 If the Franchise Agreement expires or is terminated, then Tenant is obligated to remove all proprietary marks of Franchisor, designs and logos of Franchisor and any signage, goods or materials

**CONFIDENTIALITY AGREEMENT AND  
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, among Alamo Drafthouse Cinemas, LLC, a Texas limited liability company (“Franchisor”), \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Covenantor”) in connection with a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between Franchisor and Franchisee (the “Franchise Agreement”). Initially capitalized terms used, but not defined in, this Agreement have the meanings ascribed thereto in the Franchise Agreement.

**RECITALS**

Franchisor has the right to use and license the use of a System for the establishment and operation of Alamo Drafthouse Venues.

The System is identified by certain Marks including, the mark “Alamo Drafthouse” and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

Franchisor has granted Franchisee the right to operate an Alamo Drafthouse Venue pursuant to the Franchise Agreement.

In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information.

Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition.

Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

A. **Confidentiality Agreement**

1. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of an Alamo Drafthouse Venue under the Franchise Agreement.

2. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

3. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the operation of the Venue.

## ATTACHMENT E

4. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee.

5. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

6. Covenantor acknowledges that the Operations Digital Library is loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that the Operations Digital Library may not be reproduced, in whole or in part, without Franchisor's written consent.

### B. Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or ~~customer~~Guest of the Franchisee's Venue to any competitor of the Venue.

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, or any of its affiliates or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Franchisee's employment of such person if permitted under the Franchise Agreement.

\*c. Except for the Venue described in the Franchise Agreement, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person or entity, without the prior written consent of Franchisor, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in any legal entity), advise, assist or make loans to, any movie theater business or other business that combines a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue, which is located in the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks.

\*d. Except for the Venue described in the Franchise Agreement, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person or entity, without the prior written consent of Franchisor, Own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any restaurant, bar or restaurant and bar business that is located within a three (3) mile radius of the Venue or any other Alamo Drafthouse Venue utilizing the Marks and/or System.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for one (1) year following the earlier of the expiration, termination or transfer of all of Franchisee's interest in the Franchise Agreement or the termination of his association with or employment by Franchisee, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or ~~customer~~Guest of the Venue to any competitor.

~~\* May be deleted if Franchisor does not require Developer to obtain the execution of this covenant by Covenantor. See Section 8.2(g) of the Development Agreement.~~

## ATTACHMENT E

6. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by ~~(a) personal delivery, or expedited delivery service, certified, or registered mail, return receipt requested, first-class postage prepaid, facsimile or email (provided that the sender confirms the facsimile or email by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission)~~ (b) email, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Alamo Drafthouse Cinemas, LLC  
612 East 6th Street  
3908 Avenue B  
Austin, Texas ~~78701~~ 78751  
Attention: ~~Chief Financial Officer~~ Director of Corporate Legal  
Facsimile: \_\_\_\_\_  
Email: missy.reynolds@drafthouse.com

If directed to Franchisee, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: ~~( )~~ \_\_\_\_\_  
Email: \_\_\_\_\_

If directed to Covenantor, the notice shall be addressed to:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: ~~( )~~ \_\_\_\_\_  
Email: \_\_\_\_\_

Any notices sent by personal delivery shall be deemed given upon receipt. ~~Any notices given by facsimile or email shall be deemed given upon transmission, provided confirmation is made as provided above.~~ Any notice sent by expedited delivery service ~~or registered or certified mail~~ shall be deemed given ~~three (3) business days after the time of mailing.~~ two (2) business days after the date the notice is picked up by the expedited delivery service. Any notices sent by email shall be deemed given upon transmission. Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.



**~~SBA ADDENDUM RELATING TO~~  
~~ALAMO DRAFTHOUSE CINEMAS, LLC FRANCHISE~~FILM SERVICES AGREEMENT**

~~THIS SBA ADDENDUM (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by~~

(attached)

## FILM SERVICES AGREEMENT

This film services agreement (this “**Film Services Agreement**”) is effective as of the date set forth below (“**Effective Date**”), and relates to the Franchise Agreement(s) (“**Franchise Agreement(s)**”) between Alamo Drafthouse Cinemas, LLC, a Texas limited liability company located at 612 E 6th Street, Austin, Texas 78701 (“Franchisor(“**ALAMO**)”), and \_\_\_\_\_, a \_\_\_\_\_ located at \_\_\_\_\_ the franchisee described below in the signature block (“**Franchisee**”).

~~**Recitals.** Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (“Franchise Agreement”). Franchisee agreed, among other things, to operate and maintain a, with respect to the franchised Alamo Drafthouse Venue located at \_\_\_\_\_. Franchisee has obtained from a lender a loan (“Loan”) in which funding is provided with the assistance of the United States Small Business Administration (“SBA”(s) described on **Exhibit A** (the “**Venue**” or “**Venues**”). Capitalized terms are used in this Film Services Agreement with the meanings assigned in the Franchise Agreement(s).—SBA requires To the execution extent of this Addendum as a condition for obtaining the SBA assisted financing, any conflict or inconsistency between the provisions of this Film Services Agreement and the Franchise Agreement(s), the provisions of this Film Services Agreement will control.~~

### Recitals

~~—NOW, THEREFORE,~~

ALAMO has recently begun providing film booking and related backend services, as further defined in **Exhibit B** (together, “**Film Services**”), to corporate-owned Alamo Drafthouse Venues, and is now offering franchisees, including Franchisee, the option to engage ALAMO, on a voluntary basis, for the same Film Services with respect to franchised Venues.

Franchisee currently uses Cinema Services (“CS”) for Film Services with respect to its franchised Venue(s), but now wishes to engage ALAMO to provide such Film Services with respect to the Venue(s), and Franchisor desires to provide the Film Services to Franchisee with respect to the Venues, pursuant to the terms and conditions of this Film Services Agreement.

### Agreement

For and in consideration of the above recitals and the mutual promises below, covenants and for good and valuable considerations in hand paid by each of the parties to the others agreements herein contained, the receipt and sufficiency of which the parties acknowledge are hereby acknowledged, the parties hereto hereby agree as follows:

- ~~1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.~~
- ~~2. Notwithstanding the language in Section 13.4 of the franchise agreement, franchisor will subordinate its interest in any lien to be held by the lender/SBA.~~
- ~~3. The following is added to the end of Section 14.4 of the Franchise Agreement:~~

~~—However, Franchisor may not exercise a right of first refusal:~~

## ATTACHMENT E

- ~~(a) If a proposed Transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed Transfer, have an ownership interest in Franchisee or the franchise, and who have guaranteed Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the United States Small Business Administration ("SBA") (Owner/Guarantors); or~~
- ~~(b) If a proposed Transfer involves a Person other than an Owner/Guarantor and the proposed Transfer involves a noncontrolling ownership interest in Franchisee or the franchise, unless such noncontrolling interest: (1) represents less than a 20% ownership interest in Franchisee or in the franchise, or (2) Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.~~

~~Franchisor's right to approve or to disapprove a proposed Transfer or transferee, or to exercise its right of first refusal with respect to a Transfer of a controlling interest in Franchisee or the franchise, shall not be affected by any of the foregoing provisions. If Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.~~

- ~~4. If Franchisee becomes disabled under Section 14.5(b) of the Franchise Agreement and the parties are unable to agree as to whether Franchisee is permanently disabled, the disability shall be determined by three Physicians chosen in the following manner. Franchisee shall select one and Franchisor shall select one, and the two physicians so chosen shall select a third physician. The decision of the majority of the physicians so chosen shall be conclusive.~~

1. Engagement, Venues. By entering into this Film Services Agreement, Franchisee hereby agrees to engage ALAMO, for each of the Venues listed in **Exhibit A**, to provide the Film Services to Franchisee according to the terms of this Film Services Agreement. The Film Services to be provided are specified in greater detail in **Exhibit B**, and may be modified from time to time by ALAMO on prior written notice to Franchisee. Franchisee further agrees to be bound by ALAMO's Film Service-related standards, procedures, and policies listed in **Exhibit B**, which may be supplemented from time to time by ALAMO. If one or more Venues owned or operated by Franchisee or its affiliates will not be participating in the Film Services, then those Venues will also be listed in **Exhibit A**.

2. Start Date. ALAMO will begin providing Film Services to Franchisee with respect to the Venues for films to be shown at the Venue beginning on or about September 27, 2019.

3. Payment for Services. ALAMO will charge, and Franchisee agrees to pay, the then current film services fee being charged by ALAMO for Film Services ("**Film Services Fee**"). The Film Services Fee is currently \$30 per week per screen, but the Film Services Fee may change each calendar year based on ALAMO's anticipated costs. Terms of payment for the Film Services Fee will be set in the invoice ALAMO provides to Franchisee. ALAMO reserves the right to modify the amount (as noted above), timing and manner of payment of the Film Services Fee with prior written notice to Franchisee.

4. **Acknowledgment; Exercise of Business Judgment; Limitation on Liability.** Franchisee acknowledges and agrees that Franchisee is engaging ALAMO to perform the Film Services on a voluntarily basis, and that Franchisee is ultimately responsible for determining the films it wants to show at the participating Venues. Nothing contained in

this Film Services Agreement shall be deemed or construed to create a partnership or a joint venture among the parties hereto, or to cause

ALAMO to be responsible in any way for the debts or obligations of Franchisee. The parties acknowledge that ALAMO shall be an independent contractor in the performance of the Film Services. ALAMO will exercise its business judgment in performing the Film Services, but makes no express representations or warranties regarding such performance. In no event shall ALAMO or Franchisee, or any of their related parties, be liable to the other and its related parties, whether based in contract, tort, warranty, or any other legal or equitable grounds, for any loss of income, profit or savings, damage to reputation, cost of capital or financing or other similar loss and related expenses, for any indirect, incidental or consequential damages or for any exemplary, special, or punitive damages of any kind, resulting from or relating to this Film Services Agreement or the Film Services, even if the other party has been advised of the possibility of such damages; unless such cause is the result of the intentional or grossly negligence acts of the other party. Notwithstanding, in all cases, ALAMO's aggregate liability to Franchisee shall be limited to the total amount of Film Services Fees paid under this Agreement.

5. ~~Notwithstanding anything to the contrary in Section 17.12(b) of the Franchise Agreement, neither Franchisor nor its Affiliates will have the option to purchase any real estate owned by Franchisee. Franchisor, however, may lease the real estate for the remainder of Franchisee's term (excluding additional renewals) for fair market value. Termination. Either party may terminate this Film Services Agreement, without liability, for any or no reason, on 30 days written notice to the other. Provided, however, that Franchisee cannot terminate this Agreement, as to any or all Venues, if Franchisee owes any amounts to ALAMO for or related to the Film Services or under the terms of this Agreement. This Film Services Agreement will automatically terminate as to any participating Venue if the corresponding Franchise Agreement is terminated and as to all the participating Venues if all of the corresponding Franchise Agreements are terminated; provided that all amounts then owed to ALAMO under this Film Services Agreement will become immediately due and payable.~~

6. ~~This Addendum automatically terminates on the earliest to occur of the following: (i) a termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan. Notice. All notices under this Film Services Agreement must be sent by either: i) registered U.S. mail, postage prepaid (effective three (3) days after mailing); ii) personal delivery service (effective at time of delivery) at the addresses listed beneath each signature block; or iii) electronic mail to both the email address typically used to communicate with the other party as well as the email addresses listed beneath each signature block below.~~

7. Choice of Law; Dispute Resolution. Any and all disputes under this Film Services Agreement will be subject to the choice of law and dispute resolution provisions under the Franchise Agreement(s).

8. Miscellaneous. Nothing in this Film Services Agreement shall be deemed to amend the Franchise Agreements, which shall continue in full force and effect.

[CONTINUED AND EXECUTED ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto ~~undersigned~~ have ~~duly signed and executed~~ this ~~Addendum~~ Film Services Agreement as of the ~~day~~ date and year first ~~above~~ written below.

~~FRANCHISOR:~~

~~ALAMO DRAFTHOUSE CINEMAS~~ FRANCHISEE

~~Alamo Drafthouse Cinemas, LLC~~

~~a Texas limited liability company~~

a/an

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

~~FRANCHISEE:~~

\_\_\_\_\_

By: \_\_\_\_\_

Name: Title: \_\_\_\_\_

Effective Date: \_\_\_\_\_ Date: \_\_\_\_\_

For Notices: \_\_\_\_\_ For Notices: \_\_\_\_\_

Address: \_\_\_\_\_ Address: \_\_\_\_\_

Email: \_\_\_\_\_ Email: \_\_\_\_\_

Exhibit A

List of Venues for Which ALAMO Will Provide Film Services

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

For the avoidance of doubt, this Film Services Agreement **does not** cover or include the following non-participating Venues operated by Franchisee or its affiliates:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

**Exhibit B**

**Film Services:**

The Film Services to be provided by ALAMO, as of the Effective Date, include, exclusively, the following:

- a. Advising on and booking those first run films chosen by Franchisee on a weekly basis, according to ALAMO's film booking procedures;
- b. Providing information about film rental rates payable to film distribution companies in connection with the film bookings for each Venue.
- c. Booking national repertory titles and providing film rental rate information. Local repertory booking will be the responsibility of the Franchisee.

**Film Services Standards, Policies, and Procedures:**

1. Franchisee will participate in weekly meetings, as set by ALAMO, during which the parties will decide which films will be shown at each Venue during the coming week.
2. Film Services provided will include first run content, repertory content, but not local programming.
3. ALAMO will issue information on film rental rates to Franchisee, who is solely responsible for all amounts owed to film distribution companies for films shown at each Venue. It is the responsibility of Franchisee to submit timely payments to each respective film distribution company, as well as provide ALAMO with the information necessary to calculate amounts due to film distribution companies.

**EXHIBIT A-2**  
**STATE AMENDMENTS**  
**TO**  
**FRANCHISE AGREEMENT**



**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

The Alamo Drafrthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafrthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

**CALIFORNIA LAW MODIFICATIONS**

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Franchise Agreement is revised to state that the Initial Franchise Fee and all other payments due to Franchisor before Franchisee opens the Venue for business are deferred until Franchisor completes its pre-opening obligations to Franchisee and Franchisee opens the Venue for business.
- b. California Business and Professions Code Sections 20000 through 20043 provide rights to You concerning nonrenewal and termination of the Franchise Agreement. The Federal Bankruptcy Code also provides rights to You concerning termination of the Franchise Agreement upon certain bankruptcy-related events. To the extent the Franchise Agreement contains a provision that is inconsistent with these laws, these laws shall control.
- c. If Franchisee is required in the Franchise Agreement to execute a release of claims, such release shall exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.
- d. If the Franchise Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
- e. If the Franchise Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Franchise Agreement, the covenant may be unenforceable under California law.
- f. If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.
- g. If the Franchise Agreement requires that it be governed by a state’s law, other than the State of California, such requirement may be unenforceable.

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Alamo Drafrthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafrthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Franchise Agreement (the “Amendment”):

**ILLINOIS LAW MODIFICATIONS**

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 – 705/44 (1994) (the “Act”). To the extent that this Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:

- a. Sections 705/19 and 705/20 of the Act provide rights to franchisees concerning nonrenewal and termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, are unenforceable with respect to claims under the Act.
- c. Any provision that designates jurisdiction or venue or requires Franchisee to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the state of Illinois.
- d. If this Agreement requires that it be governed by a state’s law, other than the State of Illinois, to the extent that such law conflicts with Illinois law, Illinois law will control.
- e. To the extent that the Act prohibits the disclaimer of representations contained in Franchisor’s Franchise Disclosure Document, the Franchise Agreement is amended to include representations made in’s Franchise Disclosure Document to the extent required by law.
- f. Section 41 of the Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in this Agreement is inconsistent with Illinois law, Illinois law will control.
- g. Illinois Franchise Disclosure Act paragraph 705/27 provide rights to you concerning periods of limitation for bring claims under this Agreement. If this Agreement contains a provision that is inconsistent with the Act, but the Act shall control.

2. All initial fees and payments due to us before you open your Venue for business are

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Alamo Drafthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

**MARYLAND LAW MODIFICATIONS**

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. § 14-201 et. seq. (2015 Repl. Vol.). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Franchisee is required in this Agreement to execute a release of claims and/or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. This Agreement requires litigation to be conducted in a forum other than the State of Maryland. The requirement shall not be interpreted to limit any rights Franchisee may have under Sec. 14-216 (c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.
- ~~b. c.~~ The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- ~~d.~~ The Summary Pages and Section 4 of the Agreement are revised to state that the Maryland Securities Commissioner requires Franchisor to defer payment of the initial franchise fee and other initial payments owed by Franchisee to Franchisor until Franchisor completes its pre-opening obligations to Franchisee under the Agreement.
- ~~e. c.~~ This Agreement is hereby amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- ~~d. f.~~ Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. This Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. All representations in this Agreement requiring prospective franchisees to assent to any release, estoppel or waiver of liability are

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The Alamo Drafrthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafrthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

**NEW YORK LAW MODIFICATIONS**

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.
- b. If the Franchise Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.
- c. Notwithstanding any rights you may have in the Franchise Agreement permitting You to terminate the Franchise Agreement, You may also have additional rights to terminate the Franchise Agreement on any grounds available by law.
- d. With respect to any transfer or assignment by Franchisor, no assignment will be made except to an assignee who, in good faith and judgment of Franchisor, is willing and financially able to assume Franchisor's obligations under the Franchise Agreement.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The Alamo Drafthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

**NORTH DAKOTA LAW MODIFICATIONS**

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release shall exclude claims arising under North Dakota Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota Law. If the Franchise Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.
- d. If the Franchise Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law shall control.
- e. If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location shall be determined by the arbitrator.
- f. Sections 17.5 and 17.6 of the Franchise Agreement are amended to reflect that all liquidated damages provisions in the Franchise Agreement (if any) are deleted in their entirety.

- g. Section 18.10 of the Franchise Agreement entitled "Jury Trial Waiver" is deleted in its entirety.

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2. The Summary Pages and Section 4 of the Agreement are revised to state that the North Dakota Securities Department requires Franchisor to defer payment of the initial franchise fee and other initial payments owed by Franchisee to Franchisor until Franchisor completes its pre-opening obligations to Franchisee under the Agreement.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

34. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

**IN WITNESS WHEREOF**, the parties hereto have signed this Agreement. Upon execution and delivery of this Agreement by both parties the effective date shall be the date first above written.

**FRANCHISOR**

**Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The Alamo Drafrthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafrthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void under Rhode Island Franchise Investment Act Sec. 19-28.1-14.
- b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Sec. 19-28.1-14.
- c. If Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The Alamo Drafthouse Cinemas, LLC Franchise Agreement between \_\_\_\_\_ (“Franchisee” or “You”) and Alamo Drafthouse Cinemas, LLC (“Franchisor”) dated \_\_\_\_\_ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the “Amendment”):

**WASHINGTON LAW MODIFICATIONS**

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940-~~(1991)~~. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. ~~Washington Franchise Investment Protection Act provides rights to You concerning nonrenewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act shall control.~~ The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the area of termination and renewal of your franchise.
- b. ~~If Franchisee is required in the Franchise Agreement to execute a release or waiver of claims, such release shall exclude claims arising from rights executed by a franchisee shall not include rights~~ under the Washington Franchise Investment Protection Act; except when the release is executed underpursuant to a negotiated settlement after the Franchise Agreementagreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Franchise Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.



- c. If the Franchise Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington, must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
- d. If the Franchise Agreement requires that it be governed by a state's law, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act shall control.
- e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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- f. Notwithstanding the post-term covenants against competition in described in Item 17 and in the Franchise Agreement, the post-term covenant against competition under the Franchise Agreement will apply to you and your Controlling Principals operating or having an interest in a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue which is located, or is intended to be located within a 20-mile radius of your existing or former Venues' locations any Venue in existence or under construction.
- g. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- h. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

2. The Washington Department of Financial Institutions requires Franchisor to defer payment of the initial franchise fee and other initial payments owed by franchisees to Franchisor until Franchisor has completed its pre-opening obligations and franchisee is open for business under the Franchise Agreement.

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not

met.

3. ~~As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~ **IN WITNESS WHEREOF**, the parties hereto have signed this Agreement. Upon execution and delivery of this Agreement by both parties the effective date shall be the date first above written.

**FRANCHISOR**

**Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT B-1**

**FINANCIAL STATEMENTS  
Alamo Drafthouse Cinemas Holdings, LLC**

**ALAMO DRAFTHOUSE  
CINEMAS HOLDINGS, LLC**

**Consolidated Financial Statements  
as of and for the Year Ended  
January 2, 2020 and  
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Managers of  
Alamo Drafthouse Cinemas Holdings, LLC:

We have audited the accompanying consolidated financial statements of Alamo Drafthouse Cinemas Holdings, LLC (a Delaware limited liability company) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of January 2, 2020, and the related consolidated statements of operations, members' capital (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 2, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for revenue transactions with customers during the year ended January 2, 2020 due to the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to that matter.

### **Subsequent Event**

As discussed in Note 1 to the consolidated financial statements, on March 16, 2020 the Company announced the temporary closure of its theaters in response to the novel coronavirus (COVID-19) until further notice. While the disruption to the Company's business is currently expected to be temporary, the Company anticipates a material adverse impact on its financial position, results of operations and cash flows as of and for the year ending December 31, 2020. Our opinion is not modified with respect to that matter.

*Maxwell Locher & Pitter LLP*

Austin, Texas  
June 30, 2020

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED BALANCE SHEET JANUARY 2, 2020

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### ASSETS

#### CURRENT ASSETS:

|                                           |               |
|-------------------------------------------|---------------|
| Cash and cash equivalents                 | \$ 20,534,490 |
| Accounts receivable, net                  | 8,434,547     |
| Related party receivables                 | 1,213,626     |
| Inventory                                 | 5,472,071     |
| Prepaid expenses and other current assets | 8,615,792     |

Total current assets 44,270,526

THEATER PROPERTIES AND EQUIPMENT, net 112,360,396

INTANGIBLE ASSETS, net 6,225,060

GOODWILL 10,404,150

OTHER ASSETS 1,045,934

**TOTAL** \$ 174,306,066

### LIABILITIES AND MEMBERS' DEFICIT

#### CURRENT LIABILITIES:

|                                                               |               |
|---------------------------------------------------------------|---------------|
| Accounts payable                                              | \$ 11,005,376 |
| Related party payables                                        | 1,950,495     |
| Accrued expenses                                              | 16,804,871    |
| Contract liabilities                                          | 11,284,788    |
| Current portion of long-term debt, net of debt issuance costs | 6,827,796     |

Total current liabilities 47,873,326

OTHER LIABILITIES 2,538,388

DEFERRED RENT 38,964,287

LONG-TERM DEBT, net of debt issuance costs and current portion 86,897,172

INTEREST RATE SWAP 1,797,136

Total liabilities 178,070,309

MEMBERS' DEFICIT (3,764,243)

**TOTAL** \$ 174,306,066

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED JANUARY 2, 2020

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### REVENUES:

|                              |                |
|------------------------------|----------------|
| Food and beverage            | \$ 104,119,523 |
| Admissions                   | 86,879,242     |
| Merchandise                  | 15,856,565     |
| Franchise royalties and fees | 9,512,069      |
| Venue rental                 | 2,489,726      |
| Gift cards                   | 2,149,340      |
| Other                        | 4,085,966      |
| Total revenues               | 225,092,431    |

### COST OF OPERATIONS:

|                               |             |
|-------------------------------|-------------|
| Salaries and wages            | 70,603,850  |
| Film rental                   | 43,878,569  |
| Concession supplies           | 23,472,846  |
| Rent                          | 19,342,445  |
| Merchandise                   | 11,396,687  |
| Depreciation and amortization | 10,967,018  |
| Repairs and maintenance       | 8,722,122   |
| Promotional                   | 5,832,062   |
| Merchant service fees         | 5,662,739   |
| Professional fees             | 3,699,637   |
| Utilities                     | 3,660,258   |
| Office expense                | 3,641,598   |
| Bad debt expense              | 2,558,810   |
| Other                         | 13,522,084  |
| Total cost of operations      | 226,960,725 |

LOSS FROM OPERATIONS (1,868,294)

### OTHER EXPENSE, net:

|                    |             |
|--------------------|-------------|
| Interest expense   | (6,741,495) |
| Other income, net  | 1,426,410   |
| Other expense, net | (5,315,085) |

LOSS BEFORE STATE INCOME TAX EXPENSE (7,183,379)

STATE INCOME TAX EXPENSE 359,757

NET LOSS \$ (7,543,136)

See notes to consolidated financial statements.



# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL (DEFICIT) YEAR ENDED JANUARY 2, 2020

|                                                   | Class A Preferred |                     | Class B Common    |                        | Total                 |
|---------------------------------------------------|-------------------|---------------------|-------------------|------------------------|-----------------------|
|                                                   | Units             | Amount              | Units             | Amount                 |                       |
| BALANCE, December 27, 2018                        | 10,759,128        | \$ 11,254,305       | 16,138,692        | \$ (5,259,601)         | \$ 5,994,704          |
| Cumulative effect of adoption of ASC 606 (Note 3) | -                 | (755,324)           | -                 | (1,132,987)            | (1,888,311)           |
| Distributions to members                          | -                 | -                   | -                 | (327,500)              | (327,500)             |
| Net loss                                          | -                 | (3,017,254)         | -                 | (4,525,882)            | (7,543,136)           |
| BALANCE, January 2, 2020                          | <u>10,759,128</u> | <u>\$ 7,481,727</u> | <u>16,138,692</u> | <u>\$ (11,245,970)</u> | <u>\$ (3,764,243)</u> |

As of January 2, 2020, the aggregate liquidation value of the Class A Preferred units was in excess of stated value.

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED JANUARY 2, 2020

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### CASH FLOWS FROM OPERATING ACTIVITIES:

|                                                                                 |                |
|---------------------------------------------------------------------------------|----------------|
| Net loss                                                                        | \$ (7,543,136) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                |
| Gain on sale of theater properties and equipment                                | (1,934,573)    |
| Depreciation and amortization                                                   | 10,967,018     |
| Provision for bad debt                                                          | 2,205,321      |
| Non-cash interest expense                                                       | 1,321,072      |
| Deferred rent                                                                   | 5,756,384      |
| Changes in operating assets and liabilities that provided (used) cash:          |                |
| Accounts receivable                                                             | (3,473,001)    |
| Related party receivables                                                       | 6,993,186      |
| Inventory                                                                       | (1,667,600)    |
| Prepaid expenses and other assets                                               | (2,225,233)    |
| Accounts payable                                                                | (1,690,053)    |
| Related party payables                                                          | (6,026,693)    |
| Accrued expenses and other liabilities                                          | 4,553,055      |
| Contract liabilities                                                            | 1,642,441      |
|                                                                                 | <hr/>          |
| Net cash provided by operating activities                                       | 8,878,188      |

### CASH FLOWS FROM INVESTING ACTIVITIES:

|                                                        |              |
|--------------------------------------------------------|--------------|
| Proceeds from sale of theater properties and equipment | 19,834,211   |
| Purchases of theater properties and equipment          | (39,063,189) |
| Purchase of intangible assets                          | (314,856)    |
|                                                        | <hr/>        |
| Net cash used in investing activities                  | (19,543,834) |

### CASH FLOWS FROM FINANCING ACTIVITIES:

|                                           |             |
|-------------------------------------------|-------------|
| Proceeds from long-term debt              | 30,000,000  |
| Payments on long-term debt                | (4,375,000) |
| Distributions to members                  | (327,500)   |
|                                           | <hr/>       |
| Net cash provided by financing activities | 25,297,500  |

|                                         |            |
|-----------------------------------------|------------|
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 14,631,854 |
|-----------------------------------------|------------|

|                                              |           |
|----------------------------------------------|-----------|
| CASH AND CASH EQUIVALENTS, beginning of year | 5,902,636 |
|----------------------------------------------|-----------|

|                                        |                      |
|----------------------------------------|----------------------|
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 20,534,490</u> |
|----------------------------------------|----------------------|

### SUPPLEMENTAL DISCLOSURES:

|                       |                     |
|-----------------------|---------------------|
| Interest paid in cash | <u>\$ 6,012,791</u> |
| Taxes paid in cash    | <u>\$ 372,525</u>   |

### SUPPLEMENTAL NON-CASH DISCLOSURES:

|                                                                            |                     |
|----------------------------------------------------------------------------|---------------------|
| Deferred gain from sale-leaseback transaction (Note 9)                     | <u>\$ 2,769,148</u> |
| Purchases of theater properties and equipment included in accounts payable | <u>\$ 2,422,102</u> |

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JANUARY 2, 2020

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### 1. ORGANIZATION

Alamo Drafthouse Cinemas Holdings, LLC (“Holdings”) and subsidiaries (collectively, the “Company”) operate and franchise movie theaters that provide patrons a unique movie-going experience that includes luxury seating, high-quality food, craft beer, wine and cocktails, seat-side food and beverage services, collectible consumer products, and a diverse selection of mainstream, independent, and classic movies. In addition to its movie theaters, the Company operates an online and print editorial business and Mondo Tees, LLC, a merchandising business. The Company also hosts “Fantastic Fest,” an annual film festival held in Austin, Texas.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. As a result, the Company closed all of its theaters and furloughed nearly all of its venue employees and 75% of its corporate staff. While the disruption is expected to be temporary, there is uncertainty around the duration. Therefore, while this issue is expected to negatively impact the Company’s business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management believes that the Company’s cash on hand, projected revenue receipts, potential reduced future leasing commitments, debt payment deferral, and debt funding (Note 13) in response to COVID-19 will be sufficient to fund its operations through at least one year from the independent auditors’ report. Management will adjust the level of operations and cash expenditures to an internally sustainable level as needed to ensure continued operations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and include the accounts of Holdings, its wholly-owned subsidiary, Alamo Drafthouse Cinemas, LLC (“ADC”), and ADC’s wholly-owned subsidiaries. All significant intercompany amounts have been eliminated in consolidation.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fiscal Year** - The Company utilizes a 52/53 week fiscal year. The fiscal year ended on January 2, 2020 was comprised of 53 weeks.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of operating funds held in financial institutions held by the theaters with original maturities of three months or less when purchased and petty cash.

**Accounts Receivable** - Accounts receivable are recorded based on contracted prices when the Company has an unconditional right to payment under the terms of the contract. Accounts receivable primarily relate to gift cards sold by third parties and royalties due from franchisees. Delinquent invoices do not accrue interest. The Company continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. As of January 2, 2020, the Company had an allowance for doubtful accounts totaling \$2,357,897.

**Inventory** - Inventory consists of concessions, theater supplies and merchandise that are stated at the lower of cost (first-in, first-out method) or net realizable value.

**Theater Properties and Equipment** - Theater properties and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

|                                  |                                     |
|----------------------------------|-------------------------------------|
| Leasehold improvements           | Lesser of lease term or useful life |
| Theater and restaurant equipment | 5 - 10 years                        |
| Furniture and fixtures           | 3 - 7 years                         |
| Computers and software           | 3 - 10 years                        |

**Intangible Assets** - Intangible assets consist of reacquired franchise rights and internal use software development costs. The Company amortizes the fair value of the reacquired franchise rights over the remaining contractual terms of the reacquired franchise area development agreements at the time of acquisition, which ranged from 66 months to 94 months.

For internal use software development costs, costs incurred during the preliminary stage of the development of an application, such as the conceptualization and evaluation of the project, are expensed as incurred, and the costs incurred during the development stage of the application, such as coding, testing and debugging, are capitalized and subjected to a recovery test. Costs incurred in the post implementation and operation phases of the application, such as training and maintenance, are expensed as incurred. Additionally, costs incurred to enhance and extend software lives are capitalized. Capitalized costs are amortized on a straight-line basis over their estimated useful life of five years.

**Impairment of Long-Lived Assets** - Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

**Impairment of Goodwill** - Goodwill is evaluated for impairment at the reporting unit level on an annual basis and between annual tests in certain circumstances. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to test goodwill for potential impairment.

**Debt Issuance Costs** - Debt issuance costs associated with term debt are recorded as a reduction of the related outstanding debt balance and debt issuance costs associated with line of credit arrangements are included with prepaid expenses and other assets and amortized over the term of the related debt arrangement using the effective interest rate method.

**Self-Insurance Liabilities** - The Company is self-insured for certain losses related to health insurance, although it maintains stop-loss coverage with third party insurers to limit exposure. The estimate of its self-insurance liability contains uncertainty since the Company must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and claims for incidents incurred but not reported as of the balance sheet date. When estimating its self-insurance liability, the Company considers a number of factors which include, but are not limited to, historical claims experience, demographic factors, severity factors and information provided by independent third-party advisors. As of January 2, 2020, the self-insurance liability totaled \$626,748 and is included in accrued expenses.

**Fair Value Measurements** - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2 - other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - unobservable and should be used to measure fair value to the extent that observable inputs are not available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Change in Accounting Principle for Recently Adopted Accounting Pronouncement** - The Company adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, during the year ended January 2, 2020. Refer to Note 3 for further discussion of the impact of this change on the consolidated financial statements.

**Revenue Recognition** - Refer to Note 3 for discussion of the Company’s revenue recognition policy following the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

**Advertising Costs** - Advertising costs are charged to expense as incurred and totaled \$3,367,288 for the year ended January 2, 2020.

**Pre-opening Expenses** - Pre-opening expenses are costs specifically identified as start-up costs for theaters under development and are charged to expense as incurred.

**Income Taxes** - The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is taxed as a partnership for federal income tax purposes; accordingly, all taxable income, losses, deductions and credits are allocated to the members who are responsible for the payment of taxes thereon. Therefore, no provision has been made for federal income taxes.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management evaluated the Company's tax positions for all open tax years and believes the Company had no material uncertain tax positions and recorded no related interest or penalties as of and for the year ended January 2, 2020.

**Concentration of Credit Risk** - Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. As of January 2, 2020, 24% of the Company's accounts receivable was attributable to one customer.

**Recently Issued Accounting Pronouncements** - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the balance sheet. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of operations for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

### 3. REVENUE RECOGNITION

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. The Company adopted ASU No. 2014-09, as amended ("Topic 606"), on December 28, 2018. The Company elected the modified retrospective transition method of adoption using the completed contract election; therefore, the cumulative effect from prior periods upon applying the new guidance to contracts which were not complete as of the adoption date was recognized in the consolidated balance sheet as of December 28, 2018 and resulted in an adjustment of \$1,888,311 to members' capital.

**Revenue Recognition Policy** - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process: 1) identify the contract with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue when or as the Company satisfies a performance obligation, as further described below. The Company primarily derives its revenue from food and beverage and merchandise sales; admissions to movies and events; franchisees; venue rentals; and gift card sales.

Revenue from food and beverage sales is recognized at the point of sale when payment is collected. Revenue from merchandise sales is recognized at the point when product control is transferred to the customer, which is generally upon shipment or at the point of sale when payment is collected. Revenue from admissions, which includes internet processing fees and third-party service fees, is recognized on the day of the movie or event. Payment for admissions and merchandise is collected at the point of sale, which may be in advance of the movie or event or shipment of merchandise and recorded as a contract liability until the revenue recognition criteria are met. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue.

Revenue from franchisees includes sales-based royalties and marketing fund fees and upfront franchise fees. Sales-based royalties and marketing fund fees are recognized as franchise sales occur. Upfront fees from franchise licenses are recognized on a straight-line basis over the term of the associated franchise agreement. The Company also has development area agreements which grant the franchisees the right to open a certain number of theaters within a specified geographic area. Upfront fees from development area agreements are deferred and recognized on a pro-rata basis over the term of the individual movie venue franchise agreements. Deferred revenue related to the Company's franchise and development area agreements is included in contract liabilities and totaled \$1,635,494 as of January 2, 2020.

Revenue from venue rental arrangements is recognized in accordance with *Leases (Topic 840)* and provide customers with space at Company-owned venues on a short-term, as-needed basis. Rental arrangements are generally classified as operating leases, provide for fixed charges based on the length of the arrangement, and are recognized as revenue on a straight-line basis over the term of the rental period, which is generally one or two days. Payment is generally collected on the day of the rental.

Revenue from gift card sales to customers is recognized when the gift card is redeemed. Gift cards do not have expiration dates and are not required to be escheated to government authorities. Utilizing historical redemption rates, the Company recognizes revenue for amounts not expected to be redeemed proportionately as other gift card balances are redeemed. Revenue from gift card sales includes variable consideration for management's estimate of breakage. As of January 2, 2020, the gift card liability, included in contract liabilities, totaled \$6,828,910.

The following table presents revenue disaggregated by timing of revenue recognition for the year ended January 2, 2020:

|                                       |                              |
|---------------------------------------|------------------------------|
| Revenue recognized at a point in time | \$ 222,427,741               |
| Revenue recognized over time          | <u>2,664,690</u>             |
| Total revenue                         | <u><u>\$ 225,092,431</u></u> |

**Shipping and Handling Costs** - The Company elects to treat shipping and handling costs incurred by the Company after control of a product has transferred to a customer as a fulfillment cost. Accordingly, shipping and handling fees billed to customers are included in the transaction price allocated to the performance obligation of providing goods rather than as a separate performance obligation. The Company accrues for estimated shipping and handling costs payable to carriers in cost of revenues when revenue is recognized for the sale of the related goods.

**Contract Assets and Contract Liabilities** - Contract assets represent revenue recognized in excess of amounts billed in which the Company's right to payment is conditional. Contract liabilities represent amounts collected in excess of revenue recognized to date. The timing of revenue recognition, billings and cash collections resulted in billed accounts receivable and contract liabilities totaling \$7,166,867 and \$8,338,665, respectively, as of December 27, 2018.

The impact of applying Topic 606 in the consolidated balance sheet and consolidated statements of operations, members' capital (deficit), and cash flows as of and for the year ended January 2, 2020 as compared to prior U.S. GAAP follows:

|                                           | Increase/<br>(Decrease) |
|-------------------------------------------|-------------------------|
| Prepaid expenses and other current assets | \$ (98,341)             |
| Contract liabilities                      | \$ 66,812               |
| Revenue                                   | \$ (66,812)             |
| Marketing expenses                        | \$ 98,341               |
| Net income                                | \$ (165,153)            |

The impact is primarily driven by the deferral of franchise and development area fees over the term of the related franchise agreement, the recognition of revenue from marketing development fees when sales are made at franchise locations, and recognition of marketing expenses as incurred. The application of Topic 606 as compared to prior U.S. GAAP did not have a significant impact on other line items in the Company's consolidated balance sheet or the consolidated statements of operations, members' capital (deficit), and cash flows as of and for the year ended January 2, 2020.

#### 4. THEATER PROPERTIES AND EQUIPMENT

Theater properties and equipment consisted of the following as of January 2, 2020:

|                                                |                       |
|------------------------------------------------|-----------------------|
| Leasehold improvements                         | \$ 84,224,151         |
| Theater and restaurant equipment               | 26,792,115            |
| Furniture and fixtures                         | 12,443,483            |
| Computers and software                         | 3,478,471             |
|                                                | <u>126,938,220</u>    |
| Less accumulated depreciation and amortization | (44,387,127)          |
| Land                                           | 5,301,791             |
| Construction in process                        | 24,507,512            |
|                                                | <u>24,507,512</u>     |
| Theater properties and equipment, net          | <u>\$ 112,360,396</u> |

Depreciation and amortization expense for the year ended January 2, 2020 totaled \$9,002,427.



## 5. INTANGIBLE ASSETS

Intangible assets consisted of the following as of January 2, 2020:

|                                   |                     |
|-----------------------------------|---------------------|
| Reacquired franchise rights       | \$ 6,307,775        |
| Capitalized internal use software | <u>1,899,916</u>    |
|                                   | 8,207,691           |
| Less accumulated amortization     | <u>(1,982,631)</u>  |
| Intangible assets, net            | <u>\$ 6,225,060</u> |

Amortization expense for the year ended January 2, 2020 totaled \$1,181,714. Future amortization of intangible assets was as follows as of January 2, 2020:

|            |                     |
|------------|---------------------|
| 2020       | \$ 1,184,913        |
| 2021       | 1,188,564           |
| 2022       | 1,188,564           |
| 2023       | 969,013             |
| 2024       | 563,630             |
| Thereafter | <u>1,130,376</u>    |
| Total      | <u>\$ 6,225,060</u> |

## 6. LONG-TERM DEBT

The Company has a Credit Agreement (the “Facility”) with certain lenders for an aggregate of \$105 million, of which \$70 million is a term loan, \$30 million is a development loan, and \$5 million is a revolving line of credit. Interest accrues on the term and development loans at either LIBOR plus the Applicable Margin, as defined, or the Base Rate which is the higher of i) the Prime Rate, ii) the Federal Funds Rate plus 0.5%, or iii) LIBOR plus 1%, plus the Applicable Margin. Interest is payable at the end of selected interest periods of one, two, three or six months for LIBOR loans, but no less frequently than quarterly. Interest accrues on the revolving line of credit at the Base Rate plus the Applicable Margin and is due monthly. As of January 2, 2020, the interest rate on the term and development loan was 5.44%. The principal on the term and development loans is due quarterly with 1.25% due each quarter through June 30, 2020, 2.5% due each quarter through June 30, 2021, and 3.75% due each quarter through the maturity date of June 13, 2023, at which time the remaining outstanding balance is due. The outstanding amount on the revolving line of credit is due on June 13, 2023. The Facility is secured by substantially all of the assets of the Company. The Facility requires that certain financial debt covenants are maintained. As of January 2, 2020, \$64,750,000 and \$30,000,000 were outstanding on the term loan and development loan, respectively, and no amounts had been drawn on the revolving line of credit.

Future minimum payments under long-term debt obligations and future amortization of debt issuance costs consisted of the following as of January 2, 2020:

|       | Principal            | Amortization<br>of Debt<br>Issuance Costs | Long-term<br>Debt, net |
|-------|----------------------|-------------------------------------------|------------------------|
| 2020  | \$ 7,125,000         | \$ (297,204)                              | \$ 6,827,796           |
| 2021  | 8,750,000            | (297,204)                                 | 8,452,796              |
| 2022  | 15,000,000           | (297,204)                                 | 14,702,796             |
| 2023  | 63,875,000           | (133,420)                                 | 63,741,580             |
| Total | <u>\$ 94,750,000</u> | <u>\$ (1,025,032)</u>                     | <u>\$ 93,724,968</u>   |

## 7. INTEREST RATE SWAP AGREEMENT

The Company is currently a party to an interest rate swap agreement that is used to hedge a portion of the interest rate risk associated with the variable interest rates on the Company's term loan. The fair value of the interest rate swap is recorded on the Company's consolidated balance sheet as an asset or liability with the related gains or losses reported as interest expense in the consolidated statement of operations.

The valuation technique used to determine fair value is the income approach and under this approach, the Company uses projected future interest rates as provided by counterparty to the interest rate swap agreement and the fixed rates that the Company is obligated to pay under the agreement. Therefore, the Company's measurements use significant unobservable inputs, which fall in Level 3 in the hierarchy.

## 8. MEMBERS' CAPITAL

As of January 2, 2020, the Company was authorized to issue Class A Preferred Units, Class B Common Units, and Class C Incentive Units. No Class C Incentive Units were issued as of January 2, 2020.

The Preferred Return of the Class A Members is the sum of the Initial Investment of the Class A Members plus a 15% return on the Initial Investment of the Class A Members, cumulative and compounded annually. The cumulative preference return totaled \$15,923,230 as of January 2, 2020, and no preference returns were declared or paid through January 2, 2020. There is no Preferred Return on the Class B Common Units or the Class C Incentive Units.

In the event of any liquidation, dissolution or winding up of the Company as defined, the Company will first pay amounts owed to creditors based on legal priority and then establish cash reserves for contingent or unforeseen liabilities or obligations. Any remaining available assets will be distributed in the following order and priority: i) one hundred percent to the Class A Members, in proportion to their Preferred Return Accounts, until such Preferred Return Accounts have been reduced to zero, plus an additional amount until the aggregate amount of distributions made to the Class A Members equals thirty-four percent of the aggregate distributions made to the Class A Members and the Class B Members; ii) one hundred percent to the Class B Members, pro rata, until the Class B Members have received an aggregate amount of distributions equal to sixty-six percent of the aggregate distributions made to the Class A Members and the Class B Members; iii) one hundred percent to Members, pro rata, provided that no Class C Incentive Units may participate in the distribution until the aggregate distributions to the Class A Members and the Class B Members since the date the Class C Incentive Units were issued equal the Hurdle Amount for the respective Class C Incentive Unit, as defined.

At any time on or after December 12, 2022, each Class A Member may require through written notice that the Company or its designee purchase all, but not less than all, of such Members' Class A Preferred Units at a purchase price equal to the balance of such Class A Member's Preferred Return Account.

## 9. COMMITMENTS AND CONTINGENCIES

The Company conducts a significant part of its theater operations in leased properties under non-cancelable operating leases with terms generally ranging from 10 to 25 years. In addition to the minimum annual lease payments, some of the leases provide for contingent rentals based on operating results of the theater and some require the payment of taxes, insurance, and other costs applicable to the property. The Company can renew, at its option, a substantial portion of the leases at defined or then market rental rates for various periods. Some leases also provide for escalating rent payments throughout the lease term. A liability for deferred rent has been provided to account for lease expenses on a straight-line basis, where lease payments are not made on such a basis.

Future minimum payments under non-cancelable operating leases as of January 2, 2020 were as follows:

|            |                       |
|------------|-----------------------|
| 2020       | \$ 15,493,781         |
| 2021       | 15,461,965            |
| 2022       | 15,003,526            |
| 2023       | 14,329,696            |
| 2024       | 14,117,936            |
| Thereafter | <u>163,202,112</u>    |
| Total      | <u>\$ 237,609,016</u> |

The Company, in the normal course of business, is subject to various legal matters. While the results of such matters cannot be predicted with certainty, management does not expect such matters to have a material adverse effect on the Company's consolidated financial position or results of operations as of and for the year ended January 2, 2020.

In 2019, the Company entered into a sale-leaseback arrangement with a third-party. Under the terms of the arrangement, the Company sold land and a building, which had a carrying value of \$13,180,999, for cash proceeds totaling \$15,950,147. The Company then leased the land and building back under a long-term, non-cancelable 15-year operating lease. The Company has no continuing involvement in the ownership of the land and building. As of January 2, 2020, the remaining deferred gain, which is included in accrued expenses and other liabilities, totaling \$2,538,388 will be recognized over the term of the lease agreement on a straight-line basis. During the year ended January 2, 2020, the Company recognized a gain totaling \$46,152.

## **10. EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) plan that covers substantially all full-time employees that meet the length of service criteria as outlined in the plan agreement. The Company made employer contributions of \$630,398 for the year ended January 2, 2020.

## **11. RELATED PARTY TRANSACTIONS**

The Company had transactions with other entities with common ownership resulting in related party receivable and payable balances as reflected net on the consolidated balance sheet as of January 2, 2020.

The Company has agreements with certain members to provide management services to the Company. During the year ended January 2, 2020, the Company incurred expenses in accordance with these agreements totaling \$1,188,027.

## **12. FRANCHISED THEATERS**

Franchisee-owned theaters include sites operating under franchise and license agreements. The following is a summary of theaters:

|                                                     | Franchisee-<br>Owned<br>Theaters | Franchisor-<br>Owned<br>Theaters | Total<br>Theaters |
|-----------------------------------------------------|----------------------------------|----------------------------------|-------------------|
| Total theaters operating as of<br>December 27, 2018 | 19                               | 17                               | 36                |
| Theaters opened                                     | 4                                | 1                                | 5                 |
| Total theaters operating as of<br>January 2, 2020   | 23                               | 18                               | 41                |

### 13. SUBSEQUENT EVENTS

The Company evaluated subsequent events through June 30, 2020 (the date the consolidated financial statements were available to be issued).

In March 2020, the Company borrowed \$5,000,000 on the revolving line of credit (Note 6).

In April 2020, the Company received a \$10,000,000 loan under the Paycheck Protection Program which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The loan has a fixed interest rate of 1% and matures in two years. The loan is eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the “Covered Period”), provided at least 60% of loan proceeds are used for payroll costs and the Company meets all necessary criteria as defined by the SBA. Payments are deferred until the earlier of (i) the date the SBA remits to the lender the amount of forgiveness granted to the Company, or (ii) ten months after the last day of the Covered Period if the Company does not apply for loan forgiveness.

Effective March 31, 2020, the Company entered into an agreement with the bank to defer payments of principal and interest on the Facility (Note 6) initially due on March 31, 2020 to June 30, 2020. In addition, the bank waived non-compliance on the related debt covenants during the same time period. The Company is currently in negotiations with the bank to defer principal and interest payments past June 30, 2020.

The Company is currently in negotiations with its lessors to defer lease payments on its lease agreements.

In May 2020, three franchisee-owned theaters located in Arizona filed for bankruptcy protection. As of January 2, 2020, accounts receivable totaling \$965,634 due from these franchises was included allowance for doubtful accounts.

**ALAMO DRAFTHOUSE  
CINEMAS HOLDINGS, LLC**

**Consolidated Financial Statements  
as of and for the Year Ended  
December 27, 2018 and  
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Managers of  
Alamo Drafthouse Cinemas Holdings, LLC:

We have audited the accompanying consolidated financial statements of Alamo Drafthouse Cinemas Holdings, LLC (a Delaware limited liability company) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 27, 2018, and the related consolidated statements of operations, members' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 27, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Maxwell Locke & Pitter LLP*

Austin, Texas  
April 30, 2019



# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED BALANCE SHEET

DECEMBER 27, 2018

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### ASSETS

#### CURRENT ASSETS:

|                                           |              |
|-------------------------------------------|--------------|
| Cash and cash equivalents                 | \$ 5,902,636 |
| Accounts receivable, net                  | 7,166,867    |
| Inventory                                 | 3,804,471    |
| Related party receivables, net            | 229,624      |
| Prepaid expenses and other current assets | 6,574,816    |

Total current assets 23,678,414

THEATER PROPERTIES AND EQUIPMENT, net 95,790,899

INTANGIBLE ASSETS, net 7,091,918

GOODWILL 10,404,150

OTHER ASSETS 861,677

**TOTAL** \$ 137,827,058

### LIABILITIES AND MEMBERS' CAPITAL

#### CURRENT LIABILITIES:

|                                                               |               |
|---------------------------------------------------------------|---------------|
| Accounts payable                                              | \$ 10,273,327 |
| Accrued expenses                                              | 11,436,427    |
| Gift card liability                                           | 6,339,468     |
| Deferred revenue                                              | 1,999,197     |
| Current portion of long-term debt, net of debt issuance costs | 4,077,796     |

Total current liabilities 34,126,215

DEFERRED RENT 33,207,903

LONG-TERM DEBT, net of debt issuance costs and current portion 63,722,168

INTEREST RATE SWAP 776,068

Total liabilities 131,832,354

MEMBERS' CAPITAL 5,994,704

**TOTAL** \$ 137,827,058

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 27, 2018

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### REVENUES:

|                    |                    |
|--------------------|--------------------|
| Concessions, net   | \$ 91,375,541      |
| Admissions         | 61,552,017         |
| Merchandise        | 13,922,204         |
| Internet           | 10,408,869         |
| Franchise          | 7,173,782          |
| Other              | 5,994,943          |
| Total net revenues | <u>190,427,356</u> |

### COST OF OPERATIONS:

|                                 |                    |
|---------------------------------|--------------------|
| Salaries and wages              | 56,363,808         |
| Film rental                     | 34,455,748         |
| Concession supplies             | 20,705,229         |
| Rent                            | 15,447,941         |
| Depreciation and amortization   | 9,444,143          |
| Merchandise                     | 9,175,691          |
| Repairs and maintenance         | 7,405,606          |
| Office expense                  | 4,606,915          |
| Merchant service fees           | 4,482,406          |
| Promotional                     | 3,655,269          |
| Insurance                       | 3,415,613          |
| Utilities                       | 3,245,031          |
| Professional fees               | 2,576,969          |
| Facilities and equipment        | 1,463,348          |
| Travel, meals and entertainment | 1,274,531          |
| Taxes                           | 956,295            |
| Gift cards                      | 944,675            |
| Pre-opening expenses            | 861,922            |
| Other                           | 2,830,998          |
| Total cost of operations        | <u>183,312,138</u> |

### INCOME FROM OPERATIONS

7,115,218

### OTHER EXPENSE, net:

|                        |                     |
|------------------------|---------------------|
| Restructuring (Note 1) | (18,406,938)        |
| Interest expense       | (4,473,029)         |
| Other income, net      | 645,835             |
| Other expense, net     | <u>(22,234,132)</u> |

### LOSS BEFORE STATE INCOME TAX EXPENSE

(15,118,914)

### STATE INCOME TAX EXPENSE

245,324

### NET LOSS

\$ (15,364,238)

See notes to consolidated financial statements.

# **ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC**

## **CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL YEAR ENDED DECEMBER 27, 2018**

|                                                 | Class A Preferred |               | Class B Common |                | Total        |
|-------------------------------------------------|-------------------|---------------|----------------|----------------|--------------|
|                                                 | Units             | Amount        | Units          | Amount         |              |
| BALANCE, December 28, 2017                      | 7,900,978         | \$ -          | 15,678,760     | \$ 4,792,300   | \$ 4,792,300 |
| Distributions to members prior to Restructuring | -                 | -             | -              | (3,633,358)    | (3,633,358)  |
| Issuance of Class A Preferred Units             | 2,858,150         | 17,400,000    | -              | -              | 17,400,000   |
| Issuance of Class B Common Units                | -                 | -             | 459,932        | 2,800,000      | 2,800,000    |
| Net loss                                        | -                 | (6,145,695)   | -              | (9,218,543)    | (15,364,238) |
| BALANCE, December 27, 2018                      | 10,759,128        | \$ 11,254,305 | 16,138,692     | \$ (5,259,601) | \$ 5,994,704 |

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 27, 2018

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### CASH FLOWS FROM OPERATING ACTIVITIES:

|                                                                             |                 |
|-----------------------------------------------------------------------------|-----------------|
| Net loss                                                                    | \$ (15,364,238) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                 |
| Depreciation and amortization                                               | 9,444,143       |
| Provision for bad debt                                                      | 259,358         |
| Non-cash interest expense                                                   | 1,232,811       |
| Deferred rent                                                               | 481,256         |
| Changes in operating assets and liabilities that provided (used) cash:      |                 |
| Accounts receivable                                                         | (2,695,762)     |
| Inventory                                                                   | (1,279,813)     |
| Related party receivables                                                   | 3,067,087       |
| Prepaid expenses and other assets                                           | (2,580,706)     |
| Accounts payable                                                            | (3,771,839)     |
| Accrued expenses                                                            | 1,515,577       |
| Gift card liability                                                         | 1,313,765       |
| Deferred revenue                                                            | 442,022         |
| Net cash used in operating activities                                       | (7,936,339)     |

### CASH FLOWS FROM INVESTING ACTIVITIES:

|                                                  |              |
|--------------------------------------------------|--------------|
| Purchases of theater properties and equipment    | (13,289,029) |
| Purchase of intangible assets                    | (374,416)    |
| Cash consideration paid for acquisition (Note 2) | (17,863,777) |
| Net cash used in investing activities            | (31,527,222) |

### CASH FLOWS FROM FINANCING ACTIVITIES:

|                                                   |              |
|---------------------------------------------------|--------------|
| Proceeds from long-term debt                      | 79,931,533   |
| Payments on long-term debt                        | (54,369,210) |
| Payment of debt issuance costs                    | (1,486,022)  |
| Proceeds from issuance of Class A Preferred Units | 17,400,000   |
| Distributions to members                          | (2,957,411)  |
| Net cash provided by financing activities         | 38,518,890   |

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (944,671)

**CASH AND CASH EQUIVALENTS, beginning of year** 6,847,307

**CASH AND CASH EQUIVALENTS, end of year** \$ 5,902,636

### SUPPLEMENTAL DISCLOSURES:

|                       |              |
|-----------------------|--------------|
| Interest paid in cash | \$ 2,332,333 |
| Taxes paid in cash    | \$ 208,788   |

### NON-CASH DISCLOSURES:

|                                                                           |              |
|---------------------------------------------------------------------------|--------------|
| Purchases of theater properties and equipment through accounts payable    | \$ 2,653,380 |
| Issuance of Class B Common Units in conjunction with acquisition (Note 2) | \$ 2,800,000 |
| Non-cash distributions to members                                         | \$ 675,947   |

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 27, 2018

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### 1. ORGANIZATION

Alamo Drafthouse Cinemas Holdings, LLC (“Holdings”) and subsidiaries (collectively, the “Company”) operate and franchise movie theaters that provide patrons a unique movie-going experience that includes luxury seating, high-quality food, craft beer, wine and cocktails, seat-side food and beverage services, collectible consumer products, and a diverse selection of mainstream, independent, and classic movies. In addition to its movie theaters, the Company operates an online and print editorial business and Mondo Tees, LLC, a merchandising business. The Company also hosts “Fantastic Fest,” an annual film festival held in Austin, Texas.

On June 13, 2018, the members of Alamo Drafthouse Cinemas, LLC (“ADC”) along with members and/or partners of certain entities under common control (“Affiliates”) consummated a restructuring of ADC and its Affiliates (“Restructuring”). In conjunction with the Restructuring, the members and/or partners of ADC and Affiliates exchanged their respective interests for limited partnership interests in Catalina Brothers, Ltd. (“Catalina”) and/or Major Kong Industries, Ltd. (“Major Kong”), as applicable. Catalina and Major Kong then contributed their partnership interests in Affiliates to ADC such that these entities became wholly-owned subsidiaries of ADC. After which, Catalina and Major Kong contributed their partnership interests in ADC to Holdings such that ADC became a wholly-owned subsidiary of Holdings. Initially, Catalina and Major Kong held the only membership interests in Holdings. As a result of this business combination between entities under common control, the consolidated financial statements have been presented as if the entities had been combined as of the beginning of the year. Contemporaneous to the Restructuring, an investor purchased Class A Preferred Units directly from Holdings for \$17.4 million and also purchased all of the Class A Preferred Units from Catalina and Major Kong for \$48.1 million for an aggregate of \$65.5 million (“Equity Investment”).

On January 8, 2018, ADC purchased all membership interests in Mondo Tees, LLC, an entity under common control, for a purchase price of \$6,775,579. ADC entered into a \$2,775,579 note payable with the seller with interest only payments due monthly at 6% until maturity on January 4, 2024. On January 29, 2018, the Company entered into a promissory note with a bank in the amount of \$4,000,000. The note required monthly payments of principal and interest of \$66,667 at the Prime Rate, as defined, was secured by certain a first lien on certain property, and matured on January 29, 2023. In conjunction with the Restructuring, the note payable with the seller was converted to membership interests in Holdings. The outstanding principal and accrued interest on the promissory note with a bank was repaid during the year ended December 27, 2018. As a result of this business combination between entities under common control, the consolidated financial statements have been presented as if the entities had been combined as of the beginning of the year.

## 2. BUSINESS COMBINATIONS

On June 13, 2018 in connection with the Restructuring, the Company acquired Alamo Satown, LLC (“Satown”), which operated four franchise locations and franchise development rights, from BACH Holdings, LLC in exchange for \$2.8 million of Class B Common Units in Holdings and \$18.9 million in cash, subject to an agreed upon working capital adjustment. The acquisition was accounted for as a business combination, and accordingly, the purchase price was allocated to assets and liabilities based on the estimated fair values at the acquisition date.

The consideration transferred, estimated fair value of the acquired net assets, and resulting goodwill was comprised of the following on the acquisition date:

|                                         |               |
|-----------------------------------------|---------------|
| Consideration:                          |               |
| Cash, net of working capital adjustment | \$ 17,863,777 |
| Issuance of Class B Common Units        | 2,800,000     |
| Total consideration                     | 20,663,777    |
| Fair value of acquired net assets:      |               |
| Inventory                               | 103,867       |
| Property and equipment                  | 7,688,744     |
| Reacquired franchise rights             | 6,307,775     |
| Other assets                            | 122,354       |
| Total assets                            | 14,222,740    |
| Accounts payable                        | (912,027)     |
| Accrued expenses                        | (211,572)     |
| Total liabilities                       | (1,123,599)   |
| Total fair value of acquired net assets | 13,099,141    |
| Goodwill                                | \$ 7,564,636  |

The Company did not obtain a third party valuation of the fair value of the assets acquired; therefore, management considers its measurement of estimated fair value, including the amount assigned to goodwill, to be the best available measure of the fair value of the assets acquired. Because of inherent uncertainties in estimating fair value, it is possible that the estimates of the fair value of the assets may change.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and include the accounts of Holdings, its wholly-owned subsidiary, ADC, and ADC’s wholly-owned subsidiaries. All significant intercompany amounts have been eliminated in consolidation.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fiscal Year** - The Company utilizes a 52/53 week fiscal year. The fiscal year ended on December 27, 2018 was comprised of 52 weeks.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of operating funds held in financial institutions held by the theaters with original maturities of three months or less when purchased and petty cash.

**Accounts Receivable** - Accounts receivable primarily relate to gift cards sold by third parties and royalties due from franchisees. Delinquent invoices do not accrue interest. The Company continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. As of December 27, 2018, the Company had an allowance for doubtful accounts of \$259,358.

**Inventory** - Inventory consists of concession and theater supplies and merchandise that are stated at the lower of cost (first-in, first-out method) or net realizable value.

**Theater Properties and Equipment** - Theater properties and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

|                                  |                                     |
|----------------------------------|-------------------------------------|
| Leasehold improvements           | Lesser of lease term or useful life |
| Theater and restaurant equipment | 3 - 7 years                         |
| Furniture and fixtures           | 5 - 7 years                         |
| Computer and software            | 3 years                             |
| Buildings                        | 40 years                            |

**Intangible Assets** - Intangible assets consist of reacquired Satown franchise rights and internal use software development costs. The Company amortizes the fair value of the reacquired franchise rights over the remaining contractual terms of the reacquired franchise area development agreements at the time of acquisition, which ranged from 66 months to 94 months.

For internal use software development costs, costs incurred during the preliminary stage of the development of an application, such as the conceptualization and evaluation of the project, are expensed as incurred, and the costs incurred during the development stage of the application, such as coding, testing and debugging, are capitalized and subjected to a recovery test. Costs incurred in the post implementation and operation phases of the application, such as training and maintenance, are expensed as incurred. Additionally, costs incurred to enhance and extend software lives are capitalized. Capitalized costs are amortized on a straight-line basis over their estimated useful life of five years.

**Impairment of Long-Lived Assets** - Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

**Impairment of Goodwill** - Goodwill is evaluated for impairment at the reporting unit level on an annual basis and between annual tests in certain circumstances. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to test goodwill for potential impairment.

**Debt Issuance Costs** - Debt issuance costs associated with term debt are recorded as a reduction of the related outstanding debt balance and debt issuance costs associated with line of credit arrangements are included with prepaid expenses and other assets and amortized over the term of the related debt arrangement using the effective interest rate method.

**Self-Insurance Liabilities** - The Company is self-insured for certain losses related to health insurance, although it maintains stop-loss coverage with third party insurers to limit exposure. The estimate of its self-insurance liability contains uncertainty since the Company must use judgment to estimate the ultimate cost that will be incurred to settle reported claims and claims for incidents incurred but not reported as of the balance sheet date. When estimating its self-insurance liability, the Company considers a number of factors which include, but are not limited to, historical claims experience, demographic factors, severity factors and information provided by independent third-party advisors. As of December 27, 2018, the self-insurance liability was not significant to the consolidated financial statements.

**Marketing Fund Liability** - The marketing fund liability arises from the Company's franchisees paying a percentage of net revenue to the Company on a monthly basis. These funds are spent by the Company on marketing efforts on behalf of the franchisees. Any funds unused within one year are reimbursed to the franchisees. The balance is included in accrued expenses in the accompanying consolidated balance sheet.

**Fair Value Measurements** - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date;

Level 2 - other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - unobservable and should be used to measure fair value to the extent that observable inputs are not available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.



**Revenue Recognition** - The Company's patrons have the option to purchase movie tickets well in advance of a movie showtime or right before the movie showtime, or at any point in between those two timeframes depending on seat availability. The Company recognizes such admissions revenues when the showtime for a purchased movie ticket has passed. Additionally, the Company recognizes revenue from surcharges on on-line ticket sales as a service fee at the time of purchase. Concession revenues are recognized net of discounts when sales are made at the registers. For merchandise, the Company recognizes revenue when the product has been shipped to the customer, when title to the product and risk of loss transfers to the customer. The Company sells gift cards, the proceeds from which are recorded as current liabilities. Revenues for gift cards are recognized when they are redeemed for movie tickets or concession items. However, for those gift cards not redeemed, revenue is recognized only when the likelihood of redemption is remote, based on historical experience. Royalties from franchised theaters are based on a percentage of sales of the franchised theaters and are recognized as earned.

**Advertising Costs** - Advertising costs are charged to expense as incurred and totaled \$1,557,004 for the year ended December 27, 2018.

**Pre-opening Expenses** - Pre-opening expenses are costs specifically identified as start-up costs for theaters under development and are charged to expense as incurred.

**Restructuring Charges** - Restructuring charges are one-time expenses related to the Company's Restructuring (Note 1) and primarily include investment banker fees, legal fees, consulting fees, and employee bonuses directly related to the Restructuring.

**Income Taxes** - The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is taxed as a partnership for federal income tax purposes; accordingly, all taxable income, losses, deductions and credits are allocated to the members who are responsible for the payment of taxes thereon. Therefore, no provision has been made for federal income taxes.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management evaluated the Company's tax positions for all open tax years and believes the Company had no material uncertain tax positions and recorded no related interest or penalties for the year ended December 27, 2018.

**Concentration of Credit Risk** - Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. As of December 27, 2018, 14% of the Company's accounts receivable was attributable to one customer.

**Recently Issued Accounting Pronouncements** - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the consolidated balance sheet. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the consolidated statement of operations for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

#### 4. THEATER PROPERTIES AND EQUIPMENT

Theater properties and equipment consisted of the following as of December 27, 2018:

|                                                |                      |
|------------------------------------------------|----------------------|
| Leasehold improvements                         | \$ 80,709,465        |
| Theater and restaurant equipment               | 23,659,851           |
| Furniture and fixtures                         | 9,147,125            |
| Computer and software                          | 3,063,145            |
| Building                                       | 1,583,863            |
| Vehicle                                        | 45,841               |
|                                                | <hr/>                |
|                                                | 118,209,290          |
| Less accumulated depreciation and amortization | (35,584,546)         |
| Land                                           | 4,708,143            |
| Construction in process                        | 8,458,012            |
|                                                | <hr/>                |
| Theater properties and equipment, net          | <u>\$ 95,790,899</u> |

Depreciation and amortization expense for the year ended December 27, 2018 totaled \$8,691,741.

## 5. INTANGIBLE ASSETS

Intangible assets consisted of the following as of December 27, 2018:

|                                   |                     |
|-----------------------------------|---------------------|
| Reacquired franchise rights       | \$ 6,307,775        |
| Capitalized internal use software | <u>1,585,060</u>    |
|                                   | 7,892,835           |
| Less accumulated amortization     | <u>(800,917)</u>    |
| Intangible assets, net            | <u>\$ 7,091,918</u> |

Amortization expense for the year ended December 27, 2018 totaled \$752,402. Future amortization of intangible assets was as follows as of December 27, 2018:

|            |                     |
|------------|---------------------|
| 2019       | \$ 1,175,874        |
| 2020       | 1,179,132           |
| 2021       | 1,179,132           |
| 2022       | 1,130,616           |
| 2023       | 958,705             |
| Thereafter | <u>1,468,459</u>    |
| Total      | <u>\$ 7,091,918</u> |

## 6. LONG-TERM DEBT

On June 13, 2018, the Company entered into a Credit Agreement (“Facility”) with certain lenders for an aggregate of \$105 million, of which \$70 million is a term loan, \$30 million is a development loan, and \$5 million is a revolving line of credit. Interest accrues on the term and development loans at either LIBOR plus the Applicable Margin, as defined, or the Base Rate which is the higher of i) Prime Rate, ii) Federal Funds Rate plus 0.5%, or iii) LIBOR plus 1%, plus the Applicable Margin. Interest is payable at the end of selected interest periods of one, two, three or six months for LIBOR loans, but no less frequently than quarterly. Interest accrues on the revolving line of credit at the Base Rate plus the Applicable Margin and is due monthly. As of December 27, 2018, the interest rate on the term loan was 5.39%. The principal on the term and development loans is due quarterly with 1.25% due each quarter through June 30, 2020, 2.5% due each quarter through June 30, 2021, and 3.75% due each quarter through the maturity date of June 13, 2023, at which time the remaining outstanding balance is due. The outstanding amount on the revolving line of credit is due on June 13, 2023. The Facility is secured by substantially all of the assets of the Company. The Facility requires that certain financial debt covenants are maintained. In conjunction with the Restructuring, the proceeds from the term loan were used to repay all outstanding debt of ADC and its subsidiaries that existed prior to the Restructuring. As of December 27, 2018, \$69,125,000 was outstanding on the term loan and no amounts had been drawn on the development loan or the revolving line of credit.

Future minimum payments under long-term debt obligations and future amortization of debt issuance costs consisted of the following as of December 27, 2018:

|       | Principal            | Amortization<br>of Debt<br>Issuance Costs | Long-term<br>Debt, net |
|-------|----------------------|-------------------------------------------|------------------------|
| 2019  | \$ 4,375,000         | \$ (297,204)                              | \$ 4,077,796           |
| 2020  | 5,250,000            | (297,204)                                 | 4,952,796              |
| 2021  | 6,125,000            | (297,204)                                 | 5,827,796              |
| 2022  | 10,500,000           | (297,204)                                 | 10,202,796             |
| 2023  | 42,875,000           | (136,220)                                 | 42,738,780             |
| Total | <u>\$ 69,125,000</u> | <u>\$ (1,325,036)</u>                     | <u>\$ 67,799,964</u>   |

## 7. INTEREST RATE SWAP AGREEMENT

The Company is currently a party to an interest rate swap agreement that is used to hedge a portion of the interest rate risk associated with the variable interest rates on the Company's term loan. The fair value of the interest rate swap is recorded on the Company's consolidated balance sheet as an asset or liability with the related gains or losses reported as interest expense in the consolidated statement of operations.

The valuation technique used to determine fair value is the income approach and under this approach, the Company uses projected future interest rates as provided by counterparty to the interest rate swap agreement and the fixed rates that the Company is obligated to pay under the agreement. Therefore, the Company's measurements use significant unobservable inputs, which fall in Level 3 in the hierarchy.

## 8. MEMBERS' CAPITAL

As of December 27, 2018, the Company was authorized to issue Class A Preferred Units, Class B Common Units, and Class C Incentive Units. No Class C Incentive Units had been issued as of December 27, 2018.

The Preferred Return of the Class A Members is the sum of the Initial Investment of the Class A Members and a 15% return on the Initial Investment of the Class A Members, cumulative and compounded annually. As of December 27, 2018, the Class A Preferred Return was \$51,994,123. There is no Preferred Return on the Class B Common Units or the Class C Incentive Units.

In the event of any liquidation, dissolution or winding up of the Company as defined, the Company will first pay amounts owed to creditors based on legal priority and then establish cash reserves for contingent or unforeseen liabilities or obligations. Any remaining available assets will be distributed in the following order and priority: i) one hundred percent to the Class A Members, in proportion to their Preferred Return Accounts, until such Preferred Return Accounts have been reduced to zero, plus an additional amount until the aggregate amount of distributions made to the Class A Members equals thirty-four percent of the aggregate distributions made to the Class A Members and the Class B Members; ii) one hundred percent to the Class B Members, pro rata, until the Class B Members have received an aggregate amount of distributions equal to sixty-six percent of the aggregate distributions made to the Class A Members and the Class B Members; iii) one hundred percent to Members, pro rata, provided that no Class C Incentive Units may participate in the distribution until the aggregate distributions to the Class A Members and the Class B Members since the date the Class C Incentive Units were issued equal the Hurdle Amount for the respective Class C Incentive Unit, as defined.

At any time on or after December 12, 2022, each Class A Member may require through written notice that the Company or its designee purchase all, but not less than all, of such Members' Class A Preferred Units at a purchase price equal to the balance of such Class A Member's Preferred Return Account.

## 9. COMMITMENTS AND CONTINGENCIES

The Company conducts a significant part of its theater operations in leased properties under non-cancelable operating leases with terms generally ranging from 10 to 25 years. In addition to the minimum annual lease payments, some of the leases provide for contingent rentals based on operating results of the theater and some require the payment of taxes, insurance and other costs applicable to the property. The Company can renew, at its option, a substantial portion of the leases at defined or then market rental rates for various periods. Some leases also provide for escalating rent payments throughout the lease term. A liability for deferred rent has been provided to account for lease expenses on a straight-line basis, where lease payments are not made on such a basis.

Future minimum payments under non-cancelable operating leases as of December 27, 2018 were as follows:

|            |                       |
|------------|-----------------------|
| 2019       | \$ 13,778,789         |
| 2020       | 14,440,059            |
| 2021       | 14,408,243            |
| 2022       | 13,949,804            |
| 2023       | 13,275,974            |
| Thereafter | <u>161,890,531</u>    |
| Total      | <u>\$ 231,743,400</u> |

The Company, in the normal course of business, is subject to various legal matters. While the results of such matters cannot be predicted with certainty, management does not expect such matters to have a material adverse effect on the Company's consolidated financial position or results of operations as of and for the year ended December 27, 2018.

## 10. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan that covers substantially all full-time employees that meet the length of service criteria as outlined in the plan agreement. The Company made employer contributions of \$477,460 for the year ended December 27, 2018.

## 11. RELATED PARTY TRANSACTIONS

The Company had transactions with other entities with common ownership resulting in related party receivable and payable balances as reflected net on the consolidated balance sheet as of December 27, 2018.

The investor (Note 1) entered into a Management Services Agreement with Holdings and ADC to provide certain management services to the Company. For the year ended December 27, 2018, the Company incurred fees and expenses related to the Management Services Agreement with this investor totaling \$448,788.

Holdings and ADC entered into Services Agreements with two executive investors in which these executives will provide management, advisory and consulting services through June 13, 2028. For the year ended December 27, 2018, the Company incurred fees related to the Services Agreements with these executives totaling \$285,859.

## 12. FRANCHISED THEATERS

Franchisee-owned theaters include sites operating under franchise and license agreements. The following is a summary of theaters:

|                                                     | Franchisee-<br>Owned<br>Theaters | Franchisor-<br>Owned<br>Theaters | Total<br>Theaters |
|-----------------------------------------------------|----------------------------------|----------------------------------|-------------------|
| Total theaters operating as of<br>December 28, 2017 | 17                               | 12                               | 29                |
| Theaters opened                                     | 7                                | 1                                | 8                 |
| Reacquired franchises                               | (4)                              | 4                                | -                 |
| Theaters closed                                     | (1)                              | -                                | (1)               |
| Total theaters operating as of<br>December 27, 2018 | <u>19</u>                        | <u>17</u>                        | <u>36</u>         |

## 13. SUBSEQUENT EVENTS

The Company evaluated subsequent events through April 30, 2019 (the date the consolidated financial statements were available to be issued) and no events have occurred through that date that would impact the consolidated financial statements.

THESE INTERIM FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT OR REVIEW. PROSPECTIVE FRANCHISEES AND AREA REPRESENTATIVES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.



## **Alamo Drafthouse Cinemas Holdings, LLC**

Reporting Package

For the Six Fiscal Periods Ended July 2, 2020

### **Unaudited**

*Confidential*

#### *Notes to the Financial Statements:*

*The information contained herein is being provided by Alamo Drafthouse Cinemas Holdings, LLC and must be held in strict confidence by any person who receives this information. These financial statements are unaudited and, as such, have not been reviewed or examined by an independent auditor. Any party viewing this information should perform careful due diligence.*



**Alamo Drafthouse Cinemas Holdings, LLC**  
**Consolidating Balance Sheets**

|                                               | June 27, 2019      | July 2, 2020        |
|-----------------------------------------------|--------------------|---------------------|
| <b>ASSETS</b>                                 |                    |                     |
| Current Assets                                |                    |                     |
| Cash                                          | 8,410,029          | 13,500,376          |
| Accounts Receivable and Intercompany          | 5,741,814          | 2,212,138           |
| Inventory                                     | 5,029,162          | 5,924,956           |
| Prepaid Assets                                | 8,793,254          | 9,268,812           |
| <b>Total Current Assets</b>                   | <b>27,974,260</b>  | <b>30,906,282</b>   |
| Fixed Assets                                  | 113,253,173        | 115,061,770         |
| Other Assets                                  | 1,151,648          | 846,156             |
| Deposits                                      | 566,611            | 549,236             |
| Intangibles                                   | 17,433,055         | 15,998,081          |
| <b>TOTAL ASSETS</b>                           | <b>160,378,747</b> | <b>163,361,524</b>  |
| <b>LIABILITIES AND MEMBERS' CAPITAL</b>       |                    |                     |
| Current Liabilities                           |                    |                     |
| Accounts Payable                              | 13,446,656         | 18,306,614          |
| Accrued Liabilities                           | 13,718,897         | 17,537,528          |
| Gift Card Liability                           | 4,395,200          | 5,429,861           |
| Current Portion of Long-Term Debt             | 3,500,000          | 10,875,000          |
| <b>Total Current Liabilities</b>              | <b>35,060,753</b>  | <b>52,149,003</b>   |
| Deferred Rent                                 | 32,763,815         | 42,020,479          |
| Other Long Term Liabilities                   | 3,087,910          | 3,206,131           |
| Notes Payable                                 | 88,425,000         | 97,625,000          |
| <b>TOTAL LIABILITIES</b>                      | <b>159,337,478</b> | <b>195,000,613</b>  |
| Members' Capital                              | (5,319,569)        | (6,981,902)         |
| Retained Earnings                             | 10,295,703         | 3,217,651           |
| Year to Date Net Loss                         | (3,934,865)        | (27,874,838)        |
| <b>TOTAL MEMBERS' CAPITAL</b>                 | <b>1,041,269</b>   | <b>(31,639,089)</b> |
| <b>TOTAL LIABILITIES AND MEMBERS' CAPITAL</b> | <b>160,378,747</b> | <b>163,361,524</b>  |

UNAUDITED

**Alamo Drafthouse Cinemas Holdings, LLC**  
**Consolidating Balance Sheets**

| <i>July 2, 2020</i>                           | ADC Operations      | Theatre Operations  | Mondo Operations   | Consolidated Operations | Eliminating Entries | Adjusted Consolidated Operations |
|-----------------------------------------------|---------------------|---------------------|--------------------|-------------------------|---------------------|----------------------------------|
| <b>ASSETS</b>                                 |                     |                     |                    |                         |                     |                                  |
| Current Assets                                |                     |                     |                    |                         |                     |                                  |
| Cash                                          | 15,555,839          | (2,086,435)         | 30,971             | 13,500,376              |                     | 13,500,376                       |
| Accounts Receivable and Intercompany          | 56,143,910          | (45,855,040)        | (8,076,732)        | 2,212,138               |                     | 2,212,138                        |
| Inventory                                     | 34,629              | 1,067,604           | 5,353,041          | 6,455,273               | (530,317)           | 5,924,956                        |
| Prepaid Assets                                | 1,256,119           | 2,970,516           | 5,042,176          | 9,268,812               |                     | 9,268,812                        |
| <b>Total Current Assets</b>                   | <b>72,990,497</b>   | <b>(43,903,355)</b> | <b>2,349,457</b>   | <b>31,436,599</b>       |                     | <b>30,906,282</b>                |
| Fixed Assets                                  | 1,916,566           | 113,033,505         | 111,700            | 115,061,770             |                     | 115,061,770                      |
| Other Assets                                  | 646,156             | 200,000             | -                  | 846,156                 |                     | 846,156                          |
| Deposits                                      | 3,250               | 519,423             | 26,563             | 549,236                 |                     | 549,236                          |
| Intangibles                                   | 1,437,306           | 14,423,952          | 136,822            | 15,998,081              |                     | 15,998,081                       |
| Investment in subsidiaries                    | 21,356,016          | 2,878,000           | -                  | 24,234,016              | (24,234,016)        | -                                |
| <b>TOTAL ASSETS</b>                           | <b>98,349,790</b>   | <b>87,151,526</b>   | <b>2,624,541</b>   | <b>188,125,857</b>      |                     | <b>163,361,524</b>               |
| <b>LIABILITIES AND MEMBERS' CAPITAL</b>       |                     |                     |                    |                         |                     |                                  |
| Current Liabilities                           |                     |                     |                    |                         |                     |                                  |
| Accounts Payable                              | 1,435,553           | 15,248,451          | 1,622,610          | 18,306,614              |                     | 18,306,614                       |
| Accrued Liabilities                           | 7,079,897           | 7,022,642           | 3,434,990          | 17,537,528              |                     | 17,537,528                       |
| Gift Card Liability                           | 5,386,477           | (24)                | 43,408             | 5,429,861               |                     | 5,429,861                        |
| Current Portion of Long-Term Debt             | 10,875,000          | -                   | -                  | 10,875,000              |                     | 10,875,000                       |
| <b>Total Current Liabilities</b>              | <b>24,776,927</b>   | <b>22,271,069</b>   | <b>5,101,007</b>   | <b>52,149,003</b>       |                     | <b>52,149,003</b>                |
| Deferred Rent                                 | -                   | 42,020,479          | -                  | 42,020,479              |                     | 42,020,479                       |
| Other Long Term Liabilities                   | 3,206,131           | -                   | -                  | 3,206,131               |                     | 3,206,131                        |
| Notes Payable                                 | 97,625,000          | -                   | -                  | 97,625,000              |                     | 97,625,000                       |
| <b>TOTAL LIABILITIES</b>                      | <b>125,608,058</b>  | <b>64,291,548</b>   | <b>5,101,007</b>   | <b>195,000,613</b>      |                     | <b>195,000,613</b>               |
| Members' Capital                              | 10,937,420          | 11,307,688          | (4,992,995)        | 17,252,114              | (24,234,016)        | (6,981,902)                      |
| Retained Earnings                             | (25,982,605)        | 25,908,417          | 3,822,157          | 3,747,968               | (530,317)           | 3,217,651                        |
| Year to Date Net Loss                         | (12,213,083)        | (14,356,128)        | (1,305,628)        | (27,874,838)            |                     | (27,874,838)                     |
| <b>TOTAL MEMBERS' CAPITAL</b>                 | <b>(27,258,268)</b> | <b>22,859,977</b>   | <b>(2,476,466)</b> | <b>(6,874,756)</b>      |                     | <b>(31,639,089)</b>              |
| <b>TOTAL LIABILITIES AND MEMBERS' CAPITAL</b> | <b>98,349,790</b>   | <b>87,151,526</b>   | <b>2,624,541</b>   | <b>188,125,857</b>      |                     | <b>163,361,524</b>               |

UNAUDITED

**Alamo Drafthouse Cinemas Holdings, LLC**  
**Consolidating Statements of Operations**

| <i>For the Six Fiscal Periods Ended,</i> | June 27, 2019      | July 2, 2020        |
|------------------------------------------|--------------------|---------------------|
| <b><u>Revenues</u></b>                   |                    |                     |
| Royalty and Management Fee Revenues      | 3,567,464          | 1,268,219           |
| Internet Ticketing Fee Revenue           | 6,236,637          | 2,226,813           |
| Other Fee Revenues                       | 6,592,990          | 1,191,613           |
| Theatre Admission Revenues               | 31,304,992         | 11,733,074          |
| Theatre Food and Alcohol Revenues        | 45,392,341         | 17,866,689          |
| Mondo Revenues                           | 7,121,111          | 4,846,212           |
| <b>Total Revenues</b>                    | <b>100,215,535</b> | <b>39,132,621</b>   |
| <b><u>Costs of Sales</u></b>             |                    |                     |
| Theatre Admission Costs                  | 18,353,104         | 6,359,648           |
| Theatre Food and Alcohol Costs           | 11,241,120         | 5,028,457           |
| Mondo Costs                              | 4,284,983          | 3,886,083           |
| Other Costs                              | 1,368,408          | 395,282             |
| <b>Total Costs of Sales</b>              | <b>35,247,615</b>  | <b>15,669,470</b>   |
| <b>Gross Margin</b>                      | <b>64,967,919</b>  | <b>23,463,150</b>   |
| <b><u>Operating Costs</u></b>            |                    |                     |
| Payroll                                  | 33,369,907         | 19,770,868          |
| Advertising                              | 1,189,328          | 603,884             |
| Professional Fees                        | 1,054,288          | 1,500,948           |
| Occupancy - Cash                         | 8,393,096          | 9,535,436           |
| Insurance                                | 928,094            | 1,056,793           |
| Travel                                   | 1,061,026          | 288,695             |
| Repairs and Maintenance                  | 3,787,481          | 2,097,472           |
| General and Admin                        | 8,336,335          | 5,237,954           |
| <b>Total Operating Expenses</b>          | <b>58,119,555</b>  | <b>40,092,049</b>   |
| <b>EBITDA</b>                            | <b>6,848,364</b>   | <b>(16,628,899)</b> |
| <b><u>Other (Income)/Expense</u></b>     |                    |                     |
| Occupancy - Non-cash                     | (444,086)          | 143,240             |
| Depreciation and Amortization            | 5,054,407          | 5,819,772           |
| Interest Expense & Derivative Gain/Loss  | 3,647,280          | 4,203,325           |
| Other                                    | 2,367,158          | 952,293             |
| Taxes                                    | 158,471            | 127,310             |
| <b>Total Other (Income)/Expense</b>      | <b>10,783,229</b>  | <b>11,245,939</b>   |
| <b>Net Loss</b>                          | <b>(3,934,865)</b> | <b>(27,874,838)</b> |

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**Alamo Drafthouse Cinemas Holdings, LLC**  
**Consolidating Statements of Operations**

| <i>For the Six Fiscal Periods Ended July 2, 2020</i> | ADC Operations      | Theatre Operations  | Mondo Operations   | Consolidated Operations |
|------------------------------------------------------|---------------------|---------------------|--------------------|-------------------------|
| <b><u>Revenues</u></b>                               |                     |                     |                    |                         |
| Royalty and Management Fee Revenues                  | 1,268,219           | -                   | -                  | 1,268,219               |
| Internet Ticketing Fee Revenue                       | 2,226,813           | -                   | -                  | 2,226,813               |
| Other Fee Revenues                                   | 1,191,613           | -                   | -                  | 1,191,613               |
| Theatre Admission Revenues                           | -                   | 11,733,074          | -                  | 11,733,074              |
| Theatre Food and Alcohol Revenues                    | -                   | 17,866,689          | -                  | 17,866,689              |
| Mondo Revenues                                       | -                   | -                   | 4,846,212          | 4,846,212               |
| <b>Total Revenues</b>                                | <b>4,686,646</b>    | <b>29,599,763</b>   | <b>4,846,212</b>   | <b>39,132,621</b>       |
| <b><u>Costs of Sales</u></b>                         |                     |                     |                    |                         |
| Theatre Admission Costs                              | -                   | 6,359,648           | -                  | 6,359,648               |
| Theatre Food and Alcohol Costs                       | -                   | 5,028,457           | -                  | 5,028,457               |
| Mondo Costs                                          | -                   | -                   | 3,886,083          | 3,886,083               |
| Other Costs                                          | 395,282             | -                   | -                  | 395,282                 |
| <b>Total Costs of Sales</b>                          | <b>395,282</b>      | <b>11,388,105</b>   | <b>3,886,083</b>   | <b>15,669,470</b>       |
| <b>Gross Margin</b>                                  | <b>4,291,363</b>    | <b>18,211,658</b>   | <b>960,129</b>     | <b>23,463,150</b>       |
| <b><u>Operating Costs</u></b>                        |                     |                     |                    |                         |
| Payroll                                              | 8,045,489           | 9,909,110           | 1,816,269          | 19,770,868              |
| Advertising                                          | 220,227             | 293,081             | 90,576             | 603,884                 |
| Professional Fees                                    | 1,423,177           | 43,965              | 33,806             | 1,500,948               |
| Occupancy - Cash                                     | 808,885             | 8,686,656           | 39,895             | 9,535,436               |
| Insurance                                            | 78,361              | 973,257             | 5,174              | 1,056,793               |
| Travel                                               | 252,919             | 10,845              | 24,931             | 288,695                 |
| Repairs and Maintenance                              | 77,328              | 2,014,366           | 5,778              | 2,097,472               |
| General and Admin                                    | 1,507,647           | 3,487,676           | 242,631            | 5,237,954               |
| <b>Total Operating Expenses</b>                      | <b>12,414,033</b>   | <b>25,418,955</b>   | <b>2,259,061</b>   | <b>40,092,049</b>       |
| <b>EBITDA</b>                                        | <b>(8,122,670)</b>  | <b>(7,207,297)</b>  | <b>(1,298,932)</b> | <b>(16,628,899)</b>     |
| <b><u>Other (Income)/Expense</u></b>                 |                     |                     |                    |                         |
| Occupancy - Non-cash                                 | -                   | 143,240             | -                  | 143,240                 |
| Depreciation and Amortization                        | 379,423             | 5,434,899           | 5,450              | 5,819,772               |
| Interest Expense & Derivative Gain/Loss              | 4,203,325           | -                   | -                  | 4,203,325               |
| Other                                                | 989,842             | (37,549)            | -                  | 952,293                 |
| Taxes                                                | 15,000              | 111,065             | 1,245              | 127,310                 |
| <b>Total Other (Income)/Expense</b>                  | <b>5,587,590</b>    | <b>5,651,654</b>    | <b>6,695</b>       | <b>11,245,939</b>       |
| <b>Net Loss</b>                                      | <b>(13,710,260)</b> | <b>(12,858,951)</b> | <b>(1,305,628)</b> | <b>(27,874,838)</b>     |

UNAUDITED

# Alamo Drafthouse Cinemas Holdings, LLC

## Consolidated Statements of Cash Flows

*For the Six Fiscal Periods Ended,*

*July 2, 2020*

### Operating Activities:

|                                                                               |                     |
|-------------------------------------------------------------------------------|---------------------|
| Net Loss                                                                      | (27,874,838)        |
| Adjustments to reconcile net income to net cash used in operating activities: |                     |
| Depreciation and Amortization                                                 | 5,819,772           |
| Gain on Sale of Assets                                                        | (141,900)           |
| Change in Operating Assets and Liabilities, Net:                              |                     |
| Accounts Receivable                                                           | 5,392,385           |
| Inventory                                                                     | (452,891)           |
| Prepaid Expenses                                                              | (944,593)           |
| Deposits                                                                      | 203,847             |
| Other Assets                                                                  | 975,642             |
| Accounts Payable                                                              | 8,076,596           |
| Accrued Liabilities                                                           | (6,197,635)         |
| Gift Card Liability                                                           | (1,399,045)         |
| Deferred Rent                                                                 | 3,056,191           |
| Other Long Term Liabilities                                                   | 1,070,137           |
| <b>Net cash used in Operating Activities</b>                                  | <b>(12,416,334)</b> |

### Investing Activities:

|                                              |                    |
|----------------------------------------------|--------------------|
| Purchase of Property, Plant and Equipment    | (7,967,784)        |
| <b>Net cash used in Investing Activities</b> | <b>(7,967,784)</b> |

### Financing Activities:

|                                              |                    |
|----------------------------------------------|--------------------|
| Proceeds from Sale of Assets                 | 50,000             |
| Paycheck Protection Program Loan             | 15,000,000         |
| Principal Payments for Note Payable          | (1,250,000)        |
| <b>Net cash used in Financing Activities</b> | <b>13,350,000</b>  |
| <b>Net decrease in cash</b>                  | <b>(7,034,118)</b> |
| Cash, Beginning of Quarter                   | 20,534,494         |
| <b>Cash, End of Quarter</b>                  | <b>13,500,376</b>  |

UNAUDITED

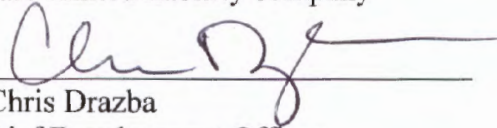
**GUARANTEE OF PERFORMANCE**  
**FTC**

For value received, Alamo Drafthouse Cinemas Holding, LLC., a limited liability company organized under the laws of the State of Delaware and located at 3908 Avenue B, Austin, Texas 78751, absolutely and unconditionally guarantees to assume the duties and obligations of Alamo Drafthouse Cinemas, LLC located at 3908 Avenue B, Austin, Texas 78751 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2020 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Atlanta, Georgia on the 19th day of August, 2020.

**Guarantor:**

**Alamo Drafthouse Cinemas Holding, LLC**  
a Delaware limited liability company

By:   
Name: Chris Drazba  
Title: Chief Development Officer

## **GUARANTEE OF PERFORMANCE**

### **Virginia**

For value received, absolutely and unconditionally guarantees the performance by Alamo Drafthouse Cinemas Holding, LLC, a limited liability company organized under the laws of the State of Delaware and located at 3908 Avenue B, Austin, Texas 78751 of all the obligations of Alamo Drafthouse Cinemas, LLC, located at 3908 Avenue B, Austin, Texas 78751 under its franchise registration in the State of Virginia and of its franchise agreements. This guarantee continues until all such obligations of Alamo Drafthouse Cinemas, LLC under its franchise registration and franchise agreements are satisfied. Alamo Drafthouse Cinemas Holding, LLC is not discharged from liability if a claim by the franchisee against Alamo Drafthouse Cinemas, LLC remains outstanding. Notice of acceptance is waived. Notice of default on the part of Alamo Drafthouse Cinemas, LLC is not waived. This guarantee is binding on Alamo Drafthouse Cinemas Holding, LLC. and on its successors and assigns.

Alamo Drafthouse Cinemas Holding, LLC executed this guarantee at Atlanta, Georgia on the 19th day of August, 2020.

#### **Alamo Drafthouse Cinemas Holding, LLC**

a Delaware limited liability company

By: \_\_\_\_\_

Name: Chris Drazba

Title: Chief Development Officer



## **GUARANTEE OF PERFORMANCE**

### **Illinois**

For value received, Alamo Drafthouse Cinemas Holding, LLC ("Guarantor"), a limited liability company organized under the laws of the State of Delaware and located at 3908 Avenue B, Austin, Texas 78751, absolutely and unconditionally guarantees to assume the duties and obligations of Alamo Drafthouse Cinemas, LLC, located at 3908 Avenue B, Austin, Texas 78751 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2020 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and on its successors and assigns.

The Guarantor signs this guarantee at Atlanta, Georgia on the 19th day of August, 2020.

**Alamo Drafthouse Cinemas Holding, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_

Name: Chris Drazba

Title: Chief Development Officer



**EXHIBIT B-2**

**FINANCIAL STATEMENTS  
Alamo Drafthouse Cinemas, LLC**

**ALAMO DRAFTHOUSE  
CINEMAS, LLC**

**Consolidated Financial Statements  
as of and for the Year Ended  
December 28, 2017 and  
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

[www.mlrpc.com](http://www.mlrpc.com)

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Alamo Drafthouse Cinemas, LLC:

We have audited the accompanying consolidated financial statements of Alamo Drafthouse Cinemas, LLC (a Texas limited liability company) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 28, 2017, and the related consolidated statements of income, members' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

*Affiliated Company*

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 28, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Maxwell Locke & Pitter LLP*

Austin, Texas  
September 27, 2018

# ALAMO DRAFTHOUSE CINEMAS, LLC

## CONSOLIDATED BALANCE SHEET DECEMBER 28, 2017

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### ASSETS

#### CURRENT ASSETS:

|                                           |              |
|-------------------------------------------|--------------|
| Cash and cash equivalents                 | \$ 2,281,859 |
| Accounts receivable                       | 3,401,611    |
| Tenant improvements receivable            | 30,063       |
| Inventory                                 | 133,099      |
| Related party receivables                 | 4,917,660    |
| Prepaid expenses and other current assets | 537,401      |

Total current assets 11,301,693

PROPERTY AND EQUIPMENT, net 18,274,783

GOODWILL 558,077

SOFTWARE DEVELOPMENT COSTS, net 1,162,129

OTHER ASSETS 27,972

**TOTAL** \$ 31,324,654

### LIABILITIES AND MEMBERS' CAPITAL

#### CURRENT LIABILITIES:

|                                                               |              |
|---------------------------------------------------------------|--------------|
| Accounts payable                                              | \$ 2,701,664 |
| Accrued expenses                                              | 2,575,953    |
| Stored value card liability                                   | 5,063,191    |
| Deferred revenue                                              | 421,569      |
| Current portion of long-term debt, net of debt issuance costs | 691,722      |

Total current liabilities 11,454,099

DEFERRED RENT 12,671,256

LONG-TERM DEBT, net of debt issuance costs 3,329,205

Total liabilities 27,454,560

#### MEMBERS' CAPITAL:

|                                        |           |
|----------------------------------------|-----------|
| Members' capital                       | 2,337,767 |
| Non-controlling interest in subsidiary | 1,532,327 |

Total members' capital 3,870,094

**TOTAL** \$ 31,324,654

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS, LLC

## CONSOLIDATED STATEMENT OF INCOME YEAR ENDED DECEMBER 28, 2017

---

### REVENUES:

|                                          |               |
|------------------------------------------|---------------|
| Food, beverage, and other sales          | \$ 11,419,843 |
| Franchise royalties                      | 9,585,751     |
| Box office admissions                    | 7,977,366     |
| Internet fees                            | 5,146,461     |
| Merchandise and other management revenue | 3,076,946     |
| Gift card fees                           | 1,175,963     |
| Service fees                             | 369,441       |
|                                          | <hr/>         |
| Total revenues                           | 38,751,771    |

### COST OF REVENUES:

|                                                          |            |
|----------------------------------------------------------|------------|
| Cost of franchise royalties and management contract fees | 5,480,706  |
| Film rental                                              | 4,494,575  |
| Cost of food, beverage, and other sales                  | 2,657,806  |
| Cost of merchandise and other management revenue         | 2,101,677  |
|                                                          | <hr/>      |
| Total cost of revenues                                   | 14,734,764 |

### GROSS PROFIT

24,017,007

### OPERATING EXPENSES:

|                               |            |
|-------------------------------|------------|
| Labor                         | 7,546,241  |
| Rent                          | 1,995,484  |
| Professional fees             | 1,684,577  |
| Depreciation and amortization | 1,348,743  |
| Office expense                | 888,377    |
| Repairs and maintenance       | 802,783    |
| Information systems           | 663,205    |
| Travel                        | 632,851    |
| General and administrative    | 576,107    |
| Insurance                     | 572,507    |
| Promotional                   | 514,094    |
| Merchant service fees         | 502,629    |
| Utilities                     | 334,726    |
| Pre-opening expenses          | 71,450     |
| Other operating expenses      | 271,988    |
|                               | <hr/>      |
| Total operating expenses      | 18,405,762 |

### INCOME FROM OPERATIONS

5,611,245

### INTEREST EXPENSE

(239,800)

### INCOME BEFORE STATE INCOME TAXES

5,371,445

### STATE INCOME TAXES

71,933

### NET INCOME

5,299,512

Less: loss attributable to non-controlling interest

(43,859)

### NET INCOME ATTRIBUTABLE TO ALAMO DRAFTHOUSE CINEMAS, LLC

\$ 5,343,371

See notes to consolidated financial statements.

## ALAMO DRAFTHOUSE CINEMAS, LLC

### CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL YEAR ENDED DECEMBER 28, 2017

---

|                            | Alamo<br>Drafthouse<br>Cinemas, LLC | Non-controlling<br>Interest | Total               |
|----------------------------|-------------------------------------|-----------------------------|---------------------|
| BALANCE, December 29, 2016 | \$ (955,604)                        | \$ 1,576,186                | \$ 620,582          |
| Distributions to members   | (2,050,000)                         | -                           | (2,050,000)         |
| Net income (loss)          | 5,343,371                           | (43,859)                    | 5,299,512           |
| BALANCE, December 28, 2017 | <u>\$ 2,337,767</u>                 | <u>\$ 1,532,327</u>         | <u>\$ 3,870,094</u> |

See notes to consolidated financial statements.

# ALAMO DRAFTHOUSE CINEMAS, LLC

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 28, 2017

---

### CASH FLOWS FROM OPERATING ACTIVITIES:

|                                                                                   |              |
|-----------------------------------------------------------------------------------|--------------|
| Net income                                                                        | \$ 5,299,512 |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |
| Depreciation and amortization                                                     | 1,348,743    |
| Non-cash interest expense                                                         | 5,941        |
| Deferred rent                                                                     | 53,662       |
| Changes in assets and liabilities that provided (used) cash:                      |              |
| Accounts receivable                                                               | (1,004,273)  |
| Tenant improvements receivable                                                    | 1,655,093    |
| Inventory                                                                         | (25,405)     |
| Related party receivables                                                         | (2,841,894)  |
| Prepaid expenses and other assets                                                 | (293,879)    |
| Accounts payable                                                                  | (232,949)    |
| Accrued expenses                                                                  | 1,219,636    |
| Stored value card liability                                                       | 877,631      |
| Deferred revenue                                                                  | (309,127)    |
| Net cash provided by operating activities                                         | 5,752,691    |

### CASH FLOWS FROM INVESTING ACTIVITIES:

|                                        |             |
|----------------------------------------|-------------|
| Purchases of property and equipment    | (640,952)   |
| Capitalized software development costs | (1,210,644) |
| Net cash used in investing activities  | (1,851,596) |

### CASH FLOWS FROM FINANCING ACTIVITIES:

|                                       |             |
|---------------------------------------|-------------|
| Payments on long-term debt            | (666,362)   |
| Distributions to members              | (2,050,000) |
| Net cash used in financing activities | (2,716,362) |

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 1,184,733

**CASH AND CASH EQUIVALENTS, beginning of year** 1,097,126

**CASH AND CASH EQUIVALENTS, end of year** \$ 2,281,859

### SUPPLEMENTAL DISCLOSURES:

|                       |            |
|-----------------------|------------|
| Interest paid in cash | \$ 233,859 |
| Taxes paid in cash    | \$ 850     |

See notes to consolidated financial statements.



# ALAMO DRAFTHOUSE CINEMAS, LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 28, 2017

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** - Alamo Drafthouse Cinemas, LLC (“ADC”) is a licensor, manager, and franchisor of movie theatre venues that specialize in film exhibition combined with food and beverage service located in Austin, Texas. ADC has one majority-owned and controlled subsidiary, Alamo City Point, LLC (“City Point”), which operates a theatre in Brooklyn, New York, that was placed into service during the year ended December 29, 2016.

**Basis of Presentation** - The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) and include the accounts of ADC and City Point (collectively, the “Company”). All significant intercompany amounts have been eliminated in consolidation.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fiscal Year** - The Company utilizes a 52/53 week fiscal year. The fiscal year ended on December 28, 2017 was comprised of 52 weeks.

**Cash and Cash Equivalents** - The Company considers all short-term, highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Accounts Receivable** - Accounts receivable primarily consists of gift card receipts from franchisees and licensees, and royalties due under normal trade terms and are recorded at the value of the revenue earned. Delinquent invoices do not accrue interest. The Company continually monitors each customer’s credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. No allowance has been recorded by the Company as management deemed all balances collectible at December 28, 2017.

**Tenant Improvement Receivables** - Tenant improvement receivables consist of an allowance for future leasehold improvements to be funded by the lessor related to the Company’s long-term operating lease for City Point.

**Inventory** - Inventory consists of food and beverages and is stated at the lower of cost or net realizable value. Cost includes the acquisition cost of purchased goods and is determined using the first-in, first-out (“FIFO”) method. Net realizable value is the estimated selling price in the ordinary course of business. Management reviews inventories for slow-moving and off-spec items and records a specific reserve as necessary.

**Property and Equipment** - Property and equipment are stated at cost less accumulated depreciation and amortization. Major additions and improvements are capitalized while maintenance and repairs that do not improve or extend the useful life of the respective asset are expensed. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the lease term. Estimated useful lives of the principal classes of assets are as follows:

|                                  |              |
|----------------------------------|--------------|
| Leasehold improvements           | 3 - 30 years |
| Theatre and restaurant equipment | 3 - 7 years  |
| Furniture and fixtures           | 5 - 7 years  |
| Computer and software            | 3 years      |
| Building                         | 40 years     |

**Software Development Costs** - The Company began the development of internal-use software during the year ended December 28, 2017. Costs incurred during the preliminary stage of the development of an application, such as the conceptualization and evaluation of the project, are expensed as incurred, and the costs incurred during the development stage of the application, such as coding, testing and debugging, are capitalized and subjected to a recovery test. Costs incurred in the post implementation and operation phases of the application, such as training and maintenance, are expensed as incurred. Additionally, costs incurred to enhance and extend software lives are capitalized. Capitalized costs are amortized on a straight-line basis over their estimated useful life of five years.

**Impairment of Long-Lived Assets** - Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. No impairment losses have been recognized for the year ended December 28, 2017.

**Impairment of Goodwill** - Goodwill is evaluated for impairment at the reporting unit level on an annual basis and between annual tests in certain circumstances. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to test goodwill for potential impairment.

**Debt Issuance Costs** - Debt issuance costs associated with term debt are recorded as a reduction of the related outstanding debt balance and debt issuance costs associated with line of credit arrangements are included with prepaid expenses and other current assets or other long-term assets, and amortized over the term of the related debt arrangement using the effective interest rate method.

**Stored Value Card Liability** - The stored value card liability arises from the sale of gift cards. As gift cards are redeemed, revenue is recognized by the theatre at which the card is redeemed and the Company remits the funds equal to the redemption to the redeeming location. There is no service fees charged on gift cards sold. For those gift cards not redeemed, revenue is recognized only when the likelihood of redemption is remote, based on historical experience. In evaluating the likelihood of redemption, the Company considers the period outstanding, the level and frequency of activity, and the period of inactivity based on historical redemption rates.

**Marketing Fund Liability** - The marketing fund liability arises from the Company's franchisees paying a percentage of net sales to the Company on a monthly basis. These funds are spent by the Company on marketing efforts on behalf of the franchisees. Any funds unused within one year are reimbursed to the franchisees. The balance is included in accrued expenses in the accompanying consolidated balance sheet.

**Fair Value Measurements** - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Revenue Recognition** - Revenue from the sale of food, beverage, and other retail items is recognized when payment is tendered at the point of sale. Franchise royalties are paid to the Company based on individual franchise agreements. Royalties are based on franchisees' sales, as defined in the franchise agreement, and recognized as revenue in the period of the related sales. Management contract fees were recognized as revenue in the period of the related sales of the venues subject to management contracts. Box office admissions, internet fees, and service fees are recognized when services are performed for the Company's customers.

**Advertising Costs** - Advertising costs are charged to expense as incurred and totaled \$429,754 for the year ended December 28, 2017.

**Pre-opening Expenses** - Pre-opening expenses are costs specifically identified as start-up costs and are charged to expense as incurred.

**Income Taxes** - The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is taxed as a partnership for federal income tax purposes; accordingly, all taxable income, losses, deductions and credits are allocated to the members who are responsible for the payment of taxes thereon. Therefore, no provision has been made for federal income taxes.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management has evaluated the Company's tax positions for all open tax years and believes the Company had no material uncertain tax positions and recorded no related interest or penalties for the year ended December 28, 2017.

## **Facility Rental**

### Contingent Rent

The Company leases most restaurant locations under operating lease agreements with terms of approximately five to fifteen years. Certain lease agreements require the Company to pay contractual annual rent ("minimum base rent") plus contingent rent based on a percentage of restaurant sales to the extent this amount exceeds the minimum base rent. The lease agreements also generally include scheduled increases in the minimum base rent. The Company records the straight-lined minimum base rent over the lease term plus contingent rent to the extent it exceeds minimum base rent per the lease agreement.

### Rent Holidays

The Company includes the rent holiday period, which is defined as the date from when the Company began tenant improvements to the property until the stated rent commencement date per the lease, as part of the lease term for purposes of straight-lining minimum base rent.

### Landlord Contributions

The Company often receives landlord contributions of monies to offset the costs of constructing structural components for the leased space. These monies can be direct cash reimbursements or offsets to minimum or percentage rent payments over the term of the lease. Generally, leasehold improvements that are funded by landlord incentives or allowances under operating leases are capitalized as leasehold improvements and amortized over the shorter of their economic lives or the lease terms; the incentives and allowances are recorded as deferred lease incentives and amortized as reductions to lease expense over the lease term.

**Unit-based Compensation** - The Company accounts for unit-based compensation transactions using a fair-value method and recognizes unit-based compensation expense on a straight-line basis in the consolidated statements of operations over the requisite vesting period. The Company records compensation expense for awards with performance features when it is probable that the performance condition will be achieved.

**Concentration of Credit Risk** - Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. At December 28, 2017, 28% of the Company's accounts receivable was attributable to one customer.

**Recently Issued Accounting Pronouncements** - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Company is currently evaluating the impact the new standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the consolidated balance sheet. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the consolidated statement of income for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

## 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 28, 2017:

|                                                |                             |
|------------------------------------------------|-----------------------------|
| Leasehold improvements                         | \$ 13,856,605               |
| Theatre and restaurant equipment               | 2,633,043                   |
| Building                                       | 1,588,863                   |
| Furniture and fixtures                         | 1,186,742                   |
| Computer and software                          | 771,719                     |
|                                                | <hr/>                       |
|                                                | 20,036,972                  |
| Less accumulated depreciation and amortization | (2,269,159)                 |
| Land                                           | 506,970                     |
|                                                | <hr/>                       |
| Total                                          | <u><u>\$ 18,274,783</u></u> |

Depreciation and amortization expense for the year ended December 28, 2017 totaled \$1,300,228.

## 3. SOFTWARE DEVELOPMENT COSTS

Software development costs consisted of the following at December 28, 2017:

|                                   |                            |
|-----------------------------------|----------------------------|
| Capitalized internal use software | \$ 1,210,644               |
| Less accumulated amortization     | (48,515)                   |
|                                   | <hr/>                      |
| Total                             | <u><u>\$ 1,162,129</u></u> |

Amortization expense for the year ended December 28, 2017 totaled \$48,515. Future amortization of intangible assets was as follows at December 28, 2017:

|            |                     |
|------------|---------------------|
| 2018       | \$ 212,617          |
| 2019       | 242,129             |
| 2020       | 242,129             |
| 2021       | 242,129             |
| 2022       | 193,614             |
| Thereafter | <u>29,511</u>       |
| Total      | <u>\$ 1,162,129</u> |

#### 4. LONG-TERM DEBT

The Company's debt obligations consisted of the following at December 28, 2017:

|                                                                                                                                                                                                                           |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| \$1,520,000 Promissory Note with a bank with monthly payments of principal and interest of \$10,735 at 5.74%, secured by a first lien on certain property, guaranteed by certain members, and matures on October 29, 2022 | \$ 1,281,944        |
| \$3,425,000 Promissory Note with a bank with monthly payments of principal and interest of \$64,649 at 4.94%, secured by substantially all assets of the Company, and matures on December 9, 2021                         | <u>2,806,845</u>    |
| Total debt                                                                                                                                                                                                                | 4,088,789           |
| Less: current maturities                                                                                                                                                                                                  | <u>(705,984)</u>    |
| Long-term debt                                                                                                                                                                                                            | <u>\$ 3,382,805</u> |

Future minimum payments under long-term debt obligations and future amortization of debt issuance costs consisted of the following at December 28, 2017:

|       | Principal           | Amortization<br>of Debt<br>Issuance Costs | Long-term<br>Debt, net |
|-------|---------------------|-------------------------------------------|------------------------|
| 2018  | \$ 705,984          | \$ (14,262)                               | \$ 691,722             |
| 2019  | 742,644             | (14,262)                                  | 728,382                |
| 2020  | 780,825             | (14,262)                                  | 766,563                |
| 2021  | 821,936             | (14,262)                                  | 807,674                |
| 2022  | <u>1,037,400</u>    | <u>(10,814)</u>                           | <u>1,026,586</u>       |
| Total | <u>\$ 4,088,789</u> | <u>\$ (67,862)</u>                        | <u>\$ 4,020,927</u>    |

Both Promissory Notes contain cross default clauses and require the Company to maintain certain financial covenants including minimum liquidity, minimum free cash flow coverage, and a minimum debt service coverage ratio.

## 5. MEMBERS' CAPITAL

At December 28, 2017, there were 9,000,000 Class A Units and 737,000 Class B Units issued and outstanding.

Class B Units represent profits-only interests as part of the Company's equity incentive plan for employees and consultants. Class B Units vest based on the terms of the respective unit agreement. During the year ended December 29, 2016, the Company awarded 325,000 Class B Restricted Units to key employees. Since these Class B Restricted Units constitute a profits-only interest in the Company, no capital accounts were initially attributable to the holders. Once the Hurdle Amount (as defined) reaches \$48,155,175, the holders can participate in the profits of the Company. The restriction on these units lapse at 25% per year beginning on the first anniversary of the awards. No compensation expense will be attributed to these units until the Hurdle Amount is reached or the Company repurchases the units at its discretion if the employee is terminated. The Company has the option to purchase the vested units at fair market value upon termination of an employee or consulting arrangement.

Profits and losses are allocated to the members, except as defined in the Company Agreement (the "Agreement"), based on their respective ownership percentage.

Preferred returns are made on each Class A Unit at a rate of 12% per annum of the unreturned capital contribution account calculated from the date of the capital contribution and compounded on December 31st of each year. During the year ended December 28, 2017, there was \$370,842 in preferred returns distributed and unpaid cumulative preferred returns totaled \$57,037 at December 28, 2017.

Non-liquidating distributions will be distributed in the following order and priority: 1) the members holding Class A Units in proportion to their relative accrued and unpaid preferred return until the accrued and unpaid preferred return of the members holding Class A Units is reduced to zero, 2) the members holding Class A Units in proportion to their relative unreturned capital contribution accounts until the unreturned capital contribution accounts of the members holding Class A Units is reduced to zero, and 3) the members holding Class A and B Units based on their respective ownership percentage.

In the event of any liquidation, dissolution or winding up of the Company, after repayments to creditors of the Company and payments of any loans from its members, any remaining available cash will be distributed in the following order and priority: 1) the members holding Class A units in proportion to their accrued and unpaid preferred return until the preferred return of each member holding Class A units is reduced to zero, 2) the members holding Class A units unreturned capital contribution until the capital account of each member holding Class A units is reduced to zero, and 3) thereafter to the members holding Class A and Class B units based on their respective ownership percentage.

The Agreement provides that the Company terminate upon the earlier of the sale/disposition of substantially all the property of the Company or the written consent of all the members in accordance with the Agreement.

## 6. COMMITMENTS AND CONTINGENCIES

The City Point theatre has a long-term operating lease. Total rent expense, including operating expenses, was \$1,820,284 for the year ended December 28, 2017. Future minimum payments under a non-cancelable operating lease at December 28, 2017 were as follows:

|            |                      |
|------------|----------------------|
| 2018       | \$ 1,658,111         |
| 2019       | 1,658,111            |
| 2020       | 1,658,111            |
| 2021       | 1,687,557            |
| 2022       | 1,824,075            |
| Thereafter | <u>53,528,071</u>    |
| Total      | <u>\$ 62,014,036</u> |

In addition to the above base rents, the Company is responsible for its respective pro-rata share of real estate taxes and operating expenses and is subject to an additional rent payment calculated as 6% of gross sales annually.

The Company, in the normal course of business, is subject to various legal matters. While the results of such matters cannot be predicted with certainty, management does not expect such matters to have a material adverse effect on the Company's consolidated financial position or results of operations as of and for the year ended December 28, 2017.

## 7. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan that covers substantially all full-time employees that meet the length of service criteria as outlined in the plan agreement. The Company made employer contributions of \$77,574 for the year ended December 28, 2017.

## 8. RELATED PARTY TRANSACTIONS

Various transactions occurred among ADC and City Point which resulted in receivable and payable balances at December 28, 2017 that were eliminated for consolidation purposes. In addition, the Company had transactions with other entities with common ownership resulting in related party receivable and payable balances as reflected net on the consolidated balance sheets at December 28, 2017 as follows:

|                          |                     |
|--------------------------|---------------------|
| Related party receivable | \$ 14,936,745       |
| Related party payable    | <u>(10,019,085)</u> |
| Total, net               | <u>\$ 4,917,660</u> |



## 9. FRANCHISED THEATRES

The following is a summary of theatres. Franchised theatres include sites operating under franchise and license agreements.

|                                                  | Franchisee-<br>Owned<br>Theatres | Franchisor-<br>Owned<br>Theatres | Total<br>Theatres |
|--------------------------------------------------|----------------------------------|----------------------------------|-------------------|
| Total theatres operating at<br>December 29, 2016 | 11                               | 14                               | 25                |
| Theatres opened                                  | 2                                | 3                                | 5                 |
| Theatres closed                                  | (1)                              | -                                | (1)               |
| Total theatres operating at<br>December 28, 2017 | <u>12</u>                        | <u>17</u>                        | <u>29</u>         |

## 10. SUBSEQUENT EVENTS

The Company evaluated subsequent events through September 27, 2018 (the date the consolidated financial statements were available to be issued).

On January 8, 2018, the Company purchased all membership interests in Mondo Tees, LLC, a related party through common control, for a purchase price of \$6,775,579 plus a contingent earnout, as defined, not to exceed \$500,000. The Company entered into a \$2,775,579 note payable with the seller with interest only payments due monthly at 6% until maturity on January 4, 2024. On January 29, 2018, the Company entered into a promissory note with a bank in the amount of \$4,000,000. The note requires monthly payments of principal and interest of \$66,667 at the Prime Rate, as defined, is secured by certain a first lien on certain property, and matures on January 29, 2023.

On June 13, 2018 the members of ADC along with members and/or partners of certain entities under common control (“Affiliates”) consummated a restructuring of ADC and its Affiliates (“Restructuring”). In conjunction with the Restructuring, the members and/or partners of ADC and Affiliates exchanged their respective interests for limited partnership interests in Catalina Brothers, Ltd. (“Catalina”) and/or Major Kong Industries, Ltd. (“Major Kong”), as applicable. Catalina and Major Kong then contributed their partnership interests in Affiliates to ADC such that these entities became wholly-owned subsidiaries of ADC. After which, Catalina and Major Kong contributed their partnership interests in ADC to Alamo Drafthouse Cinemas Holdings, LLC (“Holdings”) such that ADC became a wholly-owned subsidiary of Holdings. Initially, Catalina and Major Kong held the only membership interests in Holdings.

Contemporaneous to the Restructuring, an investor purchased Class A Preferred Units directly from Holdings for \$17.4 million and also purchased all of the Class A Preferred Units from Catalina and Major Kong for an aggregate of \$48.1 million (“Equity Investment”). The investor entered into a Management Services Agreement with Holdings and ADC entitling the investor to i) a consulting fee of \$1,705,000 at the closing of the Equity Investment and ii) an ongoing management fee equal to 25% of 3% of consolidated EBITDA of Holdings for the trailing four quarter period. In addition, the investor is entitled to 1% of the total transaction value in connection with a future sale of Holdings and/or certain financing and refinancing transactions. Payments under the Management Services Agreement are subordinate to the Credit Agreement discussed below.

On June 13, 2018, Holdings and ADC entered into a Credit Agreement (“Facility”) with certain lenders for an aggregate of \$105 million, of which \$70 million is a term loan, \$30 million is a development loan, and \$5 million is a revolving line of credit. Interest accrues on the term and development loans at either LIBOR plus the Applicable Margin, as defined, or the Base Rate which is the higher of i) Prime Rate, ii) Federal Funds Rate plus 0.5%, or iii) LIBOR plus 1%, plus the Applicable Margin. Interest is payable at the end of selected interest periods of one, two, three or six months for LIBOR loans, but no less frequently than quarterly. Interest accrues on the revolving line of credit at the Base Rate plus the Applicable Margin and is due monthly. The principal on the term and development loans is due quarterly with 1.25% due each quarter through June 30, 2020, 2.5% due each quarter through June 30, 2021, and 3.75% due each quarter through the maturity date of June 13, 2023, at which time the remaining outstanding balance is due. The outstanding amount on the revolving line of credit is due on June 13, 2023. The Facility is guaranteed by Holdings, ADC and ADC’s current and future subsidiaries and is secured by substantially all of the assets of Holdings, ADC and ADC’s subsidiaries. The Facility requires that certain financial debt covenants are maintained.

In connection with the Equity Investment and the Facility, Holdings and ADC acquired Alamo Satown, LLC (“Satown”), which operates four Alamo Drafthouse franchise locations and franchise development rights, from BACH Holdings in exchange for \$2.8 million of Class B Common Units in Holdings and \$18.9 million in cash, subject to an agreed upon working capital adjustment. With the proceeds from the Equity Investment and Facility, ADC remitted payment for i) approximately \$45.3 million of the debt of ADC and subsidiaries that existed prior to the Restructuring, including all bank debt on the consolidated balance sheet of ADC as of December 28, 2017 and the bank debt that was incurred upon the acquisition of Mondo Tees, ii) approximately \$17.6 million in transaction fees related to the Restructuring, iii) approximately \$3.2 million in debt to certain partners of Catalina and Major Kong, and iv) \$2.4 million in management bonuses.

Holdings and ADC entered into Services Agreements with two executive investors in which these executives will provide management, advisory and consulting services through June 13, 2028. Each executive was paid \$852,500 at the execution of the respective Services Agreement. Additionally, the executives will receive 25% of 1% of the consolidated EBITDA of Holdings for the trailing four quarter period. In addition, the executives are entitled to a certain fee, as defined, in connection with a future sale of Holdings and/or certain financing and refinancing transactions. Payments under the Services Agreements are subordinate to the Facility.

**EXHIBIT D**

**OPERATIONS DIGITAL LIBRARY - TABLE OF CONTENTS**

**Heading**

Brand - Operations Manual

- Manager
- Bar
- Kitchen
- Emergency Preparedness

Brand - Training Resources

<https://www.schoox.com/academies/library2.php?acadId=914#?dateadded=1&category=16229>

- Box Office
- Communication
- Kitchen Posters
- Manager Guides
- Staff Guides
- UPDATES

## EXHIBIT DE

### STATE ADMINISTRATORS

#### CALIFORNIA

Department of Business Oversight  
One Sansome Street, Suite 600  
San Francisco, CA 94104-4428

1526 K Street, Suite 300  
Lincoln, Nebraska 68508-2732  
P.O. Box 95006  
Lincoln, Nebraska 68509-5006

#### HAWAII

Department of Commerce  
and Consumer Affairs  
1010 Richard Street  
Honolulu, Hawaii 96813

#### NEW YORK

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street  
New York, New York 10005  
(212) 416-8236

#### ILLINOIS

Illinois Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706

#### NORTH DAKOTA

North Dakota Securities Department  
600 East Boulevard, Fifth Floor  
Bismarck, ND 58505  
(701) 328-4712

#### INDIANA

Indiana Secretary of State  
Franchise Section  
302 West Washington  
Room E-111  
Indianapolis, Indiana 46204

#### RHODE ISLAND

Division of Securities  
233 Richmond Street, Suite 232  
Providence, Rhode Island 02903

#### MARYLAND

Maryland Securities Commissioner  
Franchise Section  
200 St. Paul Place  
20th Floor  
Baltimore, Maryland 21202-2020

#### SOUTH DAKOTA

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre SD 57501  
(605) 773-3563

#### MICHIGAN

Michigan Department of Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
670 Law Building  
Lansing Michigan 48913

#### VIRGINIA

State Corporation Commission  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219

#### MINNESOTA

Minnesota Commissioner of Commerce  
85 7th place East, Suite 280  
St Paul, MN 55101  
(651) 539-1600

#### WASHINGTON

Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

#### NEBRASKA

Department of Banking and Finance

#### WISCONSIN

Securities and Franchise Registration  
Wisconsin Securities Commission  
P.O. Box 1768  
Madison, Wisconsin 53701-1768

**EXHIBIT EF**

**AGENTS FOR SERVICE OF PROCESS**

**CALIFORNIA**

Commissioner of Business Oversight  
Department of Business Oversight  
One Sansome Street, Suite 600  
San Francisco, California 94104-4428

**HAWAII**

Commissioner of Securities  
Department of Commerce and Consumer Affairs  
Business Registrations Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

**ILLINOIS**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

**INDIANA**

Secretary of State  
201 State House  
200 W. Washington Street  
Indianapolis, Indiana 46204

**MARYLAND**

Maryland Securities Commissioner  
Office of the Attorney General  
200 St. Paul Place  
Baltimore, Maryland 21202

**MICHIGAN**

Department of Labor & Economic Growth  
Commercial Services & Corporations Bureau  
611 W. Ottawa Street  
Lansing, Michigan 48909

**MINNESOTA**

Minnesota Commissioner of Commerce  
85 7th Place East, Suite 280  
St. Paul, MN 55101

**NEW YORK**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street  
New York, New York 10005  
(212) 416-8236

**NORTH DAKOTA**

North Dakota Securities Department  
600 East Boulevard, Fifth Floor  
Bismarck, ND 58505  
(701) 328-4712

**OREGON**

Director  
Department of Consumer and Business Services  
Division of Finance and Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97310

**RHODE ISLAND**

Director  
Department of Business Regulation  
233 Richmond Street, Suite 232  
Providence, Rhode Island 02903

**SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre SD 57501  
(605) 773-3563

**VIRGINIA**

Clerk of the State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219

**WASHINGTON**

Director of Financial Institutions  
Securities Division  
150 Israel Rd. S.W.  
Tumwater, Washington 98501

**WISCONSIN**

Commissioner of Securities  
Fourth Floor  
345 West Washington Avenue  
Madison, Wisconsin 53703

# EXHIBIT G-1

## LIST OF FRANCHISEES (as of ~~December 27, 2018~~ January 2, 2020)

| Franchisee                                   | Venue Street Address                   | Venue City           | Venue State | Venue Zip Code | Venue Phone Number |
|----------------------------------------------|----------------------------------------|----------------------|-------------|----------------|--------------------|
| Alamo Chandler, LLC                          | 4955 S Arizona Ave                     | Chandler             | AZ          | 85248          | 520-213-8129       |
| *Alamo Gilbert LLC                           | 5478 S Power Rd                        | Gilbert              | AZ          | 85295          | TBD                |
| Alamo Tempe, LLC                             | 1140 E Baseline Rd                     | Tempe                | AZ          | 85283          | 480-795-6622       |
| Woodbury Alamo, LLC                          | 9060 Hudson Rd                         | Woodbury             | MN          | 55125          | 651-829-2623       |
| Springboard Ventures LLC                     | 4005 South Avenue                      | Springfield          | MO          | 65807          | 417-708-9599       |
| Entertainment Management Co., LLC            | 12750 Westport Pkwy                    | La Vista             | NE          | 68138          | 402-505-9979       |
| **Midtown Alamo LLC                          | 3201 Farnam St, #6111                  | Omaha                | NE          | 68131          | 402-884-8999       |
| *Alamo Grand Prairie Bardin, LLC             | 1600 E. Pioneer Parkway, Suite 550     | Arlington            | TX          | 76010          | TBD                |
| Reel Dinner Partners – Corpus Christi, LLC   | 7601 S Staples St                      | Corpus Christi       | TX          | 78413          | 361-808-4824       |
| Dos Peliculas, LLC                           | 1005 South Lamar                       | Dallas               | TX          | 75215          | 214-914-4443       |
| Cinco Peliculas, LLC                         | 6770 Abrams Rd                         | Dallas               | TX          | 75231          | 214-453-6301       |
| Seis Peliculas, LLC                          | 3220 Town Center Trail                 | Denton               | TX          | 76201          | 940-220-4900       |
| El Paso Texas Alamo Operations, LLC          | 250 East Montecillo Blvd               | El Paso              | TX          | 79912          | 915-845-7469       |
| Tres Peliculas, LLC                          | 360 W Las Colinas Blvd, Bldg A2        | Irving               | TX          | 75039          | 469-713-3424       |
| Triple Tap LaCenterra LLC                    | 2707 Commercial Center Blvd, Ste K-100 | Katy                 | TX          | 77494          | 281-492-6900       |
| Reel Dinner Partners – Laredo, LLC           | 11210 East Point Drive                 | Laredo               | TX          | 78045          | 956-242-6440       |
| Triple Tap Alamo Lubbock LLC                 | 120 W. Loop 289                        | Lubbock              | TX          | 79416          | 806-368-8887       |
| ***North Richland Hills Alamo, LLC           | 8380 Davis Blvd                        | North Richland Hills | TX          | 76182          | 817-310-9804       |
| Iced Tea with Lemon, LLC                     | 100 South Central Expressway #14       | Richardson           | TX          | 75080          | 972-534-2120       |
| *Triple Tap Sugar Land, LLC                  | 198 Kempner Street                     | Sugar Land           | TX          | 77498          | TBD                |
| *ADC Crystal City, LLC                       | Crystal City                           | Arlington            | VA          |                | TBD                |
| Cojeaux Cinemas, LLC                         | 20575 Easthampton Plaza                | Ashburn              | VA          | 20147          | 571-293-6808       |
| Alamo Draffhouse Cinema Charlottesville, LLC | 375 Merchant Walk Square               | Charlottesville      | VA          | 22902          | 434-326-5056       |
| N/L Entertainment, LLC                       | 181 Kernstown Commons Blvd             | Winchester           | VA          | 22602          | 540-313-4060       |
| ADC Woodbridge, LLC                          | 15200 Potomac Town Place, Ste 100      | Woodbridge           | VA          | 22191          | 571-260-4413       |
| *Alamo Draffhouse D.C., LLC                  | Rhode Island Ave                       | Washington           | D.C.        |                | TBD                |

\*These Venues ~~were~~are still in development or under construction as of the date of this Disclosure Document

\*\*This Venue opened in March 2019

\*\*\*This Venue open in April 2019

## **EXHIBIT G-2**

### **LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

The names, addresses and telephone numbers of all franchisees who have had a Venue terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the application date, are listed below. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

#### **Texas**

~~Triple Tap Houston Theatres I&2 LLC~~

~~c/o Triple Tap Ventures LLC~~

~~1707 1/2 Post Oak Boulevard~~

~~Box 480~~

~~Houston, Texas 77056~~

~~281-809-2900~~

~~(Mason Venue closed on June 21, 2018 as part of agreed closure and relocation)~~

None

## **EXHIBIT H**

### **FORM OF GENERAL RELEASE**

#### **GENERAL RELEASE**

[Name of Franchisee] ("Franchisee") and [Names of Principals] (each a "Principal") hereby generally and completely release, acquit and forever discharge in the broadest sense possible Alamo Drafthouse Cinemas, LLC, a Texas limited liability company ("Franchisor"), together with its subsidiaries, affiliates, successors and assigns and their respective officers, directors, shareholders, partners, employees, agents, representatives, attorneys and alter-egos of Franchisor from any and all claims (including, without limitation, claims for attorneys' fees), demands, debts, accounts, actions and causes of action, whether constitutional, statutory, common-law, administrative, equitable or otherwise (collectively, "Claims"), asserted or unasserted, whether known or unknown, that any of them has, have or believes that any of them may have, whatsoever and whensoever incurred, whether known or unknown, including, without limitation, Claims arising from or in connection with the Franchise Agreement and/or the relationships or transactions between Franchisor and Franchisee or any of the Principals, whether under federal, state or local laws, regulations, rules or orders, including, without limitation, Claims under any federal or state franchise or unfair or deceptive trade practice laws. It is the express intent of the Franchisee and each Principal that all Claims of any kind whatsoever that have occurred, in whole or in part, from or in connection with any agreement, understanding, statement, action, fact, inaction or conduct of any kind, if any, on or before the date first written above (regardless of when such Claim arose) are hereby compromised, settled, and released. This release is to be read in the broadest and most expansive manner permitted by law. Further, Franchisee and each Principal represents and warrants that none of them has sold, assigned, transferred, conveyed or otherwise disposed of any such Claim. Franchisee and each Principal warrants that each of them have read this release, and fully understand this release to constitute a compromise, settlement, and release of all Claims. Franchisee and each Principal warrants that each of them is legally competent to execute this release, and that they do so of their own free will and accord without reliance on any representations of any kind or character not expressly stated in this release. Franchisee and each Principal warrants that each of them has consulted with an attorney of their own choosing regarding this release and that they are signing the same with the full benefit and advice of legal counsel of their own choice.

Executed as of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT I-1**

**DEVELOPMENT AGREEMENT**

**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| <b><u>State</u></b> | <b><u>Effective Date</u></b> |
|---------------------|------------------------------|
| <u>California</u>   |                              |
| <u>Hawaii</u>       |                              |
| <u>Illinois</u>     |                              |
| <u>Indiana</u>      |                              |
| <u>Maryland</u>     |                              |
| <u>Michigan</u>     |                              |
| <u>Minnesota</u>    |                              |
| <u>New York</u>     |                              |
| <u>North Dakota</u> |                              |
| <u>Rhode Island</u> |                              |
| <u>South Dakota</u> |                              |
| <u>Virginia</u>     |                              |
| <u>Washington</u>   |                              |
| <u>Wisconsin</u>    |                              |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT 1-2**

**~~STATE AMENDMENTS  
TO  
DEVELOPMENT AGREEMENT~~**



**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF CALIFORNIA**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between ~~\_\_\_\_\_~~ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated ~~\_\_\_\_\_~~ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**CALIFORNIA LAW MODIFICATIONS**

1. ~~The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORPORATIONS CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

- a. ~~The Development Agreement is revised to state that the Initial Development Fee and other payments due to Franchisor under the Development Agreement before Developer opens its first Venue for business are deferred until Franchisor completes its pre-opening obligations to Developer and Developer opens the first Venue for business under the Development Agreement and respective Franchise Agreement.~~
- b. ~~California Business and Professions Code Sections 20000 through 20043 provide rights to You concerning termination of the Development Agreement. The Federal Bankruptcy Code also provides rights to You concerning termination of the Development Agreement upon certain bankruptcy-related events. To the extent the Development Agreement contains a provision that is inconsistent with these laws, these laws will control.~~
- e. ~~If Developer is required in the Development Agreement to execute a release of claims, such release will exclude claims arising under the California Franchise Investment Law and the California Franchise Relations Act.~~
- d. ~~If the Development Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.~~
- e. ~~If the Development Agreement contains a covenant not to compete which extends beyond the expiration or termination of the Development Agreement, the covenant may be unenforceable under California law.~~
- f. ~~If the Development Agreement requires litigation, arbitration or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.~~
- g. ~~If the Development Agreement requires that it be governed by a state’s law, other than the State of California, such requirement may be unenforceable.~~

~~h. If the Development Agreement requires that claims be brought earlier than is required under the laws of the State of California, such requirement may be unenforceable.~~

~~2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.~~

~~3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~

~~IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.~~

**FRANCHISOR**

**DEVELOPER**

**Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company**

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Date: \_\_\_\_\_

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF ILLINOIS**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between ~~\_\_\_\_\_ (“Developer” or “You”) and Alamo Drafthouse Cinemas, LLC (“Franchisor”)~~ dated ~~\_\_\_\_\_ (the “Development Agreement”)~~ will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**ILLINOIS LAW MODIFICATIONS**

1. ~~The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 – 705/44 (1994) (the “Act”). To the extent that this Agreement contains provisions that are inconsistent with the following, those provisions are amended as follows:~~

- ~~a. Sections 705/19 and 705/20 of the Act provide rights to franchisees concerning nonrenewal and termination of a franchise. If the Development Agreement contains a provision that is inconsistent with the Act, the Act will control.~~
- ~~b. Any release of claims or acknowledgments of fact contained in the Development Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, are unenforceable with respect to claims under the Act.~~
- ~~c. Any provision that designates jurisdiction or venue or requires Developer to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the state of Illinois.~~
- ~~d. If this Agreement requires that it be governed by a state’s law, other than the State of Illinois, to the extent that such law conflicts with Illinois law, Illinois law will control.~~
- ~~e. To the extent that the Act prohibits the disclaimer of representations contained in Franchisor’s Franchise Disclosure Document, the Development Agreement is amended to include representations made in Franchisor’s Franchise Disclosure Document to the extent required by law.~~
- ~~f. Section 41 of the Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in this Agreement is inconsistent with Illinois law, Illinois law will control.~~

2. ~~All initial fees and payments due to us before you open your Venue for business are deferred until we complete our pre-opening obligations to you and you open your Venue for business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.~~

3. ~~Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Illinois law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.~~

~~IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.~~

**FRANCHISOR**

**DEVELOPER**

~~Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company~~

~~By: \_\_\_\_\_~~

~~By: \_\_\_\_\_~~

~~Print Name: \_\_\_\_\_~~

~~Print Name: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~

~~Effective Date: \_\_\_\_\_~~

~~Date: \_\_\_\_\_~~

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF MARYLAND**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between ~~\_\_\_\_\_~~ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated ~~\_\_\_\_\_~~ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**MARYLAND LAW MODIFICATIONS**

1. ~~The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. § 14-201 et. seq. (2015 Repl. Vol.). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

- ~~a. The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.~~
- ~~b. This Agreement is hereby amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.~~
- ~~c. This Agreement requires litigation to be conducted in a forum other than the State of Maryland. The requirement will not be interpreted to limit any rights Developer may have under Sec. 14-216 (c)(25) of the Maryland Franchise Registration and Disclosure Law to bring suit in the state of Maryland.~~
- ~~d. If Developer is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release will exclude claims arising under the Maryland Franchise Registration and Disclosure Law, and such acknowledgments will be void with respect to claims under the Law.~~
- ~~e. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. This Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. Such representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law resulting from the offer or sale of the franchise.~~

2. ~~Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.~~



~~3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~

~~IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.~~

**FRANCHISOR**

**DEVELOPER**

~~Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company~~

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Date: \_\_\_\_\_

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF MINNESOTA**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between ~~\_\_\_\_\_~~ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated ~~\_\_\_\_\_~~ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**MINNESOTA LAW MODIFICATIONS**

~~— The Commissioner of Commerce for the State of Minnesota requires that all initial fees and payments due to us before you open your Venue for business are deferred until we complete our pre-opening obligations to you and you open your Venue for business.~~

~~— 2. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Development Agreement and Franchise Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended:~~

~~— a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that Developer’s use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of Developer’s use of the Proprietary Marks except in accordance with the requirements of the Development Agreement, and, as a condition to indemnification, Developer must provide notice to Franchisor of any such claim within 10 days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Development Agreement shall be superseded by the Act’s requirements and shall have no force or effect.~~

~~— b. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that Developer be given written notice of a Franchisor’s intention not to renew 180 days prior to expiration of the franchise and that Developer be given sufficient opportunity to operate the franchise in order to enable Developer the opportunity to recover the fair market value of the franchise as a going concern. If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Development Agreement shall be superseded by the Act’s requirements and shall have no force or effect.~~

~~— c. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that Developer be given 90 days’ notice of termination (with 60 days to cure). If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Development Agreement shall be superseded by the Act’s requirements and shall have no force or effect.~~

~~— d. If the Development Agreement and/or the Franchise Disclosure Document~~

~~requires Developer to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.~~

~~\_\_\_\_\_ e. If the Development Agreement and/or the Franchise Disclosure Document requires that it be governed by a state's law, other than the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of Developer as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.~~

~~\_\_\_\_\_ f. If the Development Agreement and/or the Franchise Disclosure Document requires Developer to sue Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of Developer as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.~~

~~\_\_\_\_\_ g. Minn. Rule 2860.4400J prohibits Franchisor from requiring You to consent to liquidated damages and prohibits waiver of a jury trial. If the Development Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Minn. Rule, the provisions of the Development Agreement and/or the Franchise Disclosure Document shall be superseded by the Minn. Rule's requirements and shall have no force or effect.~~

~~\_\_\_\_\_ h. You cannot consent to the Franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.~~

~~\_\_\_\_\_ i. The Limitations on Actions section must comply with Minnesota Statutes, Section 80C.15, Subd. 5.~~

~~3. Each provision of this Agreement and/or the Franchise Disclosure Document shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.~~

~~4. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~

~~IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.~~

**FRANCHISOR**

**DEVELOPER**

**Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company**

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Date: \_\_\_\_\_

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF NEW YORK**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between \_\_\_\_\_ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated \_\_\_\_\_ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**NEW YORK LAW MODIFICATIONS**

~~IN WITNESS WHEREOF~~, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.

1. ~~The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

- ~~a. If Developer is required in the Development Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release will exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.~~
- ~~b. If the Development Agreement requires that it be governed by a state's law, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon Developer under the New York General Business Law, Article 33, Sections 680 through 695.~~
- ~~c. Notwithstanding any rights you may have in the Development Agreement permitting You to terminate the Development Agreement, You may also have additional rights to terminate the Development Agreement on any grounds available by law.~~
- ~~d. With respect to any transfer or assignment by Franchisor, no assignment will be made except to an assignee who, in good faith and judgment of Franchisor, is willing and financially able to assume Franchisor's obligations under the Development Agreement.~~

2. ~~Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the New York law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.~~

3. ~~As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the~~

~~enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~

**FRANCHISOR**

**DEVELOPER**

~~Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company~~

\_\_\_\_\_  
\_\_\_\_\_

~~By: \_\_\_\_\_~~

~~By: \_\_\_\_\_~~

~~Print Name: \_\_\_\_\_~~

~~Print Name: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~

~~Effective Date: \_\_\_\_\_~~

~~Date: \_\_\_\_\_~~

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between ~~\_\_\_\_\_~~ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated ~~\_\_\_\_\_~~ (the “Development Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Development Agreement (the “Amendment”):

**NORTH DAKOTA LAW MODIFICATIONS**

~~1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1993). To the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

- ~~a. If Developer is required in the Development Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release shall exclude claims arising under North Dakota Law, and such acknowledgments shall be void with respect to claims under the Law.~~
- ~~b. Covenants not to compete during the term of and upon termination or expiration of the Development Agreement are enforceable only under certain conditions according to North Dakota Law. If the Development Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.~~
- ~~c. If the Development Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.~~
- ~~d. If the Development Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law shall control.~~
- ~~e. If the Development Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location shall be determined by the arbitrator.~~
- ~~f. Section 10.9 of the Development Agreement entitled “Jury Trial Waiver” is deleted in its entirety.~~

~~2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota Law, with respect to each such provision, are met~~

~~independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.~~

~~3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~

~~IN WITNESS WHEREOF, the parties hereto have signed this Agreement. Upon execution and delivery of this Agreement by both parties the effective date shall be the date first above written.~~

**FRANCHISOR**

**DEVELOPER**

~~Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company~~

~~By: \_\_\_\_\_~~

~~By: \_\_\_\_\_~~

~~Print Name: \_\_\_\_\_~~

~~Print Name: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~

~~Its: \_\_\_\_\_~~

~~Effective Date: \_\_\_\_\_~~

~~Date: \_\_\_\_\_~~



**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF VIRGINIA**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between \_\_\_\_\_ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated \_\_\_\_\_ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**VIRGINIA LAW MODIFICATIONS**

1. ~~The Virginia State Corporation Commission, Division of Securities and Retail Franchising requires that certain provisions contained in franchise documents be amended to be consistent with Virginia law. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

~~The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Development Fee, initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under each franchise agreement. Payment of the Development Fee will be due to the franchisor, on a pro rata basis, upon the franchisor's completion of its pre-opening obligations for each franchise opened under the Development Agreement.~~

2. ~~Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Virginia law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.~~

3. ~~As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.~~

IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.

**FRANCHISOR**

**DEVELOPER**

**Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date: \_\_\_\_\_

**AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC  
DEVELOPMENT AGREEMENT  
FOR THE STATE OF WASHINGTON**

The ~~Alamo Drafthouse Cinemas, LLC Development Agreement~~ between \_\_\_\_\_ (“Developer” or “You”) and ~~Alamo Drafthouse Cinemas, LLC~~ (“Franchisor”) dated \_\_\_\_\_ (the “Development Agreement”) will be amended by the addition of the following language, which will be considered an integral part of the Development Agreement (the “Amendment”):

**WASHINGTON LAW MODIFICATIONS**

1. ~~The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

2. ~~In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.~~

3. ~~In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.~~

4. ~~A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Development Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.~~

5. ~~Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.~~

IN WITNESS WHEREOF, Developer acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Development Agreement on \_\_\_\_\_, \_\_\_\_\_.

**FRANCHISOR**

**DEVELOPER**

**Alamo Drafthouse Cinemas, LLC,  
a Texas limited liability company**

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Date: \_\_\_\_\_



## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Alamo Drafthouse Cinemas, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Alamo Drafthouse Cinemas, LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, Alamo Drafthouse Cinemas, LLC must provide this Disclosure Document to you 10 business days before you sign any contract or make any payment relating to the franchise relationship. Under New York, Oklahoma and Rhode Island law, Alamo Drafthouse Cinemas, LLC must provide this Disclosure Document to you at the earliest of the first personal meeting or 10 business days before you sign any contract or make any payment relating to the franchise relationship.

If Alamo Drafthouse Cinemas, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state administrator listed in Exhibit F.

The name, principal business address and telephone number of each franchise seller offering this franchise are Tim League, ~~Dave Kennedy~~ Shelli Taylor, Chris Drazba, ~~Keith Thompson~~, Annie Mooney, Missy Reynolds, ~~Josh Walker~~ Rachel Pletz (each at ~~612 A East 6th Street~~ 3908 Avenue B, Austin, Texas 78701-78751, (512) 861-7000), and the following persons (if any): \_\_\_\_\_.

Date of Issuance: ~~May 28, 2019~~ July 20, 2020

I received a Disclosure Document with an issuance date of ~~May 28, 2019~~ July 20, 2020. This Disclosure Document included the following exhibits:

|                                      |                                                                |
|--------------------------------------|----------------------------------------------------------------|
| State Addenda to Disclosure Document |                                                                |
| <u>Exhibit A-1</u>                   | Franchise Application and Confidentiality Agreement            |
| <u>Exhibit A-2</u>                   | Franchise Agreement                                            |
| <u>Exhibit A-3</u>                   | State Amendments to Franchise Agreement                        |
| <u>Exhibit B-1</u>                   | Financial Statements of Alamo Drafthouse Cinemas Holdings, LLC |
| <u>Exhibit B-2</u>                   | Financial Statements of Alamo Drafthouse Cinemas, LLC          |
| <u>Exhibit C</u>                     | Electronic Funds Transfer Authorization                        |
| <u>Exhibit D</u>                     | Operations Digital Library Table of Contents                   |
| <u>Exhibit E</u>                     | State Administrators                                           |
| <u>Exhibit F</u>                     | Agents for Service of Process                                  |
| <u>Exhibit G-1</u>                   | List of Franchisees                                            |
| <u>Exhibit G-2</u>                   | List of Franchisees Who Have Left the System                   |
| <u>Exhibit H</u>                     | Form of General Release                                        |
| <del><u>Exhibit I-1</u></del>        | <del>Development Agreement</del>                               |
| <del><u>Exhibit I-2</u></del>        | <del>State Amendments to Development Agreement</del>           |

|     | <u>Printed Name</u> | <u>Title</u> | <u>Signature</u> | <u>Date</u> |
|-----|---------------------|--------------|------------------|-------------|
| (1) | _____               | _____        | _____            | _____       |
| (2) | _____               | _____        | _____            | _____       |

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Alamo Drafthouse Cinemas, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Alamo Drafthouse Cinemas, LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, Alamo Drafthouse Cinemas, LLC must provide this Disclosure Document to you 10 business days before you sign any contract or make any payment relating to the franchise relationship. Under New York, Oklahoma and Rhode Island law, Alamo Drafthouse Cinemas, LLC must provide this Disclosure Document to you at the earliest of the first personal meeting or 10 business days before you sign any contract or make any payment relating to the franchise relationship.

If Alamo Drafthouse Cinemas, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state administrator listed in Exhibit F.

The name, principal business address and telephone number of each franchise seller offering this franchise are Tim League, ~~Dave Kennedy~~ Shelli Taylor, Chris Drazba, ~~Keith Thompson~~, Annie Mooney, Missy Reynolds, ~~Josh Walker~~ Rachel Pletz (each at ~~612 A East 6th Street~~ 3908 Avenue B, Austin, Texas ~~78701-78751~~, (512) 861-7000), and the following persons (if any): \_\_\_\_\_.

Date of Issuance: July 20, 2020 ~~May 28, 2019~~

I received a Disclosure Document with an issuance date of ~~May 28~~ July 20, 2019 2020. This Disclosure Document included the following exhibits:

### State Addenda to Disclosure Document

|                               |                                                                |
|-------------------------------|----------------------------------------------------------------|
| <u>Exhibit A-1</u>            | Franchise Application and Confidentiality Agreement            |
| <u>Exhibit A-2</u>            | Franchise Agreement                                            |
| <u>Exhibit A-3</u>            | State Amendments to Franchise Agreement                        |
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|     | <u>Printed Name</u> | <u>Title</u> | <u>Signature</u> | <u>Date</u> |
|-----|---------------------|--------------|------------------|-------------|
| (1) | _____               | _____        | _____            | _____       |
| (2) | _____               | _____        | _____            | _____       |

ENTITY NAME (if applicable): \_\_\_\_\_

**COPY 2. RETURN THIS COPY TO:**  
**Street 3908 Avenue B**

Alamo Drafthouse Cinemas, LLC, ~~612 A East 6th~~  
Austin, Texas ~~78701~~ 78751 Attn: Missy Reynolds