FRANCHISE DISCLOSURE DOCUMENT

ALAMO DRAFTHOUSE CINEMAS, LLC
a Texas limited liability company
612 A East 6th Street
Austin, Texas 78701
(512) 861-7000
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 ~~an~~a single Alamo Drafthouse Cinemas ~~franchise~~franchised venue is $~~10,932,500~~9,052,500 to $~~19,682,500,~~21,482,500, exclusive of any land purchase. This includes $175,000 to $~~445,000~~345,000 that must be paid to the franchisor or affiliate as an initial franchisee fee, 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, Austin, Texas 78701, (512) 861-7095, 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: ~~September 27, 2018~~May 28, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your 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.

Call the state franchise administrator listed in Exhibit ~~F~~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 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.

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	~~November 1, 2018~~
Illinois	~~December 1, 2019~~
Indiana	~~October 5, 2018~~
Maryland	
Michigan	~~October 5, 2018~~
Minnesota	~~October 10, 2018~~
New York	~~December 3, 2018~~
North Dakota	
Rhode Island	
South Dakota	
Virginia	~~November 9, 2018~~
Washington	
Wisconsin	~~October 4, 2018~~

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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, Austin, Texas 78701 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 17 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, Austin, Texas 78701.

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 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 Tim League ("Major Kong"). Alamo Holdings, Catalina and Major Kong all share our corporate address at 612 A East 6th Street, Austin, Texas 78701. 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 Tim League indirectly owns Alamo Bloc, LLC, a California limited liability company that is developing a Venue in Los Angeles, California. Its principal business address is also 612 A East 6th Street, Austin, Texas 78701.

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 Tim League and our President and Chief Development Officer Dave Kennedy.

Prior to the Restructuring Transaction, we purchased our current affiliate Mondo Tees, LLC in April 2018 from our Chief Executive Officer 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 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 ~~G~~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. ~~Each~~Your Venue will typically have between ~~32,000~~35,000 and ~~42,000~~45,000 square feet of space, have ~~8~~9 to ~~10~~11 movie screens showing first-run movies and offering in-theater food and beverage service.

The ~~Venues are~~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 ~~B~~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.

~~In certain~~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 ~~will~~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 ~~territory~~area (the "Development

Agreement"). The Development Agreement that you must sign is attached as Exhibit ~~A~~I to this Disclosure Document. We will determine the ~~territory~~geographic area before you sign the Development Agreement and it will be included in the Development Agreement (the "~~Territory~~Potential Venues Area"). Under a Development Agreement, you must establish more than 1 Venue within the ~~Territory~~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 ~~B~~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 ~~Territory~~Potential Venues Area will vary depending upon local market conditions and the number of Venues to be developed~~. (See Item 12)~~, 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: Tim League

Tim has 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.

~~President and~~ Chief ~~Development~~Strategy Officer: Dave Kennedy

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

Chief Creative Officer: Mike Sherrill

Mike has served as our Chief Creative Officer since March 2013, 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

Martin has served as our Chief Financial Officer since May 28, 2010, and has also served as Chief Financial Officer of our parent Alamo Holdings since June 2018.

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 Officer: Michael Trafton

Michael has served as our Chief Information Officer since June 2018, and has also served as Chief Information Officer of our parent Alamo Holdings since June 2018. 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 Development: Chris Drazba

Chris has 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 has served as our Director of Franchise Relations since November 2014. He previously served as our Director of Operations from August 2013 to November 2014. From the year 2004 to August 2013, David was Area Director for Carino's Italian in Austin, Texas.

Director of Corporate Legal: Missy Reynolds

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

Director of Business Development: Annie Mooney

Annie has served as our Director of Business Development since April 2015. Annie previously served as Relationship Banking Officer with Frost Bank from September 2012 to March 2015 and 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.

Business Development Associate: Joshua Walker

Josh has served as our Business Development Associate since March 2019. From August 2017 to March 2019, Josh 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. From December 2012 to May 2015, Josh served as a Financial Analyst for Box Ventures in Oklahoma City, Oklahoma.

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.

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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.

ITEM 3
LITIGATION

Pending

None

Completed

Timothy A. League and Karrie W. League v. Alamo Drafthouse Cinemas, Ltd.~~, Alamo Ownership Group, Ltd., Alamo Ownership GP, LLC, John Martin, David Kennedy, James Kennedy, Martin Prime Holdings, LP and Jay Willoughby~~ et al. (Cause No. D-1-GN-09-000588), District Court of Travis County, Texas, 201st Judicial District. On February 24, 2009, Timothy and Karrie League (the "Leagues") filed a civil action against our predecessor ADC II, ~~John Martin,~~ 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 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 ~~and Development Fee~~

You must pay us a franchise fee of $125,000 ~~for each of the first 2 Venues and $75,000 for the third and subsequent Venues~~ for the right to establish a single Venue under a Franchise Agreement. ~~If you enter into a Development Agreement to develop more than 1 Venue, you must pay a development fee of $50,000 per Venue to be developed when you sign the Development Agreement. We will credit the $50,000 development fee you pay against the franchise fees due for each additional Venue when you sign each additional Franchise 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 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 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 ~~and any development fees are~~is not refundable.

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 $~~250,000~~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. 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.
Cooperative Advertising	Up to 100% of your required expenditures for local advertising.	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

Type of Fee (1)	Amount	Due Date	Remarks
			the cooperative.
Advertising & Promotional Materials	Varies, depending on your advertising needs.	When billed.	See Items 7 and 11.
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	No charge for providing instructors and materials 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. The transfer fee is the same under both the Franchise Agreement and the Development Agreement.
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. The offering fee is the same under both the Franchise Agreement and the Development Agreement.
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 Materials Fees	Our then current cost per request; 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.	When billed.	We may prepare training videos or materials for 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

Type of Fee (1)	Amount	Due Date	Remarks
			Manager leaves, we may charge you this fee until your replacement manager is trained or certified, as applicable
Site Evaluation	$1,000 per person per visit, plus expenses.	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 $~~1.50~~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 $75 per month	When billed.	We use a Net Promoter Score measurement system to track our guest feedback per Venue and per market. We also use Net Promoter Score to capture our employee feedback. We currently purchase the service and pass through the cost to each Venue via a monthly cost reimbursement.
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.
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, Creative Director 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

Type of Fee (1)	Amount	Due Date	Remarks
			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.
Late Payment, Reporting and/or Denial of Access Fee	$50 per day you are late or deny electronic us access to your POS system	Daily	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.
Listen360 Fee	$43 per month per Venue	When billed.	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.
Steritech	Currently $~~375~~434 per Venue per calendar quarter, subject to an additional $~~375~~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.
Workify	Then current fee, currently $500 implementation fee and $~~216.67~~867 per Venue per month	When billed.	We currently require you to use this online people management program for anonymous feedback.
Mirus	Currently $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	Currently $125 per Venue per month	When billed.	Aloha Configuration Center pushes menu, tender, comp and price changes down from an enterprise level.
~~Menu Management Tool~~	~~Currently $50 per Venue/per month~~	~~When billed.~~	~~We use a menu management tool for menu updates. We currently purchase the service and pass through the cost to each Venue via a monthly cost reimbursement.~~
HotSchedules	Currently $182 per Venue/per Month	When Billed	HotSchedules is a system we use for scheduling, labor tools, logbook entry, staff certifications and more. It also allows access to our training program Schoox.
Schoox	Currently $99 per Venue/per month	When Billed.	This is our training platform of which all training materials are posted and updated.

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

Type of Expenditure	Estimated Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (including Application Fee)	$125,000	Lump Sum	On signing of Franchise Agreement	Us
Real Estate Services Fee (Note 2)	$0 to $~~250,000~~150,000	Lump Sum	As Arranged	Us
Design Compliance Fee (Note 3)	$7,500	Lump Sum	As Arranged	Us and Third Party Vendor
Land (Note 4)	Highly Variable	As Arranged	As Arranged	
Carrying Costs (Note 4)	Highly Variable	As Arranged	As Arranged	Contractors and Vendors
Site work and building (Note 4)	$~~6,100,000~~4,400,000 to $~~14,000,000~~15,100,000	As Arranged	As Arranged	Contractors and Vendors
Furniture & Equipment (Note 5)	$~~3,200,000~~3,800,000 to $~~3,500,000~~4,300,000	As Arranged	As Arranged	Contractors and Vendors

Type of Expenditure	Estimated Amount (Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Pre-Opening (Note 6)	$180,000 to $300,000	As Arranged	As Arranged	Contractors and Vendors
Deposits (Note 7)	$~~80,000~~100,000 to $150,000	Lump Sum		Vendors and State
Initial Inventory (Note 8)	$100,000 to $150,000	Lump Sum		Vendors
Training (Note 9)	$140,000 to $200,000	As Arranged		Us and Third Party Vendors
Business Licenses & Permits (Note 10)	Highly Variable	Lump Sum		Vendors, Municipalities and State
Additional Funds (Note 11)	$200,000 to $1,000,000			
Total	**$~~10,932,500~~9,052,500 to $~~19,682,500~~21,482,500** **(IMPORTANT: THESE TOTALS DO NOT CONTAIN LAND ~~OR~~, CARRYING COSTS OR BUSINESS LICENSES OR PERMITS, WHICH ARE TOO HIGHLY VARIABLE TO ESTIMATE)**			

Notes:

(1) The cost ranges listed are estimates for a typical 10 screen, ~~40,000~~44,000 square foot 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. ~~All amounts relate to each Venue you develop (if you sign a Development Agreement to develop multiple Venues).~~ 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 $~~250,000.~~150,000. See Items 1, 5, 6, 8 and 11.

(3) This is Alamo design team that will help do the initial layout, give comments on feasibility plans and do plan reviews

(4) 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 ~~8~~9 to ~~10~~11 screens and requires ~~32,000~~35,000 to 45,000 square feet. We do not estimate the cost of any land purchase ~~or~~, your carrying costs or your building and occupancy permits, which would vary dramatically by region~~. Costs will vary nationally dependent upon location~~ 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.

(5) All 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. ~~We have the right, as described in Item 11, to access this information through file transfer protocol or polling through the Internet at our discretion.~~ The high estimate includes a Venue with a Bar. See Item 1.

(6) 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.

(7) 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.

(8) 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.

(9) We provide initial training of your initial Operating Principal and Managers at no charge for the instructors or materials. These estimates include your out-of-pocket costs associated with the training of the Operating Principal and Managers (including travel, lodging, meals and wages). These amounts do not include any fees or expenses for training any other personnel. ~~Training ranges for 6 to 14 day (depending on the position training).~~ 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 liquor license because of wide variations in costs depending on factors like 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 ~~that were included in the leasehold improvement costs~~. The cost of these permits and licenses will vary substantially depending on the location of the 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. 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 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 loyalty program (current 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.

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 though 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.

Sony 4K projection technology is currently our only exclusive projection provider and QSC Audio is currently our only exclusive auditorium audio supplier.

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).

Except for proprietary products, promotional materials and software configurations provided by us or our designated suppliers, if any (or delivery vehicles that you may use in the operation of the Venue), you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including projection, sound and audio visual systems and point of sale and computer systems), and other products used or offered for sale at the Venue solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. Our criteria for supplier approval may be found in the Operations Digital Library. Among other things, the suppliers must have adequate quality controls and the capacity to supply your needs promptly and reliably. If you wish to purchase, lease or use any products or other items that we permit to be sourced from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We have to approve any supplier in writing before you make any purchases from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory for testing on up to a quarterly basis. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier (see Item 6). We reserve the right to reinspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you within 30 days after we complete the inspection and evaluation process of our approval or disapproval of any proposed supplier. We will supply you with the names of our designated and approved suppliers.

Alamo Drafthouse has approved US Foods Service as its sole preferred food distributor. If available in your market, you must use US Foods Service as your food distributor and you must follow our Product Specification Manual when purchasing from US Foods Service, including as to proprietary, approved and generic products. You must also follow our contracted pricing agreements with US Foods Service.

Any vehicle that you use in connection with the Venue must meet our standards for appearance and ability to satisfy the requirements imposed on you under the Franchise Agreement. You must place the signs and decor items on the vehicle we require and must at all times keep the vehicle clean and in good working order. You must require each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles. Except as noted above, we do not have any standards or exercise control over any motor vehicle that you utilize.

We may develop for use in the System certain products from our proprietary recipes and that bear the Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Accordingly, if those products become a part of the System, whether or not these products are proprietary, you will use only products manufactured by or on behalf of us and will purchase those items solely from us or from a source designated by us all of your requirements for those products. You may also be required to purchase from us for resale to your customers certain merchandise identifying the System that we designate occasionally, such as pre-packaged food products and Venue memorabilia and promotional products, in amounts sufficient to satisfy your customer demand. You must also obtain certain upgrades for your electronic point of sale system that we may require.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Venue), uniforms, apparel, merchandise and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Operations Digital Library or other written materials. You must submit to us for approval samples of all advertising and promotional plans and materials and public relations programs that you desire to use, including any materials in digital, electronic or computerized form, or in any form of media now existing or that may be developed in the future, that we have not either 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 supplier of Real Estate Services, we may purchase and resell to franchisees certain third party manufactured merchandise that franchisees offer and sell in their Venues and we may perform event and creative services for our franchisees. See Items 1, 5, and 11. During our fiscal year ended December ~~28, 2017,~~27, 2018, we and Alamo Holdings received $~~1,996,920~~881,760 from franchisee purchases, which is 10% of our and Alamo Holdings' total consolidated revenues of $~~20,380,597~~190,427,356 during such fiscal year.

Except for Real Estate Services, our purchase and resale of 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 $~~9,220~~1,223 in the fiscal year ended December ~~28, 2017~~27, 2018 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 ~~28, 2017,~~27, 2018, our former affiliate Alamo South Lamar, L.P. received $~~419,553~~0 in revenue from franchisees participation in the Rolling Roadshow program.

- During the fiscal year ended December ~~28, 2017,~~27, 2018, our former affiliate Mondo Tees, LLC, received $~~439,515~~471,981 in revenue sharing related to joint sales promotions of Alamo branded merchandise.
- During the fiscal year ended December ~~28, 2017,~~27, 2018, related party Neon Rated, LLC received $~~680,287~~375,718 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, Mondo Tees, LLC and Neon Rated, LLC, neither we nor any of our officers owns any interest in any of our third 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 Article II of Development Agreement	Items 5 and 6
g. Compliance with standards and policies/Operations Digital Library	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, Article VIII and Attachment B to Development Agreement	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	Article III of Development Agreement	Item 12
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 Article IX of Development Agreement	Item 6
q. Owner's participation/management/staffing	Articles VI, XIV, XV and XVII of Franchise Agreement and Article V of Development Agreement	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 Article VII of Development Agreement	Items 6 and 17

Obligation	Section in Agreement	Disclosure Document Item
u. Renewal	Article III of Franchise Agreement	Items 6 and 17
v. Post-termination obligations	Article XVII of Franchise Agreement and Article VI of Development Agreement	Items 6 and 17
w. Non-competition covenants	Article X and Attachment C of Franchise Agreement Article VIII and Attachment B of Development Agreement	Item 17
x. Dispute resolution	Article XVIII of Franchise Agreement and Article X of Development Agreement	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 ~~3201~~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 ~~must~~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. (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. (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).

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 ~~Territory~~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 will vary based on our then current contract with our third party vendor, but 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 that is based on the portion of the total database that your members represent. The total system fee for emails is currently $1,000 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. Movio and Vista fees are subject to change based on third party agreements.

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 your ~~Designated~~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 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 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 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 ~~2017~~2018 fiscal year, the Fund had contributions of $~~1,207,339~~1,504,901 and expenditures of $~~1,198,845,~~1,604,923, and the Fund monies were spent as follows:

Production	~~11.70~~ 2.29%
Media	~~53.91~~68.43%
Administrative/Agency Expense	~~34.39~~29.28%

Total	**100.00%**

At the end of fiscal year ~~2017,~~2018, the Fund had a balance of $~~288,390,~~188,368, which is carried over for expenditures in our fiscal year ~~2018.~~2019.

~~We presently do not have a National Advertising Council.~~

We currently advertise the Venues and the products offered by the Venues primarily using digital media. 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. 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 to form a franchisee 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 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 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 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, 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
Managers **4-Wall, GM, KM Programs includes, but not limited to:** • Overall Alamo Venue Management • Staff Scheduling • Labor Forecasting systems • Inventory Systems • Sanitation & Food Safety Systems • Operation Management of Guest Services • Guest Feedback Systems • Staff Development Systems • Alamo Financials, NPS & eNPS focuses	8-12 weeks	Austin, Texas
Creative Manager Program includes, but not limited to: • 1st Run Film Booking • Programming Systems & Standards • Social Media Systems & Standards • Victory Systems & Standards • Interactive Events • Venue Operations Overview • Guest Feedback Systems	6-8 weeks	Austin, Texas

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.

The Table of Contents for our Operations Digital Library is attached as Exhibit ~~E~~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~~ within the Designated Area~~ 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).

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 ~~(see Item 6)~~.

We estimate that the time from the signing of the Franchise Agreement to the commencement of operations of the Venue will be approximately ~~8~~12 to ~~18~~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 construct the store within the time periods required in Section 2 of the Franchise Agreement, we may terminate the Franchise Agreement.

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 ~~are a Developer~~sign a Development Agreement with us, all of your Venues that you develop must be located within the ~~Territory~~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
- Memory: 8 GB RAM or greater

Kiosks: Self-service kiosks are an optional piece of equipment that allows customers to self-service purchase tickets or pick up tickets that were purchased online. If you choose to install kiosks, the hardware must be approved in advance by Corporate IT or selected from a list of pre-approved options.

Installation: For new theater openings, installation of the Vista software and hardware must be performed by a Vista technician. The installation will include remote setup and onsite testing of all servers, terminals, credit cards, gift cards, loyalty, vouchers, and Internet ticketing.

Aloha Point-of-Sale for Food & Beverage (F&B)

NCR's Aloha POS is the currently required point-of-sale system for F&B sales. The hardware required to run Aloha consists of servers, terminals, receipt & kitchen printers, and (optional) hand-held tablets. The software required to run Aloha consists of specific operating systems, databases, and Aloha software modules. You must check with Corporate IT for a list of the specific hardware and software versions that are required at the time of installation.

Aloha Server: The Aloha software is used to manage and report all food and beverage sales. You must install a computer server at the Venue that is capable of running the required Aloha server software. It must meet the following minimum requirements:

- Operating System: Microsoft Windows 2012
- Database: Microsoft SQL 2012
- Storage: 1 TB or greater configured in a RAID 5 array
- Memory: 32 GB RAM or greater

F&B Terminals: F&B terminals are required for placing F&B orders by the servers. You must install F&B terminals capable of running the required Aloha point of sale software. The number of F&B terminals that must be installed must equal or exceed the total number of auditoriums or the total number of kitchen printers, whichever is higher. You must also install and maintain at least one F&B terminal behind the lobby bar or at least 2 F&B terminals in a designated specialty bar area. There are many different terminal hardware choices, but not all are reliable. Therefore, the F&B terminal hardware must be approved in advance by Corporate IT or selected from a list of pre-approved options. The F&B terminals must meet the following minimum requirements:

- Operating System: Microsoft Windows 7 Pro or higher
- Storage: 32 GB or greater
- Memory: 4 GB RAM or greater

F&B Receipt & Kitchen Printers: F&B printers are required for printing F&B orders to the kitchen and for printing receipts for guests. You must install F&B printers compatible with the Aloha point of sale software. There are many different printer choices, but not all are reliable. Therefore, the F&B printer hardware must be approved in advance by Corporate IT or selected from a list of pre-approved options.

F&B Handheld Tablets: F&B handheld tablets are optional equipment that allow servers to place F&B orders from within the auditorium, saving time and improving the guest experience by eliminating the delay between when the guest places the order with the server and when the kitchen receives the order. If you choose to deploy F&B hand-held tablets, the hardware must be approved in advance by Corporate IT or selected from a list of pre-approved options. For theaters using hand-held tablets, adequate wireless hardware is required for coverage throughout the entire building.

- Tablet: Apple iPad Mini
- Storage: 16 GB or greater

Aloha iOS Server: If you choose to deploy handhelds, you must install a computer server running Aloha's iOS software to interface between the iPads and the main Aloha server and to manage and configure the iPads. It must meet the following minimum requirements:

- Operating System: Microsoft Windows 2012
- Database: Microsoft SQL 2012

- Storage: 1TB or greater configured in a RAID 5 array
- Memory: 32 GB RAM or greater

Installation: For new theater openings, installation of the Aloha software and hardware must be performed by a vendor approved by Corporate IT. The installation should include remote setup and onsite testing of all servers, terminals, credit cards, gift cards, and vouchers.

Example Vista Configurations and Approximate Cost

Item	**Example Configuration**	**Approx. Cost**
Vista Server Hardware	Dell R430 ● Dual CPU ● 64 GB RAM ● 3TB Storage in RAID 5	$5,500
Box Office Terminal Hardware	Touchmate S-Line all-in-one terminal, (includes thermal receipt printer and guest-facing touchscreen)	$3,500
Vista Server and Terminal Software	6-8 Screens, 2-3 Terminals	$42,000 - $45,000
Kiosk Hardware & Software	Touchmate Ascot	$4,500
Vista Hardware and Software Installation	Vista technician installation	$6,800 + travel

Example Aloha Configurations and Approximate Cost

Item	**Example Configuration**	**Approx. Cost**
Aloha Server Software and Hardware	Dell R230 ● Single CPU ● 32 GB RAM ● 1TB Storage in RAID 5	$2,300
Aloha Terminal Software and Hardware	8-14 Terminals, includes wall mount and receipt printer	$26,000 - $45,000
Aloha Kitchen Printer	Star Impact Printer	$250
Aloha Handheld Software	10-20 Tablets	$7,000 - $14,000
Aloha Handheld Tablets	Apple iPad Mini with cc swiper / rugged case and replacement plans	$1000 each
Aloha Hardware and Software Installation	NCR technician installation	$2,800

<u>Required Software Modules:</u>

The following Vista software modules are currently required and must remain active until otherwise notified by us:

Internet Ticketing: All drafthouse.com venue, web and mobile sales channels, including Fandango (3rd party). Vantiv is the currently required credit card merchant processor used to transact all Drafthouse.com web and mobile transactions (all transactions are run at the cinema level).

Voucher Management: Ticket vouchers and promotions must use the online voucher system for secure validation. Vouchers must use approved artwork and 14-digit random barcode formatting. For new promotions and voucher printing, all barcodes must be requested from Corporate IT for integration into the Vista Voucher system.

Loyalty: The loyalty system must be implemented for new guests to register and to track existing member transactions. Email campaigns and newsletters must be sent using, Movio, the currently required email service provider.

Gift Cards: All venues must use the Ceridian SVS gift card system that integrates with both the Vista and Aloha POS systems. This applies to issuing, accepting redemption and ability to perform balance inquiry transactions for all Alamo stored value cards.

The following NCR/Aloha modules are currently required and must remain active until otherwise notified by us:

Aloha Configuration Center: You must use Aloha Configuration Center for the central management of all item and pricing. The official request forms must be used to request changes that are controlled by Corporate IT. Certain screens and buttons will remain available for changing at the venue level for flexibility.

Aloha Insight: Aloha Insight must be used for centrally controlled data polling which is currently required for the Aloha payroll extract report.

Gift Cards: All venues must use the Ceridian SVS gift card system that integrates with both the Vista and Aloha POS systems. This applies to issuing, accepting redemption and ability to perform balance inquiry transactions for all Alamo stored value cards.

You must keep all required software on an approved version. Corporate IT will notify you of a required upgrade, and you will have 120 days to perform the upgrade. If you do not upgrade within 120 days, Corporate IT or our agents will perform the upgrade at your expense.

You must install any other hardware or software for the operation of the Venue that we may require in the future, including any enhancements, additions, substitutions, modifications, and POS system upgrades. We may also require you to license from us or others we designate any computer software we develop or acquire for use by Alamo Drafthouse Venues.

Annual POS Maintenance and Help Desk Support Requirements:

You must provide for the ongoing support and maintenance of the Vista and Aloha point-of-sale systems, including the computing hardware (servers, terminals, printers, and other hardware), the point of sale software, and the associated operating systems and databases.

Vista: You must purchase Vista's annual support and maintenance, typically priced at 15% of the retail price of the Vista software licenses. You must purchase after hours support from Vista, providing 24/7 support of critical system outages at a price of approximately $1,300 per year per venue.

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.

If the certified vendors are unable to resolve your issue, you may contact the Corporate IT team for support at an additional charge. To best suit your needs, the team has two levels of support with different prices based on urgency of need.

Normal Support - Planned non-critical requests have an expected turnaround time of one week and are billed at $95 per hour with a ½ hour minimum. These requests will be handled during normal business hours (M-F 8am-5pm Central Time) on a first come, first served basis.

Examples of Normal Support requests include:

Aloha

- Creating or changing security settings
- Changing tax rates
- Creating or changing events
- Creating new sales categories
- Polling issues
- Gift card issues
- Print routing issues
- Happy hour and event issues
- Comp and promo issues
- Security and access settings issues
- Single terminal is down

Vista

- Film, price card, and voucher issues
- Merchandise and bar code issues
- Gift card issues
- Loyalty / Guest recovery issues
- Security group / access issues
- Website / App film entry issues
- Scheduled export issues
- GL reporting issues
- Digital Signage issues
- All tier 1 Vista issues
- POS / Kiosk software issues
- POS / Kiosk software installation for replaced unit

Third Party Integrations

- Mirus - Polling support, Building custom reports
- Rentrack - Polling support
- Listen360 - General support
- Wufoo - General support
- Fandango – Shows missing or displaying incorrectly Web Site and Mobile Apps
- Changes to web site content
- Bar web site design and development
- General support and troubleshooting of web site and mobile apps

Emergency Support - An unplanned or emergency request will be handled as soon as we receive the request (in most cases same day) and will incur a $175 an hour fee with a ½ hour minimum. Critical issues such as system down are given the highest priority in the IT ticketing queue.

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	1st 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
1st Venue Grand Opening Support	1st 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.

1st 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 1st venue.

Guest Information/Privacy and Data Protection

All guest information we obtain from you and all Guest Information you collect from Venue guests ("Guest Information") and all revenues we derive from such Guest Information will be our property and our confidential information that we may use for any reason without compensation to you, including making a financial performance representation in our franchise disclosure documents. You will assign all rights in Guest Information to us. You will provide copies of all Guest Information to us upon request. At your sole risk and responsibility, we grant you the right to use Guest Information that you acquire from third parties solely in connection with operating the Venue, such as including Guest Information, at any time during or after the Term, to the extent that your use is permitted by Law. Upon expiration of your Franchise Agreement, all copies of Guest Information must be returned to us and removed from your systems, except as needed to honor existing reservations at the Venue. (Franchise Agreement, Section 13(e)).

You will: (i) comply with all applicable privacy laws ("Privacy Laws"); (ii) comply with all Brand Standards that relate to Privacy Laws and the privacy and security of Guest Information; (iii) comply with any posted privacy policy and other representations made to the individual identified by Guest Information you process, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause us or the Entities to breach any Privacy Laws; (v) maintain reasonable physical, technical and administrative safeguards for Information that is in your possession or control in order to protect the same from unauthorized processing, destruction, modification, or use that would violate the Franchise Agreement or any Privacy Law; (vi) do and execute, or arrange to be done and executed, each act, document and thing we deem necessary in our business judgment to keep us and the Entities in compliance with the Privacy Laws; and (vii) immediately report to us the theft or loss of Guest Information (other than the Guest Information of your own officers, directors, shareholders, employees or service providers).

You will, upon request, provide us with information, reports, and the results of any audits performed on you regarding your data security policies, security procedures, or security technical controls related to Guest Information. You will, upon our request, provide us or our representatives with access to your systems, records, processes and practices that involve processing of Guest Information in order to mitigate a security incident or so that an audit may be conducted.

You will indemnify, defend and hold us harmless from losses arising out of or relating to: (i) any theft, loss or misuse of Guest Information; and (ii) your breach of any of the terms, conditions or obligations relating to data security, privacy, or Guest Information set forth in the Franchise Agreement.

You will immediately notify us upon discovering or otherwise learning of any theft, loss or misuse of Guest Information. You will, at our direction, (i) undertake remediation efforts at your sole expense, (ii) undertake effort to prevent the recurrence of the same type of incident, and (iii) reasonably cooperate with any remediation efforts undertaken by us. You will not make any public comment regarding and data security incident without our approval. Any notifications to the media or to Venue customers regarding theft or loss of Guest Information will be handled exclusively by us and you may not contact Venue customers relating to such theft or loss unless you are under a legal obligation to do so, in which event (i) you must notify us in writing promptly after concluding that you have the legal obligation to notify Venue customers and (ii) you will limit the notices to Venue customers to those required by the legal obligation or as pre-approved by us. You will reasonably cooperate in connection with any notices to Venue customers regarding theft or loss and you will assist with sending such notices if so requested. (Franchise Agreement, Section 13(e)).

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 ~~A~~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 ~~your~~an agreed range from the original ~~Designated Area~~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.~~During the term of the Franchise Agreement, if~~ 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~~, then neither we nor any affiliate will establish or authorize any other person or entity, other than you, to establish a Venue operating under the System and the Marks in your Designated Area during the term of your Franchise Agreement. The Designated Area~~. Any such limited exclusivity will be granted only in our sole discretion, and will be limited 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 ~~A~~B to the Franchise Agreement. ~~It will generally consist of a 1 to 3 mile radius around your Venue. We will determine the Designated Area once the location is selected~~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.

~~We~~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 ~~Designated Area~~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 ~~Designated Area~~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 ~~Designated~~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 ~~Designated Area~~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 ~~Designated~~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 ~~Designated Area~~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 ~~Designated~~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 ~~Designated Area~~Limited FA Area (if any) during the Limited FA Exclusivity Period (if any) regardless of proximity to or competitive impact upon your Venue.

~~The~~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. ~~The Designated~~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 ~~Designated Area~~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 ~~Designated Area~~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 ~~Designated Area~~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 ~~Designated Area~~Potential Site Area or Limited FA Area (if any).

You may solicit and accept orders outside of the ~~Designated~~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 ~~Designated Area~~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.

~~Under the~~If you enter into a Development Agreement, you are assigned a ~~Territory~~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 ~~Territory~~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 ~~Territory~~Potential Venues Area in our sole discretion before you sign the Development Agreement based on various market and economic factors~~ such as those described above regarding the Assigned Area~~.

You must develop Venues in the ~~Territory~~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.

~~During the term of~~We generally do not provide you any exclusivity under the Development Agreement~~, if you and your affiliates are in compliance with the Development Agreement and any other agreements with us and our affiliates, then neither we nor any affiliate will establish or authorize any other person or entity, other than you, to establish a Venue operating under the System and the Marks in your Territory during the term of~~. 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 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 ~~Territory~~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 ~~Territory~~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 ~~your~~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 ~~Territory~~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 ~~your~~the Venues, so long as such any such establishments identified by the Marks and located ~~in the Territory~~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 ~~Territory~~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 ~~your~~the Venues, so long as such any such establishments identified by the Marks and located ~~in the Territory~~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 ~~within the Territory, and we or our~~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 ~~within the Territory~~inside the Limited DA Area (if any) during the Limited DA Exclusivity Period (if any) regardless of proximity to or competitive impact upon ~~your~~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.

~~The~~If we grant you any territorial rights ~~granted to you~~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 ~~Territory~~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 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.

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
Glass Half Full	4,668,059	January 6, 2015

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, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

There are no agreements currently in effect that limit our rights to use or license the use of the Marks.

We know of no superior prior rights or infringing uses of any Mark that could materially affect your use of the Marks in this or any other state.

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Controlling Principals are not permitted to communicate with any person other than us, or any designated affiliate, their counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or Patent and Trademark Office or other administrative or agency proceeding caused by any infringement, challenge or claim or relating in any other manner to any of the Marks. You must sign any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or Patent and Trademark Office or other administrative or agency proceeding or to protect in some other manner and maintain our interests and the interests of any other person or entity having an interest in the Marks.

We will indemnify you against and reimburse you for any damages for which you are held liable for your use of the Marks infringing on the rights of any other party, provided that the conduct of you and your Controlling Principals in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System.

The license to use the Marks granted in the Franchise Agreement is nonexclusive to you. We and our affiliates have and retain certain rights in the Marks including the following:

1. To grant other licenses for the use of the Marks in addition to those licenses already granted to existing franchisees;

2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and

3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

As noted in Item 1, if we permit you to develop and operate a Bar on the premises of your Venue, 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.

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 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, 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, Kitchen Manager, Projection 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 Manager must be responsible for the supervision and management of the theater operations, the Creative Director 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 disapprove in writing at any time. You must offer the core specialty programming we require. You may not show any hardcore pornographic movies. See Item 8.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items with our recipes and procedures for preparation contained in the Operations Digital Library or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent.

We may offer guidance concerning the selling price for the goods, products and services offered from your Venue. You are in no way bound to adhere to any such recommended or suggested price. You have the right to sell your products and provide services at any price that you determine. If you elect to sell any or all of your products or merchandise at any price recommended by us, we make no guarantees or warranties that offering these products or merchandise at the recommended price will enhance your sales or profits.

We and our affiliates may develop certain products for use in the System that are prepared from proprietary recipes. Because of the importance of quality and uniformity of production and the significance of the proprietary recipes in the System, it is to our and your benefit that we closely control the production and distribution of these products. You must use our recipes and certain products manufactured by or on behalf of us. You must purchase all of your requirements for these products only from us or from sources designated by us.

We may make available and may require you to purchase from us for resale to your customers certain pre-packaged food products and promotional merchandise, such as T-shirts, in amounts sufficient to meet your customer demand.

You are responsible for booking your slate of first run movies for your Venue, and you are also responsible for satisfying all contractual obligations set by the film distributor. If you fail to meet your contractual obligations, you will be in default of your Franchise Agreement and you may incur other damages and indemnification obligations if your default endangers the relationships that we and other franchisees have with the film distributor.

You must participate in any gift certificate or card program or online ticket purchasing program we establish. You may not create or issue your own gift cards and you may not create your own online ticket purchasing program.

We do not impose any other restrictions in the Franchise Agreement in any other manner, as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell (see Item 8).

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section 3.1	Term continues for 10 years from the date of the Franchise Agreement unless terminated earlier.
b. Renewal or extension of the term	Section 3.2	Agreement may be renewed at your option for two additional 5-year terms.
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	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable

Provision	Section in Franchise Agreement	Summary
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)	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 or any other Alamo Drafthouse Venue utilizing the

Provision	Section in Franchise Agreement	Summary
		Marks and/or System.
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3(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 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.
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	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 or arbitrated in Austin, Texas.
v. Choice of forum	Section 18.10	The 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	The 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
a. Length of the term of the franchise	Article IV	Term continues until you have completed your development obligations in accordance with the Development Schedule.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 6.1-6.3	Following certain defaults, we may terminate the Agreement or modify your territorial rights or alter your Development Schedule, rather than terminate the Agreement.
g. "Cause" defined – curable defaults	Sections 6.2 and 6.3	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), 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.
h. "Cause" defined – non-curable defaults	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

Provision	Section in Development or other agreement	Summary
		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.
i. Franchisee's obligations on termination/non-renewal	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.
j. Assignment of contract by franchisor	Section 7.1	We have the right to transfer or assign the Development Agreement to any person or entity without restriction.
k. "Transfer" by franchisee – defined	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).
l. Franchisor approval of transfer by franchisee	Section 7.2(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 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).
n. Franchisor's right of first refusal to acquire franchisee's business	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.
o. Franchisor's option to purchase franchisee's business	Not Applicable.	Not Applicable.
p. Death or disability of franchisee	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.
q. Non-competition covenants during the term of the franchise	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.
r. Non-competition covenants after the franchise is terminated or expires	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.
s. Modification of the agreement	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.
t. Integration/merger clause	Section 10.2	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.
u. Dispute resolution by	Sections 10.7 and 10.8	Except for actions brought by us for monies owed, injunctive or

Provision	Section in Development or other agreement	Summary
arbitration or mediation		extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters in Austin, Texas.
v. Choice of forum	Section 10.9	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).
w. Choice of law	Section 10.9	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).

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.

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The below ~~Tables set~~table sets forth certain average and median Gross Sales per screen and average and median ~~screens~~costs per ~~Venue~~screen for our last fiscal year ending December ~~28, 2017~~27, 2018 for (1) ~~14~~12 franchised Venues that were open and operating all 12 months during our last fiscal year; ~~and~~ (2) ~~9~~15 company-affiliated Venues that ~~are~~were directly or indirectly owned by ~~either~~us, our Chief Executive Officer Tim League or our ~~President and~~ Chief ~~Development~~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 ~~and is indirectly owned by Tim League~~. We have also excluded ~~several~~any Venues that either opened or closed during the ~~2017~~2018 fiscal year and ~~where~~were therefore not open the entire fiscal year~~. These include a Venue indirectly owned by Tim League in Austin, Texas (opened on March 9, 2017), Venues indirectly owned by Dave Kennedy in Kalamazoo, Michigan (closed on April 13, 2017) and Denver, Colorado (opened on May 15, 2017), and franchisee owned Venues in Corpus Christi, Texas (opened on February 10, 2017), Springfield, Missouri (opened on June 25, 2017) and Charlottesville, Virginia (opened on July 23, 2017~~, which includes one franchised Venue previously located in Houston, Texas (closed in June 2018). See Item 1, Item 20 and Exhibit ~~H~~G-1.

Data used in these tables is based on information reported to us by our accounting team, our Chief Executive Officer Tim League~~ or~~, our ~~President and~~ Chief ~~Development~~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 ~~OF FRANCHISED AND AFFILIATE-OWNED VENUES~~PER SCREEN AND INCOME STATEMENT CATEGORIES AS PERCENTAGE OF SALES
FOR THE YEAR ENDED DECEMBER ~~28, 2017~~27, 2018

Chart 1

Franchised and Company Affiliated Venues (27 Venues)		
Gross Sales Per Screen		
	Average	**Median**
Average/Median Gross Sales per Screen	**$1,242,523** *12 of the 27 Venues (44%) equaled or exceeded this figure*	**$1,138,441** *14 of the 27 Venues (52%) equaled or exceeded this figure*
Average/Medium Screens per Venue	**7.7**	**8.0**
Income Statement Categories as Percentage of Sales		
	Average	**Median**
Sales		
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%)
Total Sales	*100.0%*	*100.0%*
Cost of Goods Sold		
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%
Total Cost of Goods Sold	36.8%	36.7%
Gross Profit	63.2%	63.3%
Expenses		
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%
Total Expenses	*43.7%*	*43.1%*
Pro Forma Operating profit before Corporate Overhead and Occupancy Expense	***19.5%***	***19.8%***

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

FRANCHISED VENUES (12 Venues)		
Gross Sales Per Screen		
Average/Median Gross Sales per Screen*	**Average** **$970,751** *6 of the 12 Venues (50%) equaled or exceeded this figure*	**Median** **$940,671** *6 of the 12 Venues (50%) equaled or exceeded this figure*
Average/Medium Screens per Venue	**8.3**	**8.0**
Income Statement Categories as Percentage of Sales		
Sales	**Average**	**Median**
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%)
Total Sales	*100.0%*	*100.0%*
Cost of Goods Sold		
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%
Total Cost of Goods Sold	*37.2%*	*36.3%*
Gross Profit	*62.8%*	*63.7%*
Expenses		
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%
Total Expenses	*42.9%*	*43.0%*
Pro Forma Operating profit before Corporate Overhead and Occupancy Expense	***19.9%***	***20.9%***

**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

~~Average Gross Sales (note 1) per screen for the 23 Venues~~	~~$1,176,538~~	~~11 of the 23 Venues (47.8%) equaled or exceeded this figure~~
~~Average Screens per Venue for the 23 Venues~~	~~7.6~~	
~~Median Gross Sales (note 1) per screen for the 23 Venues~~	~~$1,082,700~~	~~12 of the 23 Venues (52.2%) equaled or exceeded this figure~~
~~Median Screens per Venue for the 23 Venues~~	~~8.0~~	
~~Highest Gross Sales per screen for the 23 Venues~~	~~$2,786,832~~	
~~Lowest Gross Sales per screen for the 23 Venues~~	~~$632,178~~	

~~STATEMENT OF AVERAGE AND MEDIAN SALES OF FRANCHISED VENUES~~
~~FOR THE YEAR ENDED DECEMBER 28, 2017~~

COMPANY AFFILIATED VENUES (15 Venues)		
Gross Sales Per Screen		
	Average	**Median**
Average/Median Gross Sales per Screen*	**$1,487,118** *5 of the 15 Venues (33%) equaled or exceeded this figure*	**$1,379,110** *7 of the 15 Venues (47%) equaled or exceeded this figure*
Average/Medium Screens per Venue	**7.3**	**7.0**
Income Statement Categories as Percentage of Sales		
Sales	**Average**	**Median**
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%)
Total Sales	*100.0%*	*100.0%*
Cost of Goods Sold		
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%
Total Cost of Goods Sold	*36.5%*	*36.7%*
Gross Profit	*63.5%*	*63.3%*
Expenses		
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%
Total Expenses	*44.6%*	*43.8%*
Pro Forma Operating Profit before Corporate Overhead and Occupancy Expense	***18.9%***	***20.0%***

** 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.*

~~Average Gross Sales (note 1) per screen for the 14 Venues~~	~~$923,572~~	~~8 of the 14 Venues (57.1%) equaled or exceeded this figure~~
~~Average Screens per Venue for the 14 Venues~~	~~8.0~~	
~~Median Gross Sales (note 1) per screen for the 14 Venues~~	~~$945,160~~	~~7 of the 14 Venues (50.0%) equaled or exceeded this figure~~
~~Median Screens per Venue for the 14 Venues~~	~~8.0~~	
~~Highest Gross Sales per screen for the 14 Venues~~	~~$1,418,215~~	
~~Lowest Gross Sales per screen for the 14 Venues~~	~~$632,178~~	

~~STATEMENT OF AVERAGE AND MEDIAN SALES OF AFFILIATE-OWNED VENUES~~
~~FOR THE YEAR ENDED DECEMBER 28, 2017~~

~~Average Gross Sales (note 1) per screen for the 9 Venues indirectly owned by Tim League and Dave Kennedy~~	~~$1,633,509~~	~~3 of the 9 Venues (33.3%) equaled or exceeded this figure.~~
~~Average Screens per Venue for the 9 Venues indirectly owned by Tim League and Dave Kennedy~~	~~6.9~~	
~~Median Gross Sales (note 1) per screen for the 9 Venues indirectly owned by Tim League and Dave Kennedy~~	~~$1,464,844~~	~~5 of the 9 Venues (55.6%) equaled or exceeded this figure.~~
~~Median Screens per Venue for the 9 Venues indirectly owned by Tim League and Dave Kennedy~~	~~7.0~~	
~~Highest Gross Sales per screen for the 9 Venues~~	~~$2,786,832~~	
~~Lowest Gross Sales per screen for the 9 Venues~~	~~$767,312~~	

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.

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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, 612 A East 6th Street, Austin, Texas 78701, Tel: 512-861-7000, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY FOR FISCAL YEARS ~~2015~~2016 TO ~~2017~~2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	~~2015~~2016	~~10~~12	~~12~~14	+2
	~~2016~~	~~12~~	~~14~~	~~+2~~
	2017	14	17	+3
	2018	17	19	+2

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Company-Owned*/**	~~2015~~2016	~~9~~10	~~10~~11	+1
	~~2016~~	~~10~~	~~11~~	~~+1~~
	2017	11	12	+1
	2018	12	17	+5
Total Outlets	**~~2015~~2016**	**~~19~~22**	**~~22~~25**	**+3**
	~~2016~~	**~~22~~**	**~~25~~**	**~~+3~~**
	2017	**25**	**29**	**+4**
	2018	**29**	**36**	**+7**

* 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 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.

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR FISCAL YEARS ~~2015~~2016 TO ~~2017~~2018

State	Year	Number of Transfers
Totals	**~~2015~~2016**	**0**
	~~2016~~2017	**0**
	~~2017~~2018	**0**

TABLE NO. 3
STATUS OF FRANCHISE OUTLETS FOR FISCAL YEARS ~~2015~~2016 TO ~~2017~~2018

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	~~2015~~2016	0	~~0~~1	0	0	0	0	~~0~~1
	~~2016~~2017	~~0~~1	~~1~~0	0	0	0	0	1
	~~2017~~2018	1	~~0~~1	0	0	0	0	~~1~~2
Minnesota	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Missouri	~~2015~~2016	0	0	0	0	0	0	0
	~~2016~~2017	0	~~0~~1	0	0	0	0	~~0~~1
	~~2017~~2018	~~0~~1	~~1~~0	0	0	0	0	1
Nebraska	~~2015~~2016	~~0~~1	~~1~~0	0	0	0	0	1
	~~2016~~2017	1	0	0	0	0	0	1
	~~2017~~2018	1	0	0	0	0	0	1
Texas*	~~2015~~2016	~~8~~9	~~1~~2	0	0	0	~~0~~1	~~9~~10
	~~2016~~2017	~~9~~10	~~2~~1	0	0	0	~~1~~0	~~10~~11
	~~2017~~2018	~~10~~11	~~1~~4	0	0	~~0~~4	~~0~~1	~~11~~10
Virginia	~~2015~~2016	2	0	0	0	0	0	2
	~~2016~~2017	2	~~0~~1	0	0	0	0	~~2~~3
	~~2017~~2018	~~2~~3	1	0	0	0	0	~~3~~4
Totals	**~~2015~~2016**	**~~10~~12**	**~~2~~3**	**0**	**0**	**0**	**~~0~~1**	**~~12~~14**
	~~2016~~2017	**~~12~~14**	**3**	**0**	**0**	**0**	**~~1~~0**	**~~14~~17**
	~~2017~~2018	**~~14~~17**	**~~3~~7**	**0**	**0**	**~~0~~4**	**~~0~~1**	**~~17~~19**

*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 ~~2015~~2016 TO ~~2017~~2018*

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	~~2015~~2016	~~0~~1	~~1~~0	0	0	0	1
	~~2016~~2017	1	0	0	0	0	1
	~~2017~~2018	1	0	0	0	0	1
Colorado	~~2015~~2016	1	0	0	0	0	1
	~~2106~~2107	1	~~0~~1	0	0	0	~~1~~2
	~~2017~~2018	~~1~~2	~~1~~0	0	0	0	2
Michigan	~~2015~~2016	1	0	0	0	0	1
	~~2016~~2017	1	0	0	~~0~~1	0	~~1~~0
	~~2017~~2018	~~1~~0	0	0	~~1~~0	0	0
Missouri	~~2015~~2016	1	0	0	0	0	1
	~~2016~~2017	1	0	0	0	0	1
	~~2017~~2018	1	0	0	0	0	1
New York	~~2015~~2016	1	~~0~~1	0	0	0	~~1~~2
	~~2016~~2017	~~1~~2	~~1~~0	0	0	0	2
	~~2017~~2018	2	0	0	0	0	2
North Carolina	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
Texas**	~~2015~~2016	5	0	0	0	0	5
	~~2016~~2017	5	~~0~~1	0	0	0	~~5~~6
	~~2017~~2018	~~5~~6	~~1~~0	~~0~~4	0	0	~~6~~10
Totals	**~~2015~~2016**	**~~9~~10**	**1**	**0**	**0**	**0**	**~~10~~11**
	~~2016~~2017	**~~10~~11**	**~~1~~2**	**0**	**~~0~~1**	**0**	**~~11~~12**
	~~2017~~2018	**~~11~~12**	**~~2~~1**	**~~0~~4**	**~~1~~0**	**0**	**~~12~~17**

* 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 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.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER ~~29, 2017~~28, 2018

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
~~Missouri~~D.C.	~~0~~1	~~1~~0	0
Nebraska	1	1	0
New York	0	0	1
Texas	2	~~4~~1	0
Virginia	1	~~1~~0	0
Totals	**~~3~~6**	**~~7~~2**	**~~1~~3**

*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 ~~H~~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 ~~H~~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 21
FINANCIAL STATEMENTS

Attached as Exhibit ~~C~~B-1 are:

1. ~~Our audited consolidated~~The interim, unaudited financial statements ~~as of and~~of our parent Alamo Drafthouse Cinemas Holdings, LLC for the ~~years ended December 28, 2017, December 29, 2016 and December 31, 2015 and Independent Auditors' Report.~~ 3 fiscal periods ended March 28, 2019.

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

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 ~~interim, unaudited~~audited consolidated financial statements as of and for the ~~8 fiscal periods ended August 30, 2018.~~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 ~~2017,~~2018, 2017 and 2016 ~~and 2015~~ occurred on December 27, 2018, December 28, ~~2017,~~2017 and December 29, ~~2016 and December 31, 2015,~~2016, respectively.

ITEM 22
CONTRACTS

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

1.	~~Development~~Franchise Application and Confidentiality Agreement	Exhibit A-1
2.	Franchise Agreement	Exhibit ~~B~~A-~~1~~2
3.	Electronic Funds Transfer Authorization	Exhibit ~~D~~C
4.	Form of General Release	Exhibit ~~I~~H
5	Development Agreement	Exhibit I-1

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, Austin, Texas 78701, 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.

You must sign a general release if you transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

5. Item 19 is supplemented by the following language:

The earnings claims figures(s) does (do) not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Venue. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

6. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT.

7. OUR WEBSITE (www.drafthouse.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

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

1. 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.

2. 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.).

3. 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."

4. 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.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

As to any state law described in this Addendum 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.

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

1. The following is added to Item 5 of the Disclosure Document:

   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 following is added to Item 17 of the Disclosure Document:

   Under Minnesota law and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

   To the extent that any condition, stipulation or provision contained in the Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.

   Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Specifically, we cannot require you to consent to us obtaining injunctive relief, however, we may seek such relief through the court system.

   Minn. Rule 2860.4400J prohibits us from requiring you to assent to a general release. To the extent that the Agreement requires you to sign a general release as a condition of renewal or transfer, the Agreement will be considered amended to the extent necessary to comply with Minnesota law.

ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

1. Item 3, "Litigation" is hereby amended by deleting the last paragraph in that Item and replacing it with the following language:

> "Except as described in this Item:
>
> Neither the franchisor, its predecessor, a person identified in Item 2 above, or an affiliate offering franchises under the franchisor's principal trademark:
>
> A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices; or comparable civil or misdemeanor allegations, pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
>
> B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of a or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices; or comparable allegations.
>
> C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

2. Item 4, "Bankruptcy", is hereby deleted in its entirety and the following language substituted in lieu thereof:

> "Neither the franchisor, its affiliates, its predecessor, officers or general partner have during the 10-year period immediately before the date of this offering circular:
>
> (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
> (b) obtained a discharge of its debts under the bankruptcy code; or
> (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor, held this position in the company or partnership."

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) 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.

2. 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.

3. 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.

4. 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 CINEMA, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND**

The following language will apply to Disclosure Documents issued in Rhode Island and be attached by addendum to Agreements issued in the state of Rhode Island:

If any of the provisions of this disclosure document (Risk Factor 1., Cover Page, and Item 17w) are inconsistent with §19-28.1-14 of the Rhode Island Franchise Investment Act, which states that a provision in an Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act, then said Rhode Island law will apply.

ADDENDUM TO ALAMO DRAFTHOUSE CINEMA, LLC
FRANCHISE DISCLOSURE DOCUMENT
<u>FOR THE STATE OF VIRGINIA</u>

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17 of the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

Any securities offered or sold by the franchisee as part of the Alamo Drafthouse Venue must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

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 a s 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.

EXHIBIT A-1

~~DEVELOPMENT AGREEMENT~~

FRANCHISE APPLICATION AND CONFIDENTIALITY GREEMENT

FRANCHISE APPLICATION AND CONFIDENTIALITY AGREEMENT

INSTRUCTIONS: **Thank you for expressing an interest in obtaining rights from Alamo Drafthouse Cinemas, LLC ("we" or "Alamo Drafthouse") to develop and operate one or more franchised Alamo Drafthouse Venues ("Venues"). This Franchise Application and Confidentiality Agreement ("Application") should be completed by (1) the business entity that will hold the franchise and/or development rights and/or the Venues (collectively, referred to as "You" and "Your" in this Application) and (2) the business entity(ies) that will directly or indirectly own and/or control You (if applicable). Please print Your responses clearly, attach all required documents, initial pages 15 to 18 where noted and then execute this Application in the signature page at the end of the Application. Please bear in mind that by executing and returning this Application You are bound to comply with the confidentiality obligations on page 15 and concurrently pay to us the Franchise Application Fee described on page 16.**

Instructions for Submitting Franchise Application

☐ Sign and date the "Receipt" page at the end of the current Franchise Disclosure Document and return it immediately to your Alamo Drafthouse development representative. The Receipt should be signed and dated upon receipt by an authorized signer for the Applicant (see below).

☐ Complete the Application (please type or print) and have the authorized signer(s) for the Applicant sign and date the Application Letter.

☐ Attach the supporting documents and information requested in the Application and summarized on the attached checklist, and submit the entire package along with the Application Fee described below.

NOTE: <u>The Applicant should not sign or submit the Application or payment of the Application fee until at least the fourteenth (14th) day after the date the receipt of the Franchise Disclosure Document was signed and dated.</u>

Authorized Signers: Authorized signers for this Franchise Application include the following:

Applicant	Signer (s)
Corporation	President, Vice President or other Authorized Officer
General Partnership	Each General Partner
Limited Partnership	Any General Partner
Limited Liability Company	Managing Member(s), Authorized Member(s), or Manager(s)
Trust	Trustee(s)
Estate	Executor/Executrix, Administrator/Administratrix

Application Fee:
Payment of the Application Fee of $37,500 must be made when you submit your 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.

Application Checklist – Required Items:
A complete Franchise Application package will expedite the Application Process. To ensure that your Franchise Application Package is complete, please use the following checklist:

- ☐ Franchise Disclosure Document Receipt signed and dated by an authorized signer for the Applicant on the day on which it was received.

- ☐ Application Letter signed and dated no earlier than the day after the 14th day following the date that the Applicant signs the Receipt contained in the Franchise Disclosure Document.

- ☐ A check or wire transfer for the Application Fee payable to Alamo Drafthouse Cinemas, LLC.

- ☐ Certified Personal Financial Statement for each sole proprietor, general partner, managing tenant in common, and/or major owner/shareholder (owners/shareholders owning beneficially 25% or more of the equity interest/stock) of the proposed licensee and any individual/entity who will serve as an additional guarantor of the proposed license.

- ☐ A copy of the deed, lease, sales contract, option agreement, or other instrument evidencing the proposed licensee’s control of the proposed theater site or property.

- ☐ A copy of a current resume for the primary Applicant, the person who is in charge of the conversion/new Venue development process, and the person or management entity who will manage the day-to-day operations of the Venue.

- ☐ A copy of the proposed management agreement, if applicable, and information concerning the proposed management company of the Venue.

- ☐ Description of all interests each individual and entity named herein has in other hospitality-oriented real estate investments.

- ☐ Site plan, aerial, and location map with proposed Venue site identified. (not required for change of ownership or relicensing for an existing Venue.)

- ☐ Please enclose any renderings or photographs of the Venue/site and a city area map with the site and competitive cinema facilities marked.

[CONTINUED ON THE FOLLOWING PAGE]

- [ ] Copies of Organizational Documents (including all amendments) for the Applicant entity and each of its principal entities, including general partner(s), managing member(s), controlling shareholders, or similar direct and indirect controlling interests, as follows:

  Private Corporation: Articles of Incorporation (with filing stamp or certification from the jurisdiction of incorporation)

  Limited Liability Company: Articles of Organization (with filing stamp or certification from the jurisdiction of formation) and signed Operating Agreement

  Limited Partnership: Certificate of Limited Partnership (with filing stamp from the jurisdiction of formation) and signed Partnership Agreement

  General Partnership: Signed Partnership Agreement

  Trust: Signed Trust Agreement

  Estate: Letters Testamentary/of Administration (where applicable)

- [ ] Completed Ownership Structure Form (see page 11 for the Applicant, its underlying ownership entities, and the fee title holder or lessor/sub-lessor of the Venue/Venue Site if related to the Applicant.

- [ ] A copy of the last two (2) Quality Assurance reports for all hospitality-oriented real estate investments not licensed by Alamo Drafthouse but owned/ managed by the Applicant within the last 12 months.

- [ ] Other pertinent project details (please attach as needed)

If proposed Venue is a conversion of an existing cinema, please add:

- [ ] Conversion Indemnity Letter (if applicable).
- [ ] 5 Years' Cinema Operating Statistics (use table on page 14 if possible).

Application Letter:

The undersigned hereby applies for a license to operate a Venue licensed by Alamo Drafthouse to be located at:

Street: ____

City: ______________________ **State:** __________ **Zip Code:** ________________

The undersigned understand(s) that Alamo Drafthouse relies on the information provided in the Application and all documents submitted by the undersigned and co-owners in connection with or in support thereof, including, but not limited to, all financial statements and this Application letter (all hereinafter referred to as the "Application").

1. All information contained in this Application is true, correct and complete as of this date. The Application does not fail to include any fact which would be necessary in order to make the information furnished therein not misleading. The undersigned will inform Alamo Drafthouse promptly of any material change in any of the information furnished in the Application.

2. The undersigned has/have the authority to make the Application and to enter into the other documents contemplated thereby, including, without limitation, a license agreement. Neither the making of the Application nor the execution of such other documents will conflict with the terms of any agreement to which the undersigned is/are a part or by which the undersigned is/are bound. The undersigned has/have not been induced by Alamo Drafthouse to terminate or breach any agreement with respect to the above-mentioned location.

3. Information concerning the Alamo Drafthouse system being licensed, including, without limitation, the appropriate license agreement (the "License Agreement"), has been made available to the undersigned. The undersigned is/are familiar with the Alamo Drafthouse system being licensed and its requirements. If the Application is approved the undersigned will execute and comply with the terms of the License Agreement.

4. The undersigned understand(s) and acknowledge(s) that:

(a) Alamo Drafthouse does not enter into oral agreements or understandings with respect to licenses or matters pertaining to the granting of a license.
(b) A contract or agreement with respect to a proposed license shall come into effect only upon the execution of the License Agreement.
(c) As of this date, there are no oral agreements or understandings whatsoever between the undersigned and Alamo Drafthouse with respect to any proposed license.
(d) The Applicant authorizes Alamo Drafthouse to check, at any time the credit history, references and other financial and background data of the Applicant, the proposed licensee, the undersigned and co-owners, including background checks for US OFAC compliance, and to answer questions about their credit history with Alamo Drafthouse.
(e) An Application fee has been paid to Alamo Drafthouse. Such Application fee may be invested, commingled with other funds of Alamo Drafthouse, or otherwise used by Alamo Drafthouse as it deems appropriate in its discretion.
(f) If the Application is not approved by Alamo Drafthouse, or if the Application is withdrawn by the Applicant, the Application fee will be returned less the Application Processing Fee for expenses incurred by Alamo Drafthouse, as solely determined by Alamo Drafthouse, in the processing the Application. If the Application is approved, the Application fee will not be returned.
(g) Alamo Drafhouse reserves the sole right to approve or disapprove the Application for any reason it may determine. In the event Alamo Drafthouse disapproves the Application, it will have no liability to the undersigned other than to return the Application fee, less its expenses in processing the Application as hereinbefore provided.

The undersigned, jointly and severally (if applicable), agree(s) to indemnify Alamo Drafthouse and its affiliates, directors and employees, agents, representatives, and assignees and to hold them harmless from all losses, consequently, directly or indirectly incurred (including legal and accounting fees and expenses) and arising from, as a result of or in connection with the breach of any representation or warranty contained in the Application or arising from, as a result of or in connection with Alamo Drafthouse's reliance on such representation or warranties. Alamo Drafthouse shall have the right independently to take any action it may deem necessary in its sole discretion, to protect and defend itself against any threatened action subject to the undersigned's indemnification, without regard to the expense, forum or other parties that may be involved. Alamo Drafhouse shall have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof.

For Individual:	**For Business Entity:**
Signature: ___________________________	**By:** ______________________________
Print Name: __________________________	**Print Name & Title:** __________________
Date (required): _______________________	**Date (required):** _____________________

Applicant
*Each Business Entity applicant must complete and submit the Organizational Information Checklist attached at the end of this Application

Name of the Applicant: First: ___________________________ Middle: ______________________

Last: ____

Name of Entity: ____

The Proposed Licensee:

☐ Existing Entity ☐ To be formed as an entity after submitting this Application
☐ Other (explain) ____

Type:

☐ Corporation ☐ Limited Partnership ☐ General Partnership
☐ Limited Liability Company ☐ Individual ☐ Trust
☐ Other (specify) ____

Corporation / Entity Formation Information:

Month / Date / Year _______/________/_______ State: _________

Business Registration Number: ____

Business Tax ID Number: ____

Current Registered Address: ____

____

____

Main Telephone Number: ____

Main E-Mail Address: ____

Mailing Address (if different): ____

____

____

***Please attached a list identifying Your officers and directors (or equivalent executives) and equity owners (shareholders, partners or members), and the type of interest held and ownership interest of each. If You have more than twenty owners, please list the largest ten owners by name.**

Name and Information of Your Key Contact (or "Principal Correspondent") for Alamo Drafthouse

Full Name: ______________________________

National Identification Number: ______________________________
Date of Birth: ______________________________
Citizenship: ______________________________

Current Home Address: ______________________________

____

____

Telephone Numbers: Home: ______________ Business: ___________ Mobile: _____________

E-Mail Address: ______________________________

*Please attach to this Application a copy of such person's foreign passport or national identification card.

Other Background Information

Have You or Your key officers or directors ever been convicted of felony or other crime involving moral turpitude?

☐ Yes

☐ No

If You answered "yes," please state the name and address of the court, the case number and the date of conviction, and provide brief description of the charges for which You were convicted:

____

Are there any civil judgments pending against You or Your key officers and directors that have not been satisfied?

☐ Yes

☐ No

If You answered "yes," please state the name and address of the court ,the case number and the date and amount of the judgment:

____

Are You or Your key officers and directors currently involved as a defendant in any litigation or arbitration proceeding?

☐ Yes

☐ No

If You answered "yes," please state the name and address of the court, the case number and provide a brief description of the allegations against You and the amount of the claim:

____

Have You or any other business entity to which You have held a majority ownership interest or exercised control over management ever filed for bankruptcy or sought other similar debt relief?

☐ Yes

☐ No

If You answered "yes," please provide a brief description of the proceedings:

____

Management Information

The proposed Venue will be managed by:

☐ A General Manager to be employed by the Applicant.
The General Manager (if known) will be: ____

☐ A Management Company under a Management Agreement with the Applicant
Company Name: ____
Contact: ____
Title: ____
Address: ________________________________ City: ________________________________
State: ________________________________ Zip Code: ____________________________
Telephone: ______________________________ E-mail: _______________________________

Attachments:
List of hospitality-oriented real estate investments owned or managed by the Management Company.

Applicant Business Experience in Movie Exhibition, Entertainment or Hospitality

Please complete the information below describing facilities operated, size of facility, age of asset, status, dates built/purchased/sold and level of involvement. Please attach additional pages if necessary.

1. Current theaters, hotels, restaurants or other relevant businesses owned.

#	Facility Name	Size of Facility (screens, rooms, SF)	Age	Status (open or pipeline)	Dates built, purchased, sold	% of Ownership
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						

Your Personal Financial Statement
(complete or provide separately as an attachment)

Financial Statement Documentation will be required to support these statements.

Financial Condition as of ______________, 20____

Assets	**Dollars**	**Cents**	**Liabilities**	**Dollars**	**Cents**
Cash on Hand			Note Payable to Banks – Unsecured		
Cash in Bank					
Notes Receivable – Secured by Mortgage					
Notes Receivable – Otherwise Secured			Notes Payable – Other than to Banks – Unsecured		
Accounts Receivable – Current			Accounts Payable		
Accounts Receivable – Past Due			Loans on Life Insurance		
U.S. Govt. Obligations			Taxes		
Stocks, Bonds and other Investments			Mortgages or Liens on Real Estate (Itemize Below)		
Include Funds in Savings & Loan Companies			Any Other Indebtedness – Due within One Year		
(Itemize Page 2)					
Cash value –Life Insurance					
Real Estate (Itemize Below)			Any Other Indebtedness – Due Beyond One Year		
Total Asses			Total Liabilities		
			Net Worth (Total Assets – Total Liabilities = Net Worth)		

Schedule of Real Estate Owned

Legal Description & Location	Title in Whose Name	Improved or Unimproved	Appraised Value	Mortgages	Tax Value	Insurance

Contingent Liability of any Kind (if None, Indicate So)	Dollars	Cents
Upon Notes Or Accounts Receivable Discounted Sold, or Assigned		
As Guarantor For Other on Notes, Bonds, Contacts, Etc.		
Any Other Contingent Liability – Itemized		
Total Contingent Liabilities		

Applicant Questionnaire

The following questionnaire is intended to provide Alamo Drafthouse with the information needed to evaluate your new potential Venue as a potential franchise location. Alamo Drafthouse is recognized as a leader in the movie exhibition industry. Our successful reputation of quality, service and commitment to delivering great movie experiences is carried by a unique group of entrepreneurial spirited people - our franchise owners and operators.

We welcome the opportunity to review your request to join Alamo Drafthouse.

1. Do you now or have you ever owned, co-owned, or managed an Alamo Drafthouse Cinema?

   ☐ Yes ☐ No

   If yes, please provide details: ____

2. Have you ever applied for a franchise for an Alamo Drafthouse Cinema in the past?

   ☐ Yes ☐ No

   If yes, please provide details: ____

3. What is your background in the movie exhibition, hospitality or entertainment business?

   ____

4. Please list all franchise/licensing or affiliation agreements that you have ever entered.

   ____

5. Who will be in charge of the conversion/new development process (development, construction, renovation)? (attach resume).

   ____

6. If someone other than you or your General Manager has responsibility relative to the development, construction, conversion or operations of your Venue, please specify that person and describe their background: (attach resume)

   ____

7. Is or was the proposed licensee or any direct or indirect owner of the proposed license the subject of a voluntary or involuntary bankruptcy, receivership, foreclosure, or other insolvency proceeding either currently pending or filed within the three-year period immediately preceding this Application?

   ☐ Yes ☐ No

   If yes, please explain on a separate sheet.

8. Is or was the proposed Venue site or the current owner of the proposed Venue site the subject of any bankruptcy, receivership, foreclosure, or other insolvency proceeding either currently pending or filed with the three-year period immediately preceding this Application?

   ☐ Yes ☐ No

   If yes, please explain on a separate sheet.

9. Please list all pending or concluded litigation with a franchisor over the past five (5) years in which the Applicant, the proposed licensee or their respective principals, owners, affiliates, or guarantors have been a party.

   ____

   ____

   ____

   ____

Attachments:

1. *Applicant's resume.*
2. *If applicable, resume of person in charge of development process.*
3. *If applicable, resume of person in charge of your Venue if other than General Manager.*
4. *If applicable, please provide details of voluntary or involuntary bankruptcy, receivership, foreclosure, or other insolvency proceeding.*

Ownership Structure Information

Each sole proprietor, general manager, managing tenant in common, and major owner/shareholder owners/shareholders owning beneficially 25% or more of the stock) of the proposed licensee and any individual/entity who will serve as an additional guarantor of the proposed license is required to submit a Personal Financial Statement with this Application including a list of all theaters, hotels or restaurants in which the individual has an interest. Facility name, location, and the nature and percentage of the individual's interest must be indicated.

Example:

Entity/Person's Name	Description of Interest	% Interest	Business Address & Telephone
Marvel Hospitality - Tony Stark, member 100%	Shareholder	45%	123 5th Avenue, New York, NY 10012
Bruce Banner	Shareholder	25%	444 Smith Drive, Denver, CO 80014
PYM Holdings, LLC - Scott Lang, member 50% - Hope van Dyne, member 50%	Shareholder	30%	789 K Street, Washington DC 20001
	Total:	100%	

Your Ownership Structure | Entity Name: ____

Entity/Person's Name	Description of Interest	% Interest	Business Address & Telephone
	Total:		

Attachments Needed for License Execution:	***Required for:***
- *Proof of Current State Filing*	*(1) Corporation, (2) Limited Partnership, (3) General Partnership, (4) Limited Liability Company*
- *Executed Partnership Agreement*	*(1) Limited Partnership, (2) General Partnership*
- *Executed Operating Agreement*	*(1) Limited Liability Company*

Projected Capital Stack

Do you have a loan or loan commitment for this project?

☐ Yes ☐ No

If yes, please provide name of proposed/existing lender: ______________________________________

	Debt	Equity
Source		
Amount		
% of Total Development Cost		

Do you have, or do you anticipate seeking Small Business Loan (or SBA) backed financing?

☐ Yes ☐ No

If yes, please describe: ____

Is the loan (or will the loan be) cross-collateralized by other real estate assets or cross-defaulted to any other loan(s)?

☐ Yes ☐ No

If yes, please describe: ____

Please describe the existing or anticipated financing on this project:

____

____

____

____

Estimated Venue Costs:

New Construction

Land: $ ___________________

Construction: $ ___________________

FF&E: $ ___________________

Other: $ ___________________

Total: $ ___________________

Conversion / Renovation

Purchase Price: $ ___________________

Renovation: $ ___________________

Other: $ ___________________

Total: $ ___________________

Proposed Venue Summary

Street: ____

City: ______________________ **State:** __________ **Zip Code:** ________________

If no street address, please provide coordinates or other location description

Development Type & Site Control:

☐ New Construction ☐ Conversion ☐ Adaptive Re-use

☐ Change of Ownership ☐ Re-Licensing

☐ Standalone ☐ Adjoining another facility (i.e. shopping center)

☐ Owned ☐ Under Purchase Sale Agreement by Applicant

☐ Leased Name of Leaseholder: ____

Estimated Opening Date:

Projected Construction / Renovation Start Date: ________________________________

Projected Construction / Renovation Completion Date: ________________________________

Venue Facilities, Building, Site Information:

Square Footage (SF) of Theater Building: ___________ SF Screens: ________ Seats: ________

Type of Seats: ____

Parking Spaces Allocated to Venue Use: ____

Parking Spaces per Seat: ____

If an Existing Building, Year it was Built: ____

Total SF of Site (in acres): _____________ acres

Zoned for Cinema Development? ☐ Yes ☐ No

Maximum Height Allowed by Zoning Code: _____________ feet

Has there ever been a franchise, branded management, affiliation, or similar agreement pertaining to this Venue or site?

Explain: ____

If the Venue is currently affiliated with another theater chain; if so, what chain?

Venue's current name: ________________________________ Original open date: ____ / ____ / ______

Operating Projections

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Screens / Auditoriums					
x Movie Sessions per Week per Auditorium					
x Average Auditorium Occupancy					
= Total Annual Attendance / Patronage					
x Total Revenue per Patron					
= Total Venue Revenue					

Venue Performance (if existing facility, last 5 years)

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Screens / Auditoriums					
x Movie Sessions per Week per Auditorium					
x Average Auditorium Occupancy					
= Total Annual Attendance / Patronage					
x Total Revenue per Patron					
= Total Venue Revenue					

Closest Competitor Movie Theaters / Chains:

#	Movie Theater Name	Driving Distance from Proposed Site (miles)	Age	Estimated Screen Revenue
1.				
2.				
3.				
4.				
5.				
6.				

Your Agreements Regarding Our Confidential Information

In connection with You and/or your affiliates or subsidiaries (collectively, "Recipients") requesting that Alamo Drafthouse consider Recipients for the franchise opportunity, Alamo Drafthouse has agreed to furnish to or allow Recipients access to certain confidential, non-public information regarding Alamo Drafthouse, its Venues and its financial and operational stats.

In consideration of Alamo Drafthouse furnishing Recipients with such information, You agree, for yourself and all Recipients, that such information, together with related analyses, compilations, studies and other documents incorporating such information (collectively, the "Information") is provided "as is" without any representations or warranties, and that all Recipients and their officers, directors, employees, affiliates or agents (collectively, "Representatives") will keep such Information confidential and shall not, without the prior written consent of Alamo Drafthouse, use or disclose such Information to any third party other than in connection with the scope of use previously disclosed to Alamo Drafthouse. In all cases, any use of such Information is at Recipients' sole risk and liability, and You agree, for yourself and all Recipients, to hold Alamo Drafthouse harmless with respect to any use of such Information whether within or outside of the scope of use previously disclosed to Alamo Drafthouse.

If Recipients or any of their Representatives attempt to use or dispose of any of the Information in a manner contrary to the terms of this Application, Alamo Drafthouse shall have the right, in addition to such other remedies which may be available to it, to injunctive relief enjoining such acts or attempts, since a breach of this Application may cause irreparable harm for which there does not exist an adequate legal remedy.

By accepting the Information, You are signifying, for yourself and all Recipients, agreement to the above terms and conditions related to the disclosure and use of the Information.

Your Initials ______

[CONTINUED ON THE FOLLOWING PAGE]

Your Payment of and Agreements Regarding the Franchise Application Fee

To express Your intent to pursue and finalize a franchise transaction with Alamo Drafthouse, You have tendered to Alamo Drafthouse as a franchise application fee (the "Franchise Application Fee") a portion of the development fees or initial franchise fees totaling $37,500) concurrently with Your execution of this Application.

You specifically acknowledge that the Franchise Application Fee is partially refundable except as otherwise provided below, that acceptance of the Franchise Application Fee by Alamo Drafthouse does not constitute the grant of any rights for a franchise to develop or operate one or more Venues and that such rights may only be granted by executing a Development Agreement or Franchise Agreement with Alamo Drafthouse. The Franchise Application Fee will be held by Alamo Drafthouse and applied as follows:

(a) If You or its approved assignee acquires a franchise to development one or more Venues, the Franchise Application Fee will be applied in full on execution of the Development Agreement or Franchise Agreement to the development fee payable under such Development Agreement or initial franchise fee payable under such Franchise Agreement (whichever is payable first to Alamo Drafthouse).

(b) If within 365 days after the date Alamo Drafthouse receives this completed Application, You and Alamo Drafthouse fail to execute a License Agreement, Alamo Drafthouse shall refund the Franchise Application Fee to You within 10 days after such date, less a $5,000 processing fee to cover costs and expenses Alamo Drafthouse incurs in connection with evaluating and responding to Your Application.

(c) If either you or Alamo Drafthouse decide to terminate negotiations then the terminating party will provide written notice to the other of such termination. Within 10 days thereafter, Alamo Drafthouse shall refund the Franchise Application Fee to You, less a $5,000 processing fee to cover costs and expenses Alamo Drafthouse incurs in connection with evaluating and responding to Your Application.

Regardless of anything to the contrary in this Application or elsewhere expressed or implied, You will not earn or become entitled to any interest on the Franchise Application Fee during the time it is held by Alamo Drafthouse.

Your Initials ______

[CONTINUED ON THE FOLLOWING PAGE]

Your Acknowledgments and Representations Regarding this Application

By completing and submitting this Application to Alamo Drafthouse, You acknowledge and/or represent to Alamo Drafthouse on Your own behalf and behalf of Your key officers and directors that:

- Alamo Drafthouse is relying upon the information provided in this Application and upon the documents You submit in connection with, or in support of, this Application (including all business information, business plans and/or financial statements You provide).
- All information contained in, and documents submitted in connection with, this Application is true, correct and complete as of the date submitted and You understand that any misrepresentation or inaccuracy in the information provided by You will be grounds for termination of any franchise or development rights that Alamo Drafthouse may grant to You based on the information in this Application. You will promptly inform Alamo Drafthouse of any material change in any of the information or documents submitted.
- Neither the submission of this Application nor the execution of any definite agreements will violate or conflict with the terms of any other agreement to which You are a party or by which You are bound. You have not been induced by Alamo Drafthouse to terminate or breach any agreement with respect to any opportunity to develop or operate Venues.
- Alamo Drafthouse does not enter into, and has not entered into, oral agreements or understandings with respect to (i) the development and operation of Venues, or (ii) matters pertaining to the granting of development and franchise rights for Venues.
- Alamo Drafthouse has no obligation to grant to You development or franchise rights for Venues and no such rights to develop or operate Venues shall be granted or obtained unless and until definitive Development and/or Franchise Agreements are signed.
- Alamo Drafthouse reserves the right to approve or reject this Application in its sole discretion, and if Alamo Drafthouse rejects this Application, Alamo Drafthouse shall have no liability to You or any other person or entity.
- Any projections and other financial information You provide Alamo Drafthouse in connection with this Application is voluntarily provided or made by You and has or will have been prepared by You and/or Your advisors. Alamo Drafthouse has not, and will not, participate or provide any assistance to You in connection with the preparation of such projections or other financial information prepared by You. You further acknowledge that Alamo Drafthouse has not, and will not, ratify, confirm, approve or make any other representations concerning the accuracy of such projections and/or information supplied by You, or that You will attain any particular level of financial performance indicated by such projections or other information. You hereby release and forever discharge Alamo Drafthouse and its affiliates from any claims or liability arising from or related to the financial information and/or projections that You provide to Alamo Drafthouse.
- You will indemnify Alamo Drafthouse and its affiliates and the directors, employees, agents, representatives and assignees thereof and will hold them harmless from all liability, costs, damages and expenses (including legal and accounting fees and expenses) in connection with the breach of any contract or any representation, warranty or information contained in this Application or in connection with Alamo Drafthouse' reliance on such representations, warranties and information. Alamo Drafthouse shall have the right independently to take any action it may deem necessary in its sole discretion, to protect and defend itself against any threatened action without regard to the expense, forum or other parties involved. Alamo Drafthouse shall have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof.

- You will keep all oral and written information regarding the Alamo Drafthouse franchise program that You may receive or have access to, in strict confidence for an indefinite time period, and will neither use for Your own benefit nor disclose or divulge to any other person any part of such information.

- The terms of this Application will survive any approval or rejection of this Application by Alamo Drafthouse.

Your Initials ________

<u>Your Authorizations, Consents and Releases regarding this Application and Your Personal Information</u>

- **You understand that Alamo Drafthouse will be requesting information from various companies, financial and other institutions, universities, credit reporting agencies, professional and academic certification law enforcement agencies, former employers, and/or the military, and You hereby authorize such entities to release any information that they may have about You to Alamo Drafthouse and its agents and designees, and release them from any liability arising out of or related to their release of such information.**

- **You authorize all financial institutions holding funds or other property on Your behalf or on behalf of any business entity in which You hold a beneficial interest, whether or not identified in this Application, to release all records including signature cards, statements and all documentation reflecting the source of deposited funds, whether the funds were received in the form of cash, credit, electronic fund transfer or wire transfer.**

- **You also authorize Alamo Drafthouse and its agents and designees to obtain such credit and other civil and criminal investigative reports as they consider necessary to evaluate this Application, and understand that these reports may contain information about Your background, mode of living, character and personal reputation. This authorization is valid for any current and future reports and updates that may be requested and You agree to execute all additional documents, waivers or releases that might be necessary for Alamo Drafthouse or its agents and designees to obtain such information or reports.**

  ☐ **You request a copy of Your credit report**

  ☐ **You do not request a copy of Your credit report**

- **You further authorize Alamo Drafthouse and its agents and designees to contact individuals or entities identified in this Application, or whose names arise in connection with the civil and criminal investigative reports described above for purposes of obtaining character references and verifying the information contained in this Application. You hereby authorize any individual or entity contacted by Alamo Drafthouse or its agent or designee to provide all requested information, and release them from any liability arising out of or related to their release of such information.**

Your Initials ______

[CONTINUED ON THE FOLLOWING PAGE]

With respect to Your agreements with Alamo Drafthouse regarding this Application, including but not limited to your access to and use of Alamo Drafthouse's Information and Your payment/reimbursement/credit of the Franchise Application Fee, this Application and Your and Alamo Drafthouse's agreements shall be governed by and interpreted and enforced in accordance with the internal laws of the State of Texas, excluding its conflicts of law principles. You, individually and on behalf of the Recipients and Representatives, irrevocably submits to the exclusive jurisdiction of the state courts of Travis County, Texas and the Federal District Court for the Western District of Texas, Austin Division for any legal proceeding relating to or arising out of this Application and related agreements. You, individually and on behalf of the Recipients and Representatives, hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision, and irrevocably agrees that service of process may be made in any proceeding relating to or arising out of this Application and related agreements by any means allowed by Texas or federal law.

YOU:

Entity Name:______________________________

By:______________________________________

Name:___________________________________

Title:____________________________________

Date: ____________________________________

EXHIBIT A-2

~~**STATE AMENDMENTS**~~
~~**TO**~~
~~**DEVELOPMENT AGREEMENT**~~
FRANCHISE AGREEMENT

ALAMO DRAFTHOUSE CINEMAS, LLC

FRANCHISE AGREEMENT

(Location)

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ATTACHMENT A - CONTROLLING PRINCIPALS GUARANTY AND COVENANT

ATTACHMENT B - LOCATION, ~~DESIGNATED AREA~~POTENTIAL SITE AREA, LIMITED FA AREA, LIMITED FA EXCLUSIVITY PERIOD, OPENING DATE, STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPALS

ATTACHMENT C - REQUIRED FRANCHISE COVENANTS TO LEASE

ATTACHMENT D - CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

ATTACHMENT E - SBA ADDENDUM

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 ~~Designated Area~~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 ~~Designated~~Limited FA Area/Limited FA Exclusivity Period/Reservation of Rights.

(a) Upon designation of the Location, Franchisee ~~will~~may be assigned a separate geographical area ~~("Designated Area") that will also~~for purposes of limited 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. ~~Except~~ If Franchisee is assigned a Limited FA Area and Limited Exclusivity 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 ~~Designated~~Limited FA Area during the ~~term of this Agreement~~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 right to advertise and promote Venues, the System and/or the Marks both inside and outside the ~~Designated Area~~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 ~~Designated Area~~Potential Site Area or Limited FA Area (if any) during and after the Limited DA Exclusivity Period (if any), and regardless of proximity to or competitive impact upon ~~the~~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 ~~Designated~~Limited FA Area, and regardless of proximity to or competitive impact upon ~~the~~your Venue, so long as such any such establishments identified by the Marks and located in the ~~Designated Area~~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 ~~Designated~~Limited FA Area, and regardless of proximity to or competitive impact upon ~~the~~your Venue, so long as such any such establishments identified by the Marks and located in the ~~Designated Area~~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 ~~Designated~~Limited FA Area, and ~~Franchisor~~we or ~~its~~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 ~~Designated Area~~Limited FA Area (if any) during the Limited FA Exclusivity Period (if any) regardless of proximity to or competitive impact upon ~~the~~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~~ and Designated~~, 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~~ and Designated Area~~, 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. Franchisee acknowledges and agrees that Franchisee has or will be provided with Franchisor's Design and Construction Manual [version 5 dated August 16, ~~2018~~2019] ("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 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.

ARTICLE III. TERM AND RENEWAL

3.1 Initial Term. Unless sooner terminated as provided in Article XVI, the term of this Agreement shall begin on the Effective Date and shall expire on the earlier of (a) ten (10) years from the Opening Date or (b) the expiration or termination of Franchisee's right to possess the Venue premises.

3.2 Renewal. Franchisee may, at its option, renew the rights under this Agreement for two (2) additional consecutive terms of five (5) years each (provided that such renewal term shall automatically terminate upon the expiration or termination of Franchisee's right to possess the Venue premises), subject to any or all of the following conditions that must, in Franchisor's discretion, be met prior to and at the time of renewal:

(a) Notice. Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the initial or renewal term, as applicable;

(b) Improvements. Franchisee shall refurbish, repair or replace, at Franchisee's cost and expense, all equipment, projection, sound and audio visual systems, point of sale systems, computer systems, signs, interior and exterior decor items, fixtures, furnishings, vehicles, if applicable, supplies and other products and materials required for the operation of the Venue as Franchisor may reasonably require and shall otherwise upgrade the Venue to reflect the then-current standards and image of the System;

(c) No Defaults. Franchisee shall not be in default of any provision of this Agreement, or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates; and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(d) Monetary Obligations. Franchisee shall have timely satisfied all monetary obligations owed to Franchisor and its affiliates under this Agreement and any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates;

(e) Possession of Premises. Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Venue premises or obtain Franchisor's consent to a new site for the operation of the Venue for the duration of the renewal term of this Agreement;

(f) Renewal Franchise Agreement. Franchisee and/or Controlling Principals, as applicable, shall execute Franchisor's then-current form of renewal franchise agreement, including attachments, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution or expenditure requirement; provided, however, that Franchisee shall pay to Franchisor, in lieu of an initial franchise fee, a renewal fee representing twenty-five percent (25%) of Franchisor's then-current initial franchise fee;

(g) Release. Franchisee and the Controlling Principals shall execute a general release of any and all claims against Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders; and

(h) Qualification and Training. Franchisee shall comply with Franchisor's then-current qualification and training requirements.

ARTICLE IV. FEES

4.1 Initial Franchise Fee. Franchisee shall pay to Franchisor an initial franchise fee of ~~[~~One Hundred Twenty-Five Thousand Dollars ($125,000) ~~/ Seventy-Five Thousand Dollars ($75,000)]~~ upon execution of this Agreement, but Franchisor will credit payment of the franchise application fee (totaling $37,500) against the initial franchise fee (if applicable and not already credited). The amount of the initial franchise fee when so paid shall be deemed fully earned and nonrefundable in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party.

4.2 Royalty.

(a) Royalty Fee. Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee of five percent (5%) of Gross Sales. Such royalty fee shall be due and payable each week ("Accounting Period") based on the Gross Sales for the preceding week (the first such Accounting Period beginning on the Opening Date and ending on the Sunday that corresponds to the end of the then-current Accounting Period as determined in accordance with Franchisor's Operations Digital Library) so that it is received by Franchisor by electronic fund transfer ("EFT") on or before the Wednesday following the end of each Accounting Period (or next business day if the Wednesday is not a business day). A business day for the purpose of this Agreement means any day other than Saturday, Sunday or a national holiday. Franchisor reserves the right to modify the due date for payment upon written notice to Franchisee.

(b) Royalty Report. Each such royalty fee shall be preceded by a royalty report itemizing the Gross Sales for the preceding Accounting Period ("Royalty Report") and any other reports required hereunder. Notwithstanding the foregoing, Franchisee shall provide Franchisor with such Gross Sales information on the Monday of each week following the Accounting Period (or next business day if the Monday is not a business day) by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as Franchisor may reasonably direct. Franchisor reserves the right to modify the due date for such report upon written notice to Franchisee

(c) Electronic Funds Transfer. Franchisee agrees that Franchisor shall have the right to withdraw funds from Franchisee's designated bank account each Accounting Period by EFT in the amount of the royalty fee described above. Such withdrawals shall be drawn on the Wednesday of each week for the amount of the royalty due with respect to Franchisee's Gross Sales for the preceding Accounting Period, as evidenced by the Royalty Report. If the Royalty Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the royalty for the subject Accounting Period based on (i) information regarding Franchisee's Gross Sales for the preceding Accounting Period obtained by Franchisor in the manner contemplated by Section 7.6, or (ii) the most recent Royalty Report provided to Franchisor by Franchisee; provided that if a Royalty Report for the subject Accounting Period is subsequently received and reflects (A) that the actual amount of the royalty due was more than the amount of the EFT by Franchisor, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (B) that the actual amount of the royalty due was less than the amount of the EFT by Franchisor, then Franchisor shall, at its option, return the excess amount to Franchisee or credit the excess amount to the payment of Franchisee's future royalty obligations. Upon execution of this Agreement and at any time thereafter at Franchisor's request, Franchisee shall execute such documents or forms as Franchisor deems necessary for Franchisor to process EFTs from Franchisee's designated bank account for the payments due hereunder. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee shall be responsible for that payment plus a service charge applied by Franchisor and the bank, if any. Franchisee shall at all times maintain in the designated bank account funds sufficient to pay all royalty and required Fund contributions when due. If royalty payments are not received when due, interest may be charged by

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, 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 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, 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, certain merchandise identifying the System, such as pre-packaged food products and memorabilia, in sufficient amounts to meet customer 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 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.

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;

(b) Qualification. Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(c) Single Purpose. Franchisee's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Venue, unless otherwise consented to in writing by Franchisor;

(d) Power and Authority. The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee;

(e) Organizational Documents. Copies of Franchisee's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Franchisee, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement;

(f) Ownership Interests. The ownership interests in Franchisee are accurately and completely described in Attachment B. Franchisee shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

(g) Restriction on Transfer. If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation (as defined in Section 18.17). If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Agreement;

(h) Financial Statements. Franchisee and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Franchisee and such Controlling Principals. Such financial statements present fairly the financial position of Franchisee and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Franchisee shall maintain at all times sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Franchisee or the Controlling Principals;

(i) Franchisee's Principals. If, after the execution of this Agreement, any person ceases to qualify as one of Franchisee's Principals (as defined in Section 18.17) or if any individual succeeds to or otherwise comes to occupy a position that would, upon designation by Franchisor, qualify him as one of Franchisee's Principals, Franchisee shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions;

(j) Execution of Documents. Franchisee's Principals shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form of Attachment D to this Agreement (see Sections 10.2(b) and 10.3(g). The Controlling Principals shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder, and shall otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement, and shall otherwise bind themselves to the terms of this Agreement as stated herein and in the Controlling Principals Guaranty and Covenant; and

(k) Continuing Obligations. Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth in this Section are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and the Controlling Principals shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

6.3 Operating Principal.

(a) Designation. Upon the execution of this Agreement, Franchisee shall designate and retain an individual to serve as the Operating Principal of the Venue (the "Operating Principal"). If Franchisee is an individual, Franchisee shall be the Operating Principal.

(b) Qualifications. The Operating Principal shall, during the entire period he serves as such, meet the following qualifications:

(i) The Operating Principal must, at its option, either serve as the General Manager or, subject to the approval of Franchisor, designate another individual to serve as the General Manager; which designated individual shall also perform the duties and obligations of Operating Principal described herein; provided that Operating Principal shall take all necessary action to ensure that such designee conducts and fulfills all of Operating Principal's obligations in accordance with the terms of this Agreement and Operating Principal shall remain fully responsible for such performance.

(ii) The Operating Principal must maintain a direct or indirect ownership interest in Franchisee. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Franchisee shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

(iii) Franchisee and the Operating Principal (or his designee, if applicable) shall devote substantial full time and best efforts to the supervision and operation of the Venue. Operating Principal shall execute the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement as one of the Controlling Principals, and shall be individually, jointly and severally, bound by all obligations of Franchisee, the Operating Principal and the Controlling Principals hereunder and under the Controlling Principals Guaranty and Covenant.

(iv) The Operating Principal (and any such designee) shall meet Franchisor's standards and criteria for such individual, as set forth in the Operations Digital Library or otherwise in writing by Franchisor.

(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 projection manager (the "Projection 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 Projection 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 and your General Manager, Venue Rental Manager, Creative Manager, Assistant Managers, Kitchen 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 shall provide instructors and training materials for the initial training of the initial Operating Principal and Managers at no charge to Franchisee.

(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 Franchisor for all of its incurred costs and the costs of such trained representatives, including travel, lodging, meals and wages of all such personnel.

6.6 On-Site Remedial Training. Upon the reasonable request of Franchisee or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's Venue personnel. For additional training and assistance requested by

Franchisee or deemed necessary by Franchisor to cure an existing or potential default, Franchisee shall reimburse Franchisor for all of its incurred costs and the costs of such trained representatives, including travel, lodging, meals and wages of all such personnel.

6.7 Compliance with Laws. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper operation of the Venue, including, without limitation, licenses to do business, liquor licenses, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

6.8 Notification of Proceedings. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Venue.

6.9 Power-of-Attorney. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact, with full power and authority to (i) assign to Franchisor upon the termination or expiration of this Agreement (a) all rights to the telephone numbers of the Venue, any related Yellow Pages trademark listings, and all rights to any Website listings or services, search engines or systems, and any other business listings related to the Venue and (b) at Franchisor's option, Franchisee's interest in any lease for the premises of the Venue and any equipment used in the operation of the Venue; and (ii) obtain any and all returns and reports related to the Venue that Franchisee files with any local, state or federal taxing authority. Such powers of attorney shall survive the expiration or termination of this Agreement and Franchisee shall execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney in fact with full power and authority for the foregoing purposes.

ARTICLE VII. FRANCHISE OPERATIONS

7.1 Standards Compliance. Franchisee understands the importance of maintaining uniformity among all of the Venues and the importance of complying with all of Franchisor's standards and specifications relating to the operation of the Venue. To protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Franchisee shall conduct its business in accordance with the Operations Digital Library, other written directives which Franchisor may issue to Franchisee from time to time, and any other manuals and materials created or approved for use in the operation of Venues.

7.2 Maintenance of Venue. Franchisee shall maintain the Venue in a high degree of sanitation, repair and condition, and shall make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, decor, and equipment (including, but not limited to, projection, sound and audio visual systems and point of sale and computer systems) as Franchisor may reasonably direct. Franchisee shall also obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that Franchisor may reasonably require for Franchisee to offer and sell new menu items from the Venue or to provide the Venue services by alternative means. Except as may be expressly provided in the Operations Digital Library, no alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Venue or its premises without Franchisor's prior written approval.

7.3 Upgrade of Venue. Upon Franchisor's request, Franchisee shall make such improvements to the Venue to conform it to Franchisor's then-current standards and specifications. Without limitation of the foregoing, Franchisee shall make any capital improvements required by this Section if requested by Franchisor on or after the fifth anniversary of the Opening Date, or at such other time that a majority of the Venues then operated by Franchisor or its affiliates have made or are utilizing best efforts to make such improvements or modifications.

7.4 Sourcing. Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including projection, sound and audio visual systems and point of sale and computer systems) and other products used or offered for sale at the Venue. Except as provided in Sections 7.8 and 7.9 with respect to certain materials bearing the Marks and proprietary products, and Section 7.11 with respect to vehicles used in the operation of the Venue, Franchisee shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Venues and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier; and who have not thereafter been disapproved by Franchisor. If Franchisee desires to purchase, lease or use any products or other items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier.

7.5 Operational Requirements. Franchisee shall operate the Venue in strict conformity with Franchisor's methods, standards and specifications as set forth in the Operations Digital Library and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, Franchisee agrees:

(a) Distribution Method. To sell or offer for sale all menu items, products and services required by Franchisor (including, without limitation, liquor, beer and wine) and in the method, manner and style of distribution prescribed by Franchisor, only as expressly authorized by Franchisor in writing in the Operations Digital Library or otherwise. Franchisee agrees to comply with the terms of any such distribution program and in connection therewith to execute such documents or instruments that Franchisor may deem necessary to such program.

(b) Menu Items. To sell and offer for sale only the menu items, products and services that have been expressly approved for sale in writing by Franchisor; to discontinue selling and offering for sale any menu items, products or services and any method, manner or style of distribution that Franchisor may, in its sole discretion, disapprove in writing at any time; and to refrain from deviating from Franchisor's standards and specifications.

(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 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 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 forgoing, 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 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, 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 Loyalty Programs. To participate in any customer loyalty program established by Franchisor and pay all participation fees due to Franchisor or any third party vendor.

(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.

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 ~~MySpace,~~ 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 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 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 individual; or (ii) pertains in any way to an identified or identifiable individual, which can be in any media or format, including computerized or electronic records as well as paper-based files) ("Guest Information") that Franchisor obtains from Franchisee or directly from Guests or indirectly through third party service providers, and that Franchisee collects directly from Guests or indirectly through third party service providers and all revenues we derive from such Guest Information will be Franchisor's property and our Confidential Information that Franchisor may use for any reason without compensation to Franchisee, including making a financial performance representation in Franchisor's franchise disclosure documents. Franchisee assigns and shall be deemed to have assigned all rights in Guest Information to Franchisor. Franchisee will provide copies of all Guest Information to Franchisor upon request. At Franchisee's sole risk and responsibility, Franchisor grants Franchisee the right to use such Guest Information that Franchisee acquires from Guests and other third parties solely in connection with operating the Venue at any time during the Term of this Agreement, to the extent that Franchisee's use is permitted by applicable law. Upon expiration of the Term, all copies of Guest Information must be returned to Franchisor and removed from Franchisee's Technology and Information Systems, except as needed to honor existing reservations at the Venue.

7.13 Privacy and Data Protection. Franchisee will: (i) comply with all applicable privacy laws (including all international, national, federal, provincial, state, or local law, code, rule or regulation that regulates the processing of Guest Information in any way, including data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations, the most current Payment Card Industry Data Security Standard, ISO 27001, ISO 27002, and security breach notification rules) ("Privacy Laws"); (ii) comply with all System standards that relate to Privacy Laws and the privacy and security of Guest Information; (iii) comply with any posted privacy policy and other representations made to the individual identified by Guest Information Franchisee processes, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause Franchisor or its Affiliates to breach any Privacy Laws; (v) maintain reasonable physical, technical and administrative safeguards for Guest Information that is in Franchisee's possession or control in order to protect such Guest Information from unauthorized processing, destruction, modification, or use that would violate this Agreement or any Privacy Law; (vi) do and execute, or arrange to be done and executed, each act, document and thing Franchisor deems necessary in its business judgment to keep Franchisor and its Affiliates in compliance with the Privacy Laws; and (vii) immediately report to Franchisor the theft or loss of Guest Information (other than the Guest Information of your own officers, directors, shareholders, employees or service providers). Franchisee will, upon request, provide Franchisor with information, reports, and the results of any audits performed regarding Franchisee's data security policies, security procedures, or security technical controls related to Guest Information. Franchisee will, upon Franchisor's request, provide Franchisor or its representatives with access to Franchisee's technology and information systems, records, processes and practices that involve processing of Guest Information in order to mitigate a security incident or so that an audit may be conducted. Franchisee will indemnify, defend and hold Franchisor and its affiliates, and their officers and employees, and their respective successors and assigns harmless in connection with any action arising out of or relating to: (i) any theft, loss or misuse of Guest Information; and (ii) Franchisee's breach of any of the terms, conditions or obligations relating to data security, privacy, or Guest Information set forth in this Agreement. Franchisee will immediately notify Franchisor upon discovering or otherwise learning of any theft, loss or misuse of Guest Information. Franchisee will, at Franchisor's direction, (i) undertake remediation efforts at Franchisee's sole expense, (ii) undertake effort to prevent the recurrence of the same type of incident, and (iii) reasonably cooperate with any remediation efforts undertaken by Franchisor. Franchisee will not make any public comment regarding and data security incident without Franchisor's approval. Any notifications to the media or to Venue guests regarding theft or loss of Guest Information will be handled exclusively by Franchisor at Franchisor's election and Franchisee may not contact Venue guests relating to such theft or loss unless Franchisee is under a legal obligation to do so, in which case (i) Franchisee must notify Franchisor in writing promptly after concluding that Franchisee has the legal obligation to notify Venue guests and (ii) 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 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 ~~Designated~~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 15th 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.

(ii) Franchisor shall, with respect to Venues operated by Franchisor, contribute to the Fund generally on the same basis as Franchisee.

(iii) Franchisor may use the Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; guest satisfaction surveys; conducting marketing research, employing advertising agencies to assist therein; developing and maintaining an Internet website; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares).

(iv) The Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead that

Franchisor may incur in activities related to the administration and direction of the Fund, generally not to exceed 20% per year. The Fund and its earnings shall not otherwise inure to Franchisor's benefit.

(v) Franchisor will prepare an annual statement of the Fund's operations and will make it available to Franchisee upon request. In administering the Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

(vi) Although the Fund is intended to be of perpetual duration, Franchisor may terminate it. Franchisor will not terminate the Fund, however, until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

8.4 Advertising Cooperative.

(a) Establishment. Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate any geographic area in which two (2) or more Venues are located as an advertising coverage area for purposes of establishing an advertising cooperative ("Cooperative"). The members of the Cooperative for any area shall, at a minimum, consist of all Venues located in the advertising coverage area. Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, determined in advance by Franchisor in its sole discretion. Each Cooperative shall be organized for the exclusive purposes of administering advertising programs and developing, subject to Franchisor's approval pursuant to Section 8.6, promotional materials for use by the members in Local Advertising. If at the time of the execution of this Agreement a Cooperative has been established for an advertising coverage area that encompasses the Venue, or if any such Cooperative is established during the term of this Agreement, Franchisee shall execute such documents as are required by Franchisor immediately upon the request of Franchisor and shall become a member of the Cooperative pursuant to the terms of those documents.

(b) Participation. Franchisee shall participate in the Cooperative as follows:

(i) Franchisee shall contribute to the Cooperative such amounts required by the documents governing the Cooperative; provided, however, Franchisee will not be required to contribute more than its required expenditure for local advertising during each Accounting Period to the Cooperative unless, subject to Franchisor's approval, the members of the Cooperative agree to the payment of a larger fee. Notwithstanding the above, the payment of any such Cooperative fee shall be applied toward satisfaction of the Franchisee's local advertising requirement set forth in Section 8.2;

(ii) Franchisee shall submit to the Cooperative and to Franchisor such statements and reports as may be required by Franchisor or by the Cooperative. All contributions to the Cooperative shall be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative shall be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above; and

(iii) No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior consent of Franchisor or its representative. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 8.6.

8.5 Online and Other Trademark or Business Listings. Franchisee shall also place and pay the cost of an online or other trademark or other business listings in the local market area.

8.6 Approval of Advertising. All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Operations Digital Library or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed (e.g., materials to be made available through a computer or telecommunications network such as the Internet), that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Franchisee shall not advertise or use the Franchisor's Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication, or establish any website listing on the Internet or World Wide Web, without the express written consent of Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Venue and approved by Franchisor may be used by other System Venues without any compensation to Franchisee.

8.7 Prices. With respect to the offer and sale of all movie, menu, beverage and merchandise items, Franchisor may from time to time offer guidance with respect to the selling price for such goods, products and services, and may run advertising and promotions stating a specific selling price for goods, products or services. Franchisee is in no way bound to adhere to any such recommended or suggested price. Franchisee shall have the right to sell its products and provide services at any price that Franchisee may determine. If Franchisee elects to sell any or all its products or merchandise at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at the recommended price will enhance Franchisee's sales or profits. Notwithstanding the foregoing, Franchisor reserves all rights available under then applicable law to condition participation in special or voluntary programs and offerings on Franchisee's adherence to Franchisor's requirements, including with respect to pricing standards.

8.8 Volume Rebates. If Franchisor receives any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind or credit, from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for Franchisee's account, or franchisees generally, or (ii) by Franchisee directly for its own account, Franchisor shall be entitled to retain the whole of the amount or any part of such Discounts.

ARTICLE IX. MARKS

9.1 Grant. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

9.2 Acknowledgements. Franchisee expressly understands and acknowledges that:

(a) Ownership. Franchisor is the record owner of the Mark "Alamo Drafthouse." As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(b) No Interference. Neither Franchisee nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor's rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Marks or any of Franchisor's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Venue and only at or from its Location or in approved advertising related to the Venue.

(c) Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

(d) Validity. Franchisee shall not contest the validity of or Franchisor's interest in the Marks or assist others to contest the validity of or Franchisor's interest in the Marks.

(e) Infringement. Franchisee acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's rights in the Marks and a material event of default hereunder. Franchisee shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks.

(f) Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Venue if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks.

9.3 Agreements. With respect to Franchisee's franchised use of the Marks pursuant to this Agreement, Franchisee further agrees that:

(a) Exact Use. Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Venue only under the Mark "Alamo Drafthouse" without prefix or suffix. Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of such corporate or other legal name prior to filing it with the applicable state authority.

(b) Identification. Franchisee shall identify itself as the owner of the Venue in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Venue or any vehicle used in connection with the Venue as Franchisor may designate in writing.

(c) Debt. Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

(d) Trade Names. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

9.4 Infringement. Franchisee shall notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, of any claim by any person of any rights in any Mark, and Franchisee and the Controlling Principals shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. Franchisor will indemnify Franchisee against and reimburse Franchisee for all damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Marks that infringes on the rights of any other party, provided that the conduct of Franchisee and the Controlling Principals with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

9.5 Nonexclusive License. The right and license of the Marks granted hereunder to Franchisee is nonexclusive and Franchisor thus has and retains the following rights, among others, subject only to the limitations of Article I:

(a) Other Licenses. To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees;

(b) Other Systems. To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to Franchisee; and

(c) Production and Distribution. To engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (1) the production, distribution, license and sale of products and services, and (2) the use in connection with such production, distribution and sale, of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Franchisor.

ARTICLE X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

10.1 Operations Digital Library.

(a) Delivery. Franchisor has provided to Franchisee on loan a current copy of the Operations Digital Library. The Operations Digital Library will be made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. Franchisee shall pay any and all costs to retrieve, review, use or access the Operations Digital Library. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall conduct its business in accordance with the Operations Digital Library as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time whether or not such directives are included in the Operations Digital Library, and any other Operations Digital Library and materials created or approved for use in the operation of the Venue.

(b) Confidential. Franchisee and the Controlling Principals shall at all times treat the Operations Digital Library, any written directives of Franchisor, and any other manuals and materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article. Franchisee and the Controlling Principals shall divulge and make such materials available only to such of Franchisee's employees as must have access to it in order to operate the Venue. Franchisee and the Controlling Principals shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above.

(c) Property of Franchisor. The Operations Digital Library, written directives, other manuals and materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Operations Digital Library at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise and shall report the theft or loss of the Operations Digital Library, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access. Franchisee shall return the Operations Digital Library to Franchisor immediately upon request or upon termination or expiration of this Agreement.

(d) Supplement to Agreement. The Operations Digital Library, any written directives, and any other manuals and materials issued by Franchisor and any modifications to such materials shall supplement this Agreement.

(e) Revisions. Franchisor may from time to time revise the contents of the Operations Digital Library and other manuals and materials created or approved for use in the operation of the Venue. Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall at all times ensure that the Operations Digital Library are kept current and up to date. In the event of any dispute as to the contents of the Operations Digital Library, the terms of the master copy of the Operations Digital Library maintained by Franchisor at Franchisor's corporate office shall control. Franchisee shall remove and return to Franchisor all pages of the Manual that have been replaced or updated by Franchisor.

(f) No Mandatory Security or Employment Directives. Franchisee acknowledges and agrees that the System does not include any mandatory personnel policies or procedures or security-related policies or procedures, even if Franchisor (at its option) may make certain materials available to Franchisee in the Operations Digital Library or otherwise for Franchisee's optional use. Franchisee will determine to what extent, if any, personnel or security-related policies and procedures might apply to operations at the Venue. Franchisor neither dictates nor controls labor or employment matters for franchisees and their employees and Franchisor is not responsible for the safety and security of Venue employees or patrons.

10.2 Confidential Information.

(a) Confidential. Neither Franchisee nor any Controlling Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, they shall not use for their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Venue that may be communicated to them or of which they may be apprised in connection with the operation of the Venue under the terms of this Agreement. Franchisee and the Controlling Principals shall divulge such confidential information only to Franchisee's employees who must have access to it in order to operate the Venue. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System that Franchisor provides to Franchisee in connection with this Agreement shall be deemed confidential for purposes of this Agreement. Neither Franchisee nor the Controlling Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each of the Controlling Principals.

(b) Covenants. Franchisee shall require and obtain the execution of covenants similar to those set forth in Section 10.2(a) from its Managers and all other personnel of Franchisee who have received or will have access to confidential information. Such covenants shall be substantially in the form set forth in Attachment D. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

(c) New Concepts. If Franchisee or the Controlling Principals develop any new concept, process product, recipe, or improvement in the operation or promotion of the Venue, Franchisee is required to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Franchisee and the Controlling Principals acknowledge that any such concept, process product, recipe, or improvement will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees or developers as it determines to be appropriate.

10.3 Noncompetition Covenants.

(a) In-Term Covenants. Franchisee and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Franchisee and the Controlling Principals will receive valuable training, trade secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System that are beyond the present skills and experience of Franchisee and the Controlling Principals and Franchisee's managers and employees. Franchisee and the Controlling Principals acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Venue, and that gaining access to such specialized training, trade secrets and confidential information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such specialized training, trade secrets, confidential information and rights, Franchisee and the Controlling Principals covenant that with respect to Franchisee, during the term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as described in Section 18.17), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Controlling Principals shall, either 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 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 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 ~~the Designated Area~~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 business interests of Franchisor. The parties agree that each of these 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 Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Controlling Principals expressly agree 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 Section.

(e) Reduction of Scope. Franchisee and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Controlling Principals agree that they shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 18.3.

(f) No Defense. Franchisee and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(g) Covenants of Managers and Franchisee's Principals. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from its Managers and all other management level personnel of Franchisee who have received or will have access to training from Franchisor. Such covenants shall be substantially in the form set forth in Attachment D. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the noncompetition covenant set forth in Attachment D or eliminate such noncompetition covenant altogether for any party that is required to execute such agreement under this Section.

10.5 Injunctive Relief. Failure to comply with the requirements of this Article shall constitute a material event of default under this Agreement. Franchisee and the Controlling Principals acknowledge that a violation of the terms of this Article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee or the Controlling Principals in violation of the terms of this Article. Franchisee and the Controlling Principals agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Article, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of this Article.

ARTICLE XI. BOOKS AND RECORDS

11.1 Books and Records. Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete and accurate books, records and accounts, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

11.2 Reports. In addition to the remittance reports required by Articles IV and VIII , Franchisee shall comply with the following reporting obligations:

(a) Monthly Statements. Franchisee shall, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, profit and loss statement for each of the twelve (12) accounting periods designated by Franchisor (the "Statement Period") (which may be unaudited) for Franchisee within fifteen (15) days after the end of each Statement Period during the term hereof. Each such statement shall be signed by Franchisee's treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct;

(b) Annual Statements. Franchisee shall, at its expense, provide to Franchisor a complete annual financial statement (which may be unaudited) for Franchisee prepared by an independent certified public accountant satisfactory to Franchisor, within ninety (90) days after the end of each fiscal year of Franchisee during the term hereof, showing the results of operations of Franchisee during such fiscal year; Franchisor reserves the right to require the financial statements described above to be audited by an independent Certified Public Accountant; and

(c) Additional Reports. Franchisee shall also submit to Franchisor, for review or auditing, such other forms, reports, records, information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in writing.

11.3 Review and Inspection. Franchisor or its designees shall have the right at all reasonable times to review, audit, examine and copy any or all of the books and records of Franchisee as Franchisor may require at the Venue. Franchisee shall make such books and records available to Franchisor or its designees immediately upon request. If any required royalty payments to Franchisor are delinquent, or if an inspection should reveal that such payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.2(d). If an inspection discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

11.4 Mistakes. Franchisee understands and agrees that the receipt or acceptance by Franchisor of any of the statements furnished or royalties paid to Franchisor (or the cashing of any royalty checks or processing of any electronic fund transfers) shall not preclude Franchisor from questioning the correctness thereof at any time and, if any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by the Franchisee and the appropriate payment shall be made by the Franchisee.

11.5 Release of Information. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Venue. Franchisee authorizes Franchisor to disclose data from Franchisee's reports, if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

11.6 Power-of-Attorney. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 6.9, Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority. This power of attorney shall survive the expiration or termination of this Agreement.

ARTICLE XII. INSURANCE

12.1 Insurance Policy. Franchisee shall procure, upon execution of this Agreement, and shall maintain in full force and effect at all times at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor and their affiliates, successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Venue.

12.2 Coverage. Such policy or policies shall be written by a responsible carrier or carriers reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time), in accordance with standards and specifications set forth in writing, the following:

(a) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in an amount not less than Two Million Dollars ($2,000,000) combined single limit.

(b) "All Risks" coverage for the full cost of replacement of the Venue premises and all other property in which Franchisor may have an interest with no coinsurance clause for the premises.

(c) Crime insurance for employee dishonesty and ~~cyber crime~~cybercrime, including credit card fraud, in an amount not less than One Million Dollars ($1,000,000) combined single limit.

(d) Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than One Million Dollars ($1,000,000) combined single limit.

(e) Liquor liability coverage in an amount not less than One Million Dollars ($1,000,000).

(f) Worker's compensation insurance in statutory amounts on all employees of Franchisee and employer's liability insurance in amounts not less than One Million Dollars ($1,000,000) per accident/disease.

(g) An "umbrella" policy providing excess coverage with limits of not less than Five Million Dollars ($5,000,000) that must be excess to the liquor liability, general liability, and automobile liability coverage required herein.

(h) Business interruption insurance covering at least twenty-four (24) months' loss of profits and necessary continuing expenses for interruptions caused by any occurrence covered by the insurance referred to in (a) and (b) above and Franchisee's royalty and advertising fund contribution calculated on the basis of the Gross Sales used as the basis for calculation of the business interruption insurance award. Such business interruption insurance shall be written on an all risks form, either as an endorsement to the policies described in (a) and (b) above or on a separate policy.

(i) Such other insurance as may be required by landlord of the premises at, or the state or locality in, which the Venue is located.

12.3 Deductibles. Franchisee may, with the prior written consent of Franchisor, elect to have reasonable deductibles in connection with the coverage required under this Section. Such policies shall also include a waiver of subrogation in favor of Franchisor, its affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them.

12.4 Builder's Risk. In connection with any construction, renovation, refurbishment or remodeling of the Venue, Franchisee shall maintain Builder's Risks/Installation insurance in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

12.5 No Limitation. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Article XV.

12.6 Additional Insured. All required insurance policies shall name Franchisor and its affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds. All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by Franchisee of any policy provisions. All public liability and property damage policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.

12.7 Certificates of Insurance. Upon execution of this Agreement, and thereafter in accordance with Article II and thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

12.8 Failure to Maintain. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in writing, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

ARTICLE XIII. DEBTS AND TAXES

13.1 Payment. Franchisee shall promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Venue under this Agreement. Without limiting the provisions of Article XV, Franchisee shall be solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether Taxes were correctly or legally asserted or not. Franchisee shall submit a copy of all tax filings sent to federal, state and local tax authorities to Franchisor within ten (10) business days after such filing has been made with the appropriate taxing authority.

13.2 No Deduction. Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes. The term "Taxes" means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Venue, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except Taxes imposed on or measured by Franchisor's net income.

13.3 Dispute. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the premises of the Venue or any improvements thereon.

13.4 Security Interest in Gross Sales. To secure payment by Franchisee of Royalty Fees, contributions to the Fund, contributions to the Cooperative and other amounts due Franchisor under this

Agreement, Franchisee grants to Franchisor a first priority security interest and lien in Franchisee's Gross Sales. To perfect this security interest, within ten days following a written request by Franchisor, Franchisee shall sign and deliver to Franchisor a Form UCC-1 financing statement suitable for filing with the Secretary of State (or other applicable authority) of the state in which Franchisee's Venue is located. Franchisee also agrees to execute and deliver such additional documents and to do all such further acts and things as Franchisor may request to evidence and further perfect its security interest in Franchisee's Gross Sales. Franchisor and Franchisee mutually agree that Franchisee shall enjoy unrestricted use of Franchisee's Gross Sales until (1) Franchisee defaults in the payment of an obligation secured by Franchisee's Gross Sales, (2) any other creditor of Franchisee asserts a security interest in or claim to Franchisee's Gross Sales superior to Franchisor's security interest, (3) Franchisee files a petition for relief under any chapter of the United States Bankruptcy Code, or (4) Franchisee becomes the subject of an involuntary petition under any chapter of the United States Bankruptcy Code that is not dismissed within 30 days after its filing. Upon the occurrence of any such event, Franchisee shall be in default under the security agreement this Section 13.4. establishes, and Franchisor may immediately exercise all the rights of a secured creditor with respect to Franchisee's Gross Sales that are provided in Article 9 of the Uniform Commercial Code.

ARTICLE XIV. TRANSFER OF INTEREST

14.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Franchisee's consent. Specifically, and without limitation to the foregoing, Franchisee agrees that Franchisor may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor to any other party. Nothing contained in this Agreement shall require Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee, if Franchisor assigns its rights in this Agreement.

14.2 Transfer by Franchisee.

(a) Consent of Franchisor. Franchisee and the Controlling Principals understand and acknowledge that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Controlling Principals and with the expectation that the duties and obligations contained in this Agreement will be performed by Franchisee and those Controlling Principals signing this Agreement. Accordingly, neither Franchisee nor any Controlling Principal, nor any successor or assign of Franchisee or any Controlling Principal, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement, in the Venue or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

(b) Conditions. If Franchisee wishes to transfer all or part of its interest in the Venue or this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Venue or in this Agreement. Franchisor may, however, in its sole discretion, require any or all of the following as conditions of its consent to any such transfer:

(i) Monetary Obligations. All of the accrued monetary obligations of Franchisee and its affiliates and all other outstanding obligations to Franchisor and its affiliates arising under this Agreement or any other agreement shall have been satisfied in a timely manner and Franchisee shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(ii) No Default. Franchisee and its affiliates shall not be in default of any provision of this Agreement, or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates, and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(iii) Release. The transferor and its principals (if applicable) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

(iv) Satisfaction of Criteria. The transferee shall demonstrate to Franchisor's satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a license, including, but not limited to, Franchisor's educational, managerial and business standards; transferee's moral character, business reputation and credit rating; transferee's aptitude and ability to operate the Venue (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; and the geographic proximity and number of other Venues owned or operated by transferee;

(v) Written Assumption. The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of the transferor contained in this Agreement; and, if transferee is an entity, transferee's owners shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(vi) New Agreement. If requested by Franchisor, the transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as Franchisor may require for the Venue, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution or expenditure requirement; provided, however, that the transferee shall not be required to pay any initial franchise fee; and, if transferee is an entity, transferee's owners shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(vii) Improvements. The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Venue and, if applicable, any vehicles used with the Venue to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements within the time period reasonably specified by Franchisor;

(viii) Liability for Prior Acts. The transferor shall remain liable for all of the obligations to Franchisor in connection with the Venue incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(ix) Training. At the transferee's expense, the transferee, the transferee's operating principal, managers (as applicable) and/or any other applicable Venue personnel shall complete any training programs then in effect for franchisees of Venues upon such terms and conditions as Franchisor may reasonably require;

(x) Transfer Fee. The transferee shall pay to Franchisor a transfer fee of Twenty Five Thousand Dollars ($25,000) and shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs;

(xi) Entity Representations. If the transferee is an entity, the transferee shall provide to Franchisor evidence satisfactory to Franchisor that the representations, warranties and covenants of Section 6.2 have been satisfied and are true and correct on the date of transfer.

(b) Reasonableness. Franchisee acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

(c) Security Interest. Franchisee shall not grant a security interest in the Venue or in any of Franchisee's assets without Franchisor's prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by Franchisor to agree that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee.

14.4 Transfer to Affiliate. If the proposed transfer is to an entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 14.2(b), except that the requirements in Sections 14.2(b)(iii), (iv), (vi), (vii), (ix) and (x) shall not apply, but Franchisee shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, legal and accounting fees and costs. With respect to a transfer to an entity formed for the convenience of ownership, Franchisee shall be the owner of all of the voting stock or interest of such entity and if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in such entity as he had in Franchisee prior to the transfer.

14.5 Right of First Refusal.

(a) Notice of Offer. If Franchisee wishes to transfer all or part of its interest in the Venue or this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur within the later of sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, or such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14.2, with respect to a proposed transfer.

(b) Non-Cash Consideration. If an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be final and binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. If Franchisor exercises its right of first refusal herein provided, it shall have the right to set off against any payment therefor (i) all fees for any such independent appraiser due from Franchisee hereunder and (ii) all amounts due from Franchisee to Franchisor or any of its affiliates.

(c) Default. Failure to comply with the provisions of this Section prior to the transfer of any interest in Franchisee, the Venue or this Agreement shall constitute a material event of default under this Agreement.

14.6 Death and Permanent Disability.

(a) Death. Upon the death of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party in accordance with the conditions described in this Article within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

(b) Permanent Disability. Upon the permanent disability of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article within six (6) months after notice to Franchisee. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity that would prevent a person from performing the obligations set forth in this Agreement or in the Controlling Principals Guaranty and Covenant attached as Attachment A to this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section. The costs of any examination required by this Section shall be paid by Franchisor.

(c) Notice. Upon the death or claim of permanent disability of Franchisee or any Controlling Principal, Franchisee or a representative of Franchisee must notify Franchisor of such death or claim of permanent disability within five (5) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article for any inter vivos transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

14.7 No Waiver. Franchisor's consent to a transfer of any interest described herein shall not constitute a waiver of any claims that Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

14.8 Public Offering. Securities in Franchisee may be offered to the public (a "public offering") only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion. As a condition of its consent to such offering, Franchisor may, in its sole discretion, require that immediately after such offering that the Controlling Principals retain a controlling interest in Franchisee. For the purpose of this Agreement, "controlling interest" shall mean that the Controlling Principals, either individually or cumulatively, are entitled, under the entity's organizational documents to cast a sufficient number of votes to require such entity to take or omit to take any action that such entity is required to take or omit to take under this Agreement.

14.9 Review of Offering Materials. All materials required for a public offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Franchisee offering (public or private) shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor and its affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in connection with the offering. For each proposed public or private offering, Franchisee shall pay to Franchisor a non-refundable fee of Ten Thousand Dollars ($10,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

14.10 Transfers by Franchisee's Principals. If any person holding an interest in Franchisee, this Agreement or the Venue (other than Franchisee or a Controlling Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Franchisee shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee will be a Franchisee's Principal and as such will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the form attached hereto as Attachment D (see Sections 10.2(b) and 10.3(g). Franchisor also reserves the right to designate the transferee as one of the Controlling Principals.

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 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 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.

ARTICLE XVI. DEFAULT AND TERMINATION

16.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Venue premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Venue shall be sold after levy thereupon by any sheriff, marshal or constable.

16.2 Default with No or Limited Right to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events.

(a) Unauthorized Location. If Franchisee operates the Venue or sells any products or services authorized by Franchisor for sale at the Venue at a location, which has not been approved by Franchisor.

(b) Failure to Acquire Location. If Franchisee fails to acquire a Location for the Venue within the time and in the manner specified in Article II.

(c) Failure to Construct. If Franchisee fails to construct or remodel the Venue in accordance with the plans and specifications provided to Franchisee under Section 5.1(c) as such plans may be adapted with Franchisor's approval in accordance with Section 2.5.

(d) Failure to Open. If Franchisee fails to open the Venue for business within the period specified in Section 2.6.

(e) Cease to Operate. If Franchisee at any time ceases to operate or otherwise abandons the Venue, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Venue is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe or other forces beyond Franchisee's control), if through no fault of Franchisee, the premises are damaged or destroyed by an event as described above, provided that Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.

(f) Conviction. If Franchisee or any of the Controlling Principals is convicted of, or has entered a plea of nolo contendere to, a felony, a crime involving moral turpitude, or any other crime 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 or Projection 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. If Franchisee fails to comply with any of the requirements imposed by the lease for the Venue premises or the related collateral assignment of lease in favor of Franchisor, and does not cure such default within the cure period, if any, specified in the lease or assignment.

(t) Cross Default. If Franchisee or any of its affiliates are in default under any Franchise 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.

ARTICLE XVII. POST-TERMINATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

17.1 Cease Operation. Franchisee shall immediately cease to operate the Venue under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

17.2 Cease Use of Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the System; the mark "Alamo Drafthouse"; and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles, which display the Marks.

17.3 Cancel Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration that contains the mark "Alamo Drafthouse" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 No Imitation. Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake, or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

17.5 Payment of Monetary Obligations. Franchisee and its Controlling Principals shall promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

17.6 Payment of Damages. Franchisee and the Controlling Principals shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article.

17.7 Return of Operations Digital Library. Franchisee shall immediately deliver to Franchisor all Operations Digital Library, records, files, instructions, correspondence, all materials related to operating the Venue, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Venue in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law.

17.8 Confidentiality and Noncompetition. Franchisee and the Controlling Principals shall comply with the restrictions on confidential information contained in Article X and shall also comply with the non-competition covenants contained in Article X. Any other person required to execute similar covenants pursuant to Article X shall also comply with such covenants.

17.9 Advertising Materials. Franchisee shall also immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost, or to require Franchisee to destroy and properly dispose of such materials. Materials not purchased by Franchisor shall not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

17.10 Signs and Menu Boards. Upon execution of this Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in the signs and menu boards used at the Venue are hereby assigned to Franchisor, and that upon termination or expiration of this Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further interest therein.

17.11 Assignment of Leases. If Franchisee operates the Venue under a lease for the Venue premises with a third party or, with respect to any lease for equipment used in the operation of the Venue, then, Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Venue or any equipment related thereto. Franchisor may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. If Franchisor does not elect to exercise its option to acquire the lease for the Venue premises or does not have such option, Franchisee shall make such modifications or alterations to the Venue premises as are necessary to distinguish the appearance of the Venue from that of other Venues operating under the System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter upon the premises of the Venue, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

17.12 Right to Purchase.

(a) Personal Property. Except as provided in Section 17.9, 17.10 and 17.11, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any projection, sound and audio visual systems and point of sale or computer systems), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Venue, at Franchisee's cost or fair market value, whichever is less. Franchisor shall be purchasing Franchisee's assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash.

(b) Real Property. In addition to the options described above and if Franchisee owns the Venue premises, then, Franchisor shall have the option, to be exercised at or within thirty (30) days 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 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 expedited delivery service within three (3) business days after transmission) 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
Austin, Texas 78701
Attention: Chief Financial Officer
Facsimile:
Email:

Notices to Franchisee and the Controlling Principals:

____
____
____
____
Attention:_________________________
Facsimile:_________________________
Email:_____________________________

Any notice 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 expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

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.

18.5 Approvals or Consents. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

18.6 No Warranties. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

18.7 Force Majeure. If a Force Majeure event shall occur, then, in addition to payments required under Section 16.2(e), Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event and the indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Article XV. Except as provided in Section 16.2(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of this Agreement to be affected thereby and a plan for resuming operation under this Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

18.8 **Law Governing. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et. seq.*), this Agreement shall for all purposes be governed by and interpreted and enforced in accordance with the Internal laws of the state of Texas, except that its choice of law and conflict of law rules shall not apply. Notwithstanding the above, Franchisee and the Controlling Principals agree that the Texas Business Opportunity Act and the Texas Deceptive Trade Practice Act (and any successor laws, rules or regulations thereto) do not apply to the transactions contemplated by this Agreement.**

WAIVER OF CONSUMER RIGHTS

I waive my rights under the Deceptive Trade Practices-Consumer Protection Act, Section 17.41 et seq., Business & Commerce Code, a law that gives consumers special rights and protections. After consultation with an attorney of my own selection, I voluntarily consent to this waiver.

__________ CONTROLLING PRINCIPALS' INITIALS

18.9 **Dispute Resolution**.

(a) **The parties mutually agree that the U.S. District Court for the Western District of Texas, or if such court lacks jurisdiction, the state courts located in Travis County, Texas, shall be the venue and exclusive forum in which to adjudicate any suit, proceeding, claim, demand, investigation, or inquiry, formal or informal (collectively, an "Action") arising from or relating to this Agreement and any related guarantees or undertakings, and the relationship established thereby, however, with respect to any Action which seeks injunctive relief or other extraordinary relief, Franchisor may bring such Action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be effected by service of process and that when so made shall be as if served personally. This Agreement was executed and accepted at Franchisor's place of business in Travis County, Texas. The parties anticipate that the performance of certain of Franchisee's obligations arising under this Agreement, including the payment of certain monies due us, shall occur in Travis County, Texas.**

(b) **Except with respect to Franchisee's and each Controlling Principal's obligation to indemnify Franchisor pursuant to Section 15.5 hereof and claims Franchisor brings for Franchisee's unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, the parties waive to the fullest extent permitted by law any right to or**

claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of an Action arising from a dispute between the parties, the parties bringing an Action shall be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor shall have the right to recover lost profits in the event of a premature termination of this Agreement based on Franchisee's material default.

(c) **Except for Actions arising from Franchisee's nonpayment or underpayment of amounts Franchisee owes Franchisor pursuant to this Agreement, or Actions related to Franchisee's unauthorized use of the Marks, any and all Actions arising out of or relating to this Agreement or the relationship created hereby shall be barred unless such Action is commenced within two years from the date on which the party asserting such Action knew or should have known of the facts giving rise to such Action.**

18.10 **JURY TRIAL WAIVER. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR CURE HEREUNDER.**

18.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

18.12 Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

18.13 Survival. Any obligation of Franchisee or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Controlling Principals therein, shall be deemed to survive such termination, expiration or transfer.

18.14 Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

18.15 Construction. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals.

18.16 Remedies. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article XVI shall not discharge or release Franchisee or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

18.17 Franchisee's Principals and Controlling Principals. The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an individual, all officers, directors and managers of Franchisee (including the officers, directors and managers of any entity that controls Franchisee) whom Franchisor designates as Franchisee's Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on Attachment B. The term "Controlling Principals" shall include, collectively and individually, any Franchisee's Principal who has been designated by Franchisor as a Controlling Principal hereunder. For purposes of this Agreement, a publicly-held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

18.18 Legal Entities. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of any other entity.

18.19 No Third-Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Article XIV), any rights or remedies under or as a result of this Agreement.

18.20 Terrorist and Money Laundering Activities. Franchisee and the Controlling Principals represent and warrant to Franchisor that neither Franchisee, nor any Franchisee's Principal, nor any of their respective Affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ ofac/). Further, Franchisee and the Controlling Principals represent and warrant that neither they nor any Franchisee's Principal or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act (text currently available at http://www.epic.org/privacy/terrorism/ hr3162.html), U.S. Executive Order 13224 (text currently available at http://www.treas.gov/offices/ enforcement/ofac/legal/eo/13224.pdf), or any similar law. The foregoing constitute continuing representations and warranties, and Franchisee and the Controlling Principals shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

ARTICLE XIX. ACKNOWLEDGMENTS

19.1 Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

19.2 Review and Understanding. Franchisee acknowledges that it has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

19.3 Receipt of Documents. Franchisee acknowledges that it received a complete copy of this Agreement and all related Attachments and agreements at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received the Franchise Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

ALAMO DRAFTHOUSE CINEMAS, LLC

By: ____
Name: ____
Title: ____

FRANCHISEE:

____

By:____
Name:____
Title:____

Attachment A

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 it 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.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Franchisee shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Franchisee, notwithstanding any change(s) in the name or shareholders of the Franchisee, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

Date:______________________________, 20___ ____
Printed Name:*____________________________

Date:______________________________, 20___ ____
Printed Name:_____________________________

* Denotes individual who is Franchisee's Operating Principal

LOCATION, ~~DESIGNATED AREA~~POTENTIAL SITE AREA, LIMITED FA AREA, LIMITED FA EXCLSUIVITY 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. ~~DESIGNATED~~POTENTIAL SITE AREA

Pursuant to Section ~~1.3~~1.2(a) of the Franchise Agreement, the ~~Designated~~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__.

~~4.~~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:

Name	Percentage of Ownership/Nature of Interest
______________________________	______________________________
______________________________	______________________________
______________________________	______________________________

~~5.~~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 6th Street

Austin, TX 78701
Attn: CFO

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 bearing the name of Franchisor or any proprietary marks of Franchisor from the Leased Premises. Landlord agrees to cooperate in a commercially reasonable manner with Franchisor and Tenant in completing removal of all such proprietary marks and materials, without expense to Landlord. If Tenant fails to promptly undertake these actions, then Landlord agrees to allow Franchisor access to the Leased Premises to complete removal of all of these items.

__.5 At the request of Franchisor, Landlord agrees to provide Franchisor with copies of all information in its possession relating to sales of goods or services made in or from the Leased Premises from time to time, provided that Franchisor pays the reasonable expense of locating and transmitting such information to Franchisor.

__.6 Landlord agrees that Franchisor shall be deemed to be a [Permitted Assignee] for all purposes with respect to the provisions set forth in Section ___. Tenant shall not be permitted to assign the Lease or sublet any portion of the Leased Premises without the prior written consent of Franchisor.

Landlord and Tenant acknowledge and agree that Franchisor is an express third party beneficiary of the provisions of this Section ___ and shall be entitled to enforce these provisions. This provision may not be amended or modified by Landlord and Tenant in any respect without the prior written consent of Franchisor.

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.

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. <u>Covenants Not to Compete</u>

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 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 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 <u>Section 8.2(g)</u> of the Development Agreement.

b. Employ, or seek to employ, any person who is at the time or was within the preceding ninety (90) days employed by Franchisor, any of its affiliates or any franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

*c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person or entity, 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 business is, or is intended to be, located within ~~the Designated Area~~a fifty (50)-mile radius of the former Venue's Location or within a fifty mile (50)-mile radius of the location of any Venue in existence or under construction at any given time during such period.

C. Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF TRAVIS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURTS FOR THE WESTERN DISTRICT OF TEXAS, AUSTIN DIVISION. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE TRAVIS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

May be deleted if Franchisor does not require Operator to obtain the execution of this covenant by Covenantor. See Section 10.3(g) of the Franchise Agreement.

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 personal delivery, 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), 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
Austin, Texas 78701
Attention: Chief Financial Officer
Facsimile:
Email:

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. 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.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The

respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

ALAMO DRAFTHOUSE CINEMAS, LLC

By:____
Name:______________________________________
Title:_______________________________________

FRANCHISEE:

____

By: _______________________________________
Name:______________________________________
Title:_______________________________________

COVENANTOR:

____
Name: _____________________________________

SBA ADDENDUM RELATING TO
ALAMO DRAFTHOUSE CINEMAS, LLC FRANCHISE AGREEMENT

THIS SBA ADDENDUM ("Addendum") is made and entered into on _________, 20__, by Alamo Drafthouse Cinemas, LLC, a Texas limited liability company located at 612 E 6th Street, Austin, Texas 78701 ("Franchisor"), and ___________, a ____________________ located at __________________________ ("Franchisee").

Recitals. Franchisor and Franchisee entered into a Franchise Agreement on __________, 20__, ("Franchise Agreement"). Franchisee agreed, among other things, to operate and maintain a 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"). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties 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:

   (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.

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.

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.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

FRANCHISOR:

ALAMO DRAFTHOUSE CINEMAS, LLC

By: ____
Name: ____
Title: ____

FRANCHISEE:

____

By:____
Name:____
Title:____

EXHIBIT A-2

STATE AMENDMENTS TO FRANCHISE AGREEMENT

~~AMENDMENT TO ALAMO DRAFTHOUSE CINEMA, LLC~~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.~~

~~c. 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:~~ ______________________________

~~Print Name:~~ ______________________

~~Its:~~ ______________________________

~~Effective Date:~~ ____________________

~~By:~~ ______________________________

~~Print Name:~~ ______________________

~~Its:~~ ______________________________

~~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: ____________________________~~	~~By: ____________________________~~
~~Print Name: ______________________~~	~~Print Name: ______________________~~
~~Its: ____________________________~~	~~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:~~ __________________________	~~By:~~ __________________________
~~Print Name:~~ ____________________	

~~Its:~~ ______________________

~~Print Name:~~ ______________________

~~Effective Date:~~ ______________________

~~Its:~~ ______________________

~~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: ______________________________~~	~~By: ______________________________~~
~~Print Name: ________________________~~	

~~Its:~~ ______________________

~~Effective Date:~~ ______________________

~~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 a s 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:~~ ______________________	~~By:~~ ______________________
~~Print Name:~~ __________________	~~Print Name:~~ __________________
~~Its:~~ ______________________	

~~Effective Date:~~ ~~Its:~~

~~Date:~~

~~EXHIBIT B-1~~

~~FRANCHISE AGREEMENT~~

~~EXHIBIT B-2~~

~~STATE AMENDMENTS~~
~~TO~~
~~FRANCHISE AGREEMENT~~

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

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"):

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.

h. If the Franchise Agreement requires an interest rate greater than 10% per annum (the highest amount allowed in California), such interest rate will be reduced to 10% per annum.

i. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

2. 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	**FRANCHISEE**
Alamo Drafthouse Cinemas, LLC, **a Texas limited liability company**	______________________________ ______________________________
By: __________________________	By: __________________________

Print Name: ______________________

Its: ______________________________

Effective Date: ____________________

Print Name: ______________________

Its: ______________________________

Date: ____________________________

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

The Alamo Drafthouse Cinemas, LLC Franchise Agreement between ___________________________ ("Franchisee" or "You") and Alamo Drafthouse 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 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 Illinois law applicable to the provisions are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties have signed this Agreement. On execution and delivery of this Agreement by both parties, the effective date will be the date first above written.

FRANCHISOR	**FRANCHISEE**
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
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. 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.

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. 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 not intended to and shall not 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 shall 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 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	FRANCHISEE
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
FRANCHISE AGREEMENT
<u>FOR THE STATE OF MINNESOTA</u>

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"):

<u>MINNESOTA LAW MODIFICATIONS</u>

1. 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 <u>et</u> <u>seq</u>., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Franchise 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 Franchisee's use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does <u>not</u> indemnify against the consequences of Franchisee's use of the Proprietary Marks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, Franchisee 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 Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise 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 Franchisee be given written notice of a Franchisor's intention not to renew 180 days prior to expiration of the franchise and that Franchisee be given sufficient opportunity to operate the franchise in order to enable Franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise 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 Franchisee be given 90 days' notice of termination (with 60 days to cure). If the Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.

d. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee 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 Franchise 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 Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. If the Franchise Agreement and/or the Franchise Disclosure Document requires Franchisee to sue Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of Franchisee 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 Franchise Agreement and/or the Franchise Disclosure Document contains a provision that is inconsistent with the Minn. Rule, the provisions of the Franchise 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 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	**FRANCHISEE**
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
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

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"):

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.

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	**FRANCHISEE**
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
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. Section 18.10 of the Franchise 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 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
<u>FOR THE STATE OF RHODE ISLAND</u>

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"):

<u>RHODE ISLAND LAW MODIFICATIONS</u>

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.

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	**FRANCHISEE**
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
FRANCHISE AGREEMENT
FOR THE STATE OF VIRGINIA

The Alamo Drafthouse Cinemas, LLC Franchise Agreement between __________________________ ("Franchisee" or "You") and Alamo Drafthouse 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"):

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 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 under the Franchise 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 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, Franchisee 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 Franchise Agreement on ______________________, ________.

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 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.

b. If Franchisee is required in the Franchise Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Franchise Agreement 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.

2. 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	FRANCHISEE
Alamo Drafthouse Cinemas, LLC, **a Texas limited liability company**	______________________________ ______________________________
By: ___________________________	By: ___________________________
Print Name: ____________________	Print Name: ____________________
Its: ___________________________	Its: ___________________________
Effective Date: _________________	Date: __________________________

EXHIBIT ~~C~~B-1

FINANCIAL STATEMENTS
Alamo Drafthouse Cinemas Holdings, LLC

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

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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.

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 & Ritter LLP

Austin, Texas
April 30, 2019

ALAMO DRAFTHOUSE CINEMAS HOLDINGS, LLC

CONSOLIDATED BALANCE SHEET
DECEMBER 27, 2018

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

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	190,427,356
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	183,312,138
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	(22,234,132)
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		
	Units	Amount	Units	Amount	Total
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

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.

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
	118,209,290
Less accumulated depreciation and amortization	(35,584,546)
Land	4,708,143
Construction in process	8,458,012
Theater properties and equipment, net	$ 95,790,899

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	1,585,060
	7,892,835
Less accumulated amortization	(800,917)
Intangible assets, net	$ 7,091,918

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	1,468,459
Total	$ 7,091,918

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 of Debt Issuance Costs	Long-term 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	$ 69,125,000	$ (1,325,036)	$ 67,799,964

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	161,890,531
Total	$ 231,743,400

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-Owned Theaters	Franchisor-Owned Theaters	Total Theaters
Total theaters operating as of December 28, 2017	17	12	29
Theaters opened	7	1	8
Reacquired franchises	(4)	4	-
Theaters closed	(1)	-	(1)
Total theaters operating as of December 27, 2018	19	17	36

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 Three Fiscal Periods Ended March 28, 2019
Unaudited

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

Consolidated Balance Sheets

	March 29,, 2018	March 28, 2019
ASSETS		
Current Assets		
Cash	6,276,079	4,163,140
Accounts Receivable	4,434,562	5,907,640
Inventory	2,651,655	4,263,815
Prepaid Assets	4,605,408	6,620,727
Total Current Assets	**17,967,705**	**20,955,322**
Fixed Assets	83,741,292	102,212,228
Other Assets	102,500	656,358
Deposits	243,793	577,127
Intangibles	3,232,888	17,492,190
TOTAL ASSETS	**105,288,178**	**141,893,224**
LIABILITIES AND MEMBERS' CAPITAL		
Current Liabilities		
Accounts Payable	7,991,305	9,347,310
Accrued Liabilities	12,139,141	14,801,592
Stored Value Card Liability	1,442,799	4,775,963
Current Portion of Long-Term Debt	6,155,162	5,711,207
Total Current Liabilities	**27,728,407**	**34,636,072**
Deferred Rent	32,479,529	32,985,858
Other Long Term Liabilities	2,000	2,188,269
Notes Payable	45,957,079	70,888,793
TOTAL LIABILITIES	**106,167,015**	**140,698,992**
Members' Capital	(30,493,957)	(5,319,569)
Retained Earnings	29,615,121	6,513,802
TOTAL MEMBERS' CAPITAL	**(878,836)**	**1,194,232**
TOTAL LIABILITIES AND MEMBERS' CAPITAL	**105,288,178**	**141,893,224**

UNAUDITED

See accompanying notes to the financial statements

Alamo Drafthouse Cinemas Holdings, LLC

Consolidating Balance Sheets

March 28,2019	ADC Operations	Theatre Operations	Mondo Operations	Other Subsidiaries	Consolidated Operations	Eliminating Entries	Adjusted Consolidated Operations
ASSETS							
Current Assets							
Cash	6,515,052	(2,009,765)	(321,451)	(20,695)	4,163,140		4,163,140
Accounts Receivable and Intercompany	48,038,463	(40,134,867)	(1,851,263)	(144,694)	5,907,640		5,907,640
Inventory	-	1,399,605	2,864,209	-	4,263,815		4,263,815
Prepaid Assets	1,713,773	2,484,497	2,366,433	56,024	6,620,727		6,620,727
Total Current Assets	**56,267,288**	**(38,260,531)**	**3,057,928**	**(109,364)**	**20,955,322**		**20,955,322**
Fixed Assets	3,781,532	98,266,117	108,736	55,843	102,212,228		102,212,228
Other Assets	456,358	200,000	-	-	656,358		656,358
Deposits	24,366	525,241	25,501	2,020	577,127		577,127
Intangibles	1,810,612	15,559,058	122,520	-	17,492,190		17,492,190
Investment in subsidiaries	21,356,016	2,878,000	-	-	24,234,016	(24,234,016)	-
TOTAL ASSETS	**83,696,171**	**79,167,885**	**3,314,685**	**(51,501)**	**166,127,240**		**141,893,224**
LIABILITIES AND MEMBERS' CAPITAL							
Current Liabilities							-
Accounts Payable	1,313,206	7,631,808	387,036	15,260	9,347,310		9,347,310
Accrued Liabilities	4,388,306	7,555,066	2,675,568	182,652	14,801,592		14,801,592
Stored Value Card Liability	4,743,123	-	32,839		4,775,963		4,775,963
Current Portion of Long-Term Debt	5,711,207				5,711,207		5,711,207
Total Current Liabilities	**16,155,843**	**15,186,874**	**3,095,443**	**197,912**	**34,636,072**		**34,636,072**
Deferred Rent	-	32,985,858	-		32,985,858		32,985,858
Other Long Term Liabilities	2,188,269				2,188,269		2,188,269
Notes Payable	70,888,793				70,888,793		70,888,793
TOTAL LIABILITIES	**89,232,905**	**48,172,732**	**3,095,443**	**197,912**	**140,698,992**		**140,698,992**
Members' Capital	11,969,845	11,937,597	(4,992,995)		18,914,447	(24,234,016)	(5,319,569)
Retained Earnings	(17,506,578)	19,057,556	5,212,236	(249,413)	6,513,802		6,513,802
TOTAL MEMBERS' CAPITAL	**(5,536,734)**	**30,995,153**	**219,242**	**(249,413)**	**25,428,248**		**1,194,232**
TOTAL LIABILITIES AND MEMBERS' CAPITAL	**83,696,171**	**79,167,885**	**3,314,685**	**(51,501)**	**166,127,240**		**141,893,224**

UNAUDITED

See accompanying notes to the financial statements

Alamo Drafthouse Cinemas Holdings, LLC

Consolidated Statements of Operations

Three fiscal periods ended,	March 29, 2018	March 28, 2019
Revenues		
Royalty and Management Fee Revenues	126,170	1,532,774
Internet Ticketing Fee Revenue	2,193,709	2,563,130
Other Fee Revenues	404,444	255,272
Theatre Admission Revenues	15,748,954	13,983,962
Theatre Food and Alcohol Revenues	24,784,344	22,307,713
Mondo Revenues	2,905,879	3,699,457
Other Revenues	415,967	902,362
Total Revenues	**46,579,465**	**45,244,670**
Costs of Sales		
Theatre Admission Costs	8,741,330	8,021,233
Theatre Food and Alcohol Costs	5,774,167	5,050,388
Mondo Costs	1,708,704	2,257,461
Other Costs	303,718	446,385
Total Costs of Sales	**16,527,920**	**15,775,468**
Gross Margin	**30,051,546**	**29,469,203**
Operating Costs		
Payroll	12,695,384	14,984,443
Advertising	827,136	813,936
Professional Fees	786,543	477,097
Rent	3,673,393	4,214,245
Insurance	840,367	1,277,754
Travel	244,970	459,129
Repairs and Maintenance	1,861,691	1,935,094
General and Admin	1,498,413	2,046,565
Other Operating Expenses	2,185,755	2,285,932
Total Operating Expenses	24,613,652	28,494,196
EBITDA	**5,437,894**	**975,006**
Other (Income)/Expense		
Occupancy - Non-cash	(247,117)	(222,043)
Depreciation and Amortization	2,526,926	2,541,433
Interest Expense & Derivative Gain/Loss	516,507	1,495,526
Non-recurring Expenses (Note 1)	-	1,049,910
Pre-Opening Expenses	549,963	29,390
Other Gain/Loss	(16,703)	-
Taxes	48,218	76,720
Total Other (Income)/Expense	**3,377,794**	**4,970,936**
Net Income	**2,060,100**	**(3,995,929)**

UNAUDITED

See accompanying notes to the financial statements

Three fiscal periods ended March 28, 2019	ADC Operations	Theatre Operations	Mondo Operations	Other Subsidiaries	Consolidated Operations
Revenues					
Royalty and Management Fee Revenues	1,532,774				1,532,774
Internet Ticketing Fee Revenue	2,563,130				2,563,130
Other Fee Revenues	255,272				255,272
Theatre Admission Revenues	-	13,983,962			13,983,962
Theatre Food and Alcohol Revenues	-	22,307,713			22,307,713
Mondo Revenues	-		3,699,457		3,699,457
Other Revenues	696,427			205,935	902,362
Total Revenues	**5,047,602**	**36,291,675**	**3,699,457**	**205,935**	**45,244,670**
Costs of Sales					
Theatre Admission Costs	-	8,021,233			8,021,233
Theatre Food and Alcohol Costs	-	5,050,388			5,050,388
Mondo Costs	-		2,257,461		2,257,461
Other Costs	440,761			5,624	446,385
Total Costs of Sales	**440,761**	**13,071,621**	**2,257,461**	**5,624**	**15,775,468**
Gross Margin	**4,606,841**	**23,220,054**	**1,441,996**	**200,312**	**29,469,203**
Operating Costs					
Payroll	4,829,783	9,184,162	859,142	111,356	14,984,443
Advertising	191,727	441,706	122,602	57,900	813,936
Professional Fees	469,710		5,736	1,651	477,097
Occupancy - Cash	55,643	4,064,119	94,483		4,214,245
Insurance	831,669	420,146	19,351	6,588	1,277,754
Travel	421,647		36,882	600	459,129
Repairs and Maintenance	-	1,906,879	6,779	21,436	1,935,094
General and Admin	1,029,295	839,089	118,976	59,204	2,046,565
Other Operating Expenses	222,943	1,984,235	72,074	6,681	2,285,932
Total Operating Expenses	8,052,417	18,840,337	1,336,026	265,416	28,494,196
EBITDA	**(3,445,576)**	**4,379,717**	**105,970**	**(65,104)**	**975,006**
Other (Income)/Expense					-
Occupancy - Non-cash		(222,043)			(222,043)
Depreciation and Amortization	183,184	2,341,798	15,191	1,260	2,541,433
Interest Expense & Derivative Gain/Loss	1,495,526	-			1,495,526
Non-recurring Expenses (Note 1)	1,049,910		-		1,049,910
Pre-Opening Expenses		29,390			29,390
Other (Gain)/Loss				-	-
Taxes	7,500	67,975	1,245		76,720
Total Other (Income)/Expense	**2,736,120**	**2,217,120**	**16,436**	**1,260**	**4,970,936**
Net Income	**(6,181,696)**	**2,162,597**	**89,534**	**(66,364)**	**(3,995,929)**

UNAUDITED

See accompanying notes to the financial statements

Fiscal quarter ended March 28, 2019	ADC Operations	Theatre Operations	Mondo Operations	Other Subsidiaries	Consolidated Operations
Revenues					
Royalty and Management Fee Revenues	1,532,774				1,532,774
Internet Ticketing Fee Revenue	2,563,130				2,563,130
Other Fee Revenues	255,272				255,272
Theatre Admission Revenues		13,983,962			13,983,962
Theatre Food and Alcohol Revenues		22,307,713			22,307,713
Mondo Revenues			3,699,457		3,699,457
Other Revenues	696,427			205,935	902,362
Total Revenues	**5,047,602**	**36,291,675**	**3,699,457**	**205,935**	**45,244,670**
Costs of Sales					
Theatre Admission Costs		8,021,233			8,021,233
Theatre Food and Alcohol Costs		5,050,388			5,050,388
Mondo Costs			2,257,461		2,257,461
Other Costs	440,761			5,624	446,385
Total Costs of Sales	**440,761**	**13,071,621**	**2,257,461**	**5,624**	**15,775,468**
Gross Margin	**4,606,841**	**23,220,054**	**1,441,996**	**200,312**	**29,469,203**
Operating Costs					
Payroll	4,829,783	9,184,162	859,142	111,356	14,984,443
Advertising	191,727	441,706	122,602	57,900	813,936
Professional Fees	469,710		5,736	1,651	477,097
Occupancy - Cash	55,643	4,064,119	94,483		4,214,245
Insurance	831,669	420,146	19,351	6,588	1,277,754
Travel	421,647		36,882	600	459,129
Repairs and Maintenance		1,906,879	6,779	21,436	1,935,094
General and Admin	1,029,295	839,089	118,976	59,204	2,046,565
Other Operating Expenses	222,943	1,984,235	72,074	6,681	2,285,932
Total Operating Expenses	8,052,417	18,840,337	1,336,026	265,416	28,494,196
EBITDA	**(3,445,576)**	**4,379,717**	**105,970**	**(65,104)**	**975,006**
Other (Income)/Expense					-
Occupancy - Non-cash		(222,043)			(222,043)
Depreciation and Amortization	183,184	2,341,798	15,191	1,260	2,541,433
Interest Expense & Derivative Gain/Loss	1,495,526	-			1,495,526
Non-recurring Expenses (Note 1)	1,049,910		-		1,049,910
Pre-Opening Expenses		29,390			29,390
Other (Gain)/Loss				-	-
Taxes	7,500	67,975	1,245		76,720
Total Other (Income)/Expense	**2,736,120**	**2,217,120**	**16,436**	**1,260**	**4,970,936**
Net Income	**(6,181,696)**	**2,162,597**	**89,534**	**(66,364)**	**(3,995,929)**

Alamo Drafthouse Cinemas Holdings, LLC

Consolidated Statements of Cash Flows[1]

For the Three Fiscal Quarters Ended,		March 28, 2019
Operating Activities:		
Net Income (Loss)	$	(8,523,934)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization		2,541,433
Change in Operating Assets and Liabilities, Net:		
Accounts Receivable		(2,251,819)
Inventory		(1,153,639)
Prepaid Expenses		(687,344)
Deposits		(20,178)
Other Assets		(251,358)
Intangibles		624,018
Accounts Payable		453,497
Accrued Liabilities		3,883,255
Stored Value Liability		3,962,770
Deferred Rent		708,288
Other Long Term Liabilities		2,020,365
Net cash provided by Operating Activities		1,305,354
Investing Activities:		
Purchase of Property, Plant and Equipment		(12,354,170)
Net cash used in Investing Activities		(12,354,170)
Financing Activities:		
Partner Distributions		-
Issuance of Partner Units		-
Borrowing on Note Payable		8,350,000
Principal Payments for Note Payable		(1,750,000)
Net cash provided by (used in) Financing Activities		6,600,000
Net increase in cash		(4,448,816)
Cash, Beginning of Year		8,611,956
Cash, End of Year	$	4,163,139

[1] Fiscal quarter view presented to eliminate transactional variances unrelated to operations

See accompanying note to the financial statements.

UNAUDITED

Alamo Drafthouse Cinemas Holdings, LLC

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. This document is furnished for purposes of identifying preliminary indications of interest only and does not constitute an offer.

Note 1

In June 2018, the Company consummated a transaction which consolidated operations of formerly independent holding companies. This was effected through an equity raise of $65.5MM and total debt financing of $105MM. As part of this re-organization process, the company recognized $1,049,910 in non-recurring transaction expenses related to this transaction during the fiscal periods one through three 2019. These expenses have been segregated in the line item "Non-recurring Transaction Expenses" to provide continuity in the comparative presentation.

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 612 A East 6th Street, Austin, Texas 78701, absolutely and unconditionally guarantees to assume the duties and obligations of Alamo Drafthouse Cinemas, LLC located at 612 A East 6th Street, Austin, Texas 78701 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2019 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 Austin, Texas on the 28th day of May, 2019.

Guarantor:

Alamo Drafthouse Cinemas Holding, LLC
a Delaware limited liability company

By: [signature]
Name: Martin Hornsby
Title: CFO

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 612 A East 6th Street, Austin, Texas 78701 of all the obligations of Alamo Drafthouse Cinemas, LLC, located at 612 A East 6th Street, Austin, Texas 78701 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 Austin, Texas on the 28th day of May, 2019.

Alamo Drafthouse Cinemas Holding, LLC
a Delaware limited liability company

By: ______________________
Name: Martin Hornsby
Title: CFO

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 612 A East 6th Street, Austin, Texas 78701, absolutely and unconditionally guarantees to assume the duties and obligations of Alamo Drafthouse Cinemas, LLC, located at 612 A East 6th Street, Austin, Texas 78701 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2019 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 Austin, Texas on the 28th day of May, 2019.

Alamo Drafthouse Cinemas Holding, LLC
a Delaware limited liability company
By: [signature]
Name: Martin Hornsby
Title: CFO

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

MAXWELL LOCKE & RITTER LLP
Accountants and Consultants
An Affiliate of CPAmerica International
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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.

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 & Ritter LLP

Austin, Texas
September 27, 2018

ALAMO DRAFTHOUSE CINEMAS, LLC

CONSOLIDATED BALANCE SHEET
DECEMBER 28, 2017

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
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
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
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 Drafthouse Cinemas, LLC	Non-controlling 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	$ 2,337,767	$ 1,532,327	$ 3,870,094

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.

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
	20,036,972
Less accumulated depreciation and amortization	(2,269,159)
Land	506,970
Total	$ 18,274,783

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)
Total	$ 1,162,129

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	29,511
Total	$ 1,162,129

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	2,806,845
Total debt	4,088,789
Less: current maturities	(705,984)
Long-term debt	$ 3,382,805

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 of Debt Issuance Costs	Long-term 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	1,037,400	(10,814)	1,026,586
Total	$ 4,088,789	$ (67,862)	$ 4,020,927

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	53,528,071
Total	$ 62,014,036

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	(10,019,085)
Total, net	$ 4,917,660

9. FRANCHISED THEATRES

The following is a summary of theatres. Franchised theatres include sites operating under franchise and license agreements.

	Franchisee-Owned Theatres	Franchisor-Owned Theatres	Total Theatres
Total theatres operating at December 29, 2016	11	14	25
Theatres opened	2	3	5
Theatres closed	(1)	-	(1)
Total theatres operating at December 28, 2017	12	17	29

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.

ALAMO DRAFTHOUSE CINEMAS, LLC

Consolidated Financial Statements as of and for the Year Ended December 29, 2016 and Independent Auditors' Report

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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 29, 2016, 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.

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 29, 2016, 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.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for inventory and debt issuance costs in 2016 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2015-11 and Updates No. 2015-03 and 2015-15, respectively. Our opinion is not modified with respect to these matters.

Maxwell Locke & Ritter LLP

Austin, Texas
April 30, 2017

ALAMO DRAFTHOUSE CINEMAS, LLC

CONSOLIDATED BALANCE SHEET
DECEMBER 29, 2016

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,097,126
Accounts receivable	2,397,338
Tenant improvements receivable	1,685,156
Inventory	107,694
Related party receivables	2,075,766
Prepaid expenses and other current assets	261,421
Total current assets	7,624,501
PROPERTY AND EQUIPMENT, net	18,934,059
GOODWILL	558,077
OTHER ASSETS	10,073
TOTAL	$ 27,126,710
LIABILITIES AND MEMBERS’ CAPITAL	
CURRENT LIABILITIES:	
Accounts payable	$ 2,934,613
Accrued expenses	1,356,317
Stored value card liability	4,185,560
Deferred revenue	730,696
Current portion of long-term debt, less debt issuance costs	658,281
Total current liabilities	9,865,467
DEFERRED RENT	12,617,594
LONG-TERM DEBT, less debt issuance costs	4,023,067
Total liabilities	26,506,128
MEMBERS’ CAPITAL:	
Members’ deficit	(955,604)
Non-controlling interest in subsidiary	1,576,186
Total members’ capital	620,582
TOTAL	$ 27,126,710

See notes to consolidated financial statements.

ALAMO DRAFTHOUSE CINEMAS, LLC

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 29, 2016

REVENUES:	
Franchise royalties	$ 8,156,798
Internet fees	3,520,115
Merchandise and other management revenue	1,670,792
Food, beverage, and other sales	1,717,329
Box office admissions	1,174,172
Service fees	975,145
Gift card fees	904,550
Total revenues	18,118,901
COST OF REVENUES:	
Cost of franchise royalties and management contract fees	4,190,668
Cost of merchandise and other management revenue	1,805,556
Film rental	623,664
Cost of food, beverage, and other sales	373,957
Total cost of revenues	6,993,845
GROSS PROFIT	11,125,056
OPERATING EXPENSES:	
Labor	3,252,072
Pre-opening expenses	1,738,576
Professional fees	741,161
Office expense	715,600
Information systems	543,165
Travel	527,222
Promotional	501,744
Depreciation and amortization	464,083
General and administrative	430,645
Other operating expenses	408,400
Rent	1,865,374
Total operating expenses	11,188,042
LOSS FROM CONTINUING OPERATIONS	(62,986)
INTEREST EXPENSE	(190,246)
NET LOSS FROM CONTINUING OPERATIONS BEFORE STATE INCOME TAXES	(253,232)
STATE INCOME TAX EXPENSE	30,530
NET LOSS FROM CONTINUING OPERATIONS	(283,762)
DISCONTINUED OPERATIONS (NOTE 5):	
Income from discontinued operations	95,508
Loss on disposition of discontinued operations	(44,741)
Loss from discontinued operations	50,767
NET LOSS	(232,995)
Less: loss attributable to non-controlling interest	(1,479,554)
NET INCOME ATTRIBUTABLE TO ALAMO DRAFTHOUSE CINEMAS, LLC	$ 1,246,559

See notes to consolidated financial statements.

ALAMO DRAFTHOUSE CINEMAS, LLC

CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL
YEAR ENDED DECEMBER 29, 2016

	Alamo Drafthouse Cinemas, LLC	Non-controlling Interest	Total
BALANCE, December 31, 2015	(127,975)	2,955,740	2,827,765
Contributions from members	500,000	-	500,000
Distributions to members	(2,802,161)	-	(2,802,161)
Issuance of Class A Units	-	100,000	100,000
Issuance of Class B Units	460,023	-	460,023
Repurchase of Class B Units	(232,050)	-	(232,050)
Net income (loss)	1,246,559	(1,479,554)	(232,995)
BALANCE, December 29, 2016	$ (955,604)	$ 1,576,186	$ 620,582

See notes to consolidated financial statements.

ALAMO DRAFTHOUSE CINEMAS, LLC

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 29, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (232,995)
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss on disposition of subsidiary (Note 5)	44,741
Depreciation and amortization	464,083
Non-cash interest expense	5,942
Deferred rent	1,459,458
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	(558,160)
Tenant improvements receivable	3,310,876
Inventory	(107,694)
Related party receivables	(657,144)
Prepaid expenses and other assets	(47,522)
Accounts payable	(719,352)
Accrued expenses	725,734
Stored value card liability	728,534
Deferred revenue	108,273
Net cash provided by operating activities	4,524,774
CASH FLOWS FROM INVESTING ACTIVITIES-	
Purchases of property and equipment	(7,313,826)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long-term debt	2,925,000
Payments on long-term debt	(49,614)
Contributions from members	500,000
Issuance of Class A Units	100,000
Issuance of Class B Units	460,023
Distributions to members	(2,802,161)
Repurchase of Class B Units	(232,050)
Net cash provided by financing activities	901,198
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,887,854)
CASH AND CASH EQUIVALENTS, beginning of year	2,984,980
CASH AND CASH EQUIVALENTS, end of year	$ 1,097,126
SUPPLEMENTAL DISCLOSURES:	
Interest paid in cash	$ 184,304
Taxes paid in cash	$ 30,530
SUPPLEMENTAL NONCASH DISCLOSURE-	
Tenant improvement allowances	$ 1,363,610

See notes to consolidated financial statements.

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.

Prior to December 29, 2016, ADC had a wholly-owned subsidiaries, Alamo Management Drafthouse Company, LLC ("Management"). On December 29, 2016, ADC transferred the ownership of Management to related parties. As such, the operations of Management prior to the disposition are presented as discontinued operations for the year ended December 29, 2016 (Note 5).

Basis of Presentation - The 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.

Accounting 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 29, 2016 was comprised of 52 weeks.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less.

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 29, 2016.

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.

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	5 - 15 years
Theatre and restaurant equipment	5 - 7 years
Furniture and fixtures	3 - 7 years
Computer and software	3 - 5 years
Building	39 years

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in 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 the fair value, if the carrying amount of the asset is not recoverable. Management believes there was no impairment of long-lived assets as of December 29, 2016.

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.

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.

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 - 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, service fees and other revenue are recognized when services are performed for the Company's customers.

Advertising Costs - Advertising costs are charged to expense as incurred. Advertising costs totaled $490,576 for the year ended December 29, 2016.

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. The Company has evaluated its tax positions for all open tax years, and management believes the Company has no material uncertain tax positions and has recorded no related interest or penalties for the year ended December 29, 2016.

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.

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 29, 2016, 44% of the Company's accounts receivable was attributable to two customers.

Stock-based Compensation - The Company accounts for stock-based compensation transactions using a fair-value method and recognizes stock-based compensation expense on a straight-line basis in the consolidated statement of operations over the requisite vesting period.

Changes in Accounting Principles for Recently Adopted Accounting Pronouncements - As a result of changes in the accounting standards for inventory, inventory is measured at the lower of cost or net realizable value rather than the lower of cost or market for inventory in which cost is determined using first-in, first-out or average cost. The standard was adopted effective January 1, 2016 and the guidance was applied prospectively to inventory existing as of that date and recognized subsequent to that date. Accordingly, there was no effect to members' capital as of December 31, 2015.

As a result of changes in requirements for reporting debt issuance costs, presentation and disclosure of debt issuance costs are different than under previous standards. There was no effect to members' capital as of December 31, 2015.

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 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, which modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership, revises the analysis of VIEs in which the reporting entity has fee arrangements or related party relationships, and provides a scope exception from consolidation guidance for reporting entities with interests in certain investment funds. The standard is effective retrospectively for fiscal years beginning after December 15, 2016 and early adoption is permitted. Due to the change in requirements for determining variable interest entities, presentation and disclosure of variable interest entities will be different than under current standards upon adoption of the standard.

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.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 29, 2016:

Leasehold improvements	$ 13,650,243
Theatre and restaurant equipment	2,299,857
Building	1,588,863
Furniture and fixtures	1,157,319
Computer and software	699,737
	19,396,019
Less accumulated depreciation and amortization	(968,930)
Land	506,970
Total	$ 18,934,059

3. LONG-TERM DEBT

The Company's debt obligations consisted of the following at December 29, 2016:

$1,520,000 Promissory Note with a bank, net of debt issuance costs ($23,384 at December 29, 2016), 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	$ 1,306,767
$3,425,000 Promissory Note with a bank, net of deferred costs ($50,419 December 29, 2016), 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	3,374,581
Total debt	4,681,348
Less: current maturities	(658,281)
Long-term debt	$ 4,023,067

Future minimum payments under long-term debt obligations and future amortization of debt issuance costs consisted of the following at December 29, 2016:

	Principal	Amortization of Debt Issuance Costs	Long-term Debt, net
2017	$ 671,137	$ (12,856)	$ 658,281
2018	705,984	(14,262)	691,722
2019	742,644	(14,262)	728,382
2020	780,825	(14,262)	766,563
2021	821,765	(14,262)	807,503
Thereafter	1,032,796	(3,899)	1,028,897
Total	$ 4,755,151	$ (73,803)	$ 4,681,348

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.

4. MEMBERS' CAPITAL

At December 29, 2016, there were 9,000,000 of 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. During the year ended December 29, 2016, the Company sold 100,000 fully vested Class B Units to an investor in exchange for $460,023. At December 29, 2016, 412,000 outstanding Class B Units were fully vested.

The Company has the option to purchase the vested units at fair market value upon termination of an employee or consulting arrangement. During the year ended December 29, 2016, 50,000 vested Class B Units were repurchased in exchange for $232,050.

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 29, 2016, there was $1,280,775 in preferred returns distributed.

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.

5. DISCONTINUED OPERATIONS AND NET ASSETS TRANSFERRED

On December 29, 2016, the Company disposed of its ownership in Management through an assignment of membership interest to related entities without cash consideration or provision for contingent consideration at a future date. The operating results of Management are presented as discontinued operations in the consolidated statement of operations for the year ended December 29, 2016. Summarized activity for Management follows:

Revenues	$ 3,046,552
Cost of revenues	1,476,195
Gross profit	1,570,357
Operating expenses	1,474,849
Income from discontinued operations	95,508
Loss on disposition of discontinued operations	(44,741)
Income from discontinued operations	$ 50,767

6. COMMITMENTS AND CONTINGENCIES

The City Point theatre has a long-term operating lease. Total rent expense was $1,865,374 for the year ended December 29, 2016. Rent expense totaling $1,481,979 incurred prior to the City Point theatre opening is included in pre-opening expenses on the accompanying statement of operations. Future minimum payments under a noncancelable operating lease at December 29, 2016 were as follows:

2017	$ 1,658,111
2018	1,658,111
2019	1,658,111
2020	1,658,111
2021	1,687,557
Thereafter	55,352,146
Total	$ 63,672,147

In addition to the above base rents, the Company is responsible for its respective pro-rata share of real estate taxes, operating expenses, and is subject to a an additional 6% of gross sales annually as rent should sales exceed the minimum annual rent.

During the year ended December 29, 2016, City Point incurred unexpected expenses of $630,098 related to the fire inspection requirements for the new leased theatre.

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 at December 29, 2016.

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 $63,788 for the year ended December 29, 2016.

8. FRANCHISED THEATRES

The following is a summary of theatres. Franchised theatres include sites operating under franchise and license agreements.

	Franchisee-Owned Theatres	Franchisor-Owned Theatres	Total Theatres
Total theatres operating at December 31, 2015	10	12	22
Theatres opened	1	3	4
Theatres closed	-	(1)	(1)
Total theatres operating at December 29, 2016	11	14	25

9. RELATED PARTY TRANSACTIONS

Various transactions occurred among ADC and City Point which resulted in receivable and payable balances at December 29, 2016 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 totaling $7,402,295 and $5,326,529 at December 29, 2016, respectively, which are reflected net on the consolidated balance sheet.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2017 (the date the consolidated financial statements were available to be issued) and no events have occurred from the balance sheet date through that date that would impact the consolidated financial statements.

EXHIBIT ~~D~~C

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

ALAMO DRAFTHOUSE CINEMAS, LLC ("Payee")

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks and electronic debits (collectively, "debits") drawn on such account that are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising if any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action that might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation.

Name of Depository: ____________________
Name of Depositor: ____________________
Designated Bank Acct.: ____________________
(Please attach one voided check for the above account.)
Location: ____________________
For Depository information call: ____________________
Address: ____________________
Phone #: ____________________
Fax #: ____________________

____

By: ____________________ Date:____________
Name: ____________________
Title:____________________

EXHIBIT ~~E~~D

OPERATIONS DIGITAL LIBRARY - TABLE OF CONTENTS

Heading

Brand - Operations Manual
~~(https://www.schoox.com/academies/library2.php?acadId=914#?dateadded=1&category=25752)~~

- 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 ~~F~~D

STATE ADMINISTRATORS

CALIFORNIA
Department of Business Oversight
One Sansome Street, Suite 600
San Francisco, CA 94104-4428

HAWAII
Department of Commerce
and Consumer Affairs
1010 Richard Street
Honolulu, Hawaii 96813

ILLINOIS
Illinois Attorney General
Franchise Division
500 South Second Street
Springfield, Illinois 62706

INDIANA
Indiana Secretary of State
Franchise Section
302 West Washington
Room E-111
Indianapolis, Indiana 46204

MARYLAND
Maryland Securities Commissioner
Franchise Section
200 St. Paul Place
20th Floor
Baltimore, Maryland 21202-2020

MICHIGAN
Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing Michigan 48913

MINNESOTA
Minnesota Commissioner of Commerce
85 7th place East, Suite 280
St Paul, MN 55101
(651) 539-1600

NEBRASKA
Department of Banking and Finance
1526 K Street, Suite 300
Lincoln, Nebraska 68508-2732
P.O. Box 95006
Lincoln, Nebraska 68509-5006

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

RHODE ISLAND
Division of Securities
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
State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033

WISCONSIN
Securities and Franchise Registration
Wisconsin Securities Commission
P.O. Box 1768
Madison, Wisconsin 53701-1768

EXHIBIT ~~G~~E

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, 1st 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 ~~H~~G-1

LIST OF FRANCHISEES

~~**ARIZONA**~~

~~Alamo Chandler, LLC~~
~~4955 S Arizona Ave~~
~~Chandler, AZ 85248~~
~~520-213-8129~~

~~Alamo Tempe, LLC~~
~~1140 E Baseline Rd~~
~~Tempe, AZ 85283~~
~~480-795-6622~~

(*~~opened in May~~*as of December 27, 2018)

~~**CALIFORNIA**~~

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
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 Drafthouse Cinema	375 Merchant Walk Square	Charlottesville	VA	22902	434-326-5056

Franchisee	Venue Street Address	Venue City	Venue State	Venue Zip Code	Venue Phone Number
Charlottesville, LLC					
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 Drafthouse D.C., LLC	Rhode Island Ave	Washington	D.C.		TBD

*~~Alamo Bloc, LLC~~These Venues were still in development or under construction as of the date of this Disclosure Document
~~700 West 7th St, Suite U240~~
~~Los Angeles, CA 90017~~
~~*(under construction as of the date of this FDD)*~~

~~**MINNESOTA**~~

~~Woodbury Alamo, LLC~~
~~9060 Hudson Rd~~
~~Woodbury, MN 55125~~
~~651-829-2623~~
~~*(opened in August 2018)*~~

~~**MISSOURI**~~

~~Springboard Ventures LLC~~
~~4005 South Avenue~~
~~Springfield, MO 65807~~
~~417-708-9599~~

~~**NEBRASKA**~~

~~Entertainment Management Co., LLC~~
~~12750 Westport Parkway~~
~~La Vista, NE 68128~~
~~402-505-9979~~

~~**TEXAS**~~

~~Reel Dinner Partners – Corpus Christi, LLC~~
~~7601 S. Staples Street~~
~~Corpus Christi, TX 78413~~
~~361-808-4824~~

~~Dos Peliculas, LLC~~
~~1005 South Lamar~~
~~Dallas, TX 75215~~
~~214-914-4443~~

~~Cinco Peliculas, LLC~~
~~6770 Abrams Road~~
~~Dallas, TX 75231~~

~~214-453-6301~~
~~(~~**This Venue opened in March ~~*2018)*~~2019

~~Seis Peliculas, LLC~~
~~3220 Town Center Tr~~
~~Denton, TX 76201~~
~~940-220-4900~~
~~*(opened in June 2018)*~~

~~El Paso Texas Alamo Operations, LLC~~
~~250 East Montecillo Blvd~~
~~El Paso, TX 79912~~
~~915-845-7469~~

~~Tres Peliculas, LLC~~
~~320 W Las Colinas Blvd, Bldg 2~~
~~Irving, TX 75039~~
~~469-713-3424~~
~~*(opened in May 2018)*~~

~~Triple Tap Alamo LaCenterra LLC~~
~~LaCenterra, Phase 2 of LaCenterra at Cinco Ranch~~
~~Katy, TX 77450~~
~~281-492-6900~~

~~Reel Dinner Partners – Laredo, LLC~~
~~11210 East Point Drive~~
~~Laredo, TX 78045~~
~~956-242-6440~~

~~Triple Tap Lubbock LLC~~
~~120 W Loop 289~~
~~Lubbock, TX 79416~~
~~806-368-8887~~

~~**Reel Dinner Partners Marketplace, LLC~~
~~651 N Business Loop I-35~~
~~New Braunfels, TX 78130~~
~~830-625-0900~~

~~Iced Tea with Lemon, LLC~~
~~100 South Central Expressway, #14~~
~~Richardson, TX 75080~~
~~972-534-2120~~

~~**Reel Dinner Partners V, LLC~~
~~618 NW Loop 410~~
~~San Antonio, TX 78216~~
~~210-677-8500~~

~~**Reel Dinner Partners I, Ltd.~~
~~1255 SW Loop 410~~

~~San Antonio, TX 78227~~
~~210-677-8500~~

~~**Reel Dinner Partners VII, LLC~~
~~22806 US Hwy 281 North~~
~~San Antonio, TX 78258~~
~~210-677-8500~~

~~Triple Tap Alamo Houston LLC~~
~~Highway 90 and Main Street~~
~~Sugar Land, TX 77477~~
~~(*Venue not yet opened*)~~

~~**VIRGINIA**~~

~~Cojeaux Cinemas, LLC~~
~~20575 Easthampton Plaza~~
~~Ashburn, VA 20147~~
~~571-293-6808~~

~~ADC Crystal City, LLC~~
~~Crystal Drive~~
~~Arlington, VA 22202~~
~~(*Venue not yet open*)~~

~~Alamo Drafthouse 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~~
~~(*Venue not yet open*)~~

~~ADC Woodbridge, LLC~~
~~15200 Potomac Town Place, Suite 100~~
~~Woodbridge, VA 22191~~
~~571-260-4413~~
~~*(opened in June 2018)*~~

~~**WASHINGTON D.C.**~~

~~Alamo Drafthouse D.C., LLC~~
~~Rhode Island Ave~~
~~Washington, D.C.~~
~~(*Venue not yet open*)~~

~~*These Venues were purchased by our parent Alamo Holding in June 2018 and are now company-owned Venues.~~

~~**Development Agreements Signed/No Venues Opened**~~

~~Franchise Holdings GA/NC, LLC~~
~~Territory: State of GA and State of NC, except the Raleigh/Durham DMA~~
***This Venue open in April 2019

EXHIBIT ~~H~~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.

~~Michigan~~

~~*Alamo Kalamazoo, LLC~~
~~180 Portage Street~~
~~Kalamazoo, MI 49007~~
~~512-861-7000~~
~~(*This Venue was indirectly owned and operated by our previous Manager and current President and Chief Development Officer Dave Kennedy*).~~

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*)

EXHIBIT ~~I~~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

ALAMO DRAFTHOUSE CINEMAS, LLC

DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

ALAMO DRAFTHOUSE CINEMAS, LLC
DEVELOPMENT AGREEMENT

THIS DEVELOPMENT 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 ___________________("Developer").

RECITALS

Franchisor has the right to use and license the use of a 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").

Franchisor licenses franchisees to use the Marks and the System to establish and operate Alamo Drafthouse Venues under Franchise Agreements with Franchisor.

Developer desires to obtain certain development rights to operate Venues under the System in the territory described in this Agreement.

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 and ~~Territory~~Potential Venues Area. Franchisor hereby grants to Developer and Developer hereby accepts, the right and obligation to develop Venues within the geographic area described below (the "~~Territory~~Potential Venues Area"). The development rights shall be exercised following satisfaction of the conditions set forth in Section 3.1 and as provided in the Development Schedule set forth in Section 3.2. The "~~Territory~~Potential Venues Area" shall consist of: ______________
____
_________________________________.

1.2 Scope of Developer's Rights. Developer acknowledges and agrees that the rights granted hereunder pertain only to the development of Venues and that this Agreement does not confer upon Developer a right or franchise to establish or operate any Venue. This Agreement is intended by the parties to set forth the terms and conditions that, if fully satisfied by Developer, shall entitle Developer to obtain Franchise Agreements for the establishment and operation of Venues within the ~~Territory~~Potential Venues Area. This Agreement is not a franchise agreement and does not grant to Developer any right or license to operate a Venue or distribute goods or services, or any right to use or interest in the Marks. Developer further acknowledges and agrees that the rights and duties set forth in this Agreement are personal to Developer and that Franchisor has granted such rights in reliance on the representations and warranties of Developer and its Controlling Principals. Developer and its Controlling Principals have represented to Franchisor that they have entered this Agreement for the purpose and with the intention to fully comply with the Venue development obligations hereunder.

1.3 Retained Rights.

(a) Subject to Developer's full compliance with this Agreement and the full compliance by Developer and its affiliates with any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates, neither Franchisor nor any affiliate shall establish, or authorize any person or entity other than Developer or any of its affiliates to establish, a Venue operating under the System and the Marks in the ~~Territory during the term of this Agreement~~following geographic area (if any): __________________ (the "Limited DA Area"), during the following time period __________________ (the "Limited DA Exclusivity Period").

(b) Developer acknowledges and understands that the rights and license granted hereunder pertain only to the establishment of Venues 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, 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 Developer, including, without limitation: (i) the right to advertise and promote Venues, the System and/or the Marks both inside and outside the ~~Territory~~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 ~~Territory~~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 ~~Territory~~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 ~~in the Territory~~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 ~~Territory~~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 ~~in the Territory~~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 ~~within the Territory~~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 ~~within the Territory~~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.

ARTICLE II. FEE

2.1 Development Fee. As partial consideration for the development rights granted to Developer herein and the rights to be granted to Developer under separate franchise agreements ("Franchise Agreements"), Developer shall pay to Franchisor upon execution of this Agreement a nonrefundable development fee of __________________ Dollars ($__________), representing payment of Fifty Thousand Dollars ($50,000) for each Venue to be developed hereunder, but Franchisor will credit payment of the franchise application fee (totalling $37,500) against the Development Fee (if applicable and not already credited). The development fee shall be fully earned by Franchisor upon execution of this Agreement for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted to Developer herein.

2.2 Franchise Fee. The initial franchise fee for each Venue shall be One Hundred Twenty Five Thousand Dollars ($125,000)~~ if the Venue is the first or second Venue to be developed by Developer pursuant to this Agreement or Seventy Five Thousand Dollars ($75,000) if the Venue is the third or other subsequent Venue to be developed by Developer pursuant to this Agreement~~. The initial franchise fee shall be paid upon the execution of the applicable Franchise Agreement, in accordance with the terms thereof. The pro rata portion of the development fee allocable to each Venue paid under Section 2.1 shall be credited against the initial franchise fee due for that Venue. All franchise fees are deemed earned upon payment thereof.

2.3 Past Due Amounts.

(a) Any payment not actually received by Franchisor on or before the date due shall be deemed overdue. Time is of the essence with respect to all payments to be made by Developer 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 Developer nor its Developer'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 which 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 making the payment.

(b) Acceptance by Franchisor of any payments due subsequent to the due date shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer or the Developer's Principals of any terms, provisions, covenants or conditions of this Agreement.

(c) Franchisor shall have the right to apply any payment it receives from Developer to any amounts Developer owes Franchisor or its affiliates under this Agreement or any other agreement between them, even if Developer has designated the payment for another purpose or account. Franchisor may accept any check or payment in any amount from Developer without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be considered as an accord or satisfaction.

(d) Developer shall have no right to withhold any payments due Franchisor on account of Franchisor's breach or alleged breach of this Agreement, and no right to offset any amount due Franchisor against any obligation that Franchisor may owe to Developer.

ARTICLE III. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 Franchise Agreement Execution; Compliance with Conditions.

(a) Developer shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Venue for which a development right is granted. Franchisor may, in its sole discretion, permit Developer to exercise such development rights through affiliated entities that are either wholly owned subsidiaries of Developer or commonly controlled entities with ownership identical to that of Developer. The Franchise Agreement to be executed for the first Venue to be developed by Developer under this Agreement shall be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement and shall be in the form of the Franchise Agreement attached as Attachment B. All subsequent Venues developed under this Agreement shall be established and operated pursuant to the form of Franchise Agreement then being used by Franchisor for Venues under the System, except the initial franchise fee shall be determined as provided in Section 2.2. These franchise agreements shall also be included in the term "Franchise Agreement" as used in this Agreement. The then-current form of Franchise Agreement may differ from the form attached as Attachment B, provided that the initial franchise fee shall be as set forth in Section 2.2.

(b) Prior to exercising any development right granted hereunder, Developer shall apply to Franchisor for a franchise to operate a Venue within the ~~Territory~~Potential Venues Area. If Franchisor, in its sole discretion, determines that Developer has met each of the following operational, financial, and legal conditions, then Franchisor will grant Developer a franchise for a Venue in the ~~Territory~~Potential Venues Area:

(i) Operational Conditions. Developer is in compliance with the Development Schedule and this Agreement and Developer or its affiliates are in compliance with any other agreement between them and Franchisor or its affiliates. Developer is conducting the operation of its existing Venues, if any, and is capable of conducting the operation of the proposed Venue in accordance with the terms and conditions of this Agreement, the respective Franchise Agreements, and the standards, specifications, and procedures set forth and described in the Manuals (defined in the Franchise Agreement).

(ii) Financial Conditions. Developer and the Controlling Principals satisfy Franchisor's then-current financial criteria for developers and principals of Alamo Drafthouse Venues. Developer and the Controlling Principals have been and are faithfully performing all terms and conditions under each of the existing Franchise Agreements with Franchisor. Developer is not in default, and has not been in default during the twelve (12) months preceding Developer's request for financial approval, of any monetary obligations owed to Franchisor or its affiliates under any Franchise Agreement or other agreement between Developer or its affiliates and Franchisor or its affiliates. Developer acknowledges and agrees that it is vital to Franchisor's interest that each of its franchisees be financially sound to avoid failure of a Venue and that such failure would adversely affect the reputation and good name of Franchisor and the System.

(iii) Legal Conditions. Developer has submitted to Franchisor, in a timely manner, all information and documents requested by Franchisor as a basis for the issuance of individual franchises or pursuant to any right granted to Franchisor by this Agreement or by any Franchise Agreement.

3.2 Development Schedule. Acknowledging that time is of the essence, Developer agrees to exercise its development rights according to Section 3.1 and the Development Schedule set forth below and in Section 3.3. Developer may, subject to the terms and conditions of this Agreement and with Franchisor's prior written consent, which may be withheld in its sole discretion, develop more than the total minimum number of Venues that Developer is required to develop during any Development Period.

Any Venues in excess of the minimum number of Venues required to be developed shall be applied to satisfy Developer's development obligation during the next succeeding Development Period, if any. Notwithstanding the above, Developer shall not open or operate more than the cumulative total number of Venues Developer is obligated to develop under the Development Schedule.

Development Period	**Expiration Date of Development Period**	**Cumulative Total Number of Venues Located in the ~~Territory~~Potential Venues Area That Developer Shall Have Open and in Operation**
1		
2		
3		
4		
5		

(a) If Developer will be unable to satisfy its development obligations during any Development Period in the Development Schedule, Developer may apply for up to two consecutive six months extensions of the Develpoment Period on a per Venue basis. To obtain an extension, Developer must request the extension in writing not later than 15 days before the relevant expiration date of the Development Period, and pay Franchisor an extension fee of $5,000. Franchisor shall grant the extension if Developer has timely notified Franchisor, paid the extention fee and made a good faith effort to comply with the requirements of Section 3.2 and 3.3, but has experienced delays beyond Developer's reasonable control, as determined by Franchisor. An extension obtained under this section shall apply only to the Development Period and specific Venue for which Developer obtained it; an extension shall not delay the required development of any subsequent Venue.

(b) If Developer ceases to operate any Venue developed under this Agreement for any reason, Developer shall develop a replacement Venue. The replacement Venue shall be developed within a reasonable time (not to exceed three hundred (300) days) after Developer ceases to operate the original Venue. If Developer transfers its interest in a Venue in accordance with the terms of the applicable Franchise Agreement for the Venue, the transferred Venue shall continue to be counted in determining whether Developer has complied with the Development Schedule so long as it continues to be operated as an Alamo Drafthouse Venue. If the transferred Venue ceases to be operated as an Alamo Drafthouse Venue, Developer shall develop a replacement Venue within a reasonable time (not to exceed three hundred (300) days) thereafter.

(c) Failure by Developer to adhere to the Development Schedule (subject to any extensions validly obtained pursuant to Section 3.2(a) above) or to any time period for the development of replacement Venues shall constitute a material breach of this Agreement.

3.3 Projected Opening Dates. Developer acknowledges that the Projected Opening Date for each Venue to be developed hereunder is reasonable. Subject to Developer's compliance with Section 3.1, Developer shall execute a Franchise Agreement for each Venue at or prior to the applicable execution date set forth below, which shall be a date no later than three hundred (300) days prior to the Projected Opening Date for the applicable Venue.

Venue	**Projected Opening Date**	**Execution Date**
1		Effective Date of this Agreement
2		
3		
4		
5		

6		
7		
8		
9		
10		

ARTICLE IV. TERM

This term of this Agreement will begin on the Effective Date and, unless sooner terminated, will expire on the earlier of: (i) the date Developer has completed its development obligations under this Agreement, or (ii) 12:00 midnight on the last day specified in the Development Schedule.

ARTICLE V. DUTIES OF DEVELOPER

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

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

(b) Qualification. Developer is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(c) Single Purpose. Developer's organizational documents shall at all times provide that the activities of Developer are confined exclusively to the development and operation of Venues, unless otherwise consented to in writing by Franchisor;

(d) Power and Authority. The execution of this Agreement and the performance of the transactions contemplated hereby are within Developer's power, and have been duly authorized by Developer;

(e) Organizational Documents. Copies of Developer's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Developer, and any other documents as may be reasonably required by Franchisor shall have been furnished to Franchisor prior to the execution of this Agreement;

(f) Ownership Interests. The ownership interests in Developer are accurately and completely described in Attachment D. Developer shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

(g) Restriction on Transfer. If Developer is a corporation, Developer shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly-held corporation (as defined in Section 10.20). If Developer is a partnership or limited liability company, its written partnership or limited liability company agreement shall provide that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Agreement;

(h) Financial Statements. Developer and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Developer and such Controlling Principals. Such financial statements present fairly the financial position of Developer and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Developer, the results of its operations and its cash flow for the years then ended. Developer shall maintain at all times sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements of Developer or the Controlling Principals;

(i) Developer's Principals. If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principals (defined in Section 10.20) or if any individual succeeds to or otherwise comes to occupy a position which would, upon designation by Franchisor, qualify him as one of Developer's Principals, Developer shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as one of Developer's Principals or as a Controlling Principal, as the case may be, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions; and

(j) Execution of Documents. Developer's Principals shall each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete which forms Attachment C to this Agreement (see Sections 8.1(b) and 2(g)). The Controlling Principals shall, jointly and severally, guarantee Developer's performance of all of Developer's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement, and shall otherwise bind themselves to the terms of this Agreement as stated herein and in the Controlling Principals Guaranty and Covenant.

(k) Continuing Obligations. Developer and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth above in this Section 5.1 are continuing obligations of Developer and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Developer and the Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

5.2 Operating Principal.

(a) Designation. Upon the execution of this Agreement, Developer shall designate and retain an individual to serve as the Operating Principal of Developer (the "Operating Principal"). If Developer is an individual, Developer shall perform all obligations of the Operating Principal.

(b) Qualifications. The Operating Principal shall, during the entire period he serves as such, meet the following qualifications:

(i) The Operating Principal may, at its option, and, subject to the approval of Franchisor, designate an individual to perform the duties and obligations of Operating Principal described herein; provided that Operating Principal shall take all necessary action to ensure that such designee conducts and fulfills all of Operating Principal's obligations in accordance with the terms of this Agreement and Operating Principal shall remain fully responsible for such performance.

(ii) The Operating Principal must maintain a direct or indirect ownership interest in the Developer. Except as may otherwise be provided in this Agreement, the Operating Principal's interest in Developer shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

(iii) Developer and the Operating Principal (or his designee, if applicable) shall devote substantial full time and best efforts to the supervision and conduct of the business contemplated by this Agreement. The Operating Principal shall execute the Controlling Principals Guaranty and Covenant in the form of Attachment A to this Agreement as one of the Controlling Principals, and shall be individually, jointly and severally, bound by all obligations of Developer, the Operating Principal and the Controlling Principals hereunder and under the Controlling Principals Guaranty and Covenant.

(iv) The Operating Principal (and any such designee) shall meet Franchisor's standards and criteria for such individual, as set forth in the Manuals as defined herein or otherwise in writing by Franchisor.

5.3 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, Developer 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. Developer 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.

5.4 Internet Website.

(a) Developer 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. Developer shall maintain an electronic mail account with an Internet service provider acceptable to Franchisor. Developer 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. Developer 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 Alamo Drafthouse Venues. Franchisor has sole discretion and control over the Website (including timing, design, contents and continuation).

(c) Franchisor may (but is not required to) include at the Website an interior page containing information about the Venues developed or to be developed under this Agreement. If Franchisor includes such information on the Website, Franchisor may require Developer to prepare all or a portion of the page, at Developer'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 and developers can communicate by e-mail or similar electronic means. If Franchisor develops such an Intranet, Developer 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 MySpace, Facebook and Twitter. Franchisor may (but need not) establish guidelines pursuant to which Developer may establish profiles or otherwise establish a presence on such social media outlets. In that event, Developer shall comply with the standards, protocols and restrictions that Franchisor imposes from time to time on such use.

5.5 Compliance with Laws. Developer shall comply with all requirements of federal, state and local laws, rules, regulations, and orders.

ARTICLE VI. DEFAULT AND TERMINATION

6.1 Default and Automatic Termination. Developer shall be deemed to be in material default under this Agreement and all rights granted herein shall automatically terminate without notice to Developer, if (a) Developer becomes insolvent or makes a general assignment for the benefit of creditors; or if Developer files a voluntary petition under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state or admits in writing its inability to pay its debts when due; (b) Developer is adjudicated bankrupt or insolvent in proceedings filed against Developer under any section or chapter of federal bankruptcy law or any similar law or statute of the United States or any state; (c) a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (d) proceedings for a composition with creditors under any state or federal law are instituted by or against Developer; (e) a final judgment against Developer remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); (f) Developer is dissolved; (g) execution is levied against Developer's business or property; (h) suit to foreclose any lien or mortgage against the premises or equipment of any business operated hereunder or under any Franchise Agreement is instituted and not dismissed within thirty (30) days; or (i) the real or personal property of any business operated hereunder or under any Franchise Agreement shall be sold after levy by any sheriff, marshal or constable.

6.2 Termination on Notice. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon written notice to Developer, upon the occurrence of any of the following events of default:

(a) Development Schedule. Developer fails to comply with the Development Schedule or otherwise fails to satisfy the obligations in Article III.

(b) Conviction. Developer or any of the Controlling Principals is convicted of, or shall have entered a plea of nolo contendere to, a felony, a crime involving moral turpitude or any other crime 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.

(c) Threat to Public Health. A threat or danger to public health or safety results from the construction, maintenance or operation of any Venue developed under this Agreement.

(d) Breach of Certain Covenants. Developer or any of the Controlling Principals breaches in any material respect any of the covenants set forth in Section 5.1 or has falsely made any of the representations or warranties set forth in Section 5.1.

(e) Transfer Without Consent. Developer or any of the Controlling Principals transfers or attempts to transfer any rights or obligations under this Agreement, or any interest in Developer or the business contemplated hereby contrary to the terms of this Agreement, or an approved transfer upon death or permanent disability is not effected within the time period and in the manner prescribed by Section 7.5.

(f) Noncompetition. Developer or any of the Controlling Principals fails to comply with the covenants in Sections 8.1(a) or 8.2(a) or (b).

(g) Multiple Defaults. Developer and/or the Controlling Principals commit three (3) or more events of default under this Agreement in any 24 month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured after notice by Franchisor.

6.3 Termination After Notice and Opportunity to Cure. Upon the occurrence of any event set forth below, Developer shall be deemed to be in material default, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, by giving Developer written notice stating the nature of the default and the applicable cure period (defined below). Developer may avoid termination by curing such default to Franchisor's satisfaction within the time period set forth below or such longer period as applicable law may require ("cure period"). If a default is not cured within the cure period, Developer's rights under this Agreement shall terminate without further notice to Developer effective immediately upon the expiration of the cure period.

(a) Monetary Default. Developer 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 and fails to cure such default within five (5) days following notice from Franchisor, or if Developer or any of its affiliates are otherwise in default under any Franchise Agreement and fails to cure such default within the applicable cure period, if any, contained in such Franchise Agreement.

(b) Failure to Maintain Operating Principal. Developer fails to designate a qualified replacement or successor Operating Principal (or designee appointed by Operating Principal) within the time required under Section 5.2(c).

(c) Execution of Covenants. Developer fails to obtain the execution of the covenants required under Section 8.1(b) or 8.2(g) within thirty (30) days following Franchisor's request that Developer obtain the execution of such covenants.

(d) Misuse of Marks. Developer 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.

(e) Other Defaults. Developer fails to comply with any other term or condition imposed by this Agreement and fails to cure within thirty (30) days following notice from Franchisor.

6.4 Additional Remedies.

(a) Exercise of Remedies. Upon default by Developer under Sections 6.2 or 6.3, Franchisor may, in its sole discretion, elect to exercise any one or more of the following in lieu of terminating this Agreement:

(i) terminate or modify any territorial rights granted to Developer;

(ii) reduce the area of the ~~Territory~~Potential Venues Area or Limited DA Area (if any);

(iii) reduce the number of Venues that Developer may establish; and

(iv) pursue any other remedy Franchisor may have at law or in equity.

(b) Continued Development. If Franchisor exercises any additional remedies in this Section, Developer shall continue to develop Venues in accordance with Developer's modified rights and obligations. To the extent such rights are modified pursuant to Section 6.4(a), Developer acknowledges that Franchisor shall be entitled to establish, and to license others to establish, Alamo Drafthouse Venues in some or all of the ~~Territory~~Potential Venues Area or Limited DA Area (if any), except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

(c) No Waiver. Franchisor's exercise of any remedies under this Section shall not, in the event of a default, constitute a waiver by Franchisor to exercise its option to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

6.5 Post-Termination. Upon the termination or expiration of this Agreement, Developer shall have no right to establish or operate any Venue for which a Franchise Agreement has not been executed by Franchisor and delivered to Developer at the time of termination or expiration (but may complete development of and/or operate Venues under then existing Franchise Agreements) and in all cases Franchisor may develop, or authorize others to develop, Alamo Drafthouse Venues in the ~~Territory~~Potential Venues Area or Limited DA Area (if any). Upon the expiration or termination of this Agreement:

(a) Developer and the Developer's Principals shall comply with the restrictions on Confidential Information contained in Section 8.1 and the covenants against competition contained in Section 8.2. Any other person required to execute similar covenants pursuant to Section 8.1(b) or 8.2(g) shall also comply with such covenants.

(b) Developer and the Developer's Principals shall promptly pay all sums owing to Franchisor and its subsidiaries or affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Developer, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Developer and on the premises operated under any Franchise Agreement at the time of default.

(c) Developer and the Developer's Principals shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 6.5.

6.6 Franchisor's Rights. Upon termination or expiration of this Agreement or upon Franchisor's exercise of certain of remedies in Section 6.4, Franchisor shall in all cases be entitled to establish, and to license others to establish, Venues in the ~~Territory~~Potential Venues Area and Limited DA Area (if any) or in the portion thereof no longer part of the ~~Territory~~Potential Venues Area and Limited DA Area (if any) or pursuant to any other modification of Developer's territorial rights, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

6.7 Cross Default. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto, unless the default is also a default under the terms of such Franchise Agreement.

6.8 No Exclusive Remedy. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

ARTICLE VII. TRANSFER OF INTEREST

7.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without Developer's consent. Specifically, and without limitation to the foregoing, Developer expressly affirms and agrees that Franchisor may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor to any other party. Nothing contained in this Agreement shall require Franchisor to remain in the business of operating or licensing the operation of Venues or other similar businesses or to offer any services or products, whether or not bearing the Marks, to Developer, if Franchisor assigns its rights in this Agreement.

7.2 Transfer by Developer.

(a) Consent of Franchisor. Developer and the Controlling Principals understand and acknowledge that the rights and duties set forth in this Agreement are personal to Developer and that Franchisor has granted such rights in reliance on the business skill, financial capacity and personal character of Developer and the Controlling Principals and with the expectation that the duties and obligations contained in this Agreement will be performed by Developer and those Controlling Principals signing this Agreement. Accordingly, neither Developer nor any Controlling Principal, nor any successor or assign of Developer or any Controlling Principal, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement or in Developer without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

(b) Conditions. If Developer wishes to transfer all or part of its interest in this Agreement or if Developer or a Controlling Principal wishes to transfer any ownership interest in Developer, transferor and the proposed transferee shall apply to Franchisor for its consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Developer or in this Agreement. Franchisor may, however, in its sole discretion, require any or all of the following as conditions of its consent to any such transfer:

(i) Monetary Obligations. All the accrued monetary obligations of Developer and its affiliates and all other outstanding obligations to Franchisor and its affiliates arising under this Agreement or any Franchise Agreement or other agreement shall have been satisfied in a timely manner and Developer shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(ii) No Default. Developer and its affiliates shall not be in default of any provision of this Agreement, or any Franchise Agreement or other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates; and Developer shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(iii) Release. The transferor and its principals (if applicable) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims, against Franchisor and its affiliates, their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any Franchise

Agreement and any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates or under federal, state or local laws, rules, and regulations;

(iv) Satisfaction of Criteria. The transferee shall demonstrate to Franchisor's satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's educational, managerial and business standards, transferee's moral character, business reputation and credit rating, transferee's aptitude and ability to conduct the business contemplated hereunder (as may be evidenced by prior related business experience or otherwise), transferee's financial resources and capital for operation of the business, and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other Venues operated by transferee, if any;

(v) Written Assumption. The transferee shall enter into a written agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several, liability for and agreeing to perform from the date of the transfer, all obligations, covenants and agreements of Developer in this Agreement; and, if transferee is an entity, transferee's owners, shall also execute such agreement as transferee's principals, and guarantee the performance of all such obligations, covenants and agreements;

(vi) New Agreement. The transferee shall execute the standard form development agreement then being offered to new System developers or a revised form of this Agreement, as Franchisor deems appropriate, and such other ancillary agreements as Franchisor may require, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement; provided, however, that transferee shall not be required to pay any development fee, and if the transferee is an entity, transferee's owners shall also execute such agreements as transferee's principals, and guarantee the performance of all such obligations, covenants and agreements;

(vii) Liability for Prior Acts. The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(viii) Transfer Fee. The transferee shall pay to Franchisor a transfer fee of Twenty Five Thousand Dollars ($25,000) and shall reimburse Franchisor for its reasonable costs and expenses associated with the transfer, including, without limitation, training costs and legal and accounting fees and costs; and

(ix) Entity Representations. If the transferee is an entity, the transferee shall provide to Franchisor evidence satisfactory to Franchisor that the representations, warranties and covenants of Section 5.1 have been satisfied and are true and correct on the date of transfer.

(c) Reasonableness. Developer acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to ensure such transferee's full performance of the obligations hereunder.

7.3 Transfer to Affiliate. If the proposed transfer is to an entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements in Section 7.2(b), except that the requirements in Sections 7.2(b)(iii), (iv), (vi) and (viii) shall not apply. With respect to a transfer to an entity formed for the convenience of ownership, Developer shall be the owner of all the voting stock or interest of such entity, and if Developer is more than one individual, each individual shall have the same proportionate ownership interest in such entity as he had in Developer prior to the transfer.

7.4 Right of First Refusal.

(a) Notice of Offer. If Developer wishes to transfer all or part of its interest in this Agreement or if a Controlling Principal wishes to transfer any ownership interest in Developer, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by Franchisor describing such offer, to send written notice to the transferor that Franchisor intends to purchase the transferor's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the transferor's interest, closing on such purchase must occur within the later of sixty (60) days from the date of notice to the transferor of the election to purchase by Franchisor, sixty (60) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, or such other date the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 7.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 7.2 relating to a proposed transfer.

(b) Non-Cash Consideration. If an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the non-cash part of the offer, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be final and binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees. If Franchisor exercises its right of first refusal herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Developer hereunder and (ii) all amounts due from Developer to Franchisor or any of its affiliates.

(c) Default. Failure to comply with the provisions of this Section 7.4 prior to the transfer of any interest in Developer or in this Agreement shall constitute a material event of default under this Agreement.

7.5 Death and Permanent Disability.

(a) Death. Upon the death of Developer (if Developer is a natural person) or any Controlling Principal who is a natural person (the “Deceased”), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party in accordance with the conditions described in this Article within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased.

(b) Permanent Disability. Upon the permanent disability of Developer (if Developer is a natural person) or any Controlling Principal who is a natural person, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article within six (6) months after notice to Developer. “Permanent disability” shall mean any physical, emotional or mental injury, illness or incapacity that would prevent a person from performing the obligations set forth in this Agreement or in the Controlling Principals Guaranty and Covenant attached as Attachment A to this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined upon examination of the person by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person shall be automatically deemed permanently disabled as of the date of such refusal for the purpose of this Section. The costs of any examination required by this Section shall be paid by Franchisor.

(c) Notice. Upon the death or claim of permanent disability of Developer or any Controlling Principal, Developer or a representative of Developer, must promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Article for any inter vivos transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

7.6 No Waiver. Franchisor's consent to a transfer of any interest described herein shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

7.7 Public Offering. Securities in Developer may be offered to the public (a "public offering") only with the prior written consent of Franchisor, which consent may be withheld in its sole discretion. As a condition of its consent to such offering, Franchisor may, in its sole discretion, require that immediately after such offering that the Controlling Principals retain a controlling interest in Developer. For the purpose of this Agreement, "controlling interest" shall mean that the Controlling Principals, either individually or cumulatively are entitled under the entity's organizational documents to cast a sufficient number of votes to require such entity to take or omit to take any action that such entity is required to take or omit to take under this Agreement.

7.8 Review of Offering Materials. All materials required for such public offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Developer offering (public or private) shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of securities of Developer or Franchisor; and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Developer and Franchisor and its affiliates. Franchisor may, at its option, require Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Developer, its Controlling Principals and the other participants in the offering must fully indemnify Franchisor and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in connection with the offering. For each proposed public or private offering, Developer shall pay to Franchisor a nonrefundable fee of Ten Thousand Dollars ($10,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering materials, including, without limitation, legal and accounting fees. Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

7.9 Transfers by Developer's Principals. If any person holding an interest in Developer or this Agreement (other than Developer or a Controlling Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee will be a Developer's Principal and as such shall execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Attachment C (see Sections 8.1(b) and 8.2(g)). Franchisor also reserves the right to designate the transferee as one of the Controlling Principals.

ARTICLE VIII. COVENANTS

8.1 Confidential Information.

(a) Confidential. Neither Developer nor any Controlling Principals shall, during the term of this Agreement and thereafter, communicate or divulge, or use for the benefit of, any other person or entity, and, following the termination or expiration of this Agreement, they shall not use for their own benefit, any confidential information, knowledge or know-how concerning the methods of development and operation of the Venues that may be communicated to them or of which they may be apprised under this Agreement ("Confidential Information"). Developer and the Controlling Principals shall disclose such Confidential Information only to Developer's employees who must have access to it in connection with their employment with Developer. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System that Franchisor provides to Developer in connection with this Agreement shall be deemed Confidential Information for the purposes of this Agreement. Neither Developer nor the Controlling Principals shall at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Developer and each of the Controlling Principals.

(b) Covenants. Developer shall require and obtain execution of covenants similar to those set forth in Section 8.1(a) from all personnel of Developer who have received or will have access to Confidential Information. Such covenants shall be substantially in the form set forth in Attachment C. All of Developer's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

8.2 Noncompetition Covenants.

(a) In-Term Covenants. Developer and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Developer and the Controlling Principals will receive valuable training, trade secrets and Confidential Information that are beyond the present skills and experience of Developer and the Controlling Principals and Developer's managers and employees. Developer and the Controlling Principals acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Venues and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why they are for entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Developer and the Controlling Principals covenant that with respect to Developer, during the term of this Agreement (or with respect to each of the Controlling Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals" as described in Section 10.20) except as otherwise approved in writing by Franchisor, neither Developer nor any of the Controlling Principals shall, either 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 of the business described 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) 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 any Venue developed and operated pursuant to this Agreement 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 8.2(a), with respect to Developer, and for a continuous uninterrupted period commencing upon the expiration or termination of, or transfer of all of Developer's interest in, this Agreement (or with respect to each of the Controlling Principals, commencing upon the earlier of (i) the expiration, termination of, or transfer of all of Developer's interest in this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of "Controlling Principals" as described in Section 10.20), and continuing for two (2) years thereafter, except as otherwise approved in writing by Franchisor, neither Developer nor any of the Controlling Principals shall, either 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 of the business described 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, or any of its affiliates, or by any other developer or franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment; provided, however, that Developer may employ such person in a managerial position with respect to Developer's operation of a Venue pursuant to the terms of the Franchise Agreement applicable to such Venue.

(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 the ~~Territory~~Potential Venues Area, within a fifty (50) mile radius of the location of any existing or former Venues developed and opened pursuant to this Agreement 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. Sections 8.2(a)(ii) and 8.3(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 business interests of Franchisor. The parties agree that each of these 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 Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer and the Controlling Principals expressly agree 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 Section.

(e) Reduction in Scope. Developer and the Controlling Principals understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without their consent, effective immediately upon notice to Developer; and Developer and the Controlling Principals agree that they shall immediately comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 10.3.

(f) No Defense. Developer and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(g) Covenants of Managers and Developer's Principals. Developer shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Developer) from all management level personnel of Developer who have received or will have access to Confidential Information or training from Franchisor. Such covenants shall be substantially in the form set forth in Attachment C. All of Developer's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the noncompetition covenant set forth in Attachment C or eliminate such noncompetition covenant altogether for any party that is required to execute such agreement under this Section.

8.3 Injunctive Relief. Failure to comply with the requirements of this Article shall constitute a material event of default under this Agreement. Developer and the Controlling Principals acknowledge that a violation of this Article would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Developer or the Controlling Principals in violation of the terms of this Article. Developer and the Controlling Principals agree to pay all court costs and reasonable legal fees incurred by Franchisor in connection with the enforcement of this Article, including payment of all costs and expenses for obtaining specific performance of, or on injunction against violation of, the requirements of this Article.

ARTICLE IX. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

9.1 Relationship. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Developer 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.

9.2 Notice to Public. Developer shall hold itself out to the public as an independent contractor conducting its development operations pursuant to development rights granted by Franchisor. Developer 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 in any Venue established under any Franchise Agreement for the purposes hereunder, the content and form of which Franchisor reserves the right to specify in writing.

9.3 No Authority. Developer understands and agrees that nothing in this Agreement authorizes Developer 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 Developer or any of the Controlling Principals or any claim or judgment arising therefrom.

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

9.5 Indemnification. Developer shall and hereby does indemnify and shall defend at its own cost and save harmless Franchisor, 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 performance of the development activities contemplated under this Agreement, or the construction or operation of any Venue pursuant to a Franchise Agreement, or because of any act or omission of the Developer or anyone associated with, employed by, or affiliated with Developer. Developer 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 Developer'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 Developer'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 Developer, and the failure of Franchisor to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Franchisor from Developer. Developer 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 Developer under this Section shall survive the termination, expiration or transfer of this Agreement, or any interest herein.

9.6 Variations. Developer 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 developer 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 developer's business. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder.

ARTICLE X. MISCELLANEOUS

10.1 Notice. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited 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 expedited delivery service within three (3) business days after transmission) 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 A East 6th Street Austin, Texas 78701 Attention: Chief Financial Officer Facsimile:__________________ Email:______________________
Notices to Developer and the Controlling Principals:	___________________________

____
____
Attention:__________________
Facsimile:__________________
Email:______________________

Any notice 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 expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

10.2 Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between Franchisor and Developer and the Controlling Principals concerning the subject matter hereof and shall supersede all prior related agreements between Franchisor and Developer 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 Developer in connection with this Agreement.

10.3 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.

10.4 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 Developer or the Controlling Principals under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty or power against Developer or the Controlling Principals, or as to a subsequent breach or default by Developer 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 Developer or the Controlling Principals of any terms, provisions, covenants or conditions of this Agreement.

10.5 Approvals or Consents. Whenever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

10.6 No Warranties. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

10.7 **Law Governing. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et. seq.*), this Agreement shall for all purposes be governed by and interpreted and enforced in accordance with the Internal laws of the state of Texas, except that its choice of law and conflict of law rules shall not apply. Notwithstanding the above, Developer and the Controlling Principals agree that the Texas Business Opportunity Act and the Texas Deceptive Trade Practice Act (and any successor laws, rules or regulations thereto) do not apply to the transactions contemplated by this Agreement.**

WAIVER OF CONSUMER RIGHTS

I waive my rights under the Deceptive Trade Practices-Consumer Protection Act, Section 17.41 et seq., Business & Commerce Code, a law that gives consumers special rights and protections. After consultation with an attorney of my own selection, I voluntarily consent to this waiver.

10.8 Dispute Resolution.

(a) **The parties mutually agree that the U.S. District Court for the Western District of Texas, or if such court lacks jurisdiction, the state courts located in Travis County, Texas, shall be the venue and exclusive forum in which to adjudicate any suit, proceeding, claim, demand, investigation, or inquiry, formal or informal (collectively, an "Action") arising from or relating to this Agreement and any related guarantees or undertakings, and the relationship established thereby, however, with respect to any Action which seeks injunctive relief or other extraordinary relief, Franchisor may bring such Action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. The parties mutually agree that personal jurisdiction may be effected by service of process and that when so made shall be as if served personally. This Agreement was executed and accepted at Franchisor's place of business in Travis County, Texas. The parties anticipate that the performance of certain of Developer's obligations arising under this Agreement, including the payment of certain monies due us, shall occur in Travis County, Texas.**

(b) **Except with respect to Developer's and each Controlling Principal's obligation to indemnify Franchisor pursuant to Section 9.5 hereof and claims Franchisor brings for Developer's unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, the parties waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other and agree that, in the event of an Action arising from a dispute between the parties, the parties bringing an Action shall be limited to equitable relief and to recovery of any direct or general damages it sustains; provided, however that Franchisor shall have the right to recover lost profits in the event of a premature termination of this Agreement based on Developer's material default.**

(c) **Except for Actions arising from Developer's nonpayment or underpayment of amounts Developer owes Franchisor pursuant to this Agreement, or Actions related to Developer's unauthorized use of the Marks, any and all Actions arising out of or relating to this Agreement or the relationship created hereby shall be barred unless such Action is commenced within two years from the date on which the party asserting such Action knew or should have known of the facts giving rise to such Action.**

10.9 **JURY TRIAL WAIVER. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR CURE HEREUNDER.**

10.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

10.11 Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

10.12 Survival. Any obligation of Developer or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement, or the transfer of any interest of Developer or the Controlling Principals therein, shall be deemed to survive such termination, expiration or transfer.

10.13 Severability. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

10.14 Construction. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Controlling Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by Developer in this Agreement shall be deemed, jointly and severally, undertaken by all of the Controlling Principals.

10.15 Remedies. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article VI shall not discharge or release Developer or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

10.16 Developer’s Principals and Controlling Principals. The term “Developer's Principals” shall include, collectively and individually, Developer's spouse, if Developer is an individual, all officers and directors of Developer (including the officers and directors of any entity that controls Developer) whom Franchisor designates as Developer's Principals and all holders of an ownership interest in Developer and of any entity directly or indirectly controlling Developer, and any other person or entity controlling, controlled by or under common control with Developer. The initial Developer's Principals shall be listed on Attachment D. The term “Controlling Principals” shall include, collectively and individually, any Developer's Principal who has been designated by Franchisor as a Controlling Principal hereunder. For purposes of this Agreement, a publicly-held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

10.17 Legal Entities. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of any other entity.

10.18 No Third-Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors and personnel and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, authorized by Article VII), any rights or remedies under or as a result of this Agreement.

10.19 Terrorist and Money Laundering Activities. Developer and the Controlling Principals represent and warrant to Franchisor that neither Developer, nor any Developer's Principal, nor any of their respective Affiliates is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treas.gov/offices/enforcement/ ofac/). Further, Developer and the Controlling Principals represent and warrant that neither they nor any Developer's Principal or Affiliate referred to above has violated, and each of them agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act (text currently available at http://www.epic.org/privacy/terrorism/ hr3162.html), U.S. Executive Order 13224 (text currently available at http://www.treas.gov/offices/ enforcement/ofac/legal/eo/13224.pdf), or any similar law. The foregoing constitute continuing representations and warranties, and Developer and the Controlling Principals shall immediately notify Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading..

ARTICLE XI. ACKNOWLEDGMENTS

11.1 Independent Investigation. Developer acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Developer. Franchisor expressly disclaims making, and Developer acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

11.2 Review and Understanding. Developer acknowledges that Developer has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Developer sufficient time and opportunity to consult with advisors selected by Developer about the potential benefits and risks of entering into this Agreement.

11.3 Receipt of Documents. Developer acknowledges that it received a complete copy of this Agreement and all related Attachments and agreements at least seven (7) calendar days prior to the date on which this Agreement was executed. Developer further acknowledges that it has received the Franchisor Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

~~[Signature page follows]~~

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

ALAMO DRAFTHOUSE CINEMAS, LLC

By:____________________________________
Name:_________________________________
Title:__________________________________

DEVELOPER:

____

By:____________________________________
Name:_________________________________
Title:__________________________________

CONTROLLING PRINCIPALS GUARANTY AND COVENANT

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 Development Agreement dated of even date herewith (the "Development Agreement") with __________________________ ("Developer").

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

Guarantor acknowledges that Guarantor is included in the term "Controlling Principals" as described in Section 10.20 of the Development 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 Development 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 Development 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 Development Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Developer and/or any of it 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 Developer (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 Development 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 Developer 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 Developer and Franchisor and notice of demand for payment by Developer. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Developer 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 Developer to perform any obligation of Developer under any agreement between Developer and Franchisor.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Developer and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Developer shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Developer, notwithstanding any change(s) in the name or shareholders of the Developer, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR

____
Printed Name:* ____________________________

____
Printed Name: _____________________________

* Denotes individual who is Developer's Operating Principal

Attachment B

FRANCHISE AGREEMENT

(See Exhibit A of Franchise Disclosure Document)

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"), _____________ ("Developer") and ________________________ ("Covenantor") in connection with a Development Agreement dated ____________, 20__ between Franchisor and Developer (the "Development Agreement"). Initially capitalized terms used, but not defined in, this Agreement have the meanings ascribed thereto in the Development 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 Developer the limited right to develop Venues using the System, the Marks and the Confidential Information pursuant to the Development 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 Developer have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Developer 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 Developer in connection with the development and operation of Alamo Drafthouse Venues under the Development Agreement or Franchise Agreements.

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 Developer and only to the limited extent necessary to train or assist other employees of Developer in the development or operation of a Venue using the System.

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

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 all Manuals are loaned by Franchisor to Developer for limited purposes only and remain the property of Franchisor. Covenantor agrees that no Manuals may 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 the confidentiality and value of the Trade Secrets, and in consideration for the disclosure to Covenantor of the Trade Secrets, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Venues to any competitor.

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 Developer's employment of such person if permitted under the Development Agreement.

[*]c. Except for the Venues described in the Development 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 Venues described in the Development 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 Venues developed and operated pursuant to the Development Agreement or any other Alamo Drafthouse Venue utilizing the Marks and/or System.

2. In further consideration for the disclosure to Covenantor of the Trade Secrets 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 Developer's interest in the Development Agreement or the termination of his association with or employment by Developer, 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 of the Venues to any competitor.

b. 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 franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

[*] 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.

[*] 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.

*c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person or entity, 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 business is, or is intended to be located within the ~~Territory~~Potential Venues Area, as such term is defined in the Development Agreement, or within a fifty (50)-mile radius of the location of any Venue in existence or under construction at any given time during such period.

C. Miscellaneous

1. Developer shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the Development Agreement or any franchise agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Developer in enforcing this Agreement.

4. Any failure by Franchisor or the Developer to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO TEXAS CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF TRAVIS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURTS FOR THE WESTERN DISTRICT OF TEXAS, AUSTIN DIVISION. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE TRAVIS COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR DEVELOPER MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

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 personal delivery, 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), 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 A East 6th Street
Austin, Texas 78701
Attention: Chief Financial Officer
Facsimile:________________________
Email:___________________________

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

____
____
____
____
Attention: ________________________
Facsimile: ________________________
Email:___________________________

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

____
____
____
____
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. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and national holidays.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Developer and Covenantor hereunder may not be assigned by Developer or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

ALAMO DRAFTHOUSE CINEMAS, LLC

By:______________________________________
Name:____________________________________
Title:_____________________________________

DEVELOPER:

____

By:______________________________________
Name:____________________________________
Title:_____________________________________

COVENANTOR:

____
Name:____________________________________

Attachment D

STATEMENT OF OWNERSHIP INTERESTS AND DEVELOPERS PRINCIPALS

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

Name	Percentage of Ownership/Nature of Interest
____________________________	____________________________
____________________________	____________________________
____________________________	____________________________
____________________________	____________________________
____________________________	____________________________

B. In addition to the persons listed in paragraph A, the following is a list of all of Developer's Principals described in and designated pursuant to Section 10.20 of the Development Agreement, each of whom (unless designated as a Controlling Principal) shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Attachment D (see Sections 8.1(b) and 8.2(g) of the Development Agreement):

____

____

____

EXHIBIT I-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.

c. 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: ______________________________	By: ______________________________
Print Name: _______________________	Print Name: _______________________
Its: ______________________________	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: ____________________________	By: ____________________________
Print Name: ______________________	Print Name: ______________________
Its: ____________________________	

Effective Date: ______________________	Its: ______________________________
	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: ____________________________	By: ____________________________
Print Name: _____________________	Print Name: _____________________
Its: ____________________________	

Effective Date:______________________	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 a s 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: ____________________________	By: ____________________________
Print Name: _____________________	

Its:______________________________	Print Name:________________________
Effective Date:_____________________	Its:______________________________
	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, Chris Drazba, Annie Mooney, Missy Reynolds, Josh Walker (each at 612 A East 6th Street, Austin, Texas 78701, (512) 861-7000), and the following persons (if any):____.

Date of Issuance: ~~September 27, 2018~~May 28, 2019

I received a Disclosure Document with an issuance date of ~~September 27, 2018.~~May 28, 2019. This Disclosure Document included the following exhibits:

State Addenda to Disclosure Document
Exhibit A-1 ~~Development~~Franchise Application and Confidentiality Agreement
Exhibit A-2 ~~State Amendments to Development Agreement~~~~Exhibit B-1~~ Franchise Agreement
Exhibit ~~B~~A-~~2~~3 State Amendments to Franchise Agreement
Exhibit ~~C~~B-1 Financial Statements of Alamo Drafthouse Cinemas Holdings, LLC
Exhibit B-2 Financial Statements of Alamo Drafthouse Cinemas, LLC
Exhibit ~~D~~C Electronic Funds Transfer Authorization
Exhibit ~~E~~D Operations Digital Library Table of Contents
Exhibit ~~F~~E State Administrators
Exhibit ~~G~~F Agents for Service of Process
Exhibit ~~H~~G-1 List of Franchisees
Exhibit ~~H~~G-2 List of Franchisees Who Have Left the System
Exhibit ~~I~~H Form of General Release
Exhibit I-1 Development Agreement
Exhibit I-2 State Amendments to Development Agreement

	Printed Name	Title	Signature	Date
(1)	____________	________	____________	____
(2)	____________	________	____________	____

ENTITY NAME (if applicable):____

COPY 1. KEEP THIS COPY FOR YOUR RECORDS.

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.

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Exhibit I-2 State Amendments to Development Agreement

	Printed Name	Title	Signature	Date
(1)	____________	________	____________	____
(2)	____________	________	____________	____

ENTITY NAME (if applicable):____

COPY 2. RETURN THIS COPY TO: Alamo Drafthouse Cinemas, LLC, 612 A East 6th Street Austin, Texas 78701 Attn: Missy Reynolds