

FRANCHISE DISCLOSURE DOCUMENT



Alamo Intermediate II Holdings, LLC
a Delaware limited liability company
3908 Avenue B
Austin, Texas 78751
(512) 861-7000
www.draffthouse.com
legal@draffthouse.com

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

The total investment necessary to begin operation of a new build Alamo Draffthouse Cinemas franchised venue where you own the land and building ranges from \$13,330,166 to \$16,112,868, exclusive of any land purchase or land carrying costs. The total investment necessary to begin operation of a new build Alamo Draffthouse Cinemas franchised venue where you lease the building ranges from \$5,330,166 to \$8,112,868, exclusive of any land purchase or land carrying costs. The total investment necessary to begin operation of a conversion Alamo Draffthouse Cinemas franchised venue where you lease the building ranges from \$5,048,133 to \$8,194,684, exclusive of any land purchase or land carrying costs. In all three cases, this includes \$197,500 to \$272,500 that must be paid to the franchisor or its affiliate as an initial franchise fee, design/PIP review fees, initial training fees and reimbursement for opening assistance costs.

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 Attn: Legal, 3908 Avenue B, Austin, Texas 78751, (512) 861-7095, legal@draffthouse.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: April 14, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Attachment E.

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

Table of Contents

<u>Item</u>		<u>Page</u>
ITEM 1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	1
ITEM 2	BUSINESS EXPERIENCE.....	3
ITEM 3	LITIGATION	6
ITEM 4	BANKRUPTCY	6
ITEM 5	INITIAL FEES	6
ITEM 6	OTHER FEES.....	7
ITEM 7	ESTIMATED INITIAL INVESTMENT	12
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	17
ITEM 9	FRANCHISEE’S OBLIGATIONS	23
ITEM 10	FINANCING	24
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	24
ITEM 12	TERRITORY	41
ITEM 13	TRADEMARKS.....	42
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	45
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	46
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	48
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	49
ITEM 18	PUBLIC FIGURES	51
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	51
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	64
ITEM 21	FINANCIAL STATEMENTS.....	69
ITEM 22	CONTRACTS	69
ITEM 23	RECEIPT	69

Exhibits and Attachments

State Addenda to Disclosure Document

Exhibit A-1	Franchise Application and Confidentiality Agreement
Exhibit A-2	Franchise Agreement
Exhibit A-3	State Amendments to Franchise Agreement
Exhibit B	Financial Statements of Alamo Intermediate II Holdings, LLC
Exhibit C	Electronic Funds Transfer Authorization
Exhibit D	Operations Digital Library Table of Contents
Exhibit E	State Administrators
Exhibit F	Agents for Service of Process

Exhibit G-1 List of Franchisees
Exhibit G-2 List of Franchisees Who Have Left the System
Exhibit H Form of General Release
State Effective Dates
Receipts

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We have written the Disclosure Document in “plain English” in order to comply with legal requirements. Any differences in the language in this Disclosure Document describing the terms, conditions or obligations under the Franchise Agreement 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 Intermediate II Holdings, LLC is referred to as “we,” “us,” “our,” or “Franchisor” and the person or entity that will be signing the Franchise Agreement (defined below) is referred to as “you” or “your.”

Franchisor

The Franchisor is Alamo Intermediate II Holdings, LLC, a Delaware limited liability company organized on April 26, 2021. Our principal business address is 3908 Avenue B, Austin, Texas 78751 and we do business under our limited liability company name and the Marks described below.

As a result of the Bankruptcy (defined below), we became the franchisor of the Alamo Drafthouse Cinemas system and we began offering Venues (defined below) in June 2021.

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 and provide 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. The Venues feature the marks “Alamo Drafthouse” and “Alamo Drafthouse Cinema” and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin, some of which are 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 are referred to in this Disclosure Document as the “Marks.”

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

Our Parents and Affiliates

We are a wholly owned subsidiary of Alamo Intermediate I Holdings, LLC (“Parent”), a Delaware limited liability company formed on April 26, 2021. Our Parent’s principal business address is 3908 Avenue B, Austin, Texas 78751. Our Parent is a wholly owned subsidiary of ALMO Holdings, LLC (“ALMO Holdings”), a Delaware limited liability company formed on March 3, 2021. ALMO Holdings was founded by and is controlled by Altamont Capital Partners and funds managed by affiliates of Fortress Investment Group LLC. Entities owned by our founders Tim League and Dave Kennedy were also granted ownership interests in ALMO Holdings. The principal business address for ALMO Holdings is 3908 Avenue B, Austin, Texas 78751. We, our Parent and ALMO Holdings were formed in 2021 for the purpose of acquiring certain assets and assuming certain liabilities of our Predecessor under the Bankruptcy.

Our Executive Chairman Tim League indirectly owns Alamo Bloc, LLC, a California limited liability company that opened a Venue in Los Angeles, California on July 19, 2019. Mr. League also has an indirect ownership interest in Neon Rated, LLC, a Delaware limited liability company that distributes films that our franchisees may be permitted to run at their Venues from time to time. Mr. League owns Drafthouse Media, LLC, which distributes films that our franchisees may be permitted to run at their Venues from time to time.

We have 18 wholly-owned subsidiaries that own and operate our Company-owned Venues, a list of which is attached to Item 20.

Neither our Parent nor ALMO Holdings own or operate any business other than those owned and operated by and through us.

Our Predecessors

Our predecessor was formed as a Texas limited liability company on April 22, 2010, as “Alamo Newco, LLC”, and changed its name to “Alamo Draffhouse Cinemas, LLC” (the “Predecessor”). The Predecessor owned the Alamo Draffhouse franchise system and Marks and offered Alamo Draffhouse franchises from May 2010 until the Bankruptcy.

On March 3, 2021, the Predecessor (along with certain of its affiliates) filed voluntary Chapter 11 bankruptcy proceedings. As part of the Bankruptcy, ALMO Holdings, through us and our subsidiaries, acquired substantially all of the assets of the Predecessor and its subsidiaries, including the Marks, the other assets included in the System, the existing Company-owned Venues and the existing Franchise Agreements. More information about the Bankruptcy is provided in Item 4. The Bankruptcy allowed the business to close three nonviable company-owned locations and restructure its lease obligations and other contracts to give the business an opportunity to rebound during the COVID-19 pandemic. The asset sale to ALMO Holdings closed on May 28, 2021. As of the Issuance Date, the case is still pending in the United States Bankruptcy Court for the District of Delaware, as further discussed in Item 4 below.

Except as described herein, to our knowledge, our parents, predecessors and affiliates have not conducted any other business and have not offered franchises in any other line of business.

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

Agents for Service of Process

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

Description of Franchise

We franchise the right to establish and operate a single Venue under the Marks and the System under the terms of the Franchise Agreement. Your Venue will typically have between 35,000 and 45,000 square feet of space, have 8 to 12 movie screens showing first-run movies and offering in-theater food and beverage service.

The Venue will be established and operated under a comprehensive and unique system (the “System”) that includes distinctive exterior and interior design, decor, color scheme, and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control (including point of purchase and tracking systems); training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the instructional materials provided to you in training (such as the Opening Venue Training Package (geared toward hourly positional training), LMS (Learning Management System) library, marketing and promotion materials, programs related to the operation of the point of purchase system, and other written directives related to the operation of the Venue (collectively, the “Operations Digital Library”).

We offer the right to establish and operate a Venue under the terms of a single unit franchise agreement (the “Franchise Agreement”). The Franchise Agreement that you must sign is attached as Exhibit A-2 to this Disclosure Document.

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 (the “Application Fee”) before we begin material discussions with you regarding a specific transaction or potential site for a specific Venue. The Application Fee is not due until after you have observed the FDD disclosure period. Our form Franchise Application and confidentiality agreement is attached as Exhibit A-1. Information regarding the Application Fee is set forth in Item 5.

We may permit you to develop and operate a separately branded bar on the premises of your Venue (the “Bar”). See Item 13 for information regarding our approval over any and all names, trademarks or logos you select for use in the Bar.

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.

ITEM 2 BUSINESS EXPERIENCE

Executive Chairman: Tim League

Tim has served as our Executive Chairman since June 1, 2021. From May 2020 to May 30, 2021, Tim served as the Executive Chairman of our Predecessor. From June 2018 to May 2020, Tim served as the Chief Executive Officer of our Predecessor, and also served as Chief Executive Officer of our Predecessor’s parent, Alamo Holdings. Tim has also served as President of the general partner of our Predecessor’s indirect parent, Major Kong, since June 2018. In addition, Tim served as the Chief Executive Officer and Manager of our Predecessor from May 28, 2010 to June 2018. Further, he has been the Co-founder of Neon

Rated, LLC in Los Angeles, California, since 2017, and the co-founder of Metro Cinema Holdings in Austin, Texas since 2020. Throughout the disclosure period, Tim has been based in Austin, Texas.

Chief Executive Officer: Shelli Taylor

Shelli has served as our Chief Executive Officer since June 1, 2021. From May 2020 to May 30, 2021, Shelli served as the Chief Executive Officer of our Predecessor. From October 2017 to April 2020, Shelli was President and Chief Operating Officer of United Fitness Partners in Austin, Texas. From December 2015 to September 2017, Shelli served as Senior Vice President, China Retail Operations, for Starbucks Coffee Company in Shanghai, China. Shelli serves in her current positions in Austin, Texas.

Chief Content Officer: Mike Sherrill

Mike has served as our Chief Content Officer since June 1, 2021. From May 2020 to May 30, 2021, Mike served as the Chief Revenue Officer of our Predecessor. From March 2013 to May 2020, Mike was the Chief Creative Officer of our Predecessor, and has also served as Chief Creative Officer of our Predecessor's parent Alamo Holdings since June 2018. Mike served as the Chief Operating Officer of our Predecessor 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. Mike serves in his current positions in Austin, Texas.

Chief Financial Officer: Matt Vonderahe

Matt has served as our Chief Financial Officer since June 1, 2021. Mike previously served as Chief Financial Officer of our Predecessor from August 2020 to May 30, 2021. From July 2016 to August 2020, Matt was the Chief Financial Officer of The Marshall Retail Group in Las Vegas, Nevada. Matt serves in his current positions in Austin, Texas.

Chief Operating Officer: Ken Brendmihl

Ken has served as our Chief Operating Officer since November 2022. From September 2018 to October 2022, Ken served as the Senior Vice President of Operations of Velvet Taco in Dallas, Texas. From September 2013 to October 2018, Ken was the Vice President of Operations – East Coast for California Pizza Kitchen in Dallas, Texas. Ken serves in his current position in Pottsville, TX.

Director of Franchise Operations: Dawn Medina

Dawn has served as our Director of Franchise Operations since June 2022. From January 2016 until the present, Dawn has been an owner of Pele Sol of L & D Creations, Inc., which operates a 4 Paws Coffee Co. coffeeshop in Palm Springs, California. From July 2019 to July 2021, Dawn served as Regional Director of Operations for United PF Partners, LLC in Irving, Texas. From January 2017 to October 2018, Dawn served as Director of Food & Beverage Operations for Universal Studios Hollywood in Hollywood, California. From August 2016 to January 2018, Dawn was a Firehouse Subs franchise owner, in Orange County, California (Pele Sol of L & D Creations, Inc. was the franchisee). Dawn serves in her current position in California.

Chief Experience Officer: Michael Kusterman

Michael Kustermann has served as our Chief Experience Officer since November 2021. From April 2021 to November 2021, Michael served as President of Caveman Foods. From February 2018 to January 2021, Michael served as Chief Marketing & Digital Officer to Century 21 Stores. Michael serves in his current positions in New York, New York.

Chief Technology Officer: Matt Klyman

Matt has served as our Chief Technology Officer since July 2021. From November 2018 to July 2021, Matt was the CIO of Marshall Retail Group. From 2009 to 2018, Matt worked as an independent consultant providing strategic technology services including technology roadmaps, systems selection, systems implementation, due diligence, and IT integration services. Matt serves in his current positions in Newton, Pennsylvania.

Chief Development Officer: Chris Drazba

Chris has served as our Chief Development Officer since June 1, 2021. Chris served as the Chief Development Officer of our Predecessor from May 2020 to May 31, 2021. From April 2019 to May 2020, Chris served as the Senior Vice President of Franchise Development for our Predecessor. From June 2015 to April 2019, Chris was Vice President, Development for InterContinental Hotels Group. Chris serves in his current positions in Atlanta, Georgia.

Senior Director of Development Marketing: Rachel Pletz

Rachel has served as our Senior Director of Development Marketing since June 2021. Rachel served as the Senior Director Development Marketing of our Predecessor from June 2019 to May 31, 2021. From August 2018 to June 2019, Rachel served as Vice President Brand Management with Neighborly in Ann Arbor, Michigan. From December 2012 to August 2018, Rachel served as Director Development & Relationship Marketing with InterContinental Hotels Group. Rachel serves in her current positions in Ann Arbor, Michigan.

Vice President of Construction, Facilities and Presentation: Oscar Cortez

Oscar has served as our Vice President of Construction, Facilities and Presentation since June 2022 and lead Construction Consultant since June 2021. Oscar served as an independent construction consultant for our Predecessor from August 2019 to May 31, 2021. From February 2015 to August 2019, Oscar served as Senior Director of Construction and Development at iPic Theaters. Oscar serves in his current positions in Coral Springs, Florida.

Chief of Staff and Strategy: Heather Morgan

Heather has served as our Chief of Staff and Strategy since March 2022. From March 2018 to March 2022, Heather was the Vice President of Content and Programming for Harkins Enterprises, LLC in Scottsdale, AZ. From May 2016 to March 2018, Heather was the Vice President, Studio Partnership and Film Finance for AMC Entertainment Holdings, Inc. in Leawood, KS. Heather serves in her current position in Austin, TX.

Senior Director of Training and Development: Kody Sandel

Kody has served as our Senior Director of Training and Development since July 2021. Kody served as the Director of Training of our Predecessor from September 2016 to January 2019. Kody serves in his current position in Austin, Texas.

Risk, Compliance and Licensing Manager: Claudia Jaramillo

Claudia has served as our Manager of Risk, Compliance and Licensing since April 2022. Claudia previously worked with Mitra QSR, LLC in Plano, Texas from February 2020 to March 2022 as their Claims Manager and was the Risk Management Representative at Dave and Buster's, Inc. in Dallas, Texas from September 2016 to February 2020. Claudia serves her current position in Oklahoma City, Oklahoma

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

On March 3, 2021 (the “Petition Date”), our Predecessor and certain of its subsidiaries and/or affiliates each filed voluntary bankruptcy petitions under Chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Court”) jointly administered under Case No. 21-10474 (MFW) (collectively, the “Bankruptcy Cases”). On the Petition Date, the Predecessor filed a Motion (Docket No. 36) (the “Sale Motion”), which sought Court authority to, among other things, (1) sell all or substantially all of the Predecessor’s assets (the “Purchased Assets”) to ALMO Holdings, pursuant to Section 363 of the Bankruptcy Code free and clear of all liens, claims, interests, and encumbrances, other than certain assumed liabilities to ALMO Holdings, and (2) assume and assign certain executory contracts and unexpired leases (collectively, the “Purchased Contracts”) to ALMO Holdings pursuant to Section 365 of the Bankruptcy Code, and all pursuant to an Asset Purchase Agreement between the Predecessor and ALMO Holdings, dated March 5, 2021 (the “Stalking Horse APA”).

On May 3, 2021, the Court entered an Order (Docket No. 436) (the “Sale Order”), which, among other things, approved the sale of certain of the Purchased Assets free and clear of all liens, claims, interests, and encumbrances, and approved the assumption and assignment of certain the Purchased Contracts and the Purchased Assets to ALMO Holdings (the “Sale”). The Sale closed on May 28, 2021 (the “Closing Date”). On the Closing Date, the Purchased Contracts and the Purchased Assets, at the direction of ALMO Holdings, were transferred to us and our subsidiaries.

Subsequent to the entry of the Sale Order and the closing of the Sale, on June 1, 2021, the Predecessor filed a Motion (Docket No. 510) (the “Assumption Motion”), which sought Court approval of the assumption and assignment of certain additional Purchased Contracts to ALMO Holdings that inadvertently were not designated as Purchased Contracts under the Stalking Horse APA or the Sale Order, and therefore, were not part of the Sale. On June 10, 2021, the Court entered an Order approving the Assumption Motion (Docket No. 532) (the “Assumption Order”), which, among other things, approved the assumption and assignment of the additional executory contracts and unexpired leases identified in the Assumption Motion to ALMO Holdings, and rendered those agreements Purchased Contracts under the Stalking Horse APA.

As a general matter, after the Sale, the Predecessor remained responsible for any and all claims, including administrative expense claims arising in the Bankruptcy Cases, related to the operation of the Predecessor’s business that existed prior to or on the Closing Date, and we, directly or through the applicable subsidiary or affiliate, are responsible for any claims, including claims arising out of the Predecessor’s business that arose after the Closing Date (all of the preceding described in this Item 4, collectively, the “Bankruptcy”).

ITEM 5 INITIAL FEES

Initial Franchise Fee

You must pay us a franchise fee of \$125,000 for the right to establish a single Venue under a Franchise Agreement. You must pay the initial franchise fee in full when you sign the Franchise Agreement and the initial franchise fee is the same for all franchisees under this offering. The initial franchise fee is not refundable.

Design/PIP Review Fee

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

Initial Training Fees

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

Opening Assistance Costs

You must reimburse us for the associated costs (including but not limited to payroll, travel, lodging and meals) of our opening training team members and opening assistance for each Venue. We estimate these costs to range from \$50,000 to \$100,000 for a set of 12 to 24 corporate 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.

ITEM 6 OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Continuing Services and Royalty Fee	5% of Gross Sales. (2)	Monthly	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.	Monthly	We have the right to require you to contribute up to a maximum of 1% of Gross Sales. Amounts due will be withdrawn by EFT from your designated bank account. (3) We reserve the right to modify the due date for payment.
Local Marketing Requirement	In addition to the Marketing Fund requirement, you must also spend no less than 1% of the Gross Sales of the Venue on local advertising, marketing, promotional and public relations programs and activities for the Venue in your Territory ("Local Advertising"). An additional local marketing investment will be required during the first year after opening as part of the grand opening promotional marketing for the Venue, which is described in Item 11.	Annually (but reported quarterly)	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. See Items 7 and 11.
Cooperative Advertising	Currently none, but if instituted an amount up to 100% of your required expenditures for local advertising (which is currently set at 1% of Gross Sales).	As determined by Cooperative.	No Cooperatives have been established as of the date of this Disclosure Document. Cooperatives will be comprised of all franchised and company-owned Venues located in designated geographic areas. Each Venue will have 1 vote in the cooperative.

Type of Fee (1)	Amount	Due Date	Remarks
Advertising & Promotional Materials	Varies, depending on your advertising needs.	When billed.	See Items 7 and 11. These may include certain promotional items (such as props for movie premieres) that you are required to use. In some cases, we will ship these items to you, together with an invoice.
Film Booking Services Fee	Then current amount, currently \$30 per screen per week	When billed.	Alamo reserves the right to modify the Film Services Fee, timing and manner of payment no more than once per calendar year based on Alamo's anticipated costs upon 30 days' prior written notice. See Film Services Agreement at Attachment E to the Franchise Agreement.
Interest and Late Fee	18% or highest rate allowed by applicable law plus \$100 per occurrence	On demand.	Interest may be charged on all overdue amounts.
Training of Replacement and Successor Personnel	\$5,000 per person	Before Training	See Item for the charges for initial training of initial Managers and Operating Principal. See Item 11 for information regarding the initial training for Managers and Operating Principal.
Opening Assistance	An amount equal to the payroll, travel, lodging and meals of each of our opening training team members that we send to your Venue.	When billed	You must pay for the payroll, traveling, lodging and meals of between 12 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 who provides 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.
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.
Renewal Fee	50% 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, which includes, but is not limited to, the amounts we incur to provide the payroll, travel, lodging and meals for each of our employees used to provide the assistance (typically between \$1,000 and \$5,000)	When billed.	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.

Type of Fee (1)	Amount	Due Date	Remarks
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 Manager leaves, we may charge you this fee until your replacement manager is trained or certified, as applicable
Site Evaluation	No fee for initial site visit, but you must pay us the then current site evaluation fee (currently \$1,000 per person per visit, plus expenses) for the second or any other additional site evaluations.	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 \$1.89 per ticket.	Monthly	You must participate in our online ticket purchasing program through the Alamo website and applications. 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. This fee is retained by Alamo and may be used by Alamo for any purpose, at its option.
Customer Satisfaction Survey Tools (currently Listen 360)	Our then current pass through fee, currently \$50 to \$75 per month	When billed.	We use a Net Promoter Score measurement system to track our guest feedback per Venue and per market. 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 time and costs to acquire or produce the material. Custom creative services and video production will be billed at our then-current rate, which is currently \$150 per hour.	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 time and materials. See Item 8.

Type of Fee (1)	Amount	Due Date	Remarks
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 pro rata portion of the variable costs.
Subscription Program Costs	Varies according to Season Pass redemptions and processing fees.	When billed.	Venues pay the costs of film consumption by Season Pass holders and processing fees. See Items 8 and 11.
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.	When billed.	We may permit you to interview and hire a General Manager or Manager at existing Venues that we or our affiliates own and operate. You must pay us or our affiliate a fee if you hire someone through our manager feeder program. See Item 15.
Indemnification	Varies according to loss.	On demand.	You must indemnify us when certain of your actions result in loss to us under the Agreements (see Item 9).
Audit Fee/Interest	Cost of audit, estimated between \$1,000 to \$5,000, and amount of deficiency plus interest	On demand.	The audit fee is 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.
Payment of our Damages and Costs for Enforcement of Franchise Agreement	Varies according to our damages, costs and expenses incurred.	On demand.	You must pay us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us in connection with obtaining any remedy available to us for any violation of the Franchise Agreement and, subsequent to the termination or expiration of the Franchise Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of the Franchise Agreement.
Aloha Configuration Center	Then current fee, currently \$302.25 plus tax if applicable per Venue per month.	When billed.	Aloha Configuration Center pushes menu, tender, comp and price changes down from an enterprise level. We currently pay this fee to the supplier on your behalf and obtain reimbursement from you, but we may require that you pay this supplier directly in the future.
Webedia	Then current fee, currently \$75 per Venue per month, plus \$0.15 per completed transaction.	When billed.	Webedia displays a Venue's showtimes at the top of Google search results. Webedia tracks every person that views the displayed showtime and clicks through to purchase a ticket. Webedia charges a small fee for each completed transaction. We currently pay this fee to the supplier on your behalf and obtain reimbursement from you, but we may require that you pay this supplier directly in the future.

Type of Fee (1)	Amount	Due Date	Remarks
Mirus	Then current fee, currently \$50 set up fee the monthly \$95 plus tax, if applicable, plus \$125 per Venue per month.	When billed.	Mirus is a third-party business intelligence tool installed on the venue's virtual server Aloha and Vista servers to poll sales and labor data on a daily basis. We currently pay this fee to the supplier on your behalf and obtain reimbursement from you, but we may require that you pay this supplier directly in the future.
The Reel (Wisetail)	Then current fee, currently \$39.44 7 to \$52 per Venue/per month.	When billed.	This is our training platform of which all training materials are posted and updated. We currently pay this fee to the supplier on your behalf and obtain reimbursement from you, but we may require that you pay this supplier directly in the future.
Operational and Food Safety Audits (Ecosure)	Then current fee, currently \$354 per Venue per calendar quarter, subject to an additional \$354 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 (Ecosure) for this service, which may change from time to time or add additional approved vendors at our discretion. We currently pay this fee to the supplier on your behalf and obtain reimbursement from you, but we may require that you pay this supplier directly in the future.

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;

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

(f) Revenues from the sale of Season Passes.

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

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

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

Type of Expenditure	Low Range	High Range	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$125,000	\$125,000	Lump Sum	Upon signing of Franchise Agreement	Us
Design or PIP Fee (Note 2)	\$7,500	\$7,500	Lump Sum	As Arranged	Us and Third-Party Vendor
Land (Note 3)	<i>Highly Variable</i>		As Arranged	As Arranged	Land Owner
Carrying Costs (Note 3)	<i>Highly Variable</i>		As Arranged	As Arranged	Contractors and Vendors
Site Work & Building (Note 3)	\$8,537,666	\$9,436,368	As Arranged	As Arranged	Contractors and Vendors
Furniture & Equipment (Note 4)	\$3,638,000	\$4,494,000	As Arranged	As Arranged	Contractors and Vendors

Type of Expenditure	Low Range	High Range	Method of Payment	When Due	To Whom Payment is to be Made
Pre-Opening Marketing and Promotion (Note 5)	\$150,000	\$300,000	As Arranged	As Arranged	Contractors and Vendors
Deposits (Note 6)	\$100,000	\$150,000	Lump Sum	As Arranged	Vendors and State
Initial Inventory (Note 7)	\$100,000	\$150,000	Lump Sum	As Arranged	Vendors
Training (Note 8)	\$155,000	\$260,000	As Arranged	As Arranged	Us and Third-Party Vendors
Business Licenses & Permits (Note 9)	\$10,000	\$30,000	Lump Sum	As Arranged	Vendors, Municipalities and State
Liquor Licenses (Note 10)	\$7,000	\$160,000	As Arranged	As Arranged	Municipalities
Additional Funds (Note 11)	\$500,000	\$1,000,000	As Needed	As Arranged	
Total for a Single Franchise (*see Notes at end of Charts)	\$13,330,166	\$16,112,868			

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

Type of Expenditure	Low Range	High Range	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$125,000	\$125,000	Lump Sum	Upon signing of Franchise Agreement	Us
Design or PIP Fee (Note 2)	\$7,500	\$7,500	Lump Sum	As Arranged	Us and Third-Party Vendor
Carrying Costs (Note 3)	Highly Variable		As Arranged	As Arranged	Contractors and Vendors

Type of Expenditure	Low Range	High Range	Method of Payment	When Due	To Whom Payment is to be Made
Site Work & Building (Note 3)	\$537,666	\$1,436,368	As Arranged	As Arranged	Contractors and Vendors
Furniture & Equipment (Note 4)	\$3,638,000	\$4,494,000	As Arranged	As Arranged	Contractors and Vendors
Pre-Opening Marketing and Promotion (Note 5)	\$150,000	\$300,000	As Arranged	As Arranged	Contractors and Vendors
Deposits (Note 6)	\$100,000	\$150,000	Lump Sum	As Arranged	Vendors and State
Initial Inventory (Note 7)	\$100,000	\$150,000	Lump Sum	As Arranged	Vendors
Training (Note 8)	\$155,000	\$260,000	As Arranged	As Arranged	Us and Third-Party Vendors
Business Licenses & Permits (Note 9)	\$10,000	\$30,000	Lump Sum	As Arranged	Vendors, Municipalities and State
Liquor Licenses (Note 10)	\$7,000	\$160,000	As Arranged	As Arranged	Municipalities
Additional Funds (Note 11)	\$500,000	\$1,000,000	As Needed	As Arranged	
Total for a Single Franchise (*see Notes at end of Charts)	\$5,330,166	\$8,112,868			
(IMPORTANT: THESE TOTALS DO NOT CONTAIN CARRYING COSTS, WHICH ARE TOO HIGHLY VARIABLE TO ESTIMATE)					

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

Type of Expenditure	Low Range	High Range	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$125,000	\$125,000	Lump Sum	Upon signing of Franchise Agreement	Us
Design or PIP Fee (Note 2)	\$7,500	\$7,500	Lump Sum	As Arranged	Us and Third-Party Vendor
Land (Note 3)	Highly Variable		As Arranged	As Arranged	
Carrying Costs (Note 3)	Highly Variable		As Arranged	As Arranged	Contractors and Vendors
Site Work & Building (Note 3)	\$1,068,833	\$1,518,184	As Arranged	As Arranged	Contractors and Vendors
Furniture & Equipment (Note 4)	\$2,824,800	\$4,494,000	As Arranged	As Arranged	Contractors and Vendors
Pre-Opening Marketing and Promotion (Note 5)	\$150,000	\$300,000	As Arranged	As Arranged	Contractors and Vendors
Deposits (Note 6)	\$100,000	\$150,000	Lump Sum	As Arranged	Vendors and State
Initial Inventory (Note 7)	\$100,000	\$150,000	Lump Sum	As Arranged	Vendors
Training (Note 8)	\$155,000	\$260,000	As Arranged	As Arranged	Us and Third-Party Vendors
Business Licenses & Permits (Note 9)	\$10,000	\$30,000	Lump Sum	As Arranged	Vendors, Municipalities and State

Type of Expenditure	Low Range	High Range	Method of Payment	When Due	To Whom Payment is to be Made
Liquor Licenses (Note 10)	\$7,000	\$160,000	As Arranged	As Arranged	Municipalities
Additional Funds (Note 11)	\$500,000	\$1,000,000	As Needed	As Arranged	
Total for a Single Franchise <i>(*see Notes at end of Charts)</i>	\$5,048,133	\$8,194,684			
(IMPORTANT: THESE TOTALS DO NOT CONTAIN LAND OR CARRYING COSTS, WHICH ARE TOO HIGHLY VARIABLE TO ESTIMATE)					

Notes:

- (1) The cost ranges listed are estimates for a typical 10 screen, 40,000 square foot, 1,000 seat Alamo Drafthouse Cinema. The number of screens and size of footprint will directly affect your initial investment. These initial investment figures are only estimates of what the actual costs may be. All amounts other than initial franchise fee are approximate and represent estimates.
- (2) This is the Alamo design team that will help do the initial layout, give comments on feasibility plans and do plan reviews for your proposed Venue.
- (3) 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 to 12 screens and requires 35,000 to 45,000 square feet. We do not estimate the cost of any land purchase, your carrying costs or your building and occupancy permits, which would vary dramatically by region and market conditions. You must verify development and construction 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.
- (4) All equipment (including required and other computer equipment) and fixtures in the theaters, mezzanine, kitchen, back and front bars, lobby and hallways. Our approved suppliers will make available to you certain customized database configurations and upgrades specific for the Venue to be loaded on to your systems. The high estimate includes a Venue with a Bar. See Item 1.
- (5) 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. However, we may require that you spend at least \$150,000 on a “Grand Opening Advertising Program,” which is described further in Item 11.
- (6) 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.

- (7) 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.
- (8) These estimates include (i) your Initial Training Fees for the Operating Principal and initial Managers (generally between 3 to 8 persons in total) who will attend our initial training program in Austin, Texas; (ii) your out-of-pocket costs associated with your trainees attending our initial training program in Austin, Texas (including payroll, travel, lodging and meals); and (3) your reimbursement payments to us for the costs of 12 to 24 of our opening training team members (including payroll, travel, lodging and meals) traveling to your Venue for pre- and post-opening assistance. These amounts do not include any fees or expenses for training any other personnel. These costs will vary depending on your selection of lodging and dining facilities, mode and distance of transportation and pay scale. The high estimate includes a Venue with a Bar. See Item 1.
- (9) These are the estimates of costs for obtaining local business licenses that typically remain in effect for 1 year, but not for a liquor license, which is addressed separately.
- (10) Liquor license costs depend on a wide variety of factors, such as location, the availability of liquor licenses, the ability to move a license and the market value of liquor licenses. The ranges in the Item 7 chart are derived from our and the Predecessor's and our and its affiliates' experience in California, Colorado, Missouri, New York, North Carolina and Texas. However, there may be certain limited jurisdictions where liquor licenses could be much more expensive due to availability, but we do not expect our franchisees to develop Venues in such jurisdictions. You are responsible for determining the potential costs for a liquor license in the geographic area in which you desire to develop and operate your Venue.
- (11) The Additional Funds category covers 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 and the Predecessor's and our and its affiliates' experience developing and operating Venues, particularly in Austin, Texas. We cannot assure you that you will not have additional expenses starting the Venue. Your actual costs will depend on your management skill, experience and business acumen; local economic conditions; time of year Venue opens; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service. These amounts do not include overages that you may incur if you attempt to start construction before we consent to your architect, Venue plans or contractor, or if you attempt to continue construction with plans or modifications that have not received our consent.

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 or in any other written format. You may not install or permit to be installed on the Venue premises any fixtures, furnishings, equipment, decor items, signs, games, vending machines or other items not approved by us.

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

You must participate in our Film Services Program by signing our film booking and related backend services agreement (current form attached as Attachment E to the Franchise Agreement), participate in such film services programs and pay all then current fees required for participation by the standards set from time to time. You must show our then current pre-show entertainment, which is typically shown before each film or program, as well as our ad reel shown before each film. Both pre-show and ad reel are delivered to you either from us, our affiliate or another approved agent. We, our affiliate or the approved agent decide the content and length of all pre-show entertainment and ad reel. We will also provide programming, which can include repertory titles, movie parties and new releases. Some of this programming may be deemed 'core' and must be played in every market. Some of these shows will require an additional fee or box office percentage split, which will be communicated at the time of programming and booking. We provide our standard pre-show entertainment and ad montage at no cost to you. Local in-house creative services will be available to you from time to time at your request for a fee, which is currently \$150 per hour.

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

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

In addition, we require that you set aside a designated amount as a capital reserve. The capital reserve is intended to ensure that you are prepared to make the necessary updates, upgrades, and refurbishments to the Venue to comply with our standards and specifications for the System. This amount is equal to 4% of Gross Sales each year. If we require that you set aside a capital reserve, you must deposit the designated amount each year into a separate, designated account. You are responsible for all fees, costs, and expenses associated with establishing and maintaining that account. The capital reserve is not intended to cover all amounts that you may incur in connection with upgrades, updates, and refurbishments to the Venue, and you should expect that you will need to spend amounts that exceed the capital reserve on these expenditures.

We also require that you engage the following third-party vendors for various services:

- You must engage an approved third-party vendor to perform scheduling, labor tools, staff certifications, and other similar functions. You are required to pay the then-current fee charged by our then-current approved vendor for these services, which may change from time to time. Currently, the only approved vendor for these services is HotSchedules. As of the date of this Disclosure Document, the fee for HotSchedules is \$144 per Venue per month.
- You must engage an approved third-party vendor to provide communication and recordkeeping services to your managers. Currently, the only approved vendor for these services is Logbook. You are required to pay the then-current fee charged by our then-current approved vendor for these

services, which may change from time to time. As of the date of this Disclosure Document, the fee for Logbook is \$34 per Venue per month.

- You must engage an approved third-party vendor to provide security services, such as malware scanning and removal, ransomware identification and removal, and electronic detection review. You are required to pay the then-current fee charged by our then-current approved vendor for these services, which may change from time to time. Currently, the only approved vendor for these services is Endpoint Security. As of the date of this Disclosure Document, the fee for Endpoint Security is \$6 per Venue, per month.
- You must engage an approved third-party vendor to check your projection and sound equipment in your Venue on at least a bi-annual basis. You may contact us for a list of recommended vendors in your geographic area. Barco 4K projection technology is currently our only exclusive projection provider. QSC Audio and Dolby Labs are currently our exclusive auditorium audio suppliers.
- You must engage a third-party vendor to provide sales and event management software. You are required to pay the then current fee charged by our then current vendor for this service. Currently, the only approved vendor for this service is TripleSeat. As of the date of this disclosure document, the fee for TripleSeat is a total of \$1,654 per venue per year. It is billed monthly, at a rate \$138 per venue per month.
- You must purchase the Vista and Aloha point of sale system software and related hardware from a source we designate (see Item 11).

We may from time to time designate alternate or additional suppliers of software or technology for use in connection with the Venue, and you may be required to enter into agreements with those suppliers and pay the fees that they designate for their services.

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 required to be procured through our designated suppliers, if any, you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment, 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.

We have approved US Foods Service as our preferred food distributor. If available in your market, you must use US Foods Service as your broadline 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, where applicable.

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, displays, 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. This includes designated offers and discounts, custom themed menus and various film and brand activations. 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. Our acceptance of the lease or sublease may be conditioned upon the inclusion of such provisions as we may reasonably require, including, without limitation, the terms and conditions set forth by us 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.

Before you open the Venue for business, you must have in place 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, cyber insurance, active shooter insurance, trade name restoration 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.

All required insurance policies shall name us and our 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 you 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. You must provide to us the certificates of insurance or such other evidence of coverage as we may designate from time to time.

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.

We may receive rebates from our designated or approved suppliers. We may also attempt to negotiate reductions in the invoice price of the products sold to our franchisees and us in addition to or in lieu of rebates. 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 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 2022, we also recognized rebates from EcoLab and Welch Advisory Group. These rebates were percentage-based and were calculated according to the volume of product that was purchased. We do not anticipate receiving future rebates from those companies.

In 2022, we received \$184,780 from these arrangements, which reflects less than 1% of our total revenue of \$157,269,144 (roughly .1%).

We have also entered into agreements with third party ticketing partners, including, but not limited to Fandango and Atom, through which we receive a fee for every Venue ticket purchased through their platforms. We reserve the right to retain this fee and use it for any purpose, at our option.

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 a mandatory supplier of Venue opening support services (See Items 5, 6 and 11), and we may purchase and resell to franchisees certain third-party products and services and manufactured merchandise that franchisees use or offer and sell in their Venues and we may also perform event and creative services for our franchisees. See Items 1, 5, and 11. During 2022, we received \$ \$431,466 from franchisee purchases, which was less than 1% of our total revenue of \$157,269,144 during 2022 (roughly .3%).

Except for our performance of Venue opening support services, our purchase and resale of products and services or merchandise and our performance of event and creative services, neither we nor our affiliates are currently approved suppliers of goods or services necessary to establish or operate the Venues.

In the past and potentially going forward, we or our affiliates may provide certain other voluntary programs in which our franchisees can participate. Specifically, during 2022, our former subsidiary Mondo Tees Buyer, LLC, Delaware limited liability company (“Mondo”), created TV, music and comic paraphernalia and merchandise that was made available for sale to franchisees. During 2022, Mondo received \$0 in revenue sharing related to joint sales promotions of Alamo branded merchandise. We sold Mondo during 2022 and it no longer sells any items to franchisees. However, we may make similar items available to franchisees in the future either directly or through an affiliate.

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.

Neither we nor any of our officers owns any interest in any of our third-party suppliers.

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	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 D-1 of Franchise 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	None	
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 VIII of Franchise Agreement	Items 6, 8 and 11
p. Indemnification	Article XV of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Articles VI, VII, XIV, XV and XVII of Franchise 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	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	Items 6 and 17
w. Non-competition covenants	Article X and Attachment F of Franchise Agreement	Item 17
x. Dispute resolution	Article XVIII of Franchise 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 Intermediate II Holdings, 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. On-site evaluations as we deem necessary or in response to your reasonable request for site approval. (Franchise Agreement, Section 5.1.)
2. 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 5.2). We reserve the right to review and approve any contractor engaged to perform construction or remodeling of the Venue.
3. On loan, online access to The Reel, which houses our Operations Digital Library (which is our version of an operating manual brand standards operating manual, as described below), which we may revise. (Franchise Agreement, Section 5.3). Our Operations Digital Library is online and does not contain traditional page numbers, but currently current consists of approximately 6,000 items, the online equivalent of "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.
4. An initial training program for your initial Operating Principal and Managers. (Franchise Agreement, Section 5.9).
5. Up to two weeks of on-site pre-opening assistance at the Venue as we find appropriate. (Franchise Agreement, Sections 5.10 and 6.5(d)).

6. 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 5.5).

We are not required to provide any other service or assistance to you before the opening of the Venue. (Franchise Agreement, Section 5.1).

Post-Opening Obligations

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

1. As we reasonably determine necessary, visits to, and evaluations of, the Venue and the products and services provided there to ensure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Section 5.4).

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 5.5).

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 5.6).

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 5.7).

5. Up to two weeks of on-site post-opening assistance at the Venue as we find appropriate, subject to our reimbursement of costs. (Franchise Agreement, Sections 5.10 and 6.5(d)).

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

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

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

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

10. Provision of film booking and related backend services for you Venue if/when then required by the Operations Digital Library from time to time. (Franchise Agreement, Section 5.12).

11. Management of our then current Guest loyalty program, including Alamo Season Pass program or any successor or equivalent program. (Franchise Agreement, Section 5.13).

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

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 notebooks, 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 currently two pieces of software that allow our loyalty program to work - Movio and Vista loyalty. In 2022, each Venue paid a one-time Vista loyalty license fee of \$3,400, plus the annual Vista licensing fee for this software, which was 15% (\$510) in 2022. This fee changes annually and may increase in 2023. You will also incur costs for your use of the loyalty program with your customers/members. Movio costs will vary based on our current contract with our third-party vendor, but we currently anticipate that the Marketing Fund will cover \$50,000 of the current \$246,155 annual cost, plus the total 7% annual increase. Each Venue will be charged \$408 per month, to cover an annual fee of \$4,900 per Venue, based on the current costs. Movio and Vista fees are subject to change based on third party agreements, and we reserve the right to reduce or cease use of Fund amounts for some or all of these programs.

We reserve the right to make changes to the software suite that supports our loyalty program. We anticipate a new loyalty platform release in 2023. This may or may not include changes to the existing Movio and Vista Loyalty platforms. You must participate in any infrastructure or platform change to allow for a new loyalty platform. Any changes to current cost and fee structure will be outlined in advance.

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

You must spend, annually throughout the term of this Agreement, not less than 1% of the Gross Sales of the Venue on advertising, marketing, promotional and public relations programs and activities for the Venue in and around your Territory (“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.

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 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, Twitter, Instagram, YouTube or other similar outlets that may exist in the future. You must follow our requirements for all email marketing and social media advertising or use. We have the right to default you under your Franchise Agreement if you fail to follow our requirements for all social media advertising and use, and if you fail to timely cure your defaults we may terminate your Franchise Agreement.

Grand Opening Advertising Program

You must conduct a “Grand Opening Advertising Program” for the Venue during the period commencing sixty days prior to opening the Venue and up to ninety days after the opening date of the Venue, spending at least \$150,000. You must obtain our prior written approval before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. We may require that you secure this approval by providing us with a proposed budget for our review. The Grand Opening Advertising Program may not be sufficient to develop adequate exposure to the Venue, and it may be necessary for you to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts. Expenditures for the Grand Opening Advertising Program are in addition to Local Advertising expenditures, but they are subject to the terms, conditions, policies, and procedures as all Local Advertising.

The Fund

Our Predecessor established a marketing fund (the “Fund”) on behalf of the System for advertising and marketing, which we acquired as part of the Bankruptcy. 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 that are collected will be spent in the following year.

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 2022, the Fund had contributions \$2,554,355 and expenditures of \$2,292,118, and the Fund monies were spent as follows:

Production	17.67%
Media	68.89%
Administrative/Agency Expense	13.44%
Total	100%

At the end of fiscal year 2022, the Fund had a balance of \$262,237. This amount will remain in the Fund for future use.

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

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

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

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

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

There is not currently an advertising council composed of franchisees that advises us on advertising policies, but we may form one in the future.

Training

No later than 120 days before the date the Venue begins operation, your Operating Principal and your General Manager, Field Marketing Manager, Sales Manager, Assistant Managers, Kitchen Manager, Bar Manager and AV-Presentation Manager (collectively, “Managers”) must attend and complete, to our satisfaction, our initial core training program. One person may be permitted to serve in more than one role, subject to the terms of your Franchise Agreement. 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 core 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). You will pay us an initial training fee equal to \$5,000 times the number of initial training attendees (typically between 3 to 8 persons in total), and we will provide instructors and training materials for the initial training of your initial Operating Principal, Managers and other Venue personnel. We will determine whether the Operating Principal and any Manager have satisfactorily completed initial core 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 from time to time 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).

Opening Training Team Expectations and Options

For your first Venue opening, a team of between 12 and 24 opening trainers conduct on-site pre-opening and opening training, supervision, and assistance 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 12 to 24 opening trainers, including payroll, travel, lodging and meals. See Items 5, 6 and 7 for the range of costs of our opening training team members. A Support Center Training Manager (or Director) and Project Manager will support your opening efforts in addition to the hourly training team.

Please note, for a franchise's first opening, only Tier 1 can be chosen. Tier 1 or 2 can be chosen for a franchise's second and third opening. All Tiers can be chosen for any subsequent openings.

- **Tier 1 (Corporate Lead)** - A 100% corporate lead team of between 12 and 24 corporate opening training team members (company On The Road trainers and Support Center personnel) will lead opening efforts.
- **Tier 2 (Hybrid)** - The franchise can utilize no more than 75% local/franchise trainers to fill the team of between 12 and 24 trainers from their existing venue(s) with corporate opening trainers (company On The Road trainers) making up the remainder. Train the Trainer sessions will be offered to develop local/franchise trainers.
- **Tier 3 (Franchise Lead)** - The opening training team should consist 100% of local/franchise trainers to fill the team of between 12 and 24 trainers. Train the Trainer sessions will be offered to develop local/franchise trainers. *Corporate opening trainers can be utilized to fill training roles if needed (or requested) at an additional cost per trainer.

Our opening training is administered and directed by Kody Sandel. Mr. Sandel has been the Director of Training for us and our Predecessor since 2016. Between 2011 and 2016, Mr. Sandel was involved in general training for our Predecessor.

General Managers at existing training Venues have between 5 and 15 years' experience operating Venues or other restaurants or theaters. We may also draw on the experience of other training professionals. The instructional materials used in the initial training are included in our 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 <i>(or other certified training venue)</i>
Field Marketing Manager includes, but not limited to • Social media system and standards • Brand voice/tone training and standards • Brand marketing directives and campaign processes • Wrike / project management system • Programming systems & standards	TBD	TBD

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

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

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

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

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

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.

Virtualized Windows Server to Support POS Systems

Alamo Drafthouse uses a higher powered server to support its key requirements at all locations. POS and other systems are supported on this one server. Requirements for the power and speed of this server may change based upon underlying system changes, or at our option.

Axient Backup Server

To provide needed backups and recovery from potential issues, all Venues are required to have in place a server that expressly runs an immutable backup of the primary applications (Vista POS, NCR Aloha, Aloha IOS Server).

WiFi Network

As Alamo rolls out new applications, we require both a secure WiFi installation that supports all theater, bar, lobby and other areas of the venue and a user facing WiFi network that supports all locations and had adequate bandwidth to support the potential guest counts in all theaters.

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 the virtual server discussed above and terminals. 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 the virtual computer server at the Venue that is capable of running the required Vista server software. It must meet the minimum requirements set forth in the Operations Digital Library.

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 minimum requirements set forth in the Operations Digital Library.

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 the virtual server mentioned above, 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 the virtual computer server at the Venue that is capable of running the required Aloha server software. It must meet the minimum requirements set forth in the Operations Digital Library.

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 minimum requirements set forth in the Operations Digital Library.

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.

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 minimum requirements set forth in the Operations Digital Library.

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
Virtual Server Hardware and Operating System	Dell PowerEdge R4500 • Dual CPU (Xeon Silver) • 128 GB RAM • 5 TB Storage in RAID 5	\$13,500
Axcient Server	Dell PowerEdge R240 • CPU (Xeon Silver) • 16 GB RAM • 4 TB Storage in RAID 5	\$3,500
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
Vista Hardware and Software Installation	Vista technician installation	\$6,800 + travel

Example Aloha Configurations and Approximate Cost

Item	Example Configuration	Approx. Cost
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

The foregoing configuration and costs are subject to change.

Required Software Modules:

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 and Atom (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 Drafthouse 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.

For new locations, Vista software will be offered only as Software as a Service (SaaS) model. This model does not require any initial software license purchase. Cost for the monthly solutions is approximately \$1,300.

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 Venue. 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. All of the costs above are subject to change by the vendors from time to time.

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.

Endpoint Security

You must license an endpoint security platform that provides, at minimum:

- Malware scanning and removal
- Ransomware identification and removal
- Electronic Detection Review

We recommend that you utilize the approved software and monitoring option used by the Company. Cost is \$6.00 per endpoint per month.

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 50MB down and 50MB up. At least 5 static IP addresses 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 current 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 currently costs approximately a \$50 initial fee plus \$95 per month per Venue.

HotSchedules, a third-party scheduling software. It currently costs approximately \$144 per Venue per month.

Logbook, a third-party communication and recordkeeping software. It currently costs approximately \$34 per Venue per month.

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 are included in the Operations Digital Library.

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 are included in the Operations Digital Library.

Included IT Support for New Franchise Venue Openings:

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

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

Summary of Standard NVO Support Package

Activity	Scope
Vendor Responsibility Meeting	1 st 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

Activity	Scope
Remote Installation of Guest Feedback System	All New Venues
Ticketing Go-Live Support	All New Venues
1 st Venue Grand Opening Support	1 st 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 serve 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 (collectively, "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 of your Franchise Agreement, 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 7.12).

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 7.13).

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

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 or competitive brands that we control. However, we

will 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 immediate vicinity of your Venue (the “Territory”), subject to our reserved rights, which are described further below. The Territory 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. Your specific Territory will be set forth in Attachment B to your Franchise Agreement. We determine the size of your Territory based on a number of factors, which may include 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 reserve all rights that the Franchise Agreement does not expressly grant to or confer upon you. We and our affiliates are and may in the future be engaged in other business activities, including activities involving the development of cinemas and related activities. You acquire no rights under the Franchise Agreement other than the right to use the System as specifically defined in the Franchise Agreement. This Franchise Agreement does not limit our rights, or the rights of any of our affiliates, to use or license the System or any part thereof, or to engage in or license any business activity at any location, including, without limitation, the licensing, franchising, ownership, operation and/or development of cinemas and related activities under the names and Marks associated with the System and/or any other names and marks; provided, however, that during the term of the Franchise Agreement, neither we nor any of our affiliates, shall open or operate any Alamo Drafthouse, nor license others to do so, within the Territory.

There are no restrictions on us from soliciting or accepting orders from consumers located inside the Territory. 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 Territory 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 Territory 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 Territory.

You may solicit and accept orders outside of the Territory, 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 Territory.

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 Franchise 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 that would restrict our ability to do so.

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

ITEM 13 TRADEMARKS

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

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

We own the following principal Marks subject to an active registration or pending application with the U.S. Patent and Trademark Office on the Principal Register. All of the registrations and applications listed below are valid and subsisting, and we have filed all required maintenance affidavits for the registrations listed below.

Mark	Registration Number (Serial Number)	Registration Date (Application/Filing Date)	Owner (Applicant)
ALAMO DRAFTHOUSE	2,852,845	June 15, 2004	Alamo Intermediate II Holdings, LLC
ALAMO DRAFTHOUSE CINEMA (and Design)	4,199,310	August 28, 2012	Alamo Intermediate II Holdings, LLC
ALAMO DRAFTHOUSE	4,283,046	January 29, 2013	Alamo Intermediate II Holdings, LLC
ALAMO DRAFTHOUSE	4,283,047	January 29, 2013	Alamo Intermediate II Holdings, LLC
ALAMO DRAFTHOUSE CINEMA (and Design)	4,283,048	January 29, 2013	Alamo Intermediate II Holdings, LLC
A (and Design)	4,279,913	January 22, 2013	Alamo Intermediate II Holdings, LLC
GLASS HALF FULL	4,668,059	January 6, 2015	Alamo Intermediate II Holdings, LLC
BAR O' FUN	5,215,261	May 30, 2017	Alamo Intermediate II Holdings, LLC
DRAFTHOUSE RECOMMENDS	5,867,216	September 24, 2019	Alamo Intermediate II Holdings, LLC
FANTASTIC FEST	3,818,137	July 13, 2010	Alamo Intermediate II Holdings, LLC
FLYING GUILLOTINE	(88/186,411)	(November 8, 2018)	(Alamo Intermediate II Holdings, LLC)
HOUSE OF WAX BAR	5,105,698	December 20, 2016	Alamo Intermediate II Holdings, LLC
QUOTE-ALONG	3,476,310	July 29, 2008	Alamo Intermediate II Holdings, LLC
ROLLING ROADSHOW	2,871,866	August 10, 2004	Alamo Intermediate II Holdings, LLC
THE BIG SHOW AT ALAMO DRAFTHOUSE	6,037,586	April 21, 2020	Alamo Intermediate II Holdings, LLC

Mark	Registration Number (Serial Number)	Registration Date (Application/Filing Date)	Owner (Applicant)
THE PRESS ROOM	(88/607,033)	(September 6, 2019)	(Alamo Intermediate II Holdings, LLC)
TRIVIADOME	5,841,231	August 20, 2019	Alamo Intermediate II Holdings, LLC
VICTORY	4,684,752	February 10, 2015	Alamo Intermediate II Holdings, LLC
VIDEO VORTEX	6,367,283	June 1, 2021	Alamo Intermediate II Holdings, LLC
WEIRD WEDNESDAYS	2,871,867	August 10, 2004	Alamo Intermediate II Holdings, LLC

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 U.S. 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 U.S. 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.

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.

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 give you access to the Operations Digital Library 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, all printed copies must be kept in a secure place on the Venue premises and all passwords to access to the Operations Digital Library must be kept confidential and shared only with those individuals who need access.

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. 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

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.

When you sign the Agreements, you must also 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 noted above, we will identify certain persons under the Franchise 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 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, Kitchen Manager, Bar Manager, AV-Presentation Manager and the other personnel that are needed to operate and manage the Venue. 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 Bar Manager must be responsible for the supervision and management of the bar operations at the Venue, the AV-Presentation Manager must be responsible for the supervision and management of the theater operations, the Field Marketing Manager must direct the operation and management local marketing and the Sales Manager must conduct inbound and outbound private event sales. 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.

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 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. 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, which may include menu pricing tiers that you may choose to implement at your Venue. You are in no way bound to adhere to any such recommended or suggested prices. 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 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; Section 3.3	To renew you must give between 6 and 12 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	Subject to applicable law, not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Sections 16.1, 16.2 and 16.3	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g. "Cause" defined – curable defaults	Sections 16.2 and 16.3	We may terminate you for cause if you fail to cure certain defaults, including: If you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within 5 days after notice (or longer period required), fail to have signed the Confidentiality and Noncompetition Covenants contained in the Franchise Agreement within 5 days after a request, fail to procure and maintain required insurance within 7 days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice.
h. "Cause" defined – non-curable defaults	Sections 16.1 and 16.2	We may terminate you for cause if you fail to cure certain defaults, including: If you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to acquire an accepted location within time required, fail to remodel when required, fail to open Venue when required, abandon or lose right to the Venue premises, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without our consent or maintain false books or records.
i. Franchisee's obligations on termination/non-renewal	Section 17	Obligations include: you must cease operating the Venue and using the Marks and System and completely de-identify the business, pay all amounts due to us or our affiliates, return all Operations Digital Library materials and other

Provision	Section in Franchise Agreement	Summary
		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)	Subject to applicable state law, you are prohibited from (i) diverting or attempting to divert business or any customer to a competitor or perform any other act that would be injurious or prejudicial to the goodwill associated with the Marks and the System; and (ii) operating or having an interest in 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.
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3(b)	Subject to applicable state law, you and your Controlling Principals are prohibited from (i) diverting or attempting to divert business or any customer to a competitor or perform any other act that would be injurious or prejudicial to the goodwill associated with the Marks and the System; or (ii) 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, for a period of time ending on the earlier of two years after (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.

Provision	Section in Franchise Agreement	Summary
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	Not Applicable	Not Applicable
v. Choice of forum	Section 18.9(a)	Subject to applicable law, 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 18.8	Subject to applicable law, 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).

The provision in the Franchise 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 the 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.

Historic Financial Performance Representations

This Item 19 contains historic information for operational company-owned and franchised Venues during Alamo's 2022 fiscal year. The Venues included in this Item 19 are only those that (1) have been open at least twelve months as of December 31, 2022, and (2) were open and operating during Alamo's entire 2022 fiscal year. The Venues that meet these criteria are referred to in this Item 19 as the "Item 19 Venues."

The Item 19 Venues are generally similar to the Venues offered under this Disclosure Document. The Item 19 Venues are located in commercially zoned shopping or entertainment areas. A typical Alamo Drafthouse Venue has from eight to twelve screens, seats roughly 1,000 people, and requires 35,000 to 45,000 square feet, and the Item 19 Venues generally meet this description. All Item 19 Venues have bars that serve alcoholic beverages.

The following Venues were excluded from this Item 19 because these Venues have not been open for twelve months: (1) the Venue in Staten Island, New York, New York, (2) the Venue in Crystal City, Virginia, and (3) the Venue in St. Louis, Missouri. In addition, the Omaha, Nebraska Venue was excluded from this Item 19 because that Venue left the franchise network during 2022. No Venues closed after having been open for less than twelve months. In addition, one Venue in Winchester, Virginia is excluded from Table 7 because it has not had a Season Pass program in place for a full twelve months. At the end of 2022, there were 21 total franchised Venues and 17 total company-owned Venues in the network.

Each of the seven tables below presents a different historic financial performance representation, and includes information for franchised Venues, company-owned Venues, as well as information for both franchised and company-owned Venues combined. All data in this Item 19 has been submitted to us by franchisees or company-owned stores. This data has not been audited.

The following definitions are used throughout this Item 19:

1. “Average” (also known as the “Mean”) means the sum of all data points in a set, divided by the number of data points in that set.
2. “Gross Sales” is defined in Item 6.
3. “High” means the highest data point in a set.
4. “Low” means the lowest data point in a set.
5. “Median” 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.
6. “Person” or “Ticket” refers to an individual who used a movie ticket to be admitted to a Venue. These admissions to the Venue include full price tickets, discounted tickets, free passes, rain checks, and tickets obtained by Season Pass holders, as well as tickets purchased through any channel. From time to time, individuals may enter a Venue to purchase food or beverages, but they do not obtain a movie ticket and are not admitted to the Venue. These individuals are not counted as “Persons” or “Tickets,” but their purchases may be included in Gross Sales or other revenue amounts.
7. “Session” means a single showtime for a movie.
8. “Year” means Alamo’s 2022 fiscal year, which was 364 days long.

[This remainder of this page was intentionally left blank.]

TABLE 1: PER PERSON AVERAGE

Table 1A: Per Person Average Gross Sales <i>Combined Company-Owned and Franchised Venues</i>						
Average Per Person Average	High Per Person Average	Low Per Person Average	Median Per Person Average	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
\$33.64	\$ 44.78	\$25.67	\$33.07	35	13	37%

Table 1B: Per Person Average Gross Sales <i>Franchised Venues</i>						
Average Per Person Average	High Per Person Average	Low Per Person Average	Median Per Person Average	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
\$31.39	\$39.95	\$25.67	\$30.74	19	9	47%

Table 1C: Per Person Average Gross Sales <i>Company-Owned Venues</i>						
Average Per Person Average	High Per Person Average	Low Per Person Average	Median Per Person Average	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
\$35.75	\$44.78	\$30.53	\$33.56	16	5	31%

Notes to Table 1:

9. Table 1 displays Per Person Average data for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined. In Table 1, the Per Person Average refers to the total Gross Sales generated by a Venue divided by the number of Tickets disseminated at that Venue during the Year.

[This remainder of this page was intentionally left blank.]

TABLE 2: FILL RATE

Table 2A: Fill Rate <i>Combined Company-Owned and Franchised Venues</i>						
Average Fill Rate	High Fill Rate	Low Fill Rate	Median Fill Rate	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
26.6%	42.4%	16.2%	24.2%	35	13	37%

Table 2B: Fill Rate <i>Franchised Venues</i>						
Average Fill Rate	High Fill Rate	Low Fill Rate	Median Fill Rate	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
22.8%	36.2%	16.2%	22.4%	19	8	42%

Table 2C: Fill Rate <i>Company-Owned Venues</i>						
Average Fill Rate	High Fill Rate	Low Fill Rate	Median Fill Rate	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
31.6%	42.4%	22.2%	31.2%	16	7	44%

Notes to Table 2:

10. Table 2 displays Fill Rate data for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined. The “Fill Rate” is calculated by dividing the total number of Tickets disseminated by the total number of movie theatre seats that were available at a Venue for each Session during the Year.

[This remainder of this page was intentionally left blank.]

TABLE 3: SESSION COUNT

Table 3A: Session Count Per Screen Per Day <i>Combined Company-Owned and Franchised Venues</i>						
Average Session Count	High Session Count	Low Session Count	Median Session Count	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
3.06	4.05	2.21	3.08	35	18	51%

Table 3B: Session Count Per Screen Per Day <i>Franchised Venues</i>						
Average Session Count	High Session Count	Low Session Count	Median Session Count	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
2.98	3.34	2.21	3.01	19	10	53%

Table 3C: Session Count Per Screen Per Day <i>Company-Owned Venues</i>						
Average Session Count	High Session Count	Low Session Count	Median Session Count	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
3.17	4.05	2.50	3.13	16	7	44%

Notes to Table 3:

11. Table 3 displays Session Count data for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined. The “Session Count,” means the number of showtimes in an auditorium at a Venue per day in the Year. Each auditorium contains one movie screen. A typical Venue has eight to twelve auditoriums.

[This remainder of this page was intentionally left blank.]

TABLE 4: GROSS SALES PER AVAILABLE SEAT

Table 4A: Gross Sales Per Available Seat Per Day (GSPAS) <i>Combined Company-Owned and Franchised Venues</i>						
Average GSPAS	High GSPAS	Low GSPAS	Median GSPAS	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
\$27.45	\$68.16	\$13.66	\$24.23	35	13	37%

Table 4B: Gross Sales Per Available Seat Per Day (GSPAS) <i>Franchised Venues</i>						
Average GSPAS	High GSPAS	Low GSPAS	Median GSPAS	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
\$21.32	\$32.38	\$13.66	\$20.89	19	7	37%

Table 4C: Gross Sales Per Available Seat Per Day (GSPAS) <i>Company-Owned Venues</i>						
Average GSPAS	High GSPAS	Low GSPAS	Median GSPAS	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
\$35.79	\$68.16	\$18.48	\$33.69	16	7	44%

Notes to Table 4:

12. Table 4 displays Session Count data for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined. The “Gross Sales Per Available Seat Per Day” or “GSPAS” is calculated by multiplying the Fill Rate by the Per Person Average, and multiplying that total by the Session Count.

[This remainder of this page was intentionally left blank.]

TABLE 5: NUMBER OF TICKETS OBTAINED THROUGH VARIOUS CHANNELS

Table 5A: Number of Tickets Obtained Through Various Channels <i>Combined Company-Owned and Franchised Venues</i>							
	Average # of Tickets Obtained	High # of Tickets Obtained	Low # of Tickets Obtained	Median # of Tickets Obtained	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
ADC Online/ App	81.3%	90.7%	69.3%	80.5%	35	17	49%
Third Party	6%	10%	0.2%	6.2%	35	21	60%
In Venue	12.7%	29.7%	4.63%	13.2%	35	19	54%

Table 5B: Number of Tickets Obtained Through Various Channels <i>Franchised Venues</i>							
	Average # of Tickets Obtained	High # of Tickets Obtained	Low # of Tickets Obtained	Median # of Tickets Obtained	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
ADC Online/ App	76.3%	82.3%	69.3%	76.3%	19	9	47%
Third Party	6.4%	10%	0.9%	6.6%	19	11	58%
In Venue	17.3%	29.7%	11.50%	18.2%	19	10	53%

Table 5C: Number of Tickets Obtained Through Various Channels <i>Company-Owned Venues</i>							
	Average # of Tickets Obtained	High # of Tickets Obtained	Low # of Tickets Obtained	Median # of Tickets Obtained	Total # of Venues	# of Venues Exceeding Average	% of Venues exceeding Average
ADC Online/ App	86.1%	90.7%	79.9%	85.9%	16	8	50%
Third Party	5.6%	8.5%	0.2%	5.6%	16	8	50%
In Venue	8.3%	15.1%	4.6%	8.2%	16	8	50%

Notes to Table 5:

13. Table 5 displays data on the number of tickets sold through various channels for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined.

14. The channels include the following: (1) the “ADC Online/App,” which refers to Tickets obtained through the Alamo Drafthouse Cinemas website or the mobile app; (2) “In Venue,” which refers to Tickets physically obtained at the Venue; and (3) “Third Party,” which refers to Tickets obtained through Fandango or other third-party sources.

[This remainder of this page was intentionally left blank.]

TABLE 6: GROSS SALES BREAKDOWN

Table 6A: Gross Sales Breakdown <i>Combined Company-Owned and Franchised Venues</i>							
	Average Gross Sales	High Gross Sales	Low Gross Sales	Median Gross Sales	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
Box Office	38.2%	42%	32.8%	37.4%	35	13	37%
Food and Beverage	60.2%	65.6%	56%	60.9%	35	21	60%
Other	1.7%	3.2%	0.3%	1.3%	35	12	34%

Table 6B: Gross Sales Breakdown <i>Franchised Venues</i>							
	Average Gross Sales	High Gross Sales	Low Gross Sales	Median Gross Sales	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
Box Office	38.4%	42%	32.8%	38%	19	9	47%
Food and Beverage	60.3%	65.6%	56.8%	60.6%	19	10	53%
Other	1.3%	2.7%	0.3%	1.2%	19	7	37%

Table 6C: Gross Sales Breakdown <i>Company-Owned Venues</i>							
	Average Gross Sales	High Gross Sales	Low Gross Sales	Median Gross Sales	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
Box Office	38%	41.7%	34.5%	37.1%	16	5	31%
Food and Beverage	60%	64.2%	56%	61.1%	16	10	63%
Other	2%	3.2%	0.6%	1.9%	16	7	44%

Notes to Table 6:

15. Table 6 displays Gross Sales data for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined.

16. Gross Sales generated at the “Box Office” includes Tickets.

17. Gross Sales generated by “Food and Beverage” includes all food and beverage items purchased in an Item 19 Venue, including popcorn, soft drinks, candy, entrees, side dishes, and other snacks consumed in an auditorium or elsewhere in the Item 19 Venue. Alcoholic beverage purchases are also included in the “Food and Beverage” category.

18. Gross Sales in the “Other” category include all other purchases at the Item 19 Venue, such as merchandise, movie props, karaoke room rental, venue rental, and service charges.

[This remainder of this page was intentionally left blank.]

TABLE 7: SEASON PASS FREQUENCY

Table 7A: Season Pass Frequency <i>Combined Company-Owned and Franchised Venues</i>							
	Average	High	Low	Median	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
# of Season Pass Subscriptions Per Venue Per Month	871	2297	80	681	34	10	29.41%
Subscription Revenue Per Venue Per Month	\$18,712	\$66,431	\$1,623	\$14,072	34	11	32.35%
# of Redemption Tickets Per Venue Per Month	1728	4064	184	1307	34	11	32.35%
Food and Beverage Spend Per Ticket Per Venue Per Month	\$15.13	\$18.29	\$11.38	\$14.89	34	14	41.18%

[This remainder of this page was intentionally left blank.]

Table 7B: Season Pass Frequency Franchised Venues							
	Average	High	Low	Median	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
# of Season Pass Subscriptions Per Venue Per Month	1234	2297	243	1050	16	7	43.75%
Subscription Revenue Per Venue Per Month	\$27,318	\$66,431	\$4,817	\$21,529	16	6	37.50%
# of Redemption Tickets Per Venue Per Month	2447	4064	447	2446	16	8	50%
Food and Beverage Spend Per Ticket Per Venue Per Month	\$15.77	\$18.29	\$12.80	\$15.76	16	7	43.75%

[This remainder of this page was intentionally left blank.]

Table 7C: Season Pass Frequency
Company-Owned Venues

	Average	High	Low	Median	Total # of Venues	# of Venues Exceeding Average	% of Venues Exceeding Average
# of Season Pass Subscriptions Per Venue Per Month	549	1461	80	534	18	8	44.44%
Subscription Revenue Per Venue Per Month	\$11,062	\$30,411	\$1,623	\$10,796	18	9	50%
# of Redemption Tickets Per Venue Per Month	1090	3034	184	1031	18	8	44.44%
Food and Beverage Spend Per Ticket Per Venue Per Month	\$13.85	\$16.77	\$11.38	\$14.45	18	10	55.56%

Notes to Table 7:

19. Table 7 displays Season Pass data for the various Item 19 Venues, including company-owned Venues, franchised Venues, and both company-owned Venues and franchised Venues combined.

20. “Month” refers to a calendar month during the Year.

21. “Season Pass” refers to the Alamo Drafthouse Cinema subscription program wherein subscribers pay a set monthly amount to see one movie each day for the month, with certain exceptions. (These exceptions include large format films and other special events, for which a Season Pass may not be used to obtain a Ticket.)

22. “Subscription Revenue” refers to the amount of revenue generated by sales of Season Pass subscriptions.

23. “Redemption Tickets” refers to the number of Tickets obtained through the Season Pass program.

24. “Food and Beverage” is defined in Table 6.

Additional Notes to All Tables:

Some outlets have sold this amount. Your individual results may differ. There is no assurance that you’ll sell as much.

The figures above 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 franchised business. Franchisees or former franchisees listed in this Disclosure Document may be one source of this information.

Your sales, revenue and income will be affected by a variety of factors, including the sales and marketing skills of you or your owners; discounts you may offer; prevailing economic or market conditions; demographics; interest rates; your capitalization level; the amount and terms of any financing that you may secure; and your or your owners' business and management skills.

Written substantiation for the financial performance representation will be made available upon reasonable request.

Other than the preceding financial performance representation and any Supplemental Information provided to you, as described above, Alamo Intermediate II Holdings, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. With regard to an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Chris Drazba, Chief Development Officer, Alamo Intermediate II Holdings, LLC, telephone number (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 2020 TO 2022***

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	22	22	0
	2021	22	21	-1
	2022	21	21	0
Company-Owned**	2020	19	19	0
	2021	19	16	-3
	2022	16	17	+1
Total Outlets	2020	41	41	0
	2021	41	37	-4
	2022	37	38	+1

* Outlet information for 2020 and part of 2021 reflects our Predecessor's business as we were not yet in existence.

** Our Executive Chairman Tim League indirectly owns 1 Venue in Los Angeles, California that was open and operating as of our last fiscal year-end. We do not own any interest in or exercise any financial control over this Venue or its revenue, but we list it as Company-owned for purposes of Item 2D.

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR) FOR FISCAL YEARS 2020 TO 2022

	Year	Number of Transfers
Totals	2020	0
	2021	0
	2022	0

TABLE NO. 3
STATUS OF FRANCHISE OUTLETS FOR FISCAL YEARS 2020 TO 2022

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	2020	3	0	0	0	0	0	3
	2021	3	0	3	0	0	0	0
	2022	0	0	0	0	0	0	0
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Missouri	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Nebraska	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Texas*	2020	11	0	0	0	0	0	11
	2021	11	1	0	0	0	0	12
	2022	12	0	0	0	0	1	11
Virginia	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Washington DC	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1

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
Totals	2020	22	0	0	0	0	0	22
	2021	22	2	3	0	0	0	21
	2022	21	2	0	0	0	2	21

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS FOR FISCAL YEARS 2020 TO 2022*

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*	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Colorado	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Missouri	2020	1	0	0	0	0	1
	2021	1	0	0	1	0	0
	2022	0	0	0	0	0	0
New York	2020	2	0	0	0	0	2
	2021	2	1	0	0	0	3
	2022	3	1	0	0	0	4
North Carolina	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Texas	2020	10	0	0	0	0	10
	2021	10	0	0	3	0	7
	2022	7	0	0	0	0	7
Totals	2020	19	0	0	0	0	19
	2021	19	1	0	4	0	16
	2022	16	1	0	0	0	17

*Our Executive Chairman Tim League indirectly owns 1 Venue in Los Angeles, California that was open and operating as of our last fiscal year-end. We do not own any interest in or exercise any financial control over this Venue or its revenue, but we list it as Company-owned for purposes of Item 2D.

TABLE NO. 5
PROJECTED OPENINGS AS OF December 31, 2022

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*
Alabama	1	0	0
Arkansas	1	0	0
Colorado	1	0	0
Illinois	0	0	1
Indiana	1	1	0
Massachusetts	0	0	1
Texas	2	0	0
Totals	6	1	2

List of Current Franchisees

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

The name and addresses of our affiliates that operate Venues are listed in Exhibit G-1.

List of Former Franchisees

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

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

Purchase of Previously-Owned Franchise

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

Wholly-Owned Subsidiaries that Own and Operate Company-owned Venues

Venue Entity	Venue Street Address	Venue City	Venue State	Venue Zip Code
Alamo City Point Buyer, LLC	445 Gold Street	Brooklyn	NY	11201
Alamo Lakeline Buyer, LLC	14028 North U.S. Highway 183, Building F	Austin	TX	78717
Alamo Liberty Buyer, LLC	28 Liberty St, Suite SC301	New York	NY	11201
Alamo Aspen Grove Buyer, LLC	7301 S Santa Fe Dr, Unit 850	Littleton	CO	80120
Alamo Mueller Buyer, LLC	1911 Aldrich, Ste 120	Austin	TX	78723
Alamo Mission Buyer, LLC	2550 Mission St	San Francisco	CA	94110
Alamo Park North Buyer, LLC	618 NW Loop 410	San Antonio	TX	78216
Alamo Draffhouse Raleigh Buyer, LLC	2116-D New Bern Ave	Raleigh	NC	27610
Alamo Slaughter Lane Buyer, LLC	5701 W Slaughter Ln	Austin	TX	78749
Alamo Sloans Buyer, LLC	4255 W Colfax Ave	Denver	CO	80204
Alamo South Lamar Buyer, LLC	1120 South Lamar Blvd	Austin	TX	78704
Alamo Staten Island Buyer, LLC	2636 Hylan Blvd, Unit 34	Staten Island	NY	10306
Alamo Stone Oak Buyer, LLC	22806 US Hwy 281 North	San Antonio	TX	78258
Alamo DH Anderson Lane Buyer, LLC	2700 West Anderson Ln, Suite 701	Austin	TX	78757
Alamo Westminster Buyer, LLC	8905 Westminster Blvd	Westminster	CO	80031
Alamo Yonkers Buyer, LLC	2548 Central Park Ave	Yonkers	NY	10710
Alamo Wrigleyville, LLC	3519 N. Clark Street	Chicago	IL	60657
Alamo Seaport, LLC	60 Seaport Blvd	Boston	MA	02210

Confidentiality Clauses

During the last 3 fiscal years, we or our Predecessor has 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

The ADC Franchise Association, Inc. was formed in 2019 for the purpose of offering educational, networking, and training programs for its members as it deems necessary and advisable in order to provide its members with opportunities to enhance their communication with, and participation in, their respective franchise relationships with us, the Predecessor, and our successors and assigns, increasing franchise awareness through publications and seminars, improving franchised business conditions, and promoting and fostering the interests of the franchisees.

ITEM 21 FINANCIAL STATEMENTS

We have included the following documents as Exhibit B to this Disclosure Document: (1) our audited consolidated financial statements for the 2022 calendar year, and the accompanying Independent Auditors' Report; (2) our audited consolidated Balance Sheet as of May 28, 2021, and the accompanying Independent Auditors' Report; and (3) our audited consolidated financial statements for the period from May 29, 2021 to December 30, 2021, and the accompanying Independent Auditors' Report. We operate on a fiscal year calendar based on a Friday through Thursday fiscal week. The final day of fiscal year 2022 occurred on December 29, 2023. We have not been in business for three years or more and cannot include all financial statements required by the FTC's Franchise Rule.

ITEM 22 CONTRACTS

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

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

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 Intermediate II Holdings, LLC, 3908 Avenue B, Austin, Texas 78751, acknowledging your receipt of this Disclosure Document. Please keep Copy 1 for your records. We cannot offer or sell you a franchise until we receive the properly signed receipt.

**STATE ADDENDA TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM TO ALAMO INTERMEDIATE II HOLDINGS, 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 6 of the Disclosure Document is supplemented to reflect that 10% per annum is the highest interest rate allowed in California.

3. 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, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise 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 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 requires application of the laws of Texas. This provision may not be enforceable under California law.

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

The Franchise 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 Financial Protection and Innovation , prior to a solicitation of a proposed material modification of an existing franchise.

The Franchise 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).

4. 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.

5. OUR WEBSITE (www.drafthouse.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION .

ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

**ADDENDUM TO ALAMO INTERMEDIATE II HOLDINGS, 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.

**ADDENDUM TO ALAMO INTERMEDIATE II HOLDINGS, LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND**

1. Item 5 of this Disclosure Document is modified as follows:

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

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

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

3. 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.).

4. 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."

5. 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 INTERMEDIATE II HOLDINGS, 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 INTERMEDIATE II HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

1. 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 INTERMEDIATE II HOLDINGS, 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 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 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 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 by article 33 of the General Business law of the state of New York.

**ADDENDUM TO ALAMO INTERMEDIATE II HOLDINGS, 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 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 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 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 Franchise Agreement may not be enforceable in the State of North Dakota.

**ADDENDUM TO ALAMO INTERMEDIATE II HOLDINGS, 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 INTERMEDIATE II HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA**

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:

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 INTERMEDIATE II HOLDINGS, LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON**

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

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

EXHIBIT A-1

FRANCHISE APPLICATION AND CONFIDENTIALITY AGREEMENT



FRANCHISE APPLICATION AND CONFIDENTIALITY AGREEMENT

INSTRUCTIONS: Thank you for expressing an interest in obtaining rights from Alamo Intermediate II Holdings, LLC (“we” or “Alamo Draffhouse”) to develop and operate one or more franchised Alamo Draffhouse 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 Draffhouse 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: 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.

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

<u>Applicant</u>	<u>Signer (s)</u>
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.
- ☐ 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 Drafthouse 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 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.

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 Assets			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, Contracts, 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 5 th 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:

- Proof of Current State Filing
- Executed Partnership Agreement
- Executed Operating Agreement

Required for:

- (1) Corporation, (2) Limited Partnership, (3) General Partnership, (4) Limited Liability Company
- (1) Limited Partnership, (2) General Partnership
- (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: ____ / ____ / ____

Future Operating Projections as an Alamo Drafthouse

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Total Number of Seats					
x Annual Seat Occupancy (or Fill Rate)					
x Movie Sessions per Day per Screen					
x 365 Days per Year					
= Annual Guest Attendance					
x Average Spending per Guest (or PPA)					
= Total Venue Revenue					

Past Venue Performance (if converting an existing theater facility, last 5 years)

Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Total Number of Seats					
x Annual Seat Occupancy (or Fill Rate)					
x Movie Sessions per Day per Screen					
x 365 Days per Year					
= Annual Guest Attendance					
x Average Spending per Guest (or PPA)					
= 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 _____

Your Authorizations, Consents and Releases regarding this Application and Your Personal Information

- 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

FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

[Location]

TABLE OF CONTENTS

	Page(s)
ARTICLE I. GRANT.....	1
1.1 Grant.	1
1.2 Location.	2
1.3 Territorial Rights.....	2
ARTICLE II. SITE SELECTION, PLANS AND CONSTRUCTION.....	3
2.1 Franchisee’s Responsibility.	3
2.2 Site Selection.	3
2.3 Zoning and Permits.	3
2.4 Plans and Specifications.	4
2.5 Construction.....	4
2.6 Opening.....	5
ARTICLE III. TERM AND RENEWAL	5
3.1 Initial Term.	5
3.2 Successor Franchise Agreements.....	5
3.3 Form and Manner of Exercising Successor Franchise Right.....	6
3.4 Conditions Precedent to Entering into a Successor Franchise Agreement.	7
ARTICLE IV. FEES	7
4.1 Initial Franchise Fee.....	7
4.2 Royalty.....	8
4.3 Electronic Funds Transfer.....	9
4.4 Interest and Charges for Late Payments.	10
4.5 Payment Methods and Frequencies.	10
ARTICLE V. FRANCHISOR’S OBLIGATIONS	10
5.1 On-Site Development Guidance.	10
5.2 Plans and Specifications.	10
5.3 Operations Digital Library.....	10
5.4 Visits.	11
5.5 Advertising Materials.....	11
5.6 Operating Techniques.	11
5.7 Merchandise.....	11
5.8 List of Suppliers.....	11
5.9 Training.....	11
5.10 On-Site Assistance.	11
5.11 Marketing Fund.....	11
5.12 Film Services.	11
5.13 Guest Loyalty Programs.	11

ARTICLE VI. FRANCHISEE’S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS	12
6.1 Optimum Sales; Working Capital.....	12
6.2 Entity Representations.....	12
6.3 Operating Principal.....	13
6.4 Managers.....	14
6.5 Training.....	15
6.6 Compliance with Laws.....	16
6.7 Notification of Proceedings.....	17
ARTICLE VII. FRANCHISE OPERATIONS	17
7.1 Standards Compliance.....	17
7.2 Maintenance of Venue.....	17
7.3 Upgrade of Venue.....	17
7.4 Sourcing.....	18
7.5 Movies.....	18
7.6 Operational Requirements.....	18
7.7 Computer Systems.....	21
7.8 Internet Website.....	21
7.9 Recipes.....	22
7.10 Advertising Materials.....	22
7.11 Complaints.....	23
7.12 Guest Information.....	23
7.13 Privacy and Data Protection.....	23
ARTICLE VIII. ADVERTISING AND RELATED FEES.....	24
8.1 Advertising Programs.....	24
8.2 Local Advertising.....	25
8.3 Grand Opening.....	25
8.4 Marketing Fund.....	25
8.5 Advertising Cooperative.....	26
8.6 Approval of Advertising.....	27
8.7 Prices.....	28
8.8 Rebates.....	28
ARTICLE IX. MARKS	28
9.1 Grant.....	28
9.2 Acknowledgements.....	28
9.3 Agreements.....	29
9.4 Infringement.....	29
9.5 Nonexclusive License.....	30
ARTICLE X. CONFIDENTIALITY AND NONCOMPETITION COVENANTS	30
10.1 Operations Digital Library.....	30
10.2 Confidential Information.....	32
10.3 Noncompetition Covenants.....	32

10.4	Injunctive Relief.....	34
10.5	Use of Confidential Information.....	35
ARTICLE XI. BOOKS AND RECORDS.....		35
11.1	Books and Records.	35
11.2	Reports.	35
11.3	Review and Inspection.....	35
11.4	Mistakes.	36
11.5	Release of Information.....	36
11.6	Power-of-Attorney.	36
ARTICLE XII. INSURANCE		36
12.1	Insurance Policy.....	36
12.2	Coverage.	36
12.3	Deductibles.	38
12.4	No Limitation.....	38
12.5	Additional Insured.	38
12.6	Certificates of Insurance.	38
12.7	Failure to Maintain.....	38
ARTICLE XIII. DEBTS AND TAXES.....		39
13.1	Payment.....	39
13.2	No Deduction.	39
13.3	Dispute.	39
ARTICLE XIV. TRANSFER OF INTEREST		39
14.1	Transfer by Franchisor.....	39
14.2	Transfer by Franchisee.....	40
14.3	Transfer to Affiliate.	42
14.4	Right of First Refusal.....	42
14.5	Death and Permanent Disability.	43
14.6	No Waiver.	43
14.7	Public Offering.....	43
14.8	Review of Offering Materials.	44
14.9	Transfers by Franchisee’s Principals.	44
ARTICLE XV. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION		44
15.1	Relationship.	44
15.2	Notice to Public.....	45
15.3	No Authority.	45
15.4	Employment Policies.	45
15.5	Indemnification.	45
ARTICLE XVI. DEFAULT AND TERMINATION.....		46
16.1	Default and Automatic Termination.	46
16.2	Default with No or Limited Right to Cure.....	46
16.3	Default and Right to Cure.	48

16.4	Additional Remedies.....	49
ARTICLE XVII. POST-TERMINATION		49
17.1	Cease Operation.....	49
17.2	Cease Use of Marks.....	49
17.3	Cancel Assumed Names.....	49
17.4	No Imitation.....	49
17.5	Payment of Monetary Obligations.....	50
17.6	Payment of Damages; Liquidated Damages.....	50
17.7	Return of Operations Digital Library.....	50
17.8	Confidentiality and Noncompetition.....	51
17.9	Advertising Materials.....	51
17.10	Signs and Menu Boards.....	51
17.11	Assignment of Leases.....	51
17.12	Right to Purchase.....	51
ARTICLE XVIII. MISCELLANEOUS.....		53
18.1	Notices.....	53
18.2	Entire Agreement.....	54
18.3	Amendments.....	54
18.4	No Waiver.....	54
18.5	Approvals or Consents.....	54
18.6	No Warranties.....	54
18.7	Force Majeure.....	54
18.8	Law Governing.....	55
18.9	Dispute Resolution.....	55
18.10	JURY TRIAL WAIVER.....	56
18.11	Counterparts.....	56
18.12	Headings.....	56
18.13	Survival.....	56
18.14	Severability.....	56
18.15	Construction.....	56
18.16	Remedies.....	57
18.17	Franchisee's Principals and Controlling Principals.....	57
18.18	Legal Entities.....	57
18.19	No Third-Party Beneficiaries.....	57
18.20	Terrorist and Money Laundering Activities.....	57
ARTICLE XIX. ACKNOWLEDGMENTS		58
19.1	Independent Investigation.....	58
19.2	Review and Understanding.....	58
19.3	Receipt of Documents.....	58

ATTACHMENT A -	CONTROLLING PRINCIPALS GUARANTY
ATTACHMENT B -	LOCATION; TERRITORY
ATTACHMENT C -	STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPALS
ATTACHMENT D-1 -	REQUIREMENTS FOR LEASED SITES
ATTACHMENT D-2 -	REQUIREMENTS FOR OWNED SITES
ATTACHMENT E -	CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE
ATTACHMENT F -	FILM SERVICES AGREEMENT

ALAMO DRAFTHOUSE CINEMAS FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is dated as of _____, 20__ (the “**Effective Date**”) by and between Alamo Intermediate II Holdings, LLC, a Delaware 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 marks “Alamo Draffhouse” and “Alamo Draffhouse Cinema” 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 Draffhouse 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 Draffhouse 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 Draffhouse 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 (the “**Franchised Venue**”). Franchisee and the Controlling Principals (as defined below) 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.

1.2 Location. The specific address of the Franchised Venue location consented to by Franchisor is set forth on Attachment B (the “**Location**”). Franchisee shall not relocate the Franchised Venue without the prior written consent of Franchisor. This Agreement does not grant to Franchisee the right or license to operate the Franchised 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 Franchised Venue at the Location because of the occurrence of a Force Majeure Event (as defined below), then Franchisee may request the consent of Franchisor to relocate the Franchised Venue to another location agreed to by Franchisor. If Franchisor consents to Franchisee’s request to relocate the Franchised Venue, then Franchisee shall comply with the site selection and construction procedures set forth in this Agreement and the Operations Digital Library (as defined below).

1.3 Territorial Rights.

(a) During the Term, neither Franchisor nor any Affiliate (as defined below) of Franchisor shall open or operate any Alamo Drafthouse, nor license others to do so, within the geographic area described on Attachment B (the “**Territory**”).

(b) Notwithstanding Section 1.3(a) above, Franchisor and its Affiliates reserve all rights that this Agreement does not expressly grant to or confer upon Franchisee. Franchisee acknowledges that Franchisor and its Affiliates are and may in the future be engaged in other business activities, including activities involving the development of cinemas and related activities, and that Franchisee is acquiring no rights hereunder other than the right to use the System as specifically defined herein in accordance with the terms of this Agreement. This Agreement does not limit Franchisor’s rights, or the rights of any Affiliate of Franchisor, to use or license the System or any part thereof, or to engage in or license any business activity at any location, including, without limitation, the licensing, franchising, ownership, operation and/or development of cinemas and related activities under the names and Marks associated with the System and/or any other names and marks; provided, however, that during the Term, neither Franchisor nor any Affiliate of Franchisor, shall open or operate any Alamo Drafthouse, nor license others to do so, within the Territory.

For purposes hereof, “**Affiliate**” shall mean with respect to a person or entity (a “**Person**”): (i) in the case of an individual, any then-current spouse, sibling, child (natural or adopted), parent, nephew or niece of such Person and any trust for the benefit of such spouse, sibling, child, parent, nephew or niece; and (ii) any entity which (A) is controlled by, and in which at least fifty percent (50%) of the beneficial ownership and each class of stock or other voting interest is owned, directly or indirectly by, such Person, (B) controls and owns, directly or indirectly, at least fifty percent (50%) of the outstanding voting securities and beneficial ownership of such Person, or (C) is controlled by and in which fifty percent (50%) or more of the outstanding voting securities and beneficial interests are owned, directly or indirectly, by a Person that controls and owns, directly or indirectly, fifty percent (50%) or more of the outstanding voting securities and beneficial interests of the subject Person.

ARTICLE II. SITE SELECTION, PLANS AND CONSTRUCTION

2.1 Franchisee's Responsibility. Franchisee assumes all cost, liability, expense and responsibility for having located and for obtaining and developing a site for the Franchised Venue and for constructing and equipping the Franchised Venue at the Location. 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 the Location is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Franchised Venue operated at the Location will be profitable or otherwise successful and shall not create any liability for Franchisor. Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the Location for the Franchised Venue.

2.2 Site Selection.

(a) Consent to Site. Prior to the execution of this Agreement, Franchisee identified the Location and submitted 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 reasonably required, 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. Based on such materials, Franchisor consented to the Location as the site of the Franchised Venue. No other site may be used for the Location of the Franchised Venue unless it is consented to in writing by Franchisor, in its sole discretion.

(b) Acquisition of Site. If Franchisee or an Affiliate will purchase the premises for the Franchised Venue (an "**Owned Site**"), Franchisee shall submit a copy of the proposed contract of sale to Franchisor for its written consent at least fifteen (15) days 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 Franchised Venue under a lease (other than where an Affiliate of Franchisee is the landlord) (a "**Leased Site**"), Franchisee shall submit a copy of the lease to Franchisor for written consent at least fifteen (15) days 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 shall 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 D-1. Notwithstanding the foregoing, Franchisee shall acquire the right to operate the Franchised Venue at the Location by purchase or lease within 120 days following the execution of this Agreement. Failure by Franchisee to acquire the Location for the Venue within the time and in the manner required herein shall constitute a material event of default under this Agreement.

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 Location. Prior to

beginning the construction of the Franchised Venue, Franchisee shall (a) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Franchised 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 Franchised 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 Franchised Venue provided to Franchisee by Franchisor in accordance with Section 5.1(c) as necessary for the construction of the Franchised Venue and shall submit such adapted plans to Franchisor or its designated representative for review before commencing any Site Work (as defined below) or construction. Franchisee shall pay a \$7,500 Design/PIP Fee to Franchisor its review and consent to such plans. The Franchised Venue shall be designed and constructed in accordance with Franchisor's then current Design and Construction Manual ("**DCM**") and that, unless otherwise agreed in writing by both parties, the Franchised Venue will be developed strictly in accordance with the version of the DCM in effect as of the time when Franchisee submits such plans to Franchisor in accordance with requirements set forth above in this Section, regardless of whether a newer version is later issued during the construction phase. Notwithstanding the foregoing, 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 this Agreement 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 Franchised Venue in accordance with the Operations Digital Library, including the DCM, this Agreement, and any specific requirements agreed upon by the parties and set forth on Attachment D-1 (with respect to a Leased Site) or Attachment D-2 (with respect to an Owned Site), as applicable. Notwithstanding anything to the contrary set forth herein, for a Franchised Venue that will be new construction, the date by which

the Franchisee or its Affiliate (in the case of an Owned Site) or the landlord (in the case of a Leased Site) shall be required to Break Ground on or prior to the first anniversary of the date hereof. Such Person's failure to Break Ground by such date shall be deemed a material event of default under this Agreement. For purposes hereof, "**Break Ground**" means to initiate Site Work in furtherance of the Franchised Venue at the Location. "**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 Franchised 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. In furtherance of such, Franchisee shall (a) satisfy any site-specific construction and development milestones and requirements as and when set forth on Attachment D-1 or D-2, as applicable, as well as the items included in the final pre-opening checklist prepared by Franchisor for the Franchised Venue and (b) open the Franchised Venue and commence business therefrom prior to (i) the second anniversary of the date hereof if the Franchised Venue is new construction or (ii) the first anniversary of the date hereof if the Franchised Venue is an existing theatre. The date the Franchised Venue actually opens for business to the public is referred to herein as the "**Opening Date**". Franchisee's failure to open the Franchised 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 Franchised Venue premises (the "**Term**").

3.2 Successor Franchise Agreements.

(a) Subject to the conditions contained in Section 3.4 of this Agreement and Franchisee's compliance with Section 3.3 of this Agreement, at the expiration of the Term hereof, Franchisee shall have the right (the "**Successor Franchise Right**") to enter into a new franchise agreement in the form then generally being offered to prospective franchisees of the System (the

“**First Successor Franchise Agreement**”) for a five (5) year period (the “**First Successor Term**”), which Successor Franchise Agreement shall likewise grant Franchisee the right to enter into one additional franchise agreement at the end of the First Successor Term, in the form then generally being offered to prospective franchisees of the System (the “**Second Successor Franchise Agreement**”) for a five (5) year period (the “**Second Successor Term**”). Franchisee acknowledges that the terms, including Royalty Fee and Fund contributions payable, during the First Successor Term and Second Successor Term shall be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement.

(b) The term of the First Successor Franchise Agreement and the Second Successor Franchise Agreement, as applicable, shall commence upon the date of expiration of the Term hereof or the First Successor Franchise Agreement, as applicable; provided, however, that notwithstanding the terms of Franchisor’s then-current form of Franchise Agreement:

(i) The First Successor Franchise Agreement and the Second Successor Franchise Agreement shall provide that Franchisee must pay, in lieu of an initial franchise fee, a renewal fee in the amount equal to 50% of Franchisor’s then-current initial franchise fee; and

(ii) unless otherwise mutually agreed in writing, the First Successor Franchise Agreement and the Second Successor Franchise Agreement shall be modified to conform to the Successor Franchise Rights granted in franchisee’s original franchise agreement for the Franchised Venue.

3.3 Form and Manner of Exercising Successor Franchise Right. The Successor Franchise Right shall be exercised, if at all, strictly in the following manner:

(a) Between six months and 12 months before the expiration of the Term, Franchisee shall notify Franchisor in writing (“**Notice of Election**”) that it intends to exercise its Successor Franchise Right and no sooner than immediately after the expiration of any waiting period(s) by applicable law and no more than 30 days after Franchisee receives Franchisor’s then current Franchise Disclosure Document, if applicable, and the execution copy of the applicable Successor Franchise Agreement, Franchisee and the Controlling Principals shall execute and forward a copy of Successor Franchise Agreement with the renewal fee described in Section 3.2(b)(i).

(b) If Franchisee shall have exercised its Successor Franchise Right in accordance with Section 3.3 of this Agreement and satisfied all of the conditions contained in Section 3.4 of this Agreement, Franchisor shall execute the Successor Franchise Agreement, executed by Franchisee and the Controlling Principals, and at or prior to the expiration of the Term, deliver one fully executed copy thereof to Franchisee.

(c) If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to the provisions of Sections 3.3 or 3.4 of the Agreement, in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its Successor Franchise Right and shall automatically cause Franchisee’s Successor Franchise Right to lapse and expire.

3.4 Conditions Precedent to Entering into a Successor Franchise Agreement. Franchisee's Successor Franchise Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

(a) 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 Franchised Venue as Franchisor may reasonably require and shall otherwise upgrade the Franchised Venue to reflect the then-current standards and image of the System;

(b) 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;

(c) 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;

(d) Possession of Premises. Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Franchised Venue or obtain Franchisor's consent to a new site for the operation of the Franchised Venue, in each case for the duration of the First Successor Term or Second Successor Term, as applicable;

(e) 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

(f) 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) upon execution of this Agreement. 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 (the “**Royalty Fee**”). The Royalty Fee shall be due and payable each month, or such other day or date that Franchisor may specify from time to time (the “**Accounting Period**”), based on the Gross Sales for the preceding Accounting Period so that it is received by Franchisor by electronic funds transfer (“**EFT**”). A statement of Franchisee’s Gross Sales for the applicable Accounting Period shall be provided by Franchisee in advance of the due date for the Royalty Fee with respect to the most recently completed Accounting Period via Franchisee’s POS System or such other software as approved by Franchisor. In the event that Franchisee’s POS System or such software is not functioning or this feature is not available, Franchisee shall prepare and submit the required reports manually. For purposes hereof, a “**business day**” for purposes 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 of the Royalty Fee and the related reports upon written notice to Franchisee.

(b) 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 Franchised Venue (including, without limitation, 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 Franchised Venue), whether for cash or credit and regardless of collection in the case of credit. Franchisor reserves the right to modify its policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change. Gross Sales shall expressly exclude the following:

(i) 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 Franchised 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 Franchised Venue, provided that such taxes are actually transmitted to the appropriate taxing authority;

(ii) Receipts from any vending machine, slot or other gaming machines or video games installed in the Franchised Venue, except for Franchisee’s share of the revenues;

(iii) Tips or gratuities paid directly by Franchised 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;

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

(v) 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:

A. 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

B. 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.

4.3 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, together with any other fees or amounts owing to Franchisor and specified herein. 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 Fee 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 this Agreement, (ii) the Gross Sales to which Franchisor has visibility through Franchisee’s POS System, or (iii) 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 Fee 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 Fee 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 Fee 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 Fee and required Fund

contributions when due. If Royalty Fees are not received when due, interest may be charged by Franchisor in accordance with Section 4.4 below. Upon written notice to Franchisee, Franchisee may be required to pay Royalty Fees directly to Franchisor in lieu of EFT at Franchisor's sole discretion.

4.4 Interest and Charges for Late Payments. If Franchisee shall fail to pay to Franchisor the entire amount of the Royalty Fee, required Fund contributions and all other sums owed to Franchisor or its Affiliates promptly when due, Franchisee shall pay, in addition to all other amounts which are due but unpaid, a \$100 late fee per occurrence, plus interest on the unpaid amounts, from the due date thereof, at the daily equivalent of 18% per year simple interest or the highest rate allowable under applicable law, whichever is less. If any check, draft, electronic transfer, or otherwise is unpaid because of insufficient funds or otherwise, then Franchisee shall also pay Franchisor a fee of \$100 per occurrence or the highest amount allowed by law, whichever is less.

4.5 Payment Methods and Frequencies. Franchisor has the right to periodically specify (in the Operations Digital Library or otherwise in writing) different payees, payment frequencies and/or payment methods, such as, but not limited to, weekly/biweekly/monthly payment, payment by auto-draft, credit card and payment by check upon 30 days' written notice to Franchisee.

4.6 Fees for Products or Services Provided By Third Parties. Franchisor may from time to time designate certain third-party vendors to provide products and/or services to Franchisee. Franchisor may require that Franchisee engage such third-party vendors directly, or Franchisor may arrange for such products or services to be provided to Franchisee by third-party vendors on Franchisee's behalf. Franchisee must enter into any agreements that Franchisor may designate, and pay all fees when due, for such products and services, whether payable directly to a third-party vendor or payable to Franchisor to remit to a third-party vendor on Franchisee's behalf.

ARTICLE V. FRANCHISOR'S OBLIGATIONS

Franchisor agrees to provide the services described below with regard to the Franchised Venue:

5.1 On-Site Development Guidance. At Franchisor's discretion, such on-site guidance as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for advice in the construction and build-out of the Franchised Venue.

5.2 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 Franchised Venue in accordance with Article II.

5.3 Operations Digital Library. Access to the Company's confidential brand standards, online and digital materials and such other manuals and written materials as Franchisor shall have developed for use in the Franchised 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.

5.4 Visits. Visits to the Franchised 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(e).

5.5 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 Franchised Venue. Franchisee hereby agrees to purchase from Franchisor such advertising and promotional materials as Franchisor may designate from time to time (which may include, but is not limited to, props for movie premieres).

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

5.7 Merchandise. From time to time and at Franchisor's discretion, at a reasonable cost to Franchisee, 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.

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

5.9 Training. An initial training program for Franchisee's Operating Principal and its General Manager, Kitchen Manager, Bar Manager, AV-Presentation Manager, Field Marketing Manager and Sales Manager (each as defined below) and other Franchised Venue personnel and other training programs in accordance with the provisions of Section 6.5.

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

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

5.12 Film Services. Provision of film booking and related bankend services for the Franchised Venue as outlined in the Film Services Agreement (Attachment F).

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

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

6.1 Optimum Sales; Working Capital. 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 Franchised Venue so as to achieve optimum sales. Franchisee shall maintain at all times sufficient working capital to fulfill its obligations under this Agreement.

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) 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;

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

(e) Ownership Interests. The ownership interests in Franchisee are accurately and completely described in Attachment C. 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;

(f) 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;

(g) 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. All financial statements previously provided to Franchisor are and 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 consistently applied;

(h) 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;

(i) 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 E 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 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

(j) 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 principal contact person for the Franchised Venue (the "**Principal Correspondent**").

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

(i) The Principal Correspondent 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 Principal Correspondent described herein; provided that Principal Correspondent shall take all necessary action to ensure that such designee conducts and fulfills all of Principal Correspondent's obligations in accordance with the terms of this Agreement and Principal Correspondent shall remain fully responsible for such performance.

(ii) Franchisee and the Principal Correspondent (or his designee, if applicable) shall devote substantial full time and best efforts to the supervision and operation of the Franchised Venue.

(iii) The Principal Correspondent (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.

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

(c) Replacement. If the Principal Correspondent or any designee is not able to continue to serve in the capacity of Principal Correspondent 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 Principal Correspondent 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 Franchised Venue, a kitchen manager ("**Kitchen Manager**") to direct the operation and management of the restaurant portion of the Franchised Venue, a bar manager ("**Bar Manager**") to direct the operation and management of the beverage program for the Franchised Venue, an AV-presentation manager ("**AV-Presentation Manager**") to direct the operation and management of the theater portion of the Franchised Venue, a field marketing manager ("**Field Marketing Manager**") to direct the operation and management of local marketing, a sales manager to conduct inbound and outbound private event sales (the "**Sales Manager**" and, collectively with the General Manager, the Kitchen Manager, the Bar Manager, AV-Presentation Manager and the Field Marketing Manager, the "**Managers**"). Franchisee shall designate its Managers at least sixty (60) days prior to the opening of the Franchised Venue. The Managers shall have such responsibilities as set forth in the

Operations Digital Library. One Manager may serve in multiple capacities upon the written consent of Franchisor.

(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 portion(s) of the Franchised Venue for which he is responsible.

(iii) 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 such 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 Franchised 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.

(d) Management Companies. Franchisor may permit Franchisee to utilize a third party management company to provide Managers from time to time, which permission shall be granted or withheld in Franchisor's sole discretion. Franchisee shall provide to Franchisor all information requested thereby with respect to such proposed management company in connection with Franchisor's consideration of such request. Franchisor may condition its approval of the use of a management company on whatever terms it determines to be in the best interest of the Venues and the System.

6.5 Training. Franchisee agrees that it is necessary to the continued operation of the System and the Franchised Venue that Franchisee's Principal Correspondent 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 Franchised Venue commences operations, Franchisee's Principal Correspondent and all other Managers and Assistant Managers 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 in Austin, Texas or such other location designated by Franchisor, if the Franchised Venue is the first Venue developed by Franchisee. Franchisee shall pay, in advance, an initial training fee equal to \$5,000 times the number of persons who will attend such initial training program.

(b) Replacement Training. Franchisor shall determine, in its sole discretion, whether the Principal Correspondent and other Managers have satisfactorily completed initial training. If the initial training program is not satisfactorily completed by the Principal Correspondent or any Manager, or if Franchisor in its reasonable business judgment based upon the performance of the Principal Correspondent or any 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 Principal Correspondent or other 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 Principal Correspondent or Manager (which may include, but is not limited to, amounts Franchisor incurs to provide the payroll, travel, lodging and meals), 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 Principal Correspondent, Managers and other Franchised Venue personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

(c) Additional Training. Franchisee's Principal Correspondent, Managers and such other Franchised 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, or as otherwise required pursuant to the Operations Digital Library. 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 (which may include, but is not limited to, amounts Franchisor incurs to provide the payroll, travel, lodging and meals). Franchisee shall be responsible for any and all expenses incurred by Franchisee or its Principal Correspondent, Managers and other Franchised 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 Franchisee's or its Affiliates' first Venue, Franchisor shall provide Franchisee with opening assistance by 12 to 24 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. If Franchisee or its Affiliates has previously owned or operated a Venue, the parties will work together to determine the appropriate amount of pre-opening assistance to be provided by Franchisor, which may be less than what would have been provided if the Franchised Venue were Franchisee's and its Affiliates' first Venue. With respect to the opening assistance described above, 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 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 Franchised 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.

6.7 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 Franchised Venue.

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 Franchised 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 Franchised 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 Franchised Venue or to provide the Franchised 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 Franchised 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 Franchised Venue to conform it to Franchisor's then-current standards and specifications. Without limitation of the foregoing, Franchisee shall make (a) any capital improvements to the Franchised Venue that may be described on Attachment D-1 or D-2, as applicable, and (b) any capital improvements required by Franchisor on or after the fifth anniversary of the Opening Date to comply with the then current Venue standards set forth in the Operations Digital Library. Franchisee and Franchisor will work together from time to time to develop a project improvement plan with respect to the capital improvements required by Franchisor pursuant to clause (b) above. Franchisor may also require that Franchisee set aside a designated amount upon signing the Franchise Agreement, or at another time during the Term, as a capital reserve to fund future improvements to the Venue (the "**Capital Reserve Amount**"). The current Capital Reserve Amount is equal to four percent (4%) of Gross Sales each calendar year, which amount is subject to change by Franchisor from time to time. Franchisee must deposit the Capital Reserve Amount into a separate, designated bank account within thirty (30) days following the end of each calendar year. Franchisee is responsible for all fees, costs, and expenses associated with such account. The Capital Reserve Amount is not intended to cover all foreseeable expenses

that Franchisee will incur in connection with making upgrades to the Venue, and Franchisee should anticipate spending amounts in excess of the Capital Reserve Amount on upgrades to the Venue from time to time.

7.4 Sourcing. Franchisee shall comply with any 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 Franchised Venue, and Franchisee shall purchase such from any required suppliers thereof, in each case as may be included by Franchisor in the Operations Digital Library from time to time. Except as provided in Sections 7.8 and 7.9 with respect to certain materials bearing the Marks and proprietary products and with respect to any suppliers Franchisee is required to use and or purchase from time to time as set forth in the Operations Digital Library, 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 the Franchised Venue and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably.

7.5 Movies. Franchisee agrees 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. Without limiting the foregoing, 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). In addition to the requirements of the Film Services Agreement to be entered into by Franchisee, Franchisee will participate in all special program offerings and bundles offered from time to time as part of national or regional promotions, unless Franchisee notifies Franchisor prior to scheduling programming of its desire to opt-out of one or more content offerings and Franchisor and Franchisee mutually agree that such content offerings are not in the best interest of Franchisee's business.

7.6 Operational Requirements. Franchisee shall operate the Franchised 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 only menu items, products and services permitted by Franchisor (including, without limitation, liquor, beer and wine) and in the method, manner and style of distribution prescribed 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) Inventory. To maintain in sufficient supply of all food and beverage items, ingredients, products, materials, supplies, paper goods, uniforms and apparel and merchandise that conform to Franchisor's standards and specifications.

(c) Testing. To permit Franchisor or its agents, at any reasonable time, to remove samples of food or non-food items from the Franchised 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.

(d) 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 Franchised 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 Franchised Venue on at least a quarterly basis or as otherwise required in the Operations Digital Library or other written directives.

(e) Inspections. To grant Franchisor and its agents the right to enter upon the Franchised Venue premises at any time for the purpose of conducting inspections of the Franchised Venue, its assets and operations by Franchisor or an independent laboratory; 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 Franchised Venue with prospective franchisees, provided that Franchisor will exercise its commercially reasonable efforts to avoid disruption to the Franchised Venue or Franchisee's staff in connection with any such tours.

(f) Staff. Franchisee shall maintain a competent, conscientious, trained staff and shall 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 and Franchisee acknowledge and agree that Franchisor shall not, and shall have no right or authority to, control the employees of the Franchised 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 Franchised Venue or of Franchisee. Franchisee acknowledges

and agrees that all employees of the Franchised 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. Further, it is the intention of the parties to this Agreement that Franchisor shall not be deemed a joint employer with Franchisee for any reason. If Franchisor incurs any cost, loss, or damage as a result of any actions or omissions of Franchisee or Franchisee's employees, including any that relate to any party making a finding of any joint employer status, Franchisee will fully indemnify Franchisor for such loss.

(g) 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 Franchised 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.

(h) Online Ticket Purchasing. Franchisee shall participate in all online ticket programs established or designated by Franchisor from time to time, and shall enter into any agreements and pay any fees associated with such programs. These programs may include Franchisor-owned and operated ticketing platforms, as well as such third-party ticketing partnerships as Franchisor may designate (which may include Fandango and Atom). Franchisor reserves the right to add or discontinue third party ticketing partnerships at any time at its option, but will make its best efforts to inform Franchisee of any such changes fifteen (15) days in advance of requiring Franchisee to enter into any agreement or pay any fees to such online ticketing program. Franchisee shall honor any tickets purchased online for movies at the Franchised 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 Royalty Fee is paid.

(i) 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, including but not limited to the Alamo Season Pass program or any successor or equivalent thereto.

(j) 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.

(k) Bar. If Franchisor permits Franchisee to develop and operate a separately branded bar on the premises of the Franchised 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 Franchised 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 Franchised Venue (or in advertising and marketing materials with respect thereto), 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.

(l) Film Services Programs. To sign franchisors then current film booking and related backend services agreement (the current form of which is attached as Attachment F), participate in such film service programs and pay all then current fees for participation set forth in the Operations Digital Library from time to time.

7.7 Computer Systems. Franchisee shall install and maintain the point of sale systems (the "**POS System**") and computer hardware and software Franchisor requires for the operation of the Franchised 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 POS System and computer systems, including, without limitation, information concerning Franchised 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 Franchised 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 Franchised Venue. Franchisor may also require that Franchisee enter into agreements directly with third parties and/or pay designated fees directly to third parties for software licenses, or other technology, that Franchisor designates. 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 Franchised 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 Digital Library.

7.8 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 email account with an Internet service provider acceptable to Franchisor. Franchisee shall abide by all email policies set forth in the Operations Digital Library from time to time.

(b) Franchisor has established an Internet website (the “**Website**”) that provides information about the System and the products and services offered by Venues. Franchisor has sole discretion and control over the Website and all contents thereof. 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 the Franchised 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, its Affiliates 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 Operations Digital Library (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

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

7.9 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.

7.10 Advertising Materials. Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in

the Franchised Venue), and other items that may be designated by Franchisor to bear the Marks in the form, color, location and manner prescribed by Franchisor.

7.11 Complaints. Franchisee shall process and handle all consumer complaints connected with or relating to the Franchised 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 Five Thousand Dollars (\$5,000.00), and (d) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain any communications with governmental authorities affecting the Franchised Venue during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

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) that Franchisor obtains from Franchisee or directly from guests of the Franchised Venue (“**Guests**”) or indirectly through third party service providers, or that Franchisee collects directly from Guests or indirectly through third party service providers (“**Guest Information**”) and all revenues derived from such Guest Information will be Franchisor’s property and our Confidential Information. Franchisor may use Guest Information 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 Franchised 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 Franchised Venue or as required to comply with applicable laws.

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 and 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 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 (as such relates to the Franchised Venue and the Guest Information derived therefrom; 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: (A) any theft, loss or misuse of Guest Information; and (B) 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 Franchised Venue guests regarding theft or loss of Guest Information will be handled exclusively by Franchisor at Franchisor's election and Franchisee may not contact Franchised Venue guests relating to such theft or loss unless Franchisee is under a legal obligation to do so, in which case (x) Franchisee must notify Franchisor in writing promptly after concluding that Franchisee has the legal obligation to notify Franchised Venue guests and (y) Franchisee will limit the notices to Franchised 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 Franchised 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 8.5, Franchisee shall spend, annually throughout the Term, not less than one percent (1%) of the Gross Sales of the Franchised Venue on advertising, marketing, promotional and public relations programs and activities for the Franchised Venue ("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 Franchised Venue, Franchisee shall conduct an advertising and marketing campaign as prescribed by Franchisor or as otherwise agreed to by Franchisor and Franchisee and the amounts spent thereby shall be credited toward the Local Advertising requirement for such year.

8.3 Grand Opening. Franchisee must conduct a "Grand Opening Advertising Program" for the Franchised Venue during the period commencing sixty (60) days prior to opening the Franchised Venue and up to ninety (90) days after the opening date of the Franchised Venue, spending an amount equal to not less than one hundred and fifty thousand dollars (\$150,000). Franchisee must obtain Franchisor's prior written approval before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. Franchisee acknowledges that the Grand Opening Advertising Program may not be sufficient to develop adequate exposure to the Franchised Venue, and that it may be necessary for Franchisee to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts. Franchisee acknowledges that its expenditures for the Grand Opening Advertising Program are in addition to Local Advertising expenditures required pursuant to Section 8.2 above. All Grand Opening Advertising Program expenditures are subject to the terms, conditions, policies, and procedures as the Local Advertising.

8.4 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 Franchised 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 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 Franchised 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 Fund contribution percentage.

(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 digital advertising campaigns; buying search terms and ad words; 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. 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.

8.5 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 Franchised 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.

8.6 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 or via other means of advertising through telecommunication, without the express written consent of Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Franchised 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, including suggested menu pricing tiers, 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 Rebates. If Franchisor or its Affiliates receive any cash rebates, volume discounts, concessions, advertising allowances, payments, credits, monies, benefits, 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. Franchisor may use all amounts so received for any purpose Franchisor and its Affiliates deem appropriate.

ARTICLE IX. MARKS

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

9.2 Acknowledgements. Franchisee expressly understands and acknowledges that:

(a) Ownership. 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 Franchised Venue and only at or from its Location or in approved advertising related to the Franchised 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 licensed 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 Franchised Venue only under the Marks "Alamo Draffhouse" and "Alamo Draffhouse Cinema" without prefixes or suffixes. 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 Franchised 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 Franchised Venue or any vehicle used in connection with the Franchised Venue as Franchisor may designate in writing.

(c) 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 or email 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 access to the Operations Digital Library for the duration of the Term. 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. 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 Franchised 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 Franchised 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 any physical copies of the Operations Digital Library at all times in a safe and secure location and shall take all reasonable measures to prevent unauthorized access to the Operations Digital Library and the contents thereof, 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 any physical and electronic copies of the materials in 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 Operations Digital Library Venue. Franchisee expressly agrees to promptly comply with each new or changed standard. Franchisee shall at all times ensure that any physical copies of materials contained in 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 shall control.

(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 Franchised 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 Franchised Venue employees or patrons.

10.2 Confidential Information.

(a) Confidential. Neither Franchisee nor any Controlling Principal shall, during the Term 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 Franchised Venue that may be communicated to them or of which they may be apprised in connection with the operation of the Franchised 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 Franchised 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 E. 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 Franchised 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 Franchised 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 (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 Franchised 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.

(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 Franchised 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) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any movie theater business or other business that combines a movie theater and a restaurant or bar and that is of a character and general concept similar to a Venue, which business is, or is intended to be, located within a fifty (50)-mile radius of the 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)(ii) 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 E. All of Franchisee's Principals not required to sign this Agreement as a Controlling Principal also must execute such covenants.

10.4 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.

10.5 Use of Confidential Information. Franchisee hereby agrees that, regardless of whether the covenants contained in this Agreement are found to be enforceable, any operation by Franchisee or its affiliates or other covenantors of any movie theater business, or any 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, shall be deemed by any court, arbitrator, or other fact finder to be dispositive evidence that Franchisee has used Franchisor's confidential information in violation of this Agreement.

ARTICLE XI. BOOKS AND RECORDS

11.1 Books and Records. Franchisee shall maintain during the Term, 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 Operations Digital Library 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, 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, including in the Operations Digital Library.

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 Franchised 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 Franchised 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 hereunder, 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 with respect to the Franchised Venue. This power of attorney shall survive the expiration or termination of this Agreement.

ARTICLE XII. INSURANCE

12.1 Insurance Policy. Franchisee shall procure 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 Franchised 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 Franchised Venue premises and all other property in which Franchisor may have an interest with no coinsurance clause for the premises.

(c) 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.

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

(e) 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.

(f) 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.

(g) 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 Fee and 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.

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

(j) Cyber liability insurance, in the amounts that Franchisor designates from time to time.

(k) Active shooter insurance, in the amounts that Franchisor designates from time to time.

(l) Trade name restoration insurance, in the amounts that Franchisor designates from time to time.

(m) Such other insurance as may be required by landlord of the premises at, or the state or locality in, which the Franchised 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 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.

12.5 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.

12.6 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. Franchisee must also deliver to Franchisor such other evidence of coverage as Franchisor may designate from time to time including, but not limited to, the policy endorsements.

12.7 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 operation of the Franchised 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. 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 Franchised 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.

13.2 No Deduction. Each payment to be made to Franchisor hereunder shall be made free and clear and without deduction for any Taxes.

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 Franchised Venue or any improvements thereon.

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 Franchised 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 Franchised 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 Franchised 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 Franchised 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 Franchised 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 Franchised 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 Franchised 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 Franchised 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;

(c) 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.

(d) Security Interest. Franchisee shall not grant a security interest in the Franchised Venue or in any of Franchisee's assets without Franchisor's prior written consent, which shall not be unreasonably withheld. Any such consent shall be subject to the terms of a separate consent agreement between Franchisor and the applicable Franchisor credit, in form and substance reasonably acceptable to Franchisor.

14.3 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 14.2(b), except that the requirements in Sections 14.2(b)(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.

14.4 Right of First Refusal.

(a) Notice of Offer. If Franchisee wishes to transfer all or part of its interest in the Franchised Venue or this Agreement or if a Controlling Principal wishes to transfer, directly or indirectly, 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 latest of one hundred twenty (120) 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 Franchised Venue or this Agreement shall constitute a material event of default under this Agreement.

14.5 Death and Permanent Disability.

(a) Death. Upon the death of 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 six (6) months after the death of the Deceased.

(b) Permanent Disability. Upon the permanent disability of 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 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.

14.6 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.

14.7 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.

14.8 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.

14.9 Transfers by Franchisee’s Principals. If any person holding an interest in Franchisee, this Agreement or the Franchised 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 E (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 Franchised 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 Franchised Venue premises established for the purposes hereunder or on any vehicle used in connection with the Franchised 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 Franchised Venue or the Franchised Venue premises, including the sale of any food or beverage products, service or merchandise by the Franchised Venue or the operation of any motor vehicle, or of any other business conducted on or in connection with the Franchised 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 Franchised Venue premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised 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) Failure to Acquire Location. If Franchisee fails to acquire a Location for the Franchised Venue within the time and in the manner specified in Article II.

(b) Failure to Construct. If Franchisee fails to construct or remodel the Franchised 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.

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

(d) Cease to Operate. If Franchisee at any time ceases to operate or otherwise abandons the Franchised 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 Franchised 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.

(a) 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.

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

(c) Failure to Maintain Principal Correspondent or Managers. If Franchisee fails to designate a qualified replacement or successor Principal Correspondent (or his designee, as applicable) or other Manager within the time required under this Agreement.

(d) 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 Franchised 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.

(e) 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).

(f) 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 five (5) days after being requested to do so by Franchisor.

(g) 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 five (5) days after being requested to do so by Franchisor.

(h) 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.

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

(j) 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.

(k) 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.

(l) 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 Franchised Venue or otherwise engages in conduct that, in the sole judgment of Franchisor, materially impairs the goodwill association with the Marks.

(m) 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.

(n) Default Under Lease. If Franchisee fails to comply with any of the requirements imposed by the lease for the Franchised Venue premises or fails to obtain the Required Franchise Covenants to Lease in favor of Franchisor in accordance with Attachment D-1, and does not cure such default within the cure period, if any, specified in the lease or assignment, or in a written notice from Franchisor with respect to the required Franchise Covenants to Lease set forth in Attachment D-1.

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

(p) 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 Franchised Venue maintained on Franchisor's Website, 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 Franchised 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 marks "Alamo Drafthouse" and "Alamo Drafthouse Cinema"; 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 marks "Alamo Drafthouse" and "Alamo Drafthouse Cinema" 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; Liquidated Damages.

(a) General. 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.

(b) Liquidated Damages. The parties recognize the difficulty of ascertaining damages to Franchisor resulting from premature termination of this Agreement, and have provided for liquidated damages, which liquidated damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided and which are only damages for the premature termination of this Agreement, and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment. If this Agreement is terminated pursuant to Sections 16.1, 16.2 or 16.3 above, Franchisee and the Controlling Principals will promptly pay Franchisor, as liquidated damages, a lump sum equal to the total amounts required under Sections 4.2, 7.6(h) and 8.3 during the 36 calendar months of operation preceding the termination or such shorter period as equals the unexpired Term at the time of termination; or if the Franchised Venue has not been in operation in the System for 36 months, the greater of:

- (1) 36 times the monthly average of such amounts for the period during which the Franchised Venue has been in operation in the System, or
- (2) 36 times such amounts as are due for the one month preceding such termination.

The parties acknowledge and agree that it would be difficult to determine the injury caused to Franchisor by termination of this Agreement. The parties therefore intend and agree the above liquidated damages calculation to be a reasonable estimate of Franchisor's probable loss and not a penalty or in lieu of any other payment.

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 Franchised Venue, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Franchised 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 Franchised 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 Franchised Venue under a lease with a third party or, with respect to any lease for equipment used in the operation of the Franchised Venue, then, Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Franchised 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 Franchised 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 Franchised 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 Franchised 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. 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 Franchised Venue, at Franchisee's cost or fair market

value, whichever is less (in addition to those items which are conveyed to Franchisor pursuant to Sections 17.9, 17.10 and 17.11 at no additional consideration). 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 Franchised 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 Franchised 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 Franchised 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 purchase agreements, 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.

(d) 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.

(e) 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.

(f) Assignment of Telephone Numbers. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised 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, websites, listings with search engines, e-mail addresses or any other similar listing or usage related to the Franchised Business. 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 sent by (a) personal delivery, (b) expedited delivery service or (c) email (provided that the sender confirms the email by sending an original confirmation copy by 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 Intermediate II Holdings, LLC 3908 Avenue B Austin, Texas 78751 Attention: Chief Development Officer Email: chris.drazba@drafthouse.com
------------------------	---

Notices to Franchisee and the Controlling Principals:	_____ _____ _____ _____ Attention: _____ Email: _____
--	--

Any notices sent by personal delivery shall be deemed given upon receipt. Any notice sent by expedited delivery service shall be deemed given (2) business days after the date the notice is picked up by the expedited delivery service. Any notices sent by email shall be deemed given upon transmission. Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

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 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 C. 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 INTERMEDIATE II HOLDINGS, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

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 Intermediate II Holdings, LLC, a Texas limited liability company (“**Franchisor**”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the “**Franchise Agreement**”) with _____ (“**Franchisee**”).

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

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

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

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

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

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

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 Principal Correspondent

LOCATION AND TERRITORY

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. TERRITORY

Pursuant to Section 1.3(a) of the Franchise Agreement, the Territory shall be as follows (insert description or geographic depiction):

STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEES PRINCIPALS

1. STATEMENT OF OWNERSHIP INTERESTS

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

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>

2. FRANCHISEE'S PRINCIPALS

In addition to the persons listed in paragraph 1, 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 E (see Sections 10.2(b) and 10.3(g) of the Franchise Agreement):

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>

REQUIREMENTS FOR LEASED SITES

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 Intermediate II Holdings, LLC, a Delaware limited liability company, as franchisor ("Franchisor"), and Tenant, as franchisee, have entered into a Franchise Agreement dated _____, 20__ (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 Intermediate II Holdings, LLC
3908 Avenue B
Austin, Texas 78751
Attention: Chief Development Officer

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.

OTHER CONSTRUCTION OR REMODEL REQUIREMENTS

REQUIREMENTS FOR OWNED SITES

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

This Agreement is made and entered into this ____ day of _____, 20__, among Alamo Intermediate II Holdings, LLC, a Delaware 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 marks “Alamo Drafthouse” and “Alamo Drafthouse Cinema” 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 access to the Operations Digital Library is provided by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor. Covenantor agrees that the Operations Digital Library may not be accessed or reproduced, in whole or in part, without Franchisor's written consent.

B. Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, until the first to occur of the expiration or termination of the Franchise Agreement or transfer of all of Covenantor's interest in the Franchise Agreement or Franchisee, 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. 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.

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 or termination of the Franchise Agreement or transfer of all of Covenantor's interest in the Franchise Agreement or 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; or

b. 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 a fifty (50)-mile radius of the Franchised 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.

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. Any and all notices required or permitted under this Agreement shall be in writing and shall be sent by (a) personal delivery, (b) expedited delivery service or (c) email (provided that the sender confirms the email by sending an original confirmation copy by 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 Intermediate II Holdings, LLC
3908 Avenue B
Austin, Texas 78751
Attention: Chief Development Officer
Email: chris.drazba@drafthouse.com

Notices to Covenantor: _____

Attention: _____
Email: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notice sent by expedited delivery service shall be deemed given (2) business days after the date the notice is picked up by the expedited delivery service. Any notices sent by email shall be deemed given upon transmission. Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

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.

[Signatures on following page]

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

FRANCHISOR:

ALAMO INTERMEDIATE II HOLDINGS, LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

COVENANTOR:

Name: _____

FILM SERVICES AGREEMENT

This film services agreement (this “**Film Services Agreement**”) is effective as of the date set forth below (“**Effective Date**”), and relates to the Franchise Agreement(s) (“**Franchise Agreement(s)**”) between ALAMO INTERMEDIATE II HOLDINGS, LLC, a Delaware limited liability company (“ALAMO”) and the franchisee described below in the signature block (“**Franchisee**”), with respect to the franchised Alamo Draffhouse Venue(s) described on **Exhibit A** (the “**Venue**” or “**Venues**”). Capitalized terms are used in this Film Services Agreement with the meanings assigned in the Franchise Agreement(s). To the extent of any conflict or inconsistency between the provisions of this Film Services Agreement and the Franchise Agreement(s), the provisions of this Film Services Agreement will control.

Recitals

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

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

Agreement

For and in consideration of the above recitals and the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

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

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

3. **Payment for Services.** ALAMO will charge, and Franchisee agrees to pay, the then current film services fee being charged by ALAMO for Film Services (“**Film Services Fee**”). The Film Services Fee is currently \$30 per week per screen, but the Film Services Fee may change each calendar year based on ALAMO’s anticipated costs. Terms of payment for the Film Services

Fee will be set in the invoice ALAMO provides to Franchisee. ALAMO reserves the right to modify the amount (as noted above), timing and manner of payment of the Film Services Fee with prior written notice to Franchisee.

4. **Acknowledgment; Exercise of Business Judgment; Limitation on Liability.** Franchisee acknowledges and agrees that Franchisee is engaging ALAMO to perform the Film Services on a voluntarily basis, and that Franchisee is ultimately responsible for determining the films it wants to show at the participating Venues. Nothing contained in this Film Services Agreement shall be deemed or construed to create a partnership or a joint venture among the parties hereto, or to cause.

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

6. **Termination.** Either party may terminate this Film Services Agreement, without liability, for any or no reason, on 30 days written notice to the other. Provided, however, that Franchisee cannot terminate this Agreement, as to any or all Venues, if Franchisee owes any amounts to ALAMO for or related to the Film Services or under the terms of this Agreement. This Film Services Agreement will automatically terminate as to any participating Venue if the corresponding Franchise Agreement is terminated and as to all the participating Venues if all of the corresponding Franchise Agreements are terminated; provided that all amounts then owed to ALAMO under this Film Services Agreement will become immediately due and payable.

7. **Notice.** All notices under this Film Services Agreement must be sent by either: i) registered U.S. mail, postage prepaid (effective three (3) days after mailing); ii) personal delivery service (effective at time of delivery) at the addresses listed beneath each signature block; or iii) electronic mail to both the email address typically used to communicate with the other party as well as the email addresses listed beneath each signature block below.

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

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

(Continued and Executed on the Following Page)

IN WITNESS WHEREOF, the undersigned have executed this Film Services Agreement as of the date and year first written below.

ALAMO

FRANCHISEE

ALAMO INTERMEDIATE II _____
HOLDINGS, LLC, a Delaware limited
liability company

By: _____

Name: _____

Title: _____

Date: _____

By: _____

Name: _____

Title: _____

Date: _____

For Notices:

Address: _____

Email: _____

For Notices:

Address: _____

Email: _____

Exhibit A

List of Venues for Which ALAMO Will Provide Film Services

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

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

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

Exhibit B

Film Services:

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

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

Film Services Standards, Policies, and Procedures:

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

EXHIBIT A-3

**STATE AMENDMENTS
TO
FRANCHISE AGREEMENT**

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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 Financial Protection and Innovation 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. California Business and Professions Code Sections 20000 through 20043 provide rights to You concerning termination, transfer or non-renewal 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.
- b. 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.
- c. 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.
- d. 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.
- e. 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.
- f. 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.
- g. 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.
- h. 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

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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. 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

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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.
- c. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- d. 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.
- 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. 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.
- f. Based upon the Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Franchisee shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until

the first franchise under the development agreement opens.

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

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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”):

MINNESOTA LAW MODIFICATIONS

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 et seq., 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 not 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

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

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

NORTH DAKOTA LAW MODIFICATIONS

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

- a. If Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate North Dakota Law, or a rule or order under North Dakota Law, such release shall exclude claims arising under North Dakota Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota Law. If the Franchise Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Franchise Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under North Dakota Law.
- d. If the Franchise Agreement requires that it be governed by a state’s law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law shall control.
- e. If the Franchise Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under North Dakota Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location shall be determined by the arbitrator.
- f. Sections 17.5 and 17.6 of the Franchise Agreement are amended to reflect that all liquidated damages provisions in the Franchise Agreement (if any) are deleted in their entirety.
- g. Section 18.10 of the Franchise Agreement entitled “Jury Trial Waiver” is deleted in its entirety.

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

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

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

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND**

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

RHODE ISLAND LAW MODIFICATIONS

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

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

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

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

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 Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF VIRGINIA**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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:

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.

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 Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____
Print Name: _____
Its: _____

Effective Date: _____

FRANCHISEE

By: _____
Print Name: _____
Its: _____

Date: _____

**AMENDMENT TO ALAMO INTERMEDIATE II HOLDINGS, LLC
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON**

The Alamo Intermediate II Holdings, LLC Franchise Agreement between _____ (“Franchisee” or “You”) and Alamo Intermediate II Holdings, 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

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

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR

**Alamo Intermediate II Holdings, LLC,
a Delaware limited liability company**

By: _____

Print Name: _____

Its: _____

Effective Date: _____

FRANCHISEE

By: _____

Print Name: _____

Its: _____

Date: _____

EXHIBIT B

**FINANCIAL STATEMENTS
Alamo Intermediate II Holdings, LLC**

**Alamo Intermediate II
Holdings, LLC**

**Consolidated Balance Sheet
as of May 28, 2021 and
Independent Auditors' Report**



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Managers and Member of
Alamo Intermediate II Holdings, LLC:

We have audited the accompanying consolidated balance sheet of Alamo Intermediate II Holdings, LLC (a Delaware limited liability company) and subsidiaries (collectively, the "Company") as of May 28, 2021, and the related notes to the consolidated balance sheet.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the consolidated balance sheet 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 the consolidated balance sheet that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated balance sheet 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 balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated balance sheet. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated balance sheet, 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 balance sheet 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 balance sheet.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinion

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of the Company as of May 28, 2021 in accordance with accounting principles generally accepted in the United States of America.

Maxwell Locke & Pitter LLP

Austin, Texas
January 14, 2022

Alamo Intermediate II Holdings, LLC

Consolidated Balance Sheet

May 28, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 4,442,287
Accounts receivable	3,944,598
Inventory	5,066,124
Prepaid expenses and other current assets	3,625,174
Land held for sale	<u>2,000,000</u>

Total current assets	19,078,183
----------------------	------------

Theater properties and equipment	101,739,601
----------------------------------	-------------

Intangible assets	40,026,965
-------------------	------------

Other assets	<u>200,616</u>
--------------	----------------

Total	<u><u>\$ 161,045,365</u></u>
-------	------------------------------

Liabilities and Member's Capital

Current liabilities:

Accounts payable	\$ 1,939,024
Accrued expenses	2,888,953
Contract liabilities	9,545,930
Other current liabilities	<u>275,315</u>

Total current liabilities	14,649,222
---------------------------	------------

Other liabilities	1,666,086
-------------------	-----------

Long-term debt, net of debt issuance costs	<u>43,517,665</u>
--	-------------------

Total liabilities	59,832,973
-------------------	------------

Member's capital	<u>101,212,392</u>
------------------	--------------------

Total	<u><u>\$ 161,045,365</u></u>
-------	------------------------------

See notes to consolidated balance sheet.

Alamo Intermediate II Holdings, LLC

Notes to Consolidated Balance Sheet May 28, 2021

1. Organization

Alamo Intermediate II Holdings, LLC (“Intermediate II”), a Delaware limited liability company headquartered in Austin, Texas, and subsidiaries (collectively, the “Company”) operate and franchise movie theaters throughout the United States. The Company provides 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. The Company also produces film collectibles and specialty promotional merchandise.

Intermediate II is a wholly owned subsidiary of Alamo Intermediate I Holdings, LLC (“Intermediate I”), which is a wholly owned subsidiary of ALMO Holdings, LLC (“Holdings”). The Company, Intermediate I and Holdings were formed in 2021 for the purpose of acquiring certain assets and assuming certain liabilities of Alamo Drafthouse Cinemas Holdings, LLC and its subsidiaries (“ADC”) in a transaction conducted through bankruptcy proceedings that closed on May 28, 2021 as further described below.

2. Bankruptcy Proceedings

ADC was heavily impacted by the novel coronavirus (COVID-19) pandemic which began in early 2020. As a result of the pandemic, ADC temporarily closed its theaters and furloughed nearly all of its venue employees and 75% of its corporate staff. Given ADC’s significant indebtedness under its amended credit agreement (hereafter “Prepetition Credit Agreement”) with certain lenders, as well as obligations related to its venue leases, ADC petitioned the United States Bankruptcy Court to seek relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on March 3, 2021.

On January 6, 2021, prior to the commencement of the bankruptcy proceedings, a group of investors (hereafter, the “DIP Lenders”) acquired all existing indebtedness of ADC under the Prepetition Credit Agreement. The DIP Lenders were comprised of the members of ADC and a third-party financing company. In January and February 2021, ADC and the DIP Lenders executed the Fourth and Fifth Amendments to the Prepetition Credit Agreement to increase the amount of term loans available by an aggregate of \$6.0 million. As of March 3, 2021, approximately \$104.5 million of principal was outstanding under the Prepetition Credit Agreement.

In conjunction with the commencement of bankruptcy proceedings on March 3, 2021, the DIP Lenders executed a Debtor-In-Possession Credit Agreement (the “DIP Credit Agreement”) with ADC allowing for DIP Delayed Draw Terms Loans totaling \$20.0 million which was funded in March and April 2021. Additionally, \$40.0 million in principal outstanding under the Prepetition Credit Agreement was substituted and exchanged for Roll-Up Terms Loans under the DIP Credit Agreement (together with the DIP Delayed Draw Term Loans, the “DIP Loans”).

The additional financing allowed ADC to continue to operate its business while conducting a comprehensive sales process and auction under Section 363 of the United States Bankruptcy Code for the purpose of maximizing the value of ADC's assets for its secured and unsecured lenders while ensuring sufficient funds would remain available to pay all administrative expenses of the Chapter 11 bankruptcy case and allow for a responsible wind-down process after a prospective sale closed.

Effective May 28, 2021, the DIP Lenders executed a credit agreement with Holdings (the "Exit Credit Agreement") and contributed and transferred the rights under the DIP Loans and Prepetition Credit Agreement to Holdings in exchange for the membership interests of Holdings and Initial Term Loans totaling approximately \$27.1 million financed through the Exit Credit Agreement (Note 7). In addition, Holdings borrowed \$17.0 million under Delayed Draw Term Loans available via the Exit Credit Agreement to finance the asset purchase. Holdings then contributed and transferred the rights and obligations under the DIP Loans, Prepetition Credit Agreement, and Exit Credit Agreement through Intermediate I to Intermediate II.

In conjunction with the contributions, on May 28, 2021, ADC and its creditors closed a transaction under an Asset Purchase Agreement to sell substantially all of its assets to the Company in exchange for consideration including forgiveness of obligations under the DIP Loans (the "Credit Bid"), forgiveness of obligations under the Prepetition Credit Agreement, cash sufficient to satisfy certain expenses of the seller and facilitate the wind-down of ADC's operations, and the assumption of certain liabilities, as defined in the agreement (the "Transaction"). ADC remains under bankruptcy protection, holds unpurchased and unassumed assets and liabilities, and will eventually be liquidated and dissolved.

3. Business Combination

The Transaction (Note 2) 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 total consideration and estimated fair value of the acquired net assets were comprised of the following on the acquisition date:

Consideration:	
Credit Bid of DIP Loans	\$ 60,851,371
Initial Term Loans	27,067,665
Delayed Draw Terms Loans	16,450,000
Obligations forgiven under the Prepetition Credit Agreement	<u>40,361,021</u>
Total consideration	<u>\$ 144,730,057</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets	19,078,183
Property and equipment	101,739,601
Intangible assets	40,026,965
Current liabilities	(14,649,222)
Other, net	<u>(1,465,470)</u>
Total identifiable net assets	<u>\$ 144,730,057</u>

4. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation - The accompanying consolidated balance sheet is 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 Intermediate II and its wholly-owned subsidiaries. All significant intercompany amounts have been eliminated in consolidation.

Use of Estimates - The preparation of the consolidated balance sheet 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.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recorded based on contracted prices when the Company has an unconditional right to payment under the terms of the contract. Accounts receivable primarily relate to gift cards sold by third parties and royalties due from franchisees. Delinquent invoices do not accrue interest. The Company continually monitors each customer’s credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an accounts receivable balance is no longer collectible. As of May 28, 2021, accounts receivable was comprised of assets acquired in the Transaction and was recorded at fair value; as such, no allowance is necessary.

Inventory - Inventory consists of concessions, theater supplies and merchandise that are stated at the lower of cost (first-in, first-out method) or net realizable value. As of May 28, 2021, inventory was comprised of assets acquired in the Transaction and was recorded at estimated fair value.

Land Held for Sale - Land held for sale consists of property acquired in the Transaction which management planned to sell and is held at fair value at the acquisition date. The property was sold in August 2021 for net proceeds of approximately \$2,000,000.

Theater Properties and Equipment - Theater properties and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Lesser of lease term or useful life
Theater and restaurant equipment	5 - 10 years
Furniture and fixtures	3 - 7 years
Computers and software	3 - 10 years

As of May 28, 2021, theater properties and equipment was comprised of assets acquired in the Transaction and was recorded at estimated fair value.

Intangible Assets - Intangible assets are initially measured at fair value and definite-lived intangible assets are amortized using the straight-line method over their estimated useful lives of five to fifteen years.

Impairment of Long-Lived Assets - Long lived assets subject to amortization, including definite-lived intangible assets, are reviewed for impairment at the asset group level 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 group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Indefinite-lived intangible assets are evaluated for impairment at the level of each separate unit of accounting 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 unit of accounting is less than its carrying amount as a basis for determining whether it is necessary to test indefinite-lived intangible assets for potential impairment. If it is more likely than not or if a qualitative assessment is not performed, the Company performs a quantitative assessment to determine the amount of the impairment loss, if any. An impairment loss is recognized by the amount in which the carrying amount of the unit of accounting exceeds fair value.

Debt Issuance Costs - Debt issuance costs associated with term debt are recorded as a reduction of the related outstanding debt balance and amortized over the term of the related debt arrangement using the straight-line method, which approximates the effective interest 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 May 28, 2021, the self-insurance liability totaled \$195,161 and is included in accrued expenses in the 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 - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process: 1) identify the contract with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue when or as the Company satisfies a performance obligation, as further described below. The Company primarily derives its revenue from food and beverage and merchandise sales; admissions to movies and events; franchisees; venue rentals; and gift card sales.

Revenue from food and beverage sales is recognized at the point of sale when payment is collected. Revenue from merchandise sales is recognized at the point when product control is transferred to the customer, which is generally upon shipment or at the point of sale when payment is collected. Revenue from admissions, which includes internet processing fees and third-party service fees, is recognized on the day of the movie or event. Payments for admissions and merchandise collected in advance of the movie or event or shipment of merchandise are recorded as a contract liability until the revenue recognition criteria are met. As of May 28, 2021, contract liabilities associated with events and merchandise totaled \$2,581,170 which represents the estimated fair value to fulfill the performance obligations acquired in the Transaction.

Revenue from franchisees includes sales-based royalties and marketing fund fees and upfront franchise fees. Sales-based royalties and marketing fund fees are recognized as franchise sales occur. Upfront fees from franchise licenses are recognized on a straight-line basis over the term of the associated franchise agreement. The Company also has development area agreements which grant the franchisees the right to open a certain number of theaters within a specified geographic area. Upfront fees from development area agreements are deferred and recognized on a pro-rata basis over the term of the individual movie venue franchise agreements. Deferred revenue related to the Company's franchise and development area agreements is included in contract liabilities and totaled \$1,460,350 as of May 28, 2021 which represents the estimated fair value to fulfill the performance obligations acquired in the Transaction.

Revenue from venue rental arrangements is recognized in accordance with *Leases (Topic 840)* and provide customers with space at Company-owned venues on a short-term, as-needed basis. Rental arrangements are generally classified as operating leases, provide for fixed charges based on the length of the arrangement, and are recognized as revenue on a straight-line basis over the term of the rental period, which is generally one or two days. Payment is generally collected on the day of the rental.

Revenue from gift card sales to customers is recognized when the gift card is redeemed. Gift cards do not have expiration dates and are not required to be escheated to government authorities. Utilizing historical redemption rates, the Company recognizes revenue for amounts not expected to be redeemed proportionately as other gift card balances are redeemed. Revenue from gift card sales includes variable consideration for management's estimate of breakage. As of May 28, 2021, the gift card liability, included in contract liabilities, totaled \$5,504,410 which represents the estimated fair value to fulfill the performance obligations acquired in the Transaction.

Shipping and Handling Costs - The Company elects to treat shipping and handling costs incurred by the Company after control of a product has transferred to a customer as a fulfillment cost. Accordingly, shipping and handling fees billed to customers are included in the transaction price allocated to the performance obligation of providing goods rather than as a separate performance obligation. The Company accrues for estimated shipping and handling costs payable to carriers in cost of revenues when revenue is recognized for the sale of the related goods.

Contract Assets and Contract Liabilities - Contract assets represent revenue recognized in excess of amounts billed in which the Company's right to payment is conditional. Contract assets were not significant as of May 28, 2021. Contract liabilities represent amounts collected in excess of revenue recognized to date.

Advertising Costs - Advertising costs are charged to expense as incurred.

Pre-opening Expenses - Pre-opening expenses are costs specifically identified as start-up costs for theaters under development and are charged to expense as incurred.

Income Taxes - The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is taxed as a partnership for federal income tax purposes; accordingly, all taxable income, losses, deductions and credits are allocated to the members who are responsible for the payment of taxes thereon. Therefore, no provision has been made for federal income taxes.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. The tax benefits recognized in the consolidated balance sheet 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 believes the Company had no material uncertain tax positions and recorded no related interest or penalties as of May 28, 2021.

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 May 28, 2021, 33% of the Company's accounts receivable was attributable to three franchisees.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the 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, 2021, and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables and other commitments to extend credit held by a reporting entity at each reporting date. Entities are required to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The amendment is effective using a modified retrospective approach for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Company is currently evaluating the impact the amendment will have on its consolidated financial statements.

5. Theater Properties and Equipment

Theater properties and equipment consisted of the following as of May 28, 2021:

Leasehold improvements	\$ 48,622,050
Buildings	12,900,116
Theater and restaurant equipment	10,663,540
Furniture and fixtures	6,352,210
Computers and software	832,360
	79,370,276
Land	1,250,000
Construction in process	21,119,325
Theater properties and equipment	<u>\$ 101,739,601</u>

6. Intangible Assets

Intangible assets consisted of the following as of May 28, 2021:

Definite-lived intangible assets:	
Franchise agreements	\$ 17,200,000
Internally developed software	1,026,965
	18,226,965
Indefinite-lived intangible assets-	
Trademarks	21,800,000
Intangible assets	<u>\$ 40,026,965</u>

Future amortization of intangible assets was as follows as of May 28, 2021:

2021	\$ 1,204,759
2022	2,081,182
2023	1,922,723
2024	1,882,667
2025	1,818,461
2026	1,720,506
Thereafter	<u>7,596,667</u>
Total	<u>\$ 18,226,965</u>

7. Long-Term Debt

The Company is obligated under the Exit Credit Agreement (Note 2) with the members of Holdings. The Exit Credit Agreement provided for Initial Term Loans totaling \$27,067,665 and advances of up to \$25,000,000 under the Delayed Draw Term Facility, of which \$17,000,000 was drawn in conjunction with the Transaction (together, the “Loans”). Advances under the Delayed Draw Term Facility are available through November 2022. Interest on the Loans accrues at 15.0% per annum and is payable quarterly in cash (in whole or in part) to the extent that the Cash Interest Requirements are satisfied. To the extent that the Cash Interest Requirements would not be satisfied after giving effect to each interest payment on the due date, interest is payable in kind and capitalized into the principal balance of the Loans. Cash Interest Requirements means, with respect to each interest payment date, that after giving effect to the payment of interest in cash, Liquidity, as defined, would not be less than \$6,000,000. Mandatory principal payments are due upon the occurrence of certain defined events including the disposition of certain property and the incurrence of certain indebtedness. Additionally, commencing with the fiscal year ending December 31, 2022, within 125 days after year-end, the Company shall prepay an aggregate principal amount of the Loans in an amount equal to a percentage of Consolidated Excess Cash Flow, as defined, for the fiscal year, less any voluntary prepayments made on the Loans during the fiscal year. The percentage applied, which ranges from 0% to 50%, is determined based the Consolidated Leverage Ratio, as defined, for the fiscal year. The remaining principal and interest outstanding is payable in full at maturity on May 28, 2024. The Company is required to pay the Applicable Premium, as defined, on any mandatory or voluntary principal payments made prior to maturity. The Exit Credit Agreement is subject to certain covenants including a requirement to maintain Liquidity of at least \$1,500,000. The Exit Credit Agreement is collateralized by substantially all assets of the Company and is guaranteed by Intermediate I. As of May 28, 2021, principal outstanding under the Delayed Draw Term Loans is presented net of debt issuance costs of \$550,000.

8. Incentive Plan

In accordance with its Limited Liability Company Agreement (the “Holdings LLC Agreement”), Holdings established New Alamo Management Holdings, LLC (“Aggregator LLC”) as a special purpose holding vehicle through which certain members of Aggregator LLC indirectly hold interests in Holdings. At the discretion of the Board of Managers of Holdings, Class A and Class C Incentive Units of Aggregator LLC may be issued to employees and service providers of the Company. Upon the issuance of Incentive Units of Aggregator LLC, Holdings will issue Class A and Class C Incentive Units to Aggregator LLC with substantially the same form. The Incentive Units are intended to be treated as profits interests awards which provide the holder the right to receive a percentage of the Company’s future profits. The Holdings LLC Agreement provides for the establishment of a threshold of cumulative distributions that must be made with respect to other classes of membership units before the holders of Class A and Class C Incentive Units receive any distributions, as defined in the Holdings LLC Agreement. As of May 28, 2021, Holdings had not issued any Class A or Class B Incentive Units to employees or service providers of the Company.

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.

Future minimum payments under non-cancelable operating leases as of May 28, 2021 were as follows:

2021	\$ 4,345,706
2022	11,674,530
2023	14,033,897
2024	14,244,719
2025	14,410,236
2026	14,025,884
Thereafter	<u>138,434,995</u>
Total	<u>\$ 211,169,967</u>

Prior to and in conjunction with the Transaction, ADC and the Company renegotiated the terms of certain leases with its landlords, including settlement of accrued but unpaid rent prior to the acquisition. In accordance with the Asset Purchase Agreement, the Company assumed the liability to repay a portion of accrued but unpaid rent based on the terms of certain renegotiated lease arrangements assumed in the Transaction. These obligations require monthly payments commencing on various dates from July 2021 to January 2023 over terms ranging from 36 to 165 months. The obligations are non-interest bearing. Payments due through May 27, 2022 totaling \$275,315 are included in other current liabilities in the consolidated balance sheet. Payments due thereafter totaling \$1,666,086 are included in other long-term liabilities in the consolidated balance sheet.

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 May 28, 2021.

In March 2020, the World Health Organization declared the outbreak COVID-19 as a pandemic, which continues to spread throughout the world. The Company's business was significantly and adversely impacted by the pandemic. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue is expected to negatively impact the Company's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the business to maintain the Company's cash flow and believes that the Company has adequate liquidity.

10. Employee Benefit Plan

The Company has a 401(k) plan that covers substantially all employees that have reached the age of 21. Employer matching contributions are discretionary.

11. Related Party Transactions

The Company is party to various contracts with the members of Holdings and affiliates of those members to provide and obtain services including franchise and development agreements, management service agreements, and an office lease arrangement. In addition, in conjunction with the Transaction, Holdings executed a Transition Services Agreement with ADC on May 28, 2021 in which each party will perform certain services to allow for the successful transition of business operations to the Company and the wind-down of the operations of ADC. As of May 28, 2021, related party assets and liabilities associated with these contracts included in the consolidated balance sheet were not significant.

Affiliates of a member of Holdings hold a \$3,000,000 letter of credit on behalf of the Company which serves as a security deposit for the benefit of the landlord of a theater property leased by the Company.

12. Franchised Theaters

As of May 28, 2021, the Company supported twenty-four franchisee-owned theaters operating under franchise and license arrangements and operates fourteen franchisor-owned theaters. The franchise and license arrangements for three franchisee-owned theaters located in Arizona were terminated in September 2021.

13. Subsequent Events

The Company evaluated subsequent events through January 14, 2022 (the date the consolidated balance sheet was available to be issued). In July and November 2021, the Company received government grants totaling \$44,064,715 under the Shuttered Venue Operators Grant program administered by the U.S. Small Business Administration. The funds may be used for qualifying expenses including payroll, rent, utilities and other ordinary business expenses as allowed under the program. As a recipient of the grants the Company is subject to governmental compliance audits which could result in the repayment of some or all of the funding; however, management believes such risk is not significant.

**Alamo Intermediate II
Holdings, LLC**

**Consolidated Financial Statements
as of December 30, 2021 and for the
Period from May 29, 2021 to
December 30, 2021 and
Independent Auditors' Report**



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Managers and Member of
Alamo Intermediate II Holdings, LLC:

Opinion

We have audited the accompanying consolidated financial statements of Alamo Intermediate II Holdings, LLC (a Delaware limited liability company) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 30, 2021, and the related consolidated statements of income, member's capital, and cash flows for the period from May 29, 2021 to December 30, 2021, and the related notes to the consolidated financial statements.

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 30, 2021, and the results of its operations and its cash flows for the period from May 29, 2021 to December 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maxwell Locke & Pitter LLP

Austin, Texas
May 27, 2022

Alamo Intermediate II Holdings, LLC

Consolidated Balance Sheet December 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 49,153,897
Accounts receivable, net	7,122,073
Inventory	5,968,483
Prepaid expenses and other current assets	<u>3,994,856</u>

Total current assets 66,239,309

Theater properties and equipment, net 99,482,278

Intangible assets, net 39,120,015

Other assets 203,592

Total \$ 205,045,194

Liabilities and Member's Capital

Current liabilities:

Accounts payable	\$ 5,716,301
Accrued expenses	8,123,673
Contract liabilities	11,730,395
Other current liabilities	<u>545,722</u>

Total current liabilities 26,116,091

Deferred rent 3,832,981

Deferred Shuttered Venue Operators Grant income (Note 7) 3,237,867

Other liabilities 1,479,450

Long-term debt, net of debt issuance costs 47,721,160

Total liabilities 82,387,549

Member's capital 122,657,645

Total \$ 205,045,194

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Consolidated Statement of Income Period from May 29, 2021 to December 30, 2021

Revenues:

Food and beverage	\$ 24,639,664
Admissions	22,618,558
Merchandise	9,577,256
Franchise royalties and fees	2,167,341
Venue rental	483,998
Gift cards	455,210
Other	3,571,808
Total revenues	63,513,835

Cost of operations:

Salaries and wages	19,159,556
Rent	13,121,903
Film rental	10,396,455
Depreciation and amortization	8,350,619
Merchandise	6,576,893
Professional fees	5,848,026
Concession supplies	5,172,522
Repairs and maintenance	3,188,354
Insurance	1,889,110
Merchant service fees	1,728,698
Promotional	1,377,764
Information systems	1,362,721
Utilities	1,328,735
Other	2,514,774
Total cost of operations	82,016,130

Loss from operations (18,502,295)

Other income (expense):

Interest expense	(4,188,218)
Shuttered Venue Operators Grant income (Note 7)	40,826,847
Other income, net	3,458,836
Other income, net	40,097,465

Income before state income tax expense 21,595,170

State income tax expense 149,917

Net income \$ 21,445,253

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Consolidated Statement of Member's Capital Period from May 29, 2021 to December 30, 2021

Balance, May 28, 2021	\$ 101,212,392
Net income	<u>21,445,253</u>
Balance, December 30, 2021	<u><u>\$ 122,657,645</u></u>

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Consolidated Statement of Cash Flows

Period from May 29, 2021 to December 30, 2021

Cash Flows from Operating Activities:

Net income	\$ 21,445,253
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	8,350,619
Loss from the sale of theater properties and equipment	205,094
Provision for bad debt	380,923
Non-cash interest expense	4,188,218
Deferred rent	3,832,981
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	(3,543,121)
Inventory	(902,359)
Prepaid expenses and other assets	(372,658)
Accounts payable	3,017,306
Accrued expenses and other liabilities	5,318,491
Contract liabilities	2,184,465
Deferred Shuttered Venue Operators Grant income (Note 7)	3,237,867
Net cash provided by operating activities	47,343,079

Cash Flows from Investing Activities:

Purchases of theater properties and equipment	(4,426,375)
Proceeds from the sale of theater properties and equipment	1,794,906
Net cash used in investing activities	(2,631,469)

Net change in cash and cash equivalents	44,711,610
Cash and cash equivalents, beginning of period	4,442,287
Cash and cash equivalents, end of period	\$ 49,153,897

Supplemental non-cash information-

Purchases of theater properties and equipment included in accounts payable	\$ 759,971
--	------------

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Notes to Consolidated Financial Statements

Period from May 29, 2021 to December 30, 2021

1. Organization

Alamo Intermediate II Holdings, LLC (“Intermediate II”), a Delaware limited liability company headquartered in Austin, Texas, and subsidiaries (collectively, the “Company”) operate and franchise movie theaters throughout the United States. The Company provides 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. The Company also produces film collectibles and specialty promotional merchandise.

Intermediate II is a wholly owned subsidiary of Alamo Intermediate I Holdings, LLC (“Intermediate I”), which is a wholly owned subsidiary of ALMO Holdings, LLC (“Holdings”). The Company, Intermediate I, and Holdings were formed in 2021 for the purpose of acquiring certain assets and assuming certain liabilities of Alamo Drafthouse Cinemas Holdings, LLC and its subsidiaries (“ADC”) in a transaction conducted through bankruptcy proceedings that closed on May 28, 2021 as further described below.

2. Bankruptcy Proceedings

ADC was heavily impacted by the novel coronavirus (COVID-19) pandemic which began in early 2020. As a result of the pandemic, ADC temporarily closed its theaters and furloughed nearly all of its venue employees and 75% of its corporate staff. Given ADC’s significant indebtedness under its amended credit agreement (hereafter “Prepetition Credit Agreement”) with certain lenders, as well as obligations related to its venue leases, ADC petitioned the United States Bankruptcy Court to seek relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on March 3, 2021.

On January 6, 2021, prior to the commencement of the bankruptcy proceedings, a group of investors (hereafter, the “DIP Lenders”) acquired all existing indebtedness of ADC under the Prepetition Credit Agreement. The DIP Lenders were comprised of the members of ADC and a third-party financing company. In January and February 2021, ADC and the DIP Lenders executed the Fourth and Fifth Amendments to the Prepetition Credit Agreement to increase the amount of term loans available by an aggregate of \$6.0 million. As of March 3, 2021, approximately \$104.5 million of principal was outstanding under the Prepetition Credit Agreement.

In conjunction with the commencement of bankruptcy proceedings on March 3, 2021, the DIP Lenders executed a Debtor-In-Possession Credit Agreement (the “DIP Credit Agreement”) with ADC allowing for DIP Delayed Draw Terms Loans totaling \$20.0 million which was funded in March and April 2021. Additionally, \$40.0 million in principal outstanding under the Prepetition Credit Agreement was substituted and exchanged for Roll-Up Terms Loans under the DIP Credit Agreement (together with the DIP Delayed Draw Term Loans, the “DIP Loans”).

The additional financing allowed ADC to continue to operate its business while conducting a comprehensive sales process and auction under Section 363 of the United States Bankruptcy Code for the purpose of maximizing the value of ADC's assets for its secured and unsecured lenders while ensuring sufficient funds would remain available to pay all administrative expenses of the Chapter 11 bankruptcy case and allow for a responsible wind-down process after a prospective sale closed.

Effective May 28, 2021, the DIP Lenders executed a credit agreement with Holdings (the "Exit Credit Agreement") and contributed and transferred the rights under the DIP Loans and Prepetition Credit Agreement to Holdings in exchange for the membership interests of Holdings and Initial Term Loans totaling approximately \$27.1 million financed through the Exit Credit Agreement (Note 6). In addition, Holdings borrowed \$17.0 million under Delayed Draw Term Loans available via the Exit Credit Agreement to finance the asset purchase. Holdings then contributed and transferred the rights and obligations under the DIP Loans, Prepetition Credit Agreement, and Exit Credit Agreement through Intermediate I to Intermediate II.

In conjunction with the contributions, on May 28, 2021, ADC and its creditors closed a transaction under an Asset Purchase Agreement to sell substantially all of its assets to the Company in exchange for consideration including forgiveness of obligations under the DIP Loans (the "Credit Bid"), forgiveness of obligations under the Prepetition Credit Agreement, cash sufficient to satisfy certain expenses of the seller and facilitate the wind-down of ADC's operations, and the assumption of certain liabilities, as defined in the agreement (the "Transaction"). ADC remains under bankruptcy protection, holds unpurchased and unassumed assets and liabilities, and will eventually be liquidated and dissolved.

3. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation - 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 and include the accounts of Intermediate II and its wholly owned subsidiaries. All significant intercompany amounts have been eliminated in consolidation. The Company utilizes a 52-53 week fiscal year that ends on the Thursday closest to December 31 of each year.

Use of Estimates - The preparation of the 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.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recorded based on contracted prices when the Company has an unconditional right to payment under the terms of the contract. Accounts receivable primarily relate to gift cards sold by third parties and royalties due from franchisees. Delinquent invoices do not accrue interest. The Company continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an accounts receivable balance is no longer collectible. As of December 30, 2021, the allowance for doubtful accounts was \$380,923.

Inventory - Inventory consists of concessions, theater supplies and merchandise that are stated at the lower of cost (first-in, first-out method) or net realizable value. Management reviews inventory for slow-moving items and records a specific reserve as necessary.

Theater Properties and Equipment - Theater properties and equipment are stated at cost less accumulated depreciation and amortization. Land and construction in process are not depreciable. 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
Buildings	40 years
Theater and restaurant equipment	5 - 10 years
Furniture and fixtures	3 - 7 years
Computers and software	3 - 10 years

Intangible Assets - Definite-lived intangible assets include franchise agreements and internally developed software. The Company expects the franchise agreements to continue for an indefinite period, but amortizes them over an average fifteen-year contract period. For internally developed software, costs incurred during the preliminary stage of the development of an application, such as 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. Internally developed software costs are amortized using the straight-line method over their estimated useful life of five years. Indefinite-lived intangible assets consist of trademarks.

Impairment of Long-Lived Assets - Long lived assets subject to depreciation and amortization, including definite-lived intangible assets, are reviewed for impairment at the asset group level 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 group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Indefinite-lived intangible assets are evaluated for impairment at the level of each separate unit of accounting 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 unit of accounting is less than its carrying amount as a basis for determining whether it is necessary to test indefinite-lived intangible assets for potential impairment. If it is more likely than not or if a qualitative assessment is not performed, the Company performs a quantitative assessment to determine the amount of the impairment loss, if any. An impairment loss is recognized by the amount in which the carrying amount of the unit of accounting exceeds fair value.

Debt Issuance Costs - Debt issuance costs associated with term debt are recorded as a reduction of the related outstanding debt balance and amortized over the term of the related debt arrangement using the straight-line method, which approximates the effective interest method.

Self-Insurance Liability - 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 consolidated balance sheet date and it is at least reasonably possible that the estimate will change in the near term if claims vary from the calculated projections. 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 30, 2021, the self-insurance liability totaled \$339,651 and is included in accrued expenses in the 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 inputs that reflect the entity's assumptions of the 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.

Shuttered Venue Operators Grant Program - The Company recognizes funds from the Shuttered Venue Operators Grant program as allowable expenses are incurred. Amounts received prior to incurring allowable expenses are reported as deferred income on the Company's consolidated balance sheet. The Company reduces the deferred income balance and recognizes other income as the Company incurs the allowable expenses.

Revenue Recognition - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process: 1) identify the contract with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue when or as the Company satisfies a performance obligation, as further described below. The Company primarily derives its revenue from food and beverage and merchandise sales; admissions to movies and events; franchisees; venue rentals; and gift card sales.

Revenue from food and beverage sales is recognized when served, on the day of the movie or event. Revenue from merchandise sales is recognized at the point when product control is transferred to the customer, which is generally upon shipment or at the point of sale when payment is collected. Revenue from admissions, which includes internet processing fees and third-party service fees, is recognized on the day of the movie or event. Payments for admissions and merchandise collected in advance of the movie or event or shipment of merchandise are recorded as a contract liability until the revenue recognition criteria are met. As of December 30, 2021, contract liabilities associated with events and merchandise totaled \$4,000,647.

Revenue from franchisees includes sales-based royalties and marketing fund fees and upfront franchise fees. Sales-based royalties and marketing fund fees are recognized as franchise sales occur. Upfront fees from franchise licenses are recognized on a straight-line basis over the term of the associated franchise agreement. The Company also has development area agreements which grant the franchisees the right to open a certain number of theaters within a specified geographic area. Upfront fees from development area agreements are deferred and recognized on a pro-rata basis over the term of the individual movie venue franchise agreements. Deferred revenue related to the Company's franchise and development area agreements is included in contract liabilities and totaled \$1,387,484 as of December 30, 2021.

Revenue from venue rental arrangements is recognized in accordance with *Leases (Topic 840)* and provide customers with space at Company-owned venues on a short-term, as-needed basis. Rental arrangements are generally classified as operating leases, provide for fixed charges based on the length of the arrangement, and are recognized as revenue on a straight-line basis over the term of the rental period, which is generally one or two days. Payment is generally collected on the day of the rental.

Revenue from gift card sales to customers is recognized when the gift card is redeemed. Gift cards do not have expiration dates and are not required to be escheated to government authorities. Utilizing historical redemption rates, the Company recognizes revenue for amounts not expected to be redeemed proportionately as other gift card balances are redeemed. Revenue from gift card sales includes variable consideration for management's estimate of breakage. As of December 30, 2021, the gift card liability, included in contract liabilities, totaled \$6,342,264.

Taxes collected from customers relating to product sales or services and remitted to governmental authorities are recorded on a net basis and are excluded from revenue. The timing of revenue recognition, billings, and cash collections resulted in accounts receivable which totaled \$3,895,147 and contract liabilities which totaled \$4,041,520 as of December 30, 2021.

Shipping and Handling Costs - The Company elects to treat shipping and handling costs incurred by the Company after control of a product has transferred to a customer as a fulfillment cost. Accordingly, shipping and handling fees billed to customers are included in the transaction price allocated to the performance obligation of providing goods rather than as a separate performance obligation. The Company accrues for estimated shipping and handling costs payable to carriers in cost of operations when revenue is recognized for the sale of the related goods.

Contract Assets and Contract Liabilities - Contract assets represent revenue recognized in excess of amounts billed in which the Company's right to payment is conditional. Contract assets were not significant as of December 30, 2021. Contract liabilities represent amounts collected in excess of revenue recognized to date.

Advertising Costs - Advertising costs are charged to expense as incurred and were \$1,071,527 for the period from May 29, 2021 to December 30, 2021.

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.

Deferred Rent - Rent expense is recognized on a straight-line basis over the lease term. The difference between rent expense and the amount currently payable is recorded as deferred rent for leases that contain fixed escalations of the minimum lease payments during the term of the lease.

Income Taxes - The Company is treated as a disregarded entity for federal income tax purposes. Holdings is treated as a partnership for federal income tax purposes; accordingly, no provision for federal income taxes has been recorded in the accompanying consolidated financial statements.

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 believes the Company had no material uncertain tax positions and recorded no related interest or penalties as of December 30, 2021.

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 30, 2021, one customer represents 12% of the Company's gross accounts receivable.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update ("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, 2021, and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables and other commitments to extend credit held by a reporting entity at each reporting date. Entities are required to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The amendment is effective using a modified retrospective approach for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Company is currently evaluating the impact the amendment will have on its consolidated financial statements.

4. Theater Properties and Equipment

Theater properties and equipment consisted of the following as of December 30, 2021:

Leasehold improvements	\$ 70,784,393
Buildings	12,900,000
Theater and restaurant equipment	12,535,380
Furniture and fixtures	7,417,619
Computers and software	<u>931,298</u>
Total depreciable and amortizable assets	104,568,690
Less accumulated depreciation and amortization	(7,443,669)
Land	1,250,000
Construction in process	<u>1,107,257</u>
Theater properties and equipment, net	<u><u>\$ 99,482,278</u></u>

Depreciation and amortization expense totaled \$7,443,668 for the period from May 29, 2021 to December 30, 2021.

5. Intangible Assets

Intangible assets consisted of the following as of December 30, 2021:

Definite-lived intangible assets:	
Franchise agreements	\$ 17,200,000
Internally developed software	<u>1,026,965</u>
	18,226,965
Less accumulated amortization	<u>(906,950)</u>
Definite-lived intangible assets, net	17,320,015
Indefinite-lived intangible assets-	
Trademarks	<u>21,800,000</u>
Intangible assets, net	<u><u>\$ 39,120,015</u></u>

Amortization expense totaled \$906,951 for the period from May 29, 2021 to December 30, 2021. Future amortization of definite-lived intangible assets was as follows as of December 30, 2021:

2022	\$ 1,471,214
2023	1,349,390
2024	1,309,334
2025	1,245,128
2026	1,147,173
Thereafter	<u>10,797,776</u>
Total	<u>\$ 17,320,015</u>

6. Long-Term Debt

The Company is obligated under the Exit Credit Agreement (Note 2) with the members of Holdings. The Exit Credit Agreement provided for Initial Term Loans totaling \$27,067,665 and advances of up to \$25,000,000 under the Delayed Draw Term Facility, of which \$17,000,000 was drawn in conjunction with the Transaction (together, the “Loans”). Advances under the Delayed Draw Term Facility are available through November 2022. Interest on the Loans accrues at 15.0% per annum and is payable quarterly in cash (in whole or in part) to the extent that the Cash Interest Requirements are satisfied. To the extent that the Cash Interest Requirements would not be satisfied after giving effect to each interest payment on the due date, interest is payable in kind and capitalized into the principal balance of the Loans. Cash Interest Requirements means, with respect to each interest payment date, that after giving effect to the payment of interest in cash, Liquidity, as defined, would not be less than \$6,000,000. During the period from May 29, 2021 to December 30, 2021, \$2,516,223 and \$1,580,328 in interest was capitalized into the principal balance of the Initial Term Loans and the Delayed Draw Term Facility, respectively. Mandatory principal payments are due upon the occurrence of certain defined events including the disposition of certain property and the incurrence of certain indebtedness. Additionally, commencing with the fiscal year ending December 31, 2022, within 125 days after year-end, the Company shall prepay an aggregate principal amount of the Loans in an amount equal to a percentage of Consolidated Excess Cash Flow, as defined, for the fiscal year, less any voluntary prepayments made on the Loans during the fiscal year. The percentage applied, which ranges from 0% to 50%, is determined based the Consolidated Leverage Ratio, as defined, for the fiscal year. The remaining principal and interest outstanding is payable in full at maturity on May 28, 2024. The Company is required to pay the Applicable Premium, as defined, on any mandatory or voluntary principal payments made prior to maturity. The Exit Credit Agreement is subject to certain covenants including a requirement to maintain Liquidity of at least \$1,500,000. The Exit Credit Agreement is collateralized by substantially all assets of the Company and is guaranteed by Intermediate I. As of December 30, 2021, principal outstanding under the Delayed Draw Term Loans is presented net of debt issuance costs of \$443,056.

7. Shuttered Venue Operators Grant

In July and November 2021, the Company received government grants totaling \$44,064,714 under the Shuttered Venue Operators Grant (“SVOG”) program, which was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act of 2021. SVOG funds may be used for allowable expenses including payroll, rent, utilities and other ordinary business expenses incurred between March 1, 2020 and June 30, 2022, and have a right to return. The Company recognized these conditional grants as other income totaling \$40,826,847 in the consolidated statement of income for allowable expenses incurred during the period from May 29, 2021 to December 30, 2021. As of December 30, 2021, the Company had not incurred allowable expenses for \$3,237,867 of the SVOG funds granted; as such, this amount is included in deferred grant income in the consolidated balance sheet.

As a recipient of the grants, the Company is subject to governmental compliance audits which could result in the repayment of some or all of the funding; however, management believes such risk is not significant.

8. Incentive Plan

In accordance with its Limited Liability Company Agreement (the “Holdings LLC Agreement”), Holdings established New Alamo Management Holdings, LLC (“Aggregator LLC”) as a special purpose holding vehicle through which certain members of Aggregator LLC indirectly hold interests in Holdings. At the discretion of the Board of Managers of Holdings, Class A and Class C Incentive Units of Aggregator LLC may be issued to employees and service providers of the Company. Upon the issuance of Incentive Units of Aggregator LLC, Holdings will issue Class A and Class C Incentive Units to Aggregator LLC with substantially the same form. The Incentive Units are intended to be treated as profits interests awards which provide the holder the right to receive a percentage of the Company’s future profits. The Holdings LLC Agreement provides for the establishment of a threshold of cumulative distributions that must be made with respect to other classes of membership units before the holders of Class A and Class C Incentive Units receive any distributions, as defined in the Holdings LLC Agreement. As of December 30, 2021, Holdings had not issued any Class A or Class B Incentive Units to employees or service providers of the Company.

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. Rent expense totaled \$13,121,903 for the period from May 29, 2021 to December 30, 2021, which includes contingent rent of \$1,807,940.

Future minimum payments under non-cancelable operating leases as of December 30, 2021 were as follows:

2022	\$ 11,674,530
2023	14,033,897
2024	14,244,719
2025	14,410,236
2026	14,532,134
Thereafter	<u>138,536,245</u>
Total	<u>\$ 207,431,761</u>

Prior to and in conjunction with the Transaction, ADC and the Company renegotiated the terms of certain leases with its landlords, including settlement of accrued but unpaid rent prior to the acquisition. In accordance with the Asset Purchase Agreement, the Company assumed the liability to repay a portion of accrued but unpaid rent based on the terms of certain renegotiated lease arrangements assumed in the Transaction. These obligations require monthly payments commencing on various dates from July 2021 to January 2023 over terms ranging from 36 to 165 months. The obligations are non-interest bearing, totaled \$2,025,172 as of December 30, 2021, and are included in other current liabilities and other long-term liabilities in the consolidated balance sheet.

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 period from May 29, 2021 to December 30, 2021.

In March 2020, the World Health Organization declared the outbreak COVID-19 as a pandemic, which continues to spread throughout the world. The Company's business was significantly and adversely impacted by the pandemic. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue is expected to negatively impact the Company's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the business to maintain the Company's cash flow and believes that the Company has adequate liquidity.

10. Employee Benefit Plan

The Company has a 401(k) plan that covers substantially all employees that have reached the age of 21. Employer matching contributions are discretionary. The Company did not make employer matching contributions during the period from May 29, 2021 to December 30, 2021.

11. Related Party Transactions

The Company is party to various contracts with the members of Holdings and affiliates of those members to provide and obtain services including franchise and development agreements, management service agreements, and an office lease arrangement. During the period from May 29, 2021 to December 30, 2021, the Company incurred rent expense of \$918,675 to a related party of which \$232,258 was included in accrued expenses as of December 30, 2021.

In addition, in conjunction with the Transaction, Holdings executed a Transition Services Agreement with ADC on May 28, 2021 in which each party will perform certain services to allow for the successful transition of business operations to the Company and the wind-down of the operations of ADC. For the period from May 29, 2021 to December 30, 2021, the Company recognized \$2,347,190 in management revenue and \$4,392,659 in professional fees related to the Transition Services Agreement, of which \$598,659 is included in accrued expenses in the consolidated balance sheet as of December 30, 2021.

Affiliates of a member of Holdings hold a \$3,000,000 letter of credit on behalf of the Company which serves as a security deposit for the benefit of the landlord of a theater property leased by the Company.

12. Franchised Theaters

As of December 30, 2021, the Company supported twenty-two franchisee-owned theaters operating under franchise and license arrangements and operated fifteen franchisor-owned theaters. The franchise and license arrangements for three franchisee-owned theaters located in Arizona were terminated in September 2021.

13. Subsequent Events

The Company evaluated subsequent events through May 27, 2022, the date the consolidated financial statements were available to be issued.

In January 2022, Alamo Wrigleyville, LLC, a subsidiary of Intermediate II, entered into a ten-year lease agreement for a future venue in Chicago, Illinois for annual minimum rent of \$750,000 for the first two years of the agreement and annual minimum rent plus a percentage of gross sales for the remaining term of the agreement.

In March 2022, Alamo Drafthouse Cinema Buyer, LLC (“Buyer”), a subsidiary of Intermediate II, along with an owner of Holdings and a former employee of the Company, entered into a Note Purchase Agreement to provide up to \$12,000,000 to an unrelated entity through the purchase of convertible promissory notes (“Notes”). Buyer initially invested \$1,757,200 in March 2022, and has committed to purchase additional Notes totaling up to \$9,635,800 in subsequent closings. The Company is the guarantor of the Notes should Buyer not make payment to the borrowing entity on the respective closing dates. Buyer is obligated to fund \$607,000 on behalf of the other two investors in lieu of unpaid compensation owed to the investors by the Company. The Notes’ outstanding principal and unpaid interest will be converted into Next Round Securities of the borrowing entity, as defined. The Notes bear interest at 8% per year and mature on March 11, 2026, if not converted into Next Round Securities.

The Company incurred allowable expenses for the remaining SVOG funds during the first quarter of 2022.

**Alamo Intermediate II
Holdings, LLC**

**Consolidated Financial Statements
as of and for the Year Ended
December 29, 2022 and
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Managers and Member of
Alamo Intermediate II Holdings, LLC:

Opinion

We have audited the accompanying consolidated financial statements of Alamo Intermediate II Holdings, LLC (a Delaware limited liability company) and subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 29, 2022, and the related consolidated statements of operations, member's capital, and cash flows for year then ended, and the related notes to the consolidated financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leasing transactions due to the adoption of Accounting Standards Update No 2016-02, *Leases (Topic 842)* on December 31, 2021. Our opinion is not modified with respect to that matter.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maxwell Locke & Pitter LLP

Austin, Texas
March 22, 2023

Alamo Intermediate II Holdings, LLC

Consolidated Balance Sheet December 29, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 43,746,278
Accounts receivable, net	8,180,604
Inventory	2,089,238
Escrow receivable	1,407,304
Prepaid expenses and other current assets	<u>7,839,091</u>

Total current assets 63,262,515

Theater properties and equipment, net 91,605,577

Intangible assets, net 37,357,588

Right-of-use assets, operating leases 183,143,936

Other assets 4,788,361

Total \$ 380,157,977

Liabilities and Member's Capital

Current liabilities:

Accounts payable	\$ 5,835,389
Accrued expenses	6,435,587
Contract liabilities	9,781,973
Current portion of operating lease obligations	12,389,785
Current portion of long-term debt	11,156,369
Other current liabilities	<u>578,775</u>

Total current liabilities 46,177,878

Other liabilities 900,680

Operating lease obligations, net of current portion 182,524,661

Long-term debt, net of debt issuance costs and current portion 44,479,091

Total liabilities 274,082,310

Member's capital 106,075,667

Total \$ 380,157,977

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Consolidated Statement of Operations Year Ended December 29, 2022

Revenues:

Food and beverage	\$ 75,497,845
Admissions	67,211,086
Franchise royalties and fees	4,999,718
Gift cards	1,659,285
Merchandise	1,197,596
Other	6,703,614

Total revenues	157,269,144
----------------	-------------

Cost of operations:

Salaries and wages	49,099,233
Film rental and other direct costs	34,203,376
Rent	22,595,780
Concession supplies	16,149,703
Depreciation and amortization	14,760,501
Professional fees	5,855,919
Promotional	5,326,801
Facilities and equipment	5,179,200
Repairs and maintenance	4,811,725
Merchant service fees	4,222,460
Utilities	3,613,021
Insurance	3,472,741
Information systems	3,143,720
Other	5,659,451

Total cost of operations	178,093,631
--------------------------	-------------

Loss from operations	(20,824,487)
----------------------	--------------

Other income (expense):

Interest expense	(7,914,300)
Interest income	372,697
Shuttered Venue Operators Grant income	3,237,867
Other income, net	795,735

Other expense, net	(3,508,001)
--------------------	-------------

Loss before state income tax expense	(24,332,488)
--------------------------------------	--------------

State income tax benefit	55,880
--------------------------	--------

Net loss from continuing operations	(24,388,368)
-------------------------------------	--------------

Discontinued operations (Note 13):

Net loss from discontinued operations	(423,632)
Gain from sale of discontinued operations	8,230,022

Gain from discontinued operations	7,806,390
-----------------------------------	-----------

Net loss	\$ (16,581,978)
----------	-----------------

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Consolidated Statement of Member's Capital Year Ended December 29, 2022

Balance, December 30, 2021	\$ 122,657,645
Net loss	<u>(16,581,978)</u>
Balance, December 29, 2022	<u><u>\$ 106,075,667</u></u>

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Consolidated Statement of Cash Flows Year Ended December 29, 2022

Cash Flows from Operating Activities:

Net loss	\$ (16,581,978)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	14,775,765
Provision for bad debt	211,384
Paid-in-kind interest income	(115,427)
Non-cash lease expense	15,882,516
Non-cash interest expense	7,914,300
Gain on sale of discontinued operations (Note 13)	(8,230,022)
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	(3,100,676)
Inventory	361,833
Prepaid expenses and other assets	(3,448,804)
Accounts payable	494,644
Accrued expenses and other liabilities	503,215
Contract liabilities	465,858
Operating lease obligations	(11,370,323)
Deferred Shuttered Venue Operators Grant income	(3,237,867)
Net cash used by operating activities	(5,475,582)

Cash Flows from Investing Activities:

Proceeds from the sale of discontinued operations, net of divested cash (Note 13)	12,224,501
Purchases of theater properties and equipment	(7,991,063)
Capitalized internal-use software development costs	(1,158,275)
Investments in notes receivable	(3,007,200)
Net cash provided by investing activities	67,963
Net change in cash and cash equivalents	(5,407,619)
Cash and cash equivalents, beginning of year	49,153,897
Cash and cash equivalents, end of year	\$ 43,746,278

Supplemental Cash Disclosure-

Income taxes paid in cash	\$ 87,404
---------------------------	-----------

Supplemental Non-Cash Disclosures:

Escrow receivable from the sale of discontinued operations (Note 13)	\$ 1,407,304
Operating lease obligations resulting from the addition of right-of-use assets	\$ 203,007,315

See notes to consolidated financial statements.

Alamo Intermediate II Holdings, LLC

Notes to Consolidated Financial Statements Year Ended December 29, 2022

1. Organization

Alamo Intermediate II Holdings, LLC (“Intermediate II”), a Delaware limited liability company headquartered in Austin, Texas, and subsidiaries (collectively, the “Company”) operate and franchise movie theaters throughout the United States. The Company provides 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.

Intermediate II is a wholly owned subsidiary of Alamo Intermediate I Holdings, LLC (“Intermediate I”), which is a wholly owned subsidiary of ALMO Holdings, LLC (“Holdings”). The Company, Intermediate I, and Holdings were formed in 2021 for the purpose of acquiring certain assets and assuming certain liabilities of Alamo Drafthouse Cinemas Holdings, LLC and its subsidiaries (“ADC”) in a transaction conducted through bankruptcy proceedings that closed on May 28, 2021.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation - 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 and include the accounts of Intermediate II and its wholly owned subsidiaries. All significant intercompany amounts have been eliminated in consolidation. The Company utilizes a 52-53 week fiscal year that ends on the Thursday closest to December 31 of each year.

Use of Estimates - The preparation of the 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.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recorded based on contracted prices when the Company has an unconditional right to payment under the terms of the contract. Accounts receivable primarily relate to gift cards sold by third parties and royalties due from franchisees. Delinquent invoices do not accrue interest. The Company continually monitors each customer’s credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Company regularly adjusts any allowance for subsequent collections and final determination that an accounts receivable balance is no longer collectible. As of December 29, 2022, the allowance for doubtful accounts was \$253,875.

Inventory - Inventory consists of concessions, theater supplies and merchandise that are stated at the lower of cost (first-in, first-out method) or net realizable value. Management reviews inventory for slow-moving items and records a specific reserve as necessary.

Theater Properties and Equipment - Theater properties and equipment are stated at cost less accumulated depreciation and amortization. Land and construction in process are not depreciable. 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
Buildings	40 years
Theater and restaurant equipment	3 - 10 years
Furniture and fixtures	3 - 7 years
Software	3 - 10 years
Computers and equipment	3 - 10 years

Intangible Assets - Definite-lived intangible assets include franchise agreements and internally developed software. The Company expects the franchise agreements to continue for an indefinite period, but amortizes them over an average fifteen-year contract period. For internally developed software, costs incurred during the preliminary stage of the development of an application, such as 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. Internally developed software costs are amortized using the straight-line method over their estimated useful life of five years. Indefinite-lived intangible assets consist of trademarks.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for leases under Topic 840, *Leases*. The standard requires the recognition of right-of-use (“ROU”) assets and lease liabilities for all leases, including operating leases. The Company adopted ASU No. 2016-02, as amended (“Topic 842”), on December 31, 2021, using a modified retrospective approach. The Company elected the package of practical expedients at the time of adoption which allowed entities to: (1) not reassess whether any expired or existing contracts were or contained leases; (2) retain the existing classification of lease contracts as of the date of adoption, and (3) not reassess initial direct costs for any existing leases. Adoption of the standard required the Company to restate amounts as of December 31, 2021, resulting in an increase in operating ROU assets of \$168,300,161 and an increase in operating lease obligations of \$172,133,143. The adoption did not have a significant impact on the Company’s consolidated statement of operations.

Leases - The Company leases properties under noncancelable operating lease agreements. Management assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Company's right to control the use of an identified asset for a period of time in exchange for consideration. A determination is made at inception as to whether the lease is an operating lease or a finance lease, and lease determinations are reassessed in the event of a change in lease terms. ROU assets and the associated liabilities are recognized at the commencement date and initially measured based on the present value of future minimum lease payments over the expected lease term.

The majority of the Company's lease agreements do not explicitly state the discount rate implicit in the lease; therefore, the Company elects to use a risk-free rate to determine the value of its lease obligations when the implicit rate is not readily determinable. Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the consolidated balance sheet unless the lease contains a purchase option that is reasonably certain to be exercised. Lease payments for short-term leases are recognized on a straight-line basis over the lease term.

Lease agreements may include periodic adjustments to payment amounts for inflation or other variables, contingent rentals based on operating results of the theaters, or may require payments for taxes, insurance, maintenance or other expenses, which are generally referred to as non-lease components. The Company accounts for non-lease components separately from lease components. Certain lease agreements include renewal options to extend the lease term. Management assesses these options using a threshold of reasonably certain, which is a high threshold; therefore, the Company's lease agreements do not generally include renewal periods for the measurement of the ROU asset and the associated lease liability. Lease term, discount rate, variable lease costs and future minimum lease payment determinations require the use of judgment and are based on the facts and circumstances of each lease. Economic incentives, intent, past history and business need are among the factors considered to determine if renewal and/or purchase options are reasonably certain to be exercised. The Company's lease agreements do not contain residual value guarantees, restrictions, or covenants.

Operating lease expense is recorded as rent expense over the term of the lease on a straight-line basis. Fixed costs for operating leases are composed of initial base rent amounts plus any fixed annual increases. Variable costs for operating leases consist primarily of common area maintenance, insurance and taxes, as well as contingent payments based on the operating performance of the theaters.

Impairment of Long-Lived Assets - Long lived assets subject to depreciation and amortization, including definite-lived intangible assets, are reviewed for impairment at the asset group level 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 group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Indefinite-lived intangible assets are evaluated for impairment at the level of each separate unit of accounting 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 unit of accounting is less than its carrying amount as a basis for determining whether it is necessary to test indefinite-lived intangible assets for potential impairment. If it is more likely than not or if a qualitative assessment is not performed, the Company performs a quantitative assessment to determine the amount of the impairment loss, if any. An impairment loss is recognized by the amount in which the carrying amount of the unit of accounting exceeds fair value.

Debt Issuance Costs - Debt issuance costs associated with term debt are recorded as a reduction of the related outstanding debt balance and amortized over the term of the related debt arrangement using the straight-line method, which approximates the effective interest method.

Self-Insurance Liability - 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 consolidated balance sheet date and it is at least reasonably possible that the estimate will change in the near term if claims vary from the calculated projections. 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 29, 2022, the self-insurance liability totaled \$24,787 and is included in accrued expenses in the 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 inputs that reflect the entity's assumptions of the 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.

Shuttered Venue Operators Grant Program - The Company recognizes funds from the Shuttered Venue Operators Grant program as allowable expenses are incurred. Amounts received prior to incurring allowable expenses are reported as deferred income on the Company's consolidated balance sheet. The Company reduces the deferred income balance and recognizes other income as the Company incurs the allowable expenses. During the year ended December 29, 2022, the Company recognized \$3,237,867 in grant income in the consolidated statement of operations for allowable expenses incurred. As of December 29, 2022, there was no deferred income on the consolidated balance sheet.

Revenue Recognition - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process: 1) identify the contract with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue when or as the Company satisfies a performance obligation, as further described below. The Company primarily derives its revenue from food and beverage and merchandise sales; admissions to movies and events; franchisees; and gift card sales.

Revenue from food and beverage sales is recognized when served, on the day of the movie or event. Revenue from merchandise sales is recognized at the point when product control is transferred to the customer, which is generally upon shipment or at the point of sale when payment is collected. Revenue from admissions, which includes internet processing fees and third-party service fees, is recognized on the day of the movie or event. Payments for admissions and merchandise collected in advance of the movie or event or shipment of merchandise are recorded as a contract liability until the revenue recognition criteria are met. As of December 29, 2022, contract liabilities associated with events and merchandise totaled \$508,130.

Revenue from franchisees includes sales-based royalties and marketing fund fees and upfront franchise fees. Sales-based royalties and marketing fund fees are recognized as franchise sales occur. Upfront fees from franchise licenses are recognized on a straight-line basis over the term of the associated franchise agreement. The Company also has development area agreements which grant the franchisees the right to open a certain number of theaters within a specified geographic area. Upfront fees from development area agreements are deferred and recognized on a pro-rata basis over the term of the individual movie venue franchise agreements. Deferred revenue related to the Company's franchise and development area agreements is included in contract liabilities and totaled \$1,511,475 as of December 29, 2022.

Revenue from gift card sales to customers is recognized when the gift card is redeemed. Gift cards do not have expiration dates and are not required to be escheated to government authorities. Utilizing historical redemption rates, the Company recognizes revenue for amounts not expected to be redeemed proportionately as other gift card balances are redeemed. Revenue from gift card sales includes variable consideration for management's estimate of breakage. As of December 29, 2022, the gift card liability, included in contract liabilities, totaled \$7,762,368.

Taxes collected from customers relating to product sales or services and remitted to governmental authorities are recorded on a net basis and are excluded from revenue. The timing of revenue recognition, billings, and cash collections resulted in accounts receivable which totaled \$7,122,073 and contract liabilities which totaled \$11,730,395 as of December 30, 2021.

Shipping and Handling Costs - The Company elects to treat shipping and handling costs incurred by the Company after control of a product has transferred to a customer as a fulfillment cost. Accordingly, shipping and handling fees billed to customers are included in the transaction price allocated to the performance obligation of providing goods rather than as a separate performance obligation. The Company accrues for estimated shipping and handling costs payable to carriers in cost of operations when revenue is recognized for the sale of the related goods.

Contract Assets and Contract Liabilities - Contract assets represent revenue recognized in excess of amounts billed in which the Company's right to payment is conditional. Contract assets were not significant as of December 29, 2022. Contract liabilities represent amounts collected in excess of revenue recognized to date.

Advertising Costs - Advertising costs are charged to expense as incurred and totaled \$4,674,725 for the year ended December 29, 2022.

Pre-opening Expenses - Pre-opening expenses are costs specifically identified as start-up costs for theaters under development and are charged to expense as incurred.

Income Taxes - The Company is treated as a disregarded entity for federal income tax purposes. Holdings is treated as a partnership for federal income tax purposes; accordingly, no provision for federal income taxes has been recorded in the accompanying consolidated financial statements.

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 believes the Company had no material uncertain tax positions and recorded no related interest or penalties as of December 29, 2022.

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 29, 2022, one customer represented 19% of the Company's gross accounts receivable.

Recently Issued Accounting Pronouncement - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables and other commitments to extend credit held by a reporting entity at each reporting date. Entities are required to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The amendment is effective using a modified retrospective approach for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Company is currently evaluating the impact the amendment will have on its consolidated financial statements.

3. Theater Properties and Equipment

Theater properties and equipment consisted of the following as of December 29, 2022:

Leasehold improvements	\$ 70,439,181
Buildings	12,902,293
Theater and restaurant equipment	16,093,523
Furniture and fixtures	8,478,358
Software	1,309,304
Computers and equipment	<u>791,295</u>
Total depreciable and amortizable assets	110,013,954
Less accumulated depreciation and amortization	(20,592,076)
Land	1,250,000
Construction in process	<u>933,699</u>
Theater properties and equipment, net	<u>\$ 91,605,577</u>

Depreciation and amortization expense totaled \$13,255,063 for the year ended December 29, 2022.

4. Intangible Assets

Intangible assets consisted of the following as of December 29, 2022:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets:			
Franchise agreements	\$ 17,200,000	\$ (1,815,556)	\$ 15,384,444
Internal-use software	<u>1,205,510</u>	<u>(611,176)</u>	<u>594,334</u>
Total definite-lived intangible assets	18,405,510	(2,426,732)	15,978,778
In-process internal-use software development	978,810	-	978,810
Indefinite-lived intangible assets-			
Trademarks	<u>20,400,000</u>	<u>-</u>	<u>20,400,000</u>
Intangible assets, net	<u>\$ 39,784,320</u>	<u>\$ (2,426,732)</u>	<u>\$ 37,357,588</u>

Amortization expense totaled \$1,520,702 for the year ended December 29, 2022. Future amortization of definite-lived intangible assets was as follows as of December 29, 2022:

2023	\$ 1,380,064
2024	1,343,965
2025	1,263,338
2026	1,182,822
2027	1,157,505
Thereafter	<u>9,651,084</u>
Total	<u>\$ 15,978,778</u>

5. Leases

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.

The following is a summary of the Company's lease expense for the year ended December 29, 2022:

Operating lease expense	\$ 15,882,516
Short-term lease expense	675,631
Variable lease expense	<u>6,037,633</u>
Total	<u>\$ 22,595,780</u>

Future minimum lease payments due under long-term lease agreements in which the Company is the lessee, excluding payments for real estate taxes and common area maintenance, as of December 29, 2022, were as follows:

2023	\$ 15,809,250
2024	16,209,911
2025	16,575,257
2026	16,340,176
2027	16,702,207
Thereafter	<u>138,981,012</u>
Total minimum lease payments	220,617,813
Less amounts representing interest	<u>(25,703,367)</u>
Present value of minimum lease payments	194,914,446
Less current portion of operating lease obligations	<u>(12,389,785)</u>
Operating lease obligations, net of current portion	<u>\$ 182,524,661</u>

As of December 29, 2022, operating leases had a weighted average remaining lease term of 13.35 years and a weighted average discount rate of 1.83%.

6. Long-Term Debt

The Company is obligated under a Credit Agreement with the members of Holdings. The Credit Agreement provided for Initial Term Loans totaling \$27,067,665 and advances of up to \$25,000,000 under a Delayed Draw Term Facility, of which \$17,000,000 was drawn prior to 2022 (together, the "Loans"). Advances under the Delayed Draw Term Facility were available through November 2022 but no additional advances were made to the Company during the year ended December 29, 2022.

Interest on the Loans accrues at 15.0% per annum and is payable quarterly in cash (in whole or in part) to the extent that the Cash Interest Requirements, as defined, are satisfied. To the extent that the Cash Interest Requirements would not be satisfied after giving effect to each interest payment on the due date, interest is payable in kind and capitalized into the principal balance of the Loans. During the year ended December 29, 2022, \$2,982,378 and \$4,748,588 in interest was capitalized into the principal balance of the Initial Term Loans and the Delayed Draw Term Facility, respectively. As of December 29, 2022, a total of \$11,827,517 in interest has been capitalized to the principal balance outstanding under the Loans. Mandatory principal payments are due upon the occurrence of certain defined events including the disposition of certain property and the incurrence of certain indebtedness. Additionally, commencing with the fiscal year ended December 29, 2022, within 125 days after year-end, the Company shall prepay an aggregate principal amount of the Loans in an amount equal to a percentage of Consolidated Excess Cash Flow, as defined, for the fiscal year, less any voluntary prepayments made on the Loans during the fiscal year. The percentage applied, which ranges from 0% to 50%, is determined based on the Consolidated Leverage Ratio, as defined, for the fiscal year. In January 2023, the Company made principal payments totaling \$11,156,369 for the fiscal year ended December 29, 2022. The remaining principal and interest outstanding is payable in full at maturity on May 28, 2024. The Company is required to pay the Applicable Premium, as defined, on any mandatory or voluntary principal payments made prior to maturity. The Credit Agreement is subject to certain covenants including a requirement to maintain Liquidity of at least \$1,500,000. The Credit Agreement is collateralized by substantially all assets of the Company and is guaranteed by Intermediate I. As of December 29, 2022, principal outstanding under the Credit Agreement is presented net of debt issuance costs of \$259,722.

7. Notes Receivable

In March 2022, Alamo Drafthouse Cinema Buyer, LLC (“Buyer”), a subsidiary of Intermediate II, entered into a Note Purchase Agreement to provide up to \$9,635,800 to an entity controlled by an owner of Holdings and a former employee of the Company through the purchase of convertible promissory notes (the “Convertible Notes”). Buyer initially invested \$1,757,200 in March 2022, and has committed to purchase additional Convertible Notes in subsequent closings through December 2024. The Company is the guarantor of the Convertible Notes should Buyer not make payment to the borrowing entity on the closing dates defined in the agreements. The Convertible Notes’ outstanding principal balance and unpaid interest will be converted into Next Round Securities of the borrowing entity immediately prior to the closing of its Next Equity Round, as defined. If no such closing takes place prior to the maturity date on March 11, 2026, outstanding principal and interest is due full. Buyer may voluntarily convert the Convertible Notes into the borrowers’ equity securities as defined in the agreements. The Convertible Notes bear interest at 8% per annum. Interest accrued through April 1, 2024 shall be paid-in-kind and capitalized to the principal balance of the Convertible Notes. Thereafter, accrued interest is payable at the maturity date, if not converted into Next Round Securities. The Notes are included in other assets on the consolidated balance sheet and totaled \$1,872,627 as of December 29, 2022.

In April 2022, the Company purchased Secured Promissory Notes (the “Promissory Notes”) from two owners and board members of Holdings totaling \$1,250,000. The Promissory Notes accrue interest at 2.51% per annum, compounded annually, with principal and accrued interest due at maturity in April 2027. If, prior to the maturity date, the Company generates at least \$20,000,000 in earnings before interest, depreciation, taxes and amortization during any trailing twelve-month period, or if all of the Holdings Class A Members’ respective Preferred Return Accounts have been reduced to zero, principal and accrued interest outstanding under the Promissory Notes will automatically be forgiven by the Company. The Notes are included in other assets on the consolidated balance sheet and totaled \$1,250,000 as of December 29, 2022.

Related party interest receivable and interest income as of and for the year ended December 29, 2022 totaled \$22,005 and \$137,433, respectively.

8. Incentive Plan

In accordance with its Limited Liability Company Agreement (the “Holdings LLC Agreement”), Holdings established New Alamo Management Holdings, LLC (“Aggregator LLC”) as a special purpose holding vehicle through which certain members of Aggregator LLC indirectly hold interests in Holdings. At the discretion of the Board of Managers of Holdings, Class A and Class C Incentive Units of Aggregator LLC may be issued to employees and service providers of the Company. Upon the issuance of Incentive Units of Aggregator LLC, Holdings will issue Class A and Class C Incentive Units to Aggregator LLC with substantially the same form. The Incentive Units are intended to be treated as profits interests awards which provide the holder the right to receive a percentage of the Company’s future profits. The Holdings LLC Agreement provides for the establishment of a threshold of cumulative distributions that must be made with respect to other classes of membership units before the holders of Class A and Class C Incentive Units receive any distributions, as defined in the Holdings LLC Agreement. As of December 29, 2022, Holdings had not issued any Class A or Class C Incentive Units to employees or service providers of the Company.

9. Commitments and Contingencies

Prior to and in conjunction with the bankruptcy proceeding (Note 1), ADC and the Company renegotiated the terms of certain leases with its landlords, including settlement of accrued but unpaid rent prior to the acquisition. In accordance with the asset purchase agreement, the Company assumed the liability to repay a portion of accrued but unpaid rent based on the terms of certain renegotiated lease arrangements assumed in the acquisition. These obligations require monthly payments commencing on various dates from July 2021 to January 2023 over terms ranging from 36 to 165 months. The obligations are non-interest bearing, totaled \$1,479,455 as of December 29, 2022, and are included in other current liabilities and other long-term liabilities in the consolidated balance sheet.

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 29, 2022.

In March 2020, the World Health Organization declared the outbreak COVID-19 as a pandemic, which continues to spread throughout the world. The Company's business was significantly and adversely impacted by the pandemic. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue is expected to negatively impact the Company's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the business to maintain the Company's cash flow and believes that the Company has adequate liquidity.

10. Employee Benefit Plan

The Company has a 401(k) plan that covers substantially all employees that have reached the age of 21. Employer matching contributions are discretionary. The Company did not make employer matching contributions during the year ended December 29, 2022.

11. Related Party Transactions

The Company is party to various contracts with the members of Holdings and affiliates of those members to provide and obtain services including franchise and development agreements, management service agreements, and an office lease arrangement. During the year ended December 29, 2022, the Company incurred rent expense of \$1,090,891 with a related party.

In addition, in conjunction with the acquisition (Note 1), Holdings executed a Transition Services Agreement with ADC on May 28, 2021 in which each party will perform certain services to allow for the successful transition of business operations to the Company and the wind-down of the operations of ADC. For the year ended December 29, 2022, the Company recognized \$1,309,385 in management revenue and \$2,571,742 in professional fees related to the Transition Services Agreement.

Affiliates of a member of Holdings hold a \$3,000,000 letter of credit on behalf of the Company which serves as a security deposit for the benefit of the landlord of a theater property leased by the Company.

12. Franchised Theaters

As of December 29, 2022, the Company supported twenty-one franchisee-owned theaters operating under franchise and license arrangements and operated sixteen franchisor-owned theaters. Two franchisee-owned theaters were opened in the District of Columbia and Virginia during the year ended December 29, 2022. The franchise and license arrangements for two franchisee-owned theaters located in Texas and Omaha were terminated during the year ended December 29, 2022.

13. Discontinued Operations

On June 8, 2022, the Company sold all of the outstanding membership interests in Mondo Tees Buyer, LLC (“Mondo”), an entity that sells merchandise related to films, television shows and comics, to a third party. The following is a summary of the assets and liabilities transferred and the resulting gain recognized on the date of the transaction:

Consideration:	
Cash	\$ 12,250,926
Escrow receivable	<u>1,407,304</u>
Total consideration	<u>\$ 13,658,230</u>
Net assets of discontinued operations:	
Cash and cash equivalents	\$ 26,425
Accounts receivable, net	1,830,761
Inventory	3,517,412
Prepaid expenses and other current assets	4,120,358
Property and equipment, net	60,106
Intangible assets	1,400,000
Accounts payable and accrued expenses	(3,112,574)
Deferred revenue	<u>(2,414,280)</u>
Net assets of discontinued operations	<u>\$ 5,428,208</u>
Gain on sale of discontinued operations	<u>\$ 8,230,022</u>

The operating results of Mondo are included in the consolidated statement of operations through the date of the transaction. The following is a summary of net loss from discontinued operations presented in the statements of operations for period from December 31, 2021 to June 8, 2022:

Revenues:	
Merchandise	\$ 6,836,142
Other	<u>56,000</u>
Total revenues	6,892,142
Cost of operations:	
Merchandise	4,930,767
Salaries and wages	1,859,907
Promotional	173,552
Merchant service fees	102,984
Insurance	64,047
Professional fees	44,123
Information Systems	39,476
Depreciation and amortization	15,264
Other	<u>66,139</u>
Total cost of operations	<u>7,296,259</u>
Loss from operations	(404,117)
Other expense, net	<u>(19,515)</u>
Net loss from discontinued operations	<u>\$ (423,632)</u>

Cash flows related to discontinued operations were not significant during the year ended December 29, 2022.

14. Subsequent Events

The Company evaluated subsequent events through March 22, 2023, 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 C

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
ALAMO INTERMEDIATE II HOLDINGS, 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: _____
Name: _____
Title: _____

Date: _____

EXHIBIT D

OPERATIONS DIGITAL LIBRARY - TABLE OF CONTENTS

The Reel - Home for Communications, Training, and Digital Operations Manual

- Operations
- Programming
- Training
- Current Focuses (Active Training)
- Food Pages (all items/builds/recipes)
- Drink Pages (all items/builds/recipes)

Training Programs

- Hospitality Training
- Floor Training (Runner / Server)
- Kitchen Training
- Bar Training
- Lobby Training (Concierge)
- Leader Training

Resources

- Posters & Signage
- COVID Procedures

EXHIBIT E

STATE ADMINISTRATORS

CALIFORNIA

Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104-4428
Toll-free: (866) 275-2677 and (916) 327-7585

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
(360) 902-8760

WISCONSIN

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

EXHIBIT F

AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of Business Oversight
Department of Financial Protection and Innovation
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 G-1**LIST OF FRANCHISEES
(as of December 31, 2022)**

Franchisee	Venue Street Address	Venue City	Venue State	Venue Zip Code	Venue Phone Number
*Birmingham Alamo Movies, LLC	1800 Powell Ave South	Birmingham	AL	35233	TBD
*Alamo GlenCo Theater, LLC	South Cherry Street and East Virginia Avenue	Glendale	CO		TBD
Woodbury Alamo, LLC	9060 Hudson Rd	Woodbury	MN	55125	651-829-2623
Springboard Ventures LLC	4005 South Avenue	Springfield	MO	65807	417-708-9599
St. Louis Alamo Movies, LLC	3765 FOUNDRY WAY, SUITE 275	St. Louis	MO	63110	314-669-2079
Entertainment Management Co., LLC	12750 Westport Pkwy	La Vista	NE	68138	402-505-9979
*Alamo Grand Prairie Bardin, LLC	1600 E. Pioneer Parkway, Suite 550	Arlington	TX	76010	TBD
Reel Dinner Partners – Corpus Christi, LLC	7601 S Staples St	Corpus Christi	TX	78413	361-808-4824
Dos Peliculas, LLC	1005 South Lamar	Dallas	TX	75215	214-914-4443
Cinco Peliculas, LLC	6770 Abrams Rd	Dallas	TX	75231	214-453-6301
Seis Peliculas, LLC	3220 Town Center Trail	Denton	TX	76201	940-220-4900
El Paso Texas Alamo Operations, LLC	250 East Montecillo Blvd	El Paso	TX	79912	915-845-7469
Alamo Monteverde Operations, LLC	12351 Pellicano Drive	El Paso	TX	79928	915-317-5266
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
Iced Tea with Lemon, LLC	100 South Central Expressway #14	Richardson	TX	75080	972-534-2120
ADC Crystal City, LLC	1660 Crystal Dr.	Arlington	VA	22202	571-814-3776
Cojeaux Cinemas, LLC	20575 Easthampton Plaza	Ashburn	VA	20147	571-293-6808

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
ADC Woodbridge, LLC	15200 Potomac Town Place, Ste 100	Woodbridge	VA	22191	571-260-4413
Alamo Drafthouse D.C., LLC	630 Rhode Island Ave NE	Washington	D.C.	20002	202-280-2765
*Catchlight Entertainment Management, LLC	1123552 AR-112	Fayetteville	AK	72704	TBD
*SC Cinema, LLC	3898 Lafayette Road	Indianapolis	IN	46254	TBD

*These Venues are still in development or under construction as of the date of this Disclosure Document.

Wholly-Owned Subsidiaries That Own and Operate Company-owned Venues

Venue Entity	Venue Street Address	Venue City	Venue State	Venue Zip Code
Alamo City Point Buyer, LLC	445 Gold Street	Brooklyn	NY	11201
Alamo Lakeline Buyer, LLC	14028 North U.S. Highway 183, Building F	Austin	TX	78717
Alamo Liberty Buyer, LLC	28 Liberty St, Suite SC301	New York	NY	11201
Alamo Aspen Grove Buyer, LLC	7301 S Santa Fe Dr, Unit 850	Littleton	CO	80120
Alamo Mueller Buyer, LLC	1911 Aldrich, Ste 120	Austin	TX	78723
Alamo Mission Buyer, LLC	2550 Mission St	San Francisco	CA	94110
Alamo Park North Buyer, LLC	618 NW Loop 410	San Antonio	TX	78216
Alamo Drafthouse Raleigh Buyer, LLC	2116-D New Bern Ave	Raleigh	NC	27610
Alamo Slaughter Lane Buyer, LLC	5701 W Slaughter Ln	Austin	TX	78749
Alamo Sloans Buyer, LLC	4255 W Colfax Ave	Denver	CO	80204
Alamo South Lamar Buyer, LLC	1120 South Lamar Blvd	Austin	TX	78704
Alamo Staten Island Buyer, LLC	2636 Hylan Blvd, Unit 34	Staten Island	NY	10306
Alamo Stone Oak Buyer, LLC	22806 US Hwy 281 North	San Antonio	TX	78258
Alamo DH Anderson Lane Buyer, LLC	2700 West Anderson Ln, Suite 701	Austin	TX	78757
Alamo Westminster Buyer, LLC	8905 Westminster Blvd	Westminster	CO	80031
Alamo Yonkers Buyer, LLC	2548 Central Park Ave	Yonkers	NY	10710
Alamo Wrigleyville, LLC	3519 N. Clark Street	Chicago	IL	60657
Alamo Seaport, LLC	60 Seaport Blvd	Boston	MA	02210

EXHIBIT G-2

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

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

Franchisee	Venue Street Address	Venue City	Venue State	Venue Zip Code	Venue Phone Number
Midtown Alamo LLC	3201 Farnam St, #6111	Omaha	NE	68131	402-884-8999
North Richland Hills Alamo, LLC	8380 Davis Blvd	North Richland Hills	TX	76182	817-310-9804

EXHIBIT H

FORM OF GENERAL RELEASE

GENERAL RELEASE

[Name of Franchisee] ("Franchisee") and [Names of Principals] (each a "Principal") hereby generally and completely release, acquit and forever discharge in the broadest sense possible Alamo Intermediate II Holdings, LLC, a Delaware 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: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Not Registered
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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 Intermediate II Holdings, 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 Intermediate II Holdings, LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, Alamo Intermediate II Holdings, 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 Intermediate II Holdings, 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 Intermediate II Holdings, 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, Shelli Taylor, Chris Drazba, and Rachel Pletz (each at 3908 Avenue B, Austin, Texas 78751, (512) 861-7000), and the following persons (if any): _____.

Date of Issuance: April 14, 2023

I received a Disclosure Document with an issuance date of : April 14, 2023. This Disclosure Document included the following exhibits:

State Addenda to Disclosure Document	
<u>Exhibit A-1</u>	Franchise Application and Confidentiality Agreement
<u>Exhibit A-2</u>	Franchise Agreement
<u>Exhibit A-3</u>	State Amendments to Franchise Agreement
<u>Exhibit B</u>	Financial Statements of Alamo Intermediate II Holdings, LLC
<u>Exhibit C</u>	Electronic Funds Transfer Authorization
<u>Exhibit D</u>	Operations Digital Library Table of Contents
<u>Exhibit E</u>	State Administrators
<u>Exhibit F</u>	Agents for Service of Process
<u>Exhibit G-1</u>	List of Franchisees
<u>Exhibit G-2</u>	List of Franchisees Who Have Left the System
<u>Exhibit H</u>	Form of General Release

	<u>Printed Name</u>	<u>Title</u>	<u>Signature</u>	<u>Date</u>
(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 Intermediate II Holdings, 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 Intermediate II Holdings, LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, Alamo Intermediate II Holdings, 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 Intermediate II Holdings, 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 Intermediate II Holdings, 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, Shelli Taylor, Chris Drazba, and Rachel Pletz (each at 3908 Avenue B, Austin, Texas 78751, (512) 861-7000), and the following persons (if any): _____.

Date of Issuance: April 14, 2023

I received a Disclosure Document with an issuance date of April 14, 2023. This Disclosure Document included the following exhibits:

State Addenda to Disclosure Document

<u>Exhibit A-1</u>	Franchise Application and Confidentiality Agreement
<u>Exhibit A-2</u>	Franchise Agreement
<u>Exhibit A-3</u>	State Amendments to Franchise Agreement
<u>Exhibit B</u>	Financial Statements of Alamo Intermediate II Holdings, LLC
<u>Exhibit C</u>	Electronic Funds Transfer Authorization
<u>Exhibit D</u>	Operations Digital Library Table of Contents
<u>Exhibit E</u>	State Administrators
<u>Exhibit F</u>	Agents for Service of Process
<u>Exhibit G-1</u>	List of Franchisees
<u>Exhibit G-2</u>	List of Franchisees Who Have Left the System
<u>Exhibit H</u>	Form of General Release

	<u>Printed Name</u>	<u>Title</u>	<u>Signature</u>	<u>Date</u>
(1)	_____	_____	_____	_____
(2)	_____	_____	_____	_____

ENTITY NAME (if applicable): _____

COPY 2. RETURN THIS COPY TO:

Alamo Intermediate II Holdings, LLC, 3908 Avenue B
Austin, Texas 78751
Attn: Legal