

Investor Q and A Report

1. Does the Showcase have contracts with the Hollywood studios? This is a critical question given the 3.1 mile issue.

In actuality competitive zones are established by the request of an exhibitor. In these zones a period of 'Clearance' is recognized.

THE WALL STREET JOURNAL.

BUSINESS

Called "clearance" in industry parlance, the exclusivity practice allows theater chains to tell Hollywood studios they will screen a movie in a particular market only if nearby competitors can't.

However, there usually aren't written contracts between studios and theaters. These are usually unofficial agreements. In fact, now more than ever, Hollywood is wary about putting these practices in writing because of the following:

THE WALL STREET JOURNAL.

Justice Department Investigates theater 'clearance' practices at AMC

Published: June 1, 2015 11:17 a.m. ET

BUSINESS



U.S. Scrutinizes Conduct of Movie Theaters

AMC, Regal say Justice Department has asked for information in investigation

By ERICH SCHWARTZEL

Updated June 1, 2015 7:37 p.m. ET

Contacts with the major studios stated they will continue to enforce these zones to protect the fidelity of their revenue sources.

Hollywood wants to reward theaters that generate more revenue and re-invest in their facilities. Recent industry surveys have shown a direct link between theater owner investment, increased attendance and movie revenue:



Studios reward Clearance to protect higher Average Ticket Prices in these upgraded facilities. Movie distributors understand that consumers will always go for the facility with the lowest price for the same product. This in turn undercuts their ROI. Hence studios want market areas with high ATP preserved.

- All of Galleria Adult tickets are \$10.
- Showcase with its diverse offering will have an ATP of over \$12.

Hollywood wants that extra \$2 premium at higher occupancy rates.

Let's use the current conditions in the Bahamian market as it stands to illustrate. The top movie globally for 2015 was Fast and Furious 7. The typical US cinema in its first 3 weeks averaged:

Box Office Mojo
Average per Theater
\$40,000

How did Galleria Cinema 11 at the Mall at Marathon compare?

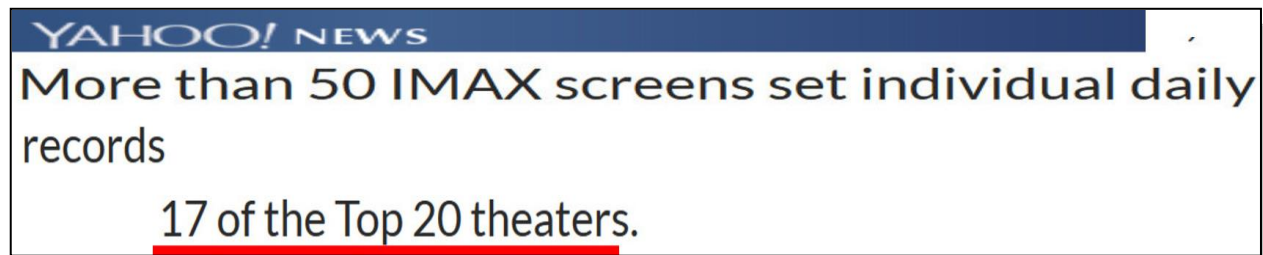


Run Of Engagement - Galleria 11 Furious 7 - Universal - PG13

Wk	Week	Fri	%	Sat	%	Sun	%	Weekend Gross	%	Week Gross	%	Cume
1	04/03/2015	9,045	-	8,516	-	6,558	-	24,119	-	27,611	-	27,611
2	04/10/2015	2,499	-72	3,824	-55	2,482	-62	8,805	-63	9,798	-65	37,408
3	04/17/2015	614	-75	1,457	-62	749	-70	2,821	-68	3,199	-67	40,607

Their results fall in line with the norm in the US market.

Now let's compare the premium brands of IMAX and 4DX.



Results:

IMAX®

Average per Screen
\$39,000

4DX

Average per Screen
\$117,874

Note:

When analyzing these results, it is important to recognize that one is comparing revenue from a single 4DX screen or a single IMAX screen vs the revenue from **AN ENTIRE CINEPLEX with multiple screens**. In the case of Galleria; its revenue from 11 screens vs one 4DX screen.

One 4DX screen more than doubles the revenue from an entire average US facility on a per movie basis. An IMAX screen merely matches a rival facility's box office on a given movie.

Hollywood studios will protect this level of revenue generation at all cost.

2. Details on the sponsorships?

The Sponsorship program is going very well for the Showcase with IMAX. In fact the Atavus Group management team has had to slow down the process to take full advantage of developing business conditions.

Creating a Bidding War

The Government of the Bahamas has recently announced the end of the local telecommunication giant's cellular monopoly on the market. The Bahamas Telecommunications Corporation (BTC) is in for a fight.



Traditionally, banks and media companies have been perfect partner for IMAX branding.



Hence this news could not have come at a more opportune time for Atavus Group.

New Bidders to Enter the Cellular Market

The major players to enter the cellular market are known global entities that have embraced sponsorship.

The Battle of The Cellular License: Cable Bahamas vs. Digicel vs. Virgin Mobile Group

Posted by Administrator | February 14, 2015 | Web News

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The stakes are very high for BTC.



Hence BTC have started a massive spending campaign to lock down all possible marketing opportunities before liberalization.



Building on existing Relationships

The Atavus Group has already begun negotiations with BTC and with Cable Bahamas. In fact, BTC and Atavus have already signed a Letter of Offer formally acknowledging common interest in each other from 2014.

**Letter of Offer (LOO) for BTC's Sponsorship of the Showcase with IMAX Cineplex
Bahamas March 6, 2014**

Whereas Atavus Group Limited wishes to enter into a five year relationship with Bahamas Telecommunications Company Limited (herein after BTC) as the exclusive naming sponsor of the IMAX theatre, primary sponsor of the complex and exclusive mobile phone server partner in the Showcase with IMAX, the following terms are agreed upon.

It is understood that both parties will make best efforts to agree upon a more comprehensive contract that reflects the terms and benefits below, however, this contract is binding as agreed. The primary intent of this agreement is:

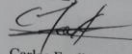
1. To give BTC exclusive naming and branding rights at the IMAX theatre (to be named "Showcase with BTC IMAX" or other name as parties agree) during the term of this agreement.
2. To make BTC the main sponsor of the cinema complex.
3. To give BTC customers specific benefits as listed below.
4. To provide priority ticketing lanes to BTC customers
5. To promote BTC via the many communication channels The Showcase with IMAX will use.

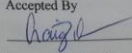
Material Conditions

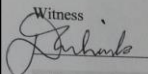

- i) The term of the agreement shall be from date of signing until the later of five years of operation or 21st January 2020.
- ii) BTC will pay an annual fee of BSD \$595,000 for these benefits. The first year fee shall be paid on the following schedule:
 - a. 50% or \$297,500 upon signing of this agreement.
 - b. 50% or \$297,500 on or before opening day to the public.
 - c. The second through fifth year fees shall be paid quarterly in installment of \$148,000 per quarter in advance, beginning on the first anniversary of the opening date of the complex and every 90 days thereafter. BTC will also pay production costs as noted below.

It is contemplated that BTC may wish an additional "pool" of funds to be used for customer benefits beyond those included (such as additional free or discounted tickets) and ATAVUS will give reasonable rates/costs for these benefits that are discounted from published rates (*note, it is often agreed in advance what the marginal ticket rate will be for additional tickets or set something as a minimum, such as a 20% discount to published/vake rates*). ATAVUS will attempt to offer additional benefits that are of no cost to BTC to encourage BTC to communicate to its customers and encourage trial at IMAX and ATAVUS screens. The amount and use of any additional ticket pool are subject to mutual agreement and not an obligation of BTC.

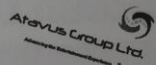
**Letter of Offer (LOO) for BTC's Sponsorship of The Showcase with IMAX Cineplex
Bahamas March 6, 2014**

Offered By

Carlos Foulkes,
CEO, ATAVUS Group Limited
(Date)

Accepted By

Bahamas Telecommunication Company Limited
(Date) 03/14/2014

Witness



This signature page to be edited and modified for
seal acceptance from both parties


Atavus Group Ltd.
Bahamas Telecommunication Company Limited

The sum discussed was \$595,000 annually for five (5) years. This was even before Atavus Group had secured an actual site for the Showcase with IMAX.

However due to the increased exposure of the new location and the expansion of the business model to reach more of the desired clientele, BTC and Atavus have begun renegotiations.

Besides media-based companies, Atavus met with Pepsi's regional representatives about possible naming rights of the facility.



Pepsi previously had a factory in the Bahamas which closed in 2008. At that time, Pepsi had over 30 % market share. Currently, they have less than 6%. Pepsi now wants to re-enter the Bahamian market as a major player in beverage sales.

To do this, Pepsi is looking for branding partners to maximize its Bahamian exposure. The launch of the Showcase with IMAX is a familiar promotional tool for Pepsi, having sponsored multiple IMAX theaters globally.



This potential relationship may also have the added benefit of reducing COGS for concessions.

The new starting term is \$859,000 annually over five years.

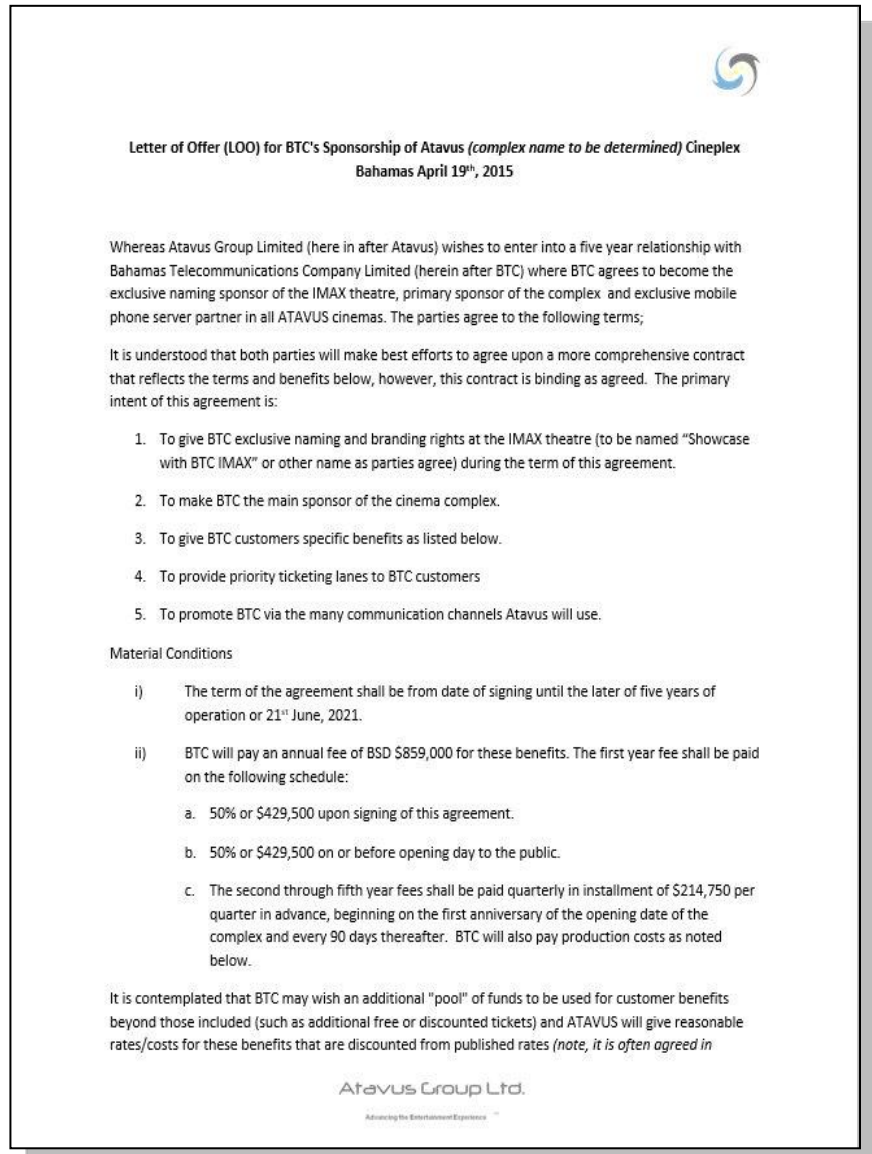
This represents more than 71% of the total sponsorship revenue.

Other sponsorship initiatives have already yielded great interest in the Bahamas were the concept of sponsorship is new.

IMAX's Education program is garnering a great deal of interest from Bahamian Insurers.

There has never been a private educational program of this magnitude with international appeal.

Companies view the potential of the untapped student customer base as quite attractive.



This is merely a glimpse into the sponsorship program. Spearheaded by Jim Patterson, Global Leader in IMAX and 4DX theater sponsorship, a vigorous program is being custom crafted for each client. Atavus Group is confident the Sponsorship will surpass its projections before theater launch.

3. Competitive analysis – why would the existing theater group not reinvest in its current locations?

Reason 1 for Lack of Re-investment:

Galleria's track record has shown that only external industry conditions force them to re-invest. When they do make changes, management uses cheap, inefficient solutions that alienate their customer base and hurt their bottom line.

Example 1: 3D adoption in the Bahamas and its subsequent failure

Galleria adopted 3D movies in 2010, almost two years after 3D became standard. Financially this was a poor decision when considering what movie product was dominating the landscape. Avatar in 3D made more money for theater owners than any movie in history.

Why 3D failed in the Bahamas miserably:

A proper 3D presentation requires four (4) components:

- ✚ 3D glasses
- ✚ A silver screen to decrease light loss
- ✚ Updated projectors
- ✚ A 3D module that can adjust the image as it leaves the projector

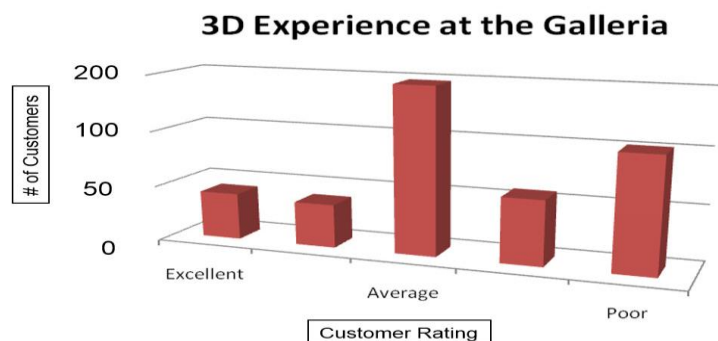
Besides the cheap 3D glasses, Galleria bought the 3D modules for their projectors. They continued to use their old screens and outdated projectors.

Results:

- Patrons complained of headache due to the poor presentation
- Movies were out of focus or too dark to view

Atavus group conducted focus groups on 3D movie goers in 2013.

Less than 17% of respondent had a positive 3D experience at Galleria.



Conclusion:

By mid-2013, less than three years after 3D was introduced to the Bahamas, Galleria Cinemas no longer showed 3D movies.

Example 2: Late Adoption of Digital technology

The Cinema Industry began switching from film-based projectors to digital projectors. Along with this change came an accompanying upgrade of sound systems.

Some of the Benefits of Digital:

- ✓ *Reduced shipping cost by 1000%:*
Film reels could weigh up to 500lb vs Flash drives with movies from studios could fit in the palm of your hand
- ✓ *Ad Revenue in the cinema increased 54% with digital projectors:*
Exhibitors could now easily add advertisements before movies at a fraction of the cost of analog projectors
- ✓ *Virtual Print Fees for early adaptor:*
Virtual Print Fee (VPF) is the name given to a subsidy paid by a film distributor towards the purchase of digital cinema projection equipment for use by a film exhibitor in the presentation of movies. It is intended to primarily assist in the **replacement of film projectors**, and not assist in the purchase of new projection equipment for new construction.

Hollywood set a deadline for all theaters to switch from film (Celluloid) to digital. After December 2013, theater owners that did not convert would no longer receive the latest movies.

GEAR & GADGETS / PRODUCT NEWS & REVIEWS

Celluloid no more: distribution of film to cease by 2013 in the US

With all of these major financial benefits and more in place, when did Galleria Cinemas switch?

Tribune 242

Cellular Digital Drive Sparks 21% Price Rise

Galleria Cinema actually waited until **ONE MONTH** before the deadline to convert.

As always Galleria only did the minimum. Even though digital projectors were switched, the 16 year old screens and outdated sound system remain.

Reason 2 for Lack of Re-investment:

Galleria's Real Estate Strategy has added constraint to its business model limiting its ability to re-invest in its properties

Galleria Cinemas operates on a leased-theater model. Both of its location are in shopping areas:

- The Mall at Marathon
- RND Shopping Plaza

This constraint curtails structural modifications without the consent of the landlord. This immediately put Capital expenditure (CAP EX) input at higher risk factors.

Even if CAP EX is approved, these pre-existing spaces provide significant challenges. The outfit design is over 15 years old. When originally designed it was done so with structural limitation. These limitation would require extensive capital funding to improve as well as shutting down Revenue Operations for construction.

Chief among these limitation are:

1. Inability to convert to "Stadium Style" seating without gutting concrete reinforced floors:
2. Inability to raise screen heights and width to achieve proper cinema aspect ratio without changes to the roof and load bearing walls.
3. Limited lobby space
4. Old building plumbing in restrooms require extensive renovations and fixtures remain unchanged for almost a decade.

When considering the total CAP EX needed to update all the screens, all the sound systems and replace all the seats, this task would be a daunting for any organization.

Now factor in superior exclusive formats that your new rival will be implementing. No wonder the Atavus Group is in financial discussions with the same bank that financed Galleria's competitor buyout forming the current monopoly.

Reason 3 for Lack of Re-investment:



Chris Mortimer, Majority Owner and CEO of Galleria Cinema, has developed a track record indicating management's desire to redirected it focus outside of cinema operation to unrelated businesses. Many of which have failed and have been classified as misguided projects.

Much of the funding supporting these ventures are believed to be from Galleria Cinema earnings. As such the practice of retained earnings for capital improvements of the cinema is not being practiced.

- A. A failed watch manufacturing company that would sell licensed Kim Kardashian watches

Black Owned Company Behind Kim Kardashian's Signature Watch

Dec 9, 10 by [EurPublisher](#) 6 Comments



Kim Kardashian poses with the owners of the Brissmor Watch Company: Bright Riley, Chris Mortimer and Suamana "Swoop" Brown (Photo by Vince Tanzilini).

B. A failed restaurant franchise



March 26, 2008 02:55 PM Eastern Daylight Time

Bennigan's Opens First Location in the Bahamas (



This is the first Bennigan's for franchise group Casual Dining Restaurants.

"The Bennigan's brand is well known here," said Chris Mortimer, president of Casual Dining Restaurants.

How long did it last? **FOUR MONTHS Officially**



CONSUMERIST



Bennigan's Files For Chapter 7 Bankruptcy, Closes Restaurants Nationwide

By **Meg Marco** July 29, 2008

Unofficially, without any corporate support, the Bahamian franchise died completely within three years and a half years.

C. Launch of an entirely new third political party in a traditional two-party political system



As the Deputy Leader of the newly formed Democratic National Alliance, Mr. Mortimer poured great resources into preparing for the 2012 Bahamian General Election.

Results:

ZERO DNA Candidate were elected to office

Mr. Mortimer is currently preparing for the next general election in 2017



Summary

When considering the lack of re-investment done by Galleria Cinemas, only big ticket items like structural changes, projectors and screens replacements have been discussed. At a fundamental level, however Galleria Management has proven to be averse to change.

Basic Cinema business practices prevalent in modern cinemas aren't being followed. Things like online ticket purchases or ticket kiosks will be new to the Bahamas when Showcase launches.

Galleria Cinemas has relied on its monopoly status to insulate it from needed innovations. With limited entertainment options, Bahamians have been forced to endure substandard theater conditions.

The Showcase with IMAX will change that.