UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to _____________________

Commission File Number 001-38380

iPic Entertainment Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-3129582**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Mizner Park, 433 Plaza Real, Ste. 335, Boca Raton, Florida	**33432**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(561) 886-3232**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act

Title of Class	Name of Exchange on which Registered
Class A Common stock, par value $0.0001 per share	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: ☒ None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☒
Emerging Growth Company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). ☐ Yes ☒ No

As of June 30, 2018, the aggregate market value of the voting common stock held by non-affiliates of the registrant was $12,156,369. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the NASDAQ Global Select Market on June 30, 2018 (1,510,108 shares at a closing price per share of $8.05).

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 1, 2019
Class A Common Stock, par value $0.0001 per share	7,144,133 shares
Class B Common Stock, par value $0.0001 per share	4,323,755 shares

Documents Incorporated by Reference

Portions of the registrant's definitive 2019 proxy statement, anticipated to be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

iPic Entertainment Inc.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2018
INDEX

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will” and “would” or the negatives of these terms or other comparable terminology, but the absence of these particular words does not mean that a statement is not forward-looking.

You should read this Annual Report on Form 10-K, and the documents that we reference herein, with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

You should not place undue reliance on forward looking statements. The cautionary statements set forth in this Annual Report on Form 10-K, including in “Risk Factors” and elsewhere, identify important factors which you should consider in evaluating our forward-looking statements. These factors include, among other things:

- our inability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets, including international markets;
- our inability to obtain sufficient capital to open up new locations, to renovate existing locations and to deploy strategic initiatives;
- our inability to manage our substantial level of outstanding debt;
- our inability to optimize our theater circuit through new construction and transforming our existing theaters;
- competition from other theater chains and restaurants;
- our inability to operate profitably;
- our dependence on a small number of suppliers for motion picture products;
- our inability to manage fluctuations in attendance in the motion picture exhibition industry;
- our inability to address the increased use of alternative film delivery methods or other forms of entertainment;
- our inability to control for a change in the type and breadth of movies offered by motion picture studios and the appeal of such movies to our demographic base;
- our ability to serve menu items that appeal to our guests and to avoid food safety problems;
- our ability to address issues associated with entering into long-term non-cancelable leases;
- our inability to protect against security breaches of confidential guest information;
- our inability to manage our growth;
- our inability to maintain sufficient levels of cash flow, or access to capital, to meet growth expectations;
- our ability to continue as a going concern;
- our inability to maintain compliance with NASDAQ listing standards;
- our failure to meet any operational and financial performance guidance we provide to the public; and
- our ability to compete and succeed in a highly competitive and evolving industry.

Although the forward-looking statements in this Annual Report are based on our beliefs, assumptions and expectations, taking into account all information currently available to us, we cannot guarantee future transactions, results, performance, achievements or outcomes. No assurance can be made to any investor by anyone that the expectations reflected in our forward-looking statements will be attained. Should one or more of the risks or uncertainties referred to above and elsewhere in this Annual Report materialize, or should any of our assumptions prove to be incorrect, our actual results may vary in material and adverse respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws.

PART I

Item 1. Business

Overview

iPic Entertainment Inc. (“iPic”, the “Company”, “we”, “our” or “us”) strives to be our guests’ favorite local destination for a night out on the town. Our newest locations blend three distinct areas — a polished-casual restaurant, a farm-to-glass full-service bar, and our world-class luxury theater auditoriums with in-theater dining — into a one-of-a-kind experience. Our team endeavors to deliver world class hospitality in innovative, one-of-a-kind theaters which we believe are among the finest in the world. Our chefs and mixologists create craveable food and drink offerings that are outstanding on a standalone basis, but it is the interplay between our movie-entertainment, dining and full-service bar areas that is the defining feature of a typical four-hour guest experience. We thoughtfully design the layout, ambiance, and energy-flow of each unit to maximize the crossover between these activities. With constantly changing movie content and menu offerings, each visit is different, providing our customers with a reason to visit us repeatedly. We believe we deliver an experience that is innovative, unique and cannot be easily replicated at home or elsewhere without the hassle of having to visit multiple destinations. Our locations also act as great venues for private events, family and business functions and other corporate-sponsored events. We believe our concept is well-positioned within today’s ever-increasing experiential economy.

We believe we pioneered the concept of polished-casual dining in a luxury theater auditorium and are one of the largest combined movie theater and restaurant entertainment destinations with locations engineered from the ground up to provide our guests with a luxurious movie-going experience at an affordable price. We currently operate 123 screens at 16 locations in 9 states, with an additional 3 locations under construction, and a pipeline of an additional 12 sites that either have a signed lease or are in lease negotiations.

Our iPic locations have three different formats. In 2018, the Company closed one location and remodeled five locations.

> *Our Generation I locations:* We have two locations that are designated as our First-Generation format (South Barrington, IL; and Bolingbrook, IL). These locations were built between 2007 and 2010, and do not have a separate restaurant attached. These sites tested and validated the business-model for Premium Plus seating and service, and, over time, began to showcase the synergistic opportunity of having a complementary restaurant and dining experience within the facility. In 2018, these Generation I locations averaged approximately $4.5 million of revenues, or about $0.6 million per screen. The Company closed its Glendale, WI location, an original Generation I location, effective March 8, 2018.

Our Generation II locations: Locations in our Second-Generation format (Boca Raton, FL; Bethesda, MD; Westwood, CA; and Miami, FL) were built in 2011 to 2014. These Generation II locations feature a Tuck Hospitality Group signature restaurant (City Perch, Tanzy, or Tuck Room Tavern). Among other things, these locations further expand the quality and quantity of our Premium Plus auditorium sections (which generally sell out first, indicating growing consumer preference for added luxury and service), upgraded the in-theater dining experience with our redesigned iPic Express offerings, and launched the iPic Life program, which is a 20-minute on screen lifestyle program. In 2018, our Generation II locations averaged approximately $12.6 million of revenues, or about $1.7 million per screen.

Our Generation III locations: The latest four iPic openings are representative of our Third-Generation format (Houston, TX; Ft. Lee, NJ; Fulton Market, NY; and Dobbs Ferry, NY) and represent our go-forward development design for the foreseeable future. These locations include our perfected auditorium layout (six to eight screens, 500 seats, and elevated ratio of Premium Plus seating) and introduced our patent-pending POD seating and patented chaise lounges. In 2018, our Generation III locations averaged approximately $13.6 million of revenues, or about $1.7 million per screen.

Remodeled Locations: Five iPic locations were remodeled in 2018. Four locations previously considered as Generation I locations (Redmond, WA; Pasadena, CA; Austin, TX; and Fairview, TX) were remodeled to offer exclusively Premium Plus seating and one unit previously considered as a Generation II location (Scottsdale, AZ) was remodeled to offer predominantly Premium Plus seating. In 2018, these locations averaged approximately $6.7 million of revenues, or about $0.9 million per screen. These figures include significant screen closure periods during remodeling projects, ranging from 6 to 8 weeks with at least 2 auditoriums closing at a time.

Growth Strategies and Outlook

Opening new iPic locations. This is our greatest immediate opportunity for growth. We believe that we are still in the very nascent stage of our growth story. We currently operate 123 screens at 16 locations in 9 states with an additional 3 locations under construction and a pipeline of an additional 12 sites that either have a signed lease or are in lease negotiation. We believe we currently control less than 0.5% market share of the theater business in the United States, based on data provided by the National Association of Theatre Owners and our financial results. We believe there is tremendous whitespace opportunity to expand in both existing and new U.S. markets, as well as overseas, and we have invested in our infrastructure through new hires at our home office to enable us to continue to grow with discipline. We upgraded four of our six Generation I locations in 2018 and plan to open at least two new domestic locations in 2019.

We will continue to pursue a disciplined new store growth strategy in both new and existing markets where we can achieve consistent high store revenues and attractive store-level cash-on-cash returns.

Pursuing international growth opportunities. We are actively exploring the potential to expand the iPic brand internationally through licensed or asset-light partnerships. We signed a non-binding Memorandum of Understanding with BAS Global Investments to develop luxurious restaurant-and-theater iPic locations throughout The Kingdom of Saudi Arabia. As of November 6, 2018, we were cleared to receive a license to operate theaters in the Kingdom of Saudi Arabia, and should receive the license once the required final documents are processed.

Growing our comparable-store sales. We intend to grow our comparable-store sales by continuing to differentiate the iPic brand from other food and entertainment alternatives, through the following strategies:

> *Differentiate our food and beverage offering*. We frequently test new menu items and seek to improve our food offering to offer up-to-date culinary options and to best align with our customers' evolving preferences and increasing sense of experimentation with new tastes.
>
> *Relentless efforts on hospitality*. We strive to provide an engaging and differentiated guest experience that includes standards of excellence in hospitality. We believe there are opportunities to increase our sales and average check through continuous improvement of the server experience, including the dual-track effort of introducing new do-it-yourself technology, such as our order-and-pay app and boosting speed and accuracy of our Ninja service model to include a new tablet ordering system.
>
> *Grow usage of alternative content*. While Hollywood studios will remain our primary content providers for the foreseeable future, we are nevertheless focused on providing our customers with new and creative alternative content, including: live shows (including magic acts), Netflix programming, eSporting events (such as Minecraft gaming), concerts, educational and personal events, as well as corporate conferences and seminars.
>
> *Enhance brand awareness and drive incremental visits to our locations through innovative marketing and promotions.* We plan to continue investing a significant portion of our marketing spend in social-media advertising. We have recently launched customized local store marketing programs to increase new visits and repeat visits to individual locations. Our guest loyalty program currently has approximately 2 million members, and we are aggressively improving our search engine and social marketing efforts. Our loyalty program and digital efforts allow us to communicate promotional offers directly to our most passionate brand fans. We also leverage our investments in technology across our marketing platform, including in-store marketing initiatives to drive incremental sales throughout the iPic location.
>
> *Grow our special events usage.* We plan to continue to leverage and add resources to our special events sales effort to grow our corporate and personal event business. In addition to driving revenue, we believe our special events business is an important sampling opportunity for these guests because many are experiencing iPic for the first time.

Improving profitability from existing locations. A significant revenue driver will be the remodeling of the Company's Generation I legacy locations into Generation III designs that, among other things, will include the installation of predominately Premium Plus seating, including iPic's latest patent pending pod seats and patented chaise lounges**.** Our Generation III designs, which contain significantly more Premium Plus seating, generate significantly higher revenue per screen than our Generation I locations. We completed five remodels in 2018; four Generation I sites were remodeled and one Generation II site was remodeled.

Improving our margins. We believe we are well-positioned to increase margins and believe we have additional opportunities to reduce costs. We also believe that improved labor scheduling technology will allow us to increase labor productivity in the future. We believe that our continued focus on operating margins at individual locations and the deployment of best practices across our store base is expected to yield incremental margin improvements.

Increasing digital growth options (membership and sponsorship). The Company plans to leverage its growing membership network as the brand expands and increases its market presence. In 2018, iPic's members that have visited a location over the past year accounted for approximately 48% of revenue. In 2018, the Company earned $3.3 million from corporate sponsorships and believes that it has the opportunity to significantly grow its local and national sponsorship revenue.

Site Selection Process

iPic is focused on clustered growth in predominantly the top 50 metropolitan statistical areas including the densest urban areas as well as high population or high growth affluent suburban markets. Potential locations are sourced both internally through target market searches and relationships with hundreds of developers, and externally through our network of top retail brokers in each target region. In order to optimize new location productivity, we systematically screen potential sites based on the size and quality of the local population. We utilize multiple data platforms that provide sophisticated demographic analyses allowing us to evaluate not only population and income, but also spending patterns and psychographics of the markets surrounding each potential location.

Marketing, Advertising and Promotions

Our corporate marketing department manages all consumer outreach initiatives for iPic with the goal of driving sales through expanding our customer reach (guest base) and frequency. Our key areas of focus include:

- Marketing and Advertising: Public-relations, media, social media, promotions, in-store merchandising, pricing, and digital programs;
- Food and Beverage: Continuous menu and product development and relentless focus on in-store execution; and
- Guest insights: Ongoing research into brand health and guest tracking.

We have improved marketing effectiveness in 2018 through a number of initiatives designed to improve our local marketing plans, in-store promotions, digital loyalty programs and digital interfaces with consumers that included:

- Performing research to better understand our guest base and fine-tune the brand positioning;
- Refining our marketing strategy to better reach our target audience of 21-54 year-olds;
- Creating a new advertising campaign;
- Investing in menu research and development to differentiate our food offerings from our competition and improve execution;
- Developing product/promotional strategies to attract new guests and increase spending/length of stay;
- Leveraging our loyalty database to engage and motivate guests, including a newly formatted Membership Program;
- Investing more in digital social media to create stronger relationships with consumers; and
- Defining a consistent brand identity that reflects our unique positioning.

Operations — Food and Beverage and Cinema

Our Restaurant Brands

Our Tuck Hospitality Group operates five different and distinct restaurant brands under the leadership of 3-time James Beard Award winning chef and FoodTV personality Sherry Yard. Each future iPic location will consist of one of our fine polished-casual dining concepts.

City Perch Kitchen + Bar is a social seasonal American dining destination concept featuring locally-sourced ingredients.

Tanzy offers artisanal Italian cuisine is focused on garden-fresh modern Italian flavors in a social environment to share with friends, family, and colleagues.

The Tuck Room is a spirited drinking and dining den concept with a vibrant social destination with an inviting and intimate atmosphere.

The Tuck Room Tavern is a neighborhood place where you can eat and drink with enthusiasm and pleasure featuring American cuisine.

iPic Express is our answer to a theater concession stand that features a chef-driven menu from our in-house and guest chefs, prepared to order for our Premium Plus customers to be carried to their seats by our Ninja servers or for our Premium-Level guests to carry into the cinema

Management. Food and Beverage management is headed by our Chief Operating Officer. Supported by the National Beverage Director and the Vice President of Restaurant Operations, the Food and Beverage management team is responsible for developing and operating all of iPic's food service operations.

Operational Tools and Programs. We utilize a customized food and beverage analysis program that determines the theoretical food and beverage costs for each store and provides additional tools and reports to help us identify opportunities, including waste management. Consolidated business intelligence and reporting tools are utilized by Regional Operations Directors and Senior General Managers to be able to identify issues, forecast more efficiently, and glean quicker insights for improved decision-making.

Management Information Systems. We utilize a number of proprietary and third party management information systems. These systems are designed to improve operating efficiencies, provide us with timely access to financial and enterprise data, and reduce store and corporate administrative time and expense.

Training. We strive to maintain quality and consistency in each of our stores through the careful training and supervision of our team members and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation, and maintenance of our restaurants and cinemas. Team members are certified by us for their positions by passing a series of tests, including alcohol awareness training. We require our new store managers to complete an 8-week training program that includes front of the house service, kitchen, amusements, and management responsibilities.

Management Development. We place a high priority on our continuing management development programs in order to ensure that qualified managers are available for our future openings. We believe this additional investment in our new stores is important, because it helps us provide our guests with a quality experience from day one. After a store opens and is operating smoothly, the managers supervise the training of new team members.

Recruiting and Retention. We seek to hire experienced General Managers and team members, and we believe we offer competitive wage and benefit programs. Our store managers all participate in a performance-based incentive program that is based on sales, profit and employee retention goals. In addition, our salaried employees are also eligible to participate in a 401(k) plan, medical/dental/vision insurance plans and also receive vacation/paid time off based on tenure.

Food Preparation, Quality Control and Purchasing. We strive to maintain high food quality standards. To ensure our quality standards are met, we negotiate directly with independent producers of food products. We provide detailed quality and yield specifications to suppliers for our purchases. Our systems are designed to protect the safety and quality of our food supply throughout the procurement and preparation process.

Information Technology

Information Technology is focused on the customer experience and supporting the efficient operation of our restaurants and theaters, as well as the management of our business. We have implemented software and hardware solutions which provide for enhanced capabilities and efficiency within our restaurant and theater operations. We continue to focus on improving the customer experience of purchasing tickets by expanding our ability to sell tickets remotely via the web and our mobile application, while also offering self-service alternatives such as ticketing kiosks. Customers can choose their preferred ticketing option, which in many cases means they can pre-purchase tickets, scan their mobile device and proceed directly to their reserved seat without waiting in line. These solutions align with our goal of delivering a first-class customer experience and will drive incremental revenues and cash flows in a more cost-effective manner. In addition, we continue to strategically pursue technologies to improve the services we provide to our patrons and to provide information to our management allowing them to operate our sites efficiently. The sales and attendance information collected by our point-of-sale system is used directly for film booking and settlement as well as provides the primary source of data for our financial systems. We also use best-in-class inventory management systems to control costs, streamline operations, and reduce waste across our foodservice operations.

Intellectual Property

We rely on patent, trademark, service mark, copyright, and trade secret laws, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions to protect our intellectual property. We have registered and applied to register trademarks and service marks in the United States. We also have certain trade secrets, such as our recipes, processes, proprietary information and certain software programs.

We have thirty one utility and design patents issued, as well as several pending patent applications in the United States. Such patent applications are subject to the review and normal course prosecution before the U.S. Patent and Trademark Office, which may result in the application's revision or non-approval. We also have registered or applied for utility and design patents in various foreign countries. As a result, we may not be able to adequately protect the inventions covered by these patent applications, and our competitors and others may benefit as a result of their publication.

The success of our business depends on our continued ability to use our existing trademarks and service marks to increase brand awareness and further develop our brand in the markets in which we operate. If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance.

Competition

The out-of-home entertainment and dining markets are highly competitive. We compete for guests' discretionary entertainment and dining dollars with theme parks, as well as with providers of out-of-home entertainment, including localized attraction facilities such as movie theaters, sporting events, bowling alleys, nightclubs and restaurants. We also face competition from local establishments that offer entertainment experiences similar to ours and restaurants that are highly competitive with respect to price, quality of service, location, ambience and type and quality of food.

The motion picture exhibition industry is fragmented and highly competitive with no significant barriers to entry. Our theaters are subject to varying degrees of competition in the geographic areas in which we operate. Competitors may be national circuits, regional circuits or smaller independent exhibitors. Moviegoers are not as brand conscious as certain other types of consumers and usually choose a theater based on its location, the films showing there, showtimes and its amenities. We also face competition from increasingly sophisticated home-based and on-the-go forms of entertainment, such as video-on-demand, video streaming services — such as Netflix, Amazon Prime and Hulu — internet and video gaming.

Like the motion picture exhibition industry, the restaurant industry is fragmented and highly competitive with no significant barriers to entry. We compete in the restaurant industry with multi-unit national, regional and locally-owned and/or operated limited-service restaurants and full-service restaurants. Many of our competitors offer breakfast, lunch and dinner, as well as dine-in, carry-out and delivery services. In most cases, these competitors have existed longer than we have and may have a more established market presence, better locations and greater name recognition nationally or in some of the local markets in which we operate or plan to operate.

Seasonality

Our revenues are dependent upon the timing and popularity of film releases by distributors. The most marketable films are usually released during the summer and the year-end holiday season. Therefore, our business is subject to significant seasonal fluctuations, with higher attendance and revenues generally occurring during the summer months and year-end holiday season. We license first-run motion pictures, the success of which has increasingly depended on the marketing efforts of the major motion picture studios. Poor performance of, or any disruption in the production of these motion pictures (including by reason of a strike or lack of adequate financing), or a reduction in the marketing efforts of the major motion picture studios, could hurt our business and results of operations. Conversely, the successful performance of these motion pictures, particularly the sustained success of any one motion picture, or an increase in effective marketing efforts of the major motion picture studios, may generate positive results for our business and operations in a specific quarter or year that may not necessarily be indicative of, or comparable to, future results of operations. Given the relatively small number of theaters and screens that we operate (particularly when compared to our larger competitors), if a major motion picture studio decides to delay the release of a first-run motion picture from one quarter to a subsequent quarter, that could have a material adverse effect on our results of operations in the earlier quarter. As movie studios rely on a smaller number of higher grossing blockbuster films, there may be increased pressure for higher film licensing fees.

In addition, a change in the type and breadth of movies offered by motion picture studios may affect the demographic base of moviegoers. In certain periods, there are a higher percentage of children's or animated films that do not generally appeal to our more adult clientele. For example, in 2016, industry reports noted that approximately 50% of industry sales for the Top-15 grossing films were from children's or animated films (as opposed to 18% of industry sales from 2015's Top-15 grossing films coming from children's or animated films). In periods with a higher percentage of children's or animated films, our results of operations are likely to be materially adversely affected. As a result of the foregoing factors, our results of operations may vary significantly from quarter to quarter and from year to year.

Government Regulation

We are subject to various federal, state and local laws, regulations and administrative practices affecting our business, and we must comply with provisions regulating antitrust, health and sanitation standards, employment, environmental, and licensing for the sale of food and alcoholic beverages. Our new theater openings could be delayed or prevented or our existing theaters could be impacted by difficulties or failures in our ability to obtain or maintain required approvals or licenses. Changes in existing laws or implementation of new laws, regulations and practices could have a significant impact on our business. A significant portion of our theater level employees are part time workers who are paid at or near the applicable minimum wage in the theater's jurisdiction. Increases in the minimum wage, such as those that occurred in 18 states on January 1, 2018, and implementation of reforms requiring the provision of additional benefits will increase our labor costs.

The restaurant industry is subject to extensive federal, state, local and international laws and regulations. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to building, zoning, land use, environmental, traffic and other regulations and requirements.

We are subject to licensing and regulation, by state and local authorities, relating to health, sanitation, safety and fire standards and the sale of alcoholic beverages. We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are subject to federal, state, and local laws governing employment practices and working conditions. These laws cover wage and hour practices, labor relations, paid and family leave, workplace safety, and immigration, among others. The myriad of laws and regulations being passed at the state and local level creates unique challenges for a multi-state employer as different standards apply to different locations, sometimes with conflicting requirements. We must continue to monitor and adapt our employment practices to comply with these various laws and regulations.

Provisions in the Affordable Care Act require restaurant companies, such as ours, to disclose calorie information on their menus and to make available more detailed nutrition information upon request. We do not expect to incur any material costs as a result of complying with these provisions, but cannot anticipate any changes to guest behavior resulting from the implementation of this portion of the law, which could have an adverse effect on our sales or results of operations.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of government and industry groups have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information. Compliance with these laws and regulations can be costly, and any failure or perceived failure to comply with those laws, or any breach of our systems, could harm our reputation or lead to litigation, which could adversely affect our financial condition.

Our theaters that sell alcohol are required to apply to a state authority and, in certain locations, county or municipal authorities, for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our locations, including the minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage and dispensing of alcoholic beverages. We are also subject in certain states to “dram shop” statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. We may decide not to obtain liquor licenses in certain jurisdictions due to the high costs associated with obtaining liquor licenses in such jurisdictions.

We are subject to the environmental laws and regulations of the respective jurisdictions, particularly laws governing the cleanup of hazardous materials and the management of properties. We might in the future be required to participate in the cleanup of a property that we lease, or at which we have been alleged to have disposed of hazardous materials from one of our locations. In certain circumstances, we might be solely responsible for any such liability under environmental laws, and such claims could be material.

Our theaters must comply with Title III of the Americans with Disabilities Act of 1990 (“ADA”). Compliance with the ADA requires that public accommodations “reasonably accommodate” individuals with disabilities and that new construction or alterations made to “commercial facilities” conform to accessibility guidelines unless “structurally impracticable” for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, and an award of damages to private litigants or additional capital expenditures to remedy such noncompliance, any of which could have a material adverse effect on our operations and financial condition.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or an insufficient or ineffective response to significant regulatory or public policy issues, could negatively impact our cost structure, operational efficiencies and talent availability, and therefore have a material adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Employees

As of December 31, 2018, we employed a total of 250 full time and 2,003 part time employees. None of our employees are represented by a labor union, and we consider our company culture and employee relations to be strong.

Available Information

The Company was formed as a Delaware corporation on October 18, 2017. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the Securities and Exchange Commission (the "SEC"). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements and other information with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this Annual Report. Further, our references to the URLs for these websites are intended to be inactive textual references only. We also make the documents listed above available without charge through the Investors Section of our website at www.ipictheaters.com.

Item 1A. Risk Factors

Risks Related to Our Business and Industry

Our long-term success is highly dependent on our ability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets.

One of the key means of achieving our growth strategies will be through opening and operating new iPic locations on a profitable basis for the foreseeable future. We must identify target markets where we can enter or expand, taking into account numerous factors such as the location, demographics, traffic patterns and information gathered from our various contacts. We may not be able to open our planned new iPic locations within budget or on a timely basis, if at all, given the uncertainty of these factors, which could adversely affect our business, financial condition and results of operations. As we operate more iPic locations, our rate of expansion relative to the size of our location base will eventually decline.

The number and timing of new locations opened during any given period may be negatively impacted by a number of factors including, without limitation:

- the cost and availability of capital to fund construction costs and pre-opening expenses;
- the substantial doubt of the company to continue as a going concern;
- the identification and availability of attractive sites for new iPic locations and the ability to negotiate suitable lease terms;

- the lack of development and overall decrease in commercial real estate due to a macroeconomic downturn;
- recruitment and training of qualified personnel in the local market;
- our ability to obtain all required governmental permits, including zonal approvals, on a timely basis;
- our ability to control construction and development costs of new locations;
- competition in new markets, including competition for appropriate sites;
- failure of the landlords to timely deliver real estate to us;
- the proximity of potential sites to an existing iPic, and the impact of cannibalization on future growth; and
- anticipated commercial, residential and infrastructure development near our new iPic locations.

Accordingly, we cannot assure you that we will be able to successfully expand as we may not correctly analyze the suitability of a location or anticipate all of the challenges imposed by expanding our operations. Our growth strategy and the substantial investment associated with the development of each new location may cause our operating results to fluctuate and be unpredictable or adversely affect our profits. In addition, as has happened when other restaurant concepts have tried to expand, we may find that our concept has limited appeal in new markets or we may experience a decline in the popularity of our concept in the markets in which we operate. If we are unable to expand in existing markets or penetrate new markets, our ability to increase our revenues and profitability may be materially harmed or we may face losses.

Optimizing our theater circuit through new construction and the transformation of our existing theaters is subject to delay and unanticipated costs.

The availability of attractive site locations for new theater construction is subject to various factors that are beyond our control. These factors include:

- local conditions, such as scarcity of space or increase in demand for real estate, demographic changes and changes in zoning and tax laws; and
- competition for site locations from both theater companies and other businesses.

We typically require 24 to 36 months from the time we reach an agreement with a landlord to when a new theater opens. In addition, improving our existing theaters is subject to substantial risks such as difficulty obtaining permits, landlord approvals and new types of operating licenses (e.g. liquor licenses). We may also experience cost overruns from delays or other unanticipated costs in both new construction and facility improvements. Furthermore, our new sites and transformed locations may not perform to our expectations.

Our failure to manage our growth effectively could harm our business and operating results.

Our growth plan includes a significant number of potential new iPic locations, including potential international locations. Our existing management systems, financial and management controls and information systems may not be adequate, as we have identified material weaknesses in our internal control framework, to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel, particularly in new markets. We may not be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure, or be able to hire or retain the necessary management and operating personnel, which could harm our business, financial condition or results of operations. These demands could cause us to operate our existing business less effectively, which in turn could cause deterioration in the financial performance of our existing locations. If we experience a decline in financial performance, we may decrease the number of or discontinue new openings, or we may decide to close locations that we are unable to operate in a profitable manner.

Our theaters and restaurants operate in highly competitive environments.

The motion picture exhibition industry is fragmented and highly competitive with no significant barriers to entry. Our theaters are subject to varying degrees of competition in the geographic areas in which we operate. Competitors may be national circuits, regional circuits or smaller independent exhibitors. Moviegoers are not as brand conscious as certain other types of consumers and usually choose a theater based on its location, the films showing there, showtimes and its amenities. Competition among theater exhibition companies is often intense with respect to the following factors:

- *Attracting patrons.* The competition for patrons is dependent upon factors such as the availability of popular motion pictures, the location and number of theaters and screens in a market, the comfort and quality of the theaters and pricing. Many of our competitors have sought to increase the number of screens that they operate and provide a more luxurious experience by enhancing food and beverage options and installing recliner seating. Certain of the larger theater chains, such as AMC and Regal, have been converting some of their existing theaters to include in-theater dining and recliner seating, often at the same price or a marginally higher price than their traditional theaters. Should other theater operators in our markets choose to implement these or other initiatives, the performance of our theaters may be significantly and negatively impacted.

- *Licensing motion pictures.* We believe that the principal competitive factors with respect to film licensing include licensing terms, number of seats and screens available for a particular picture, revenue potential and the location and condition of an exhibitor's theaters. Should any of our existing principal competitive factors change, the performance of our theaters may be significantly and negatively impacted.

- *New sites and acquisitions.* We must compete with exhibitors and others in our efforts to locate and acquire attractive new and existing sites for our iPic locations. There can be no assurance that we will be able to acquire such new sites or existing theaters at reasonable prices or on favorable terms. Moreover, some of these competitors may be stronger financially than we are. As a result of the foregoing, we may not succeed in acquiring theaters or may have to pay more than we would prefer to make an acquisition.

- *Multiple competitors for both out-of-home and in-home entertainment.* The theatrical exhibition industry faces competition from other forms of out-of-home entertainment, such as concerts, amusement parks and sporting events and from other distribution channels for filmed entertainment, such as cable television, pay-per-view, video on demand, subscription based video streaming services, such as Netflix, Amazon Prime and Hulu, and home video systems and from other forms of in-home or on-the-go entertainment.

- *New technology.* New innovations and technology will continue to impact our industry. If we are unable to respond to or invest in future technology and the changing preferences of our customers, we may not be able to compete with other exhibitors or other entertainment venues, which could also adversely affect our results of operations.

Like the motion picture exhibition industry, the restaurant industry is fragmented and highly competitive with no significant barriers to entry. We compete in the restaurant industry with multi-unit national, regional and locally-owned and/or operated limited-service restaurants and full-service restaurants. Many of our competitors offer breakfast, lunch and dinner, as well as dine-in, carry-out and delivery services. Many of our competitors have existed longer than we have and may have a more established market presence, better locations and greater name recognition nationally or in some of the local markets in which we operate or plan to operate.

We face significant competition for restaurant guests, and our inability to compete effectively may affect our traffic, iPic sales and store-level operating profit margins.

We rely on our food and beverage service for a majority of our revenue. The restaurant industry is intensely competitive with many well-established companies that compete directly and indirectly with us with respect to food quality, service, price and value, design and location. Some of our competitors have significantly greater financial, marketing, personnel and other resources than we do. In addition, many of our competitors have greater name recognition nationally or in some of the local markets in which we have or plan to have an iPic. Any inability to successfully compete with the restaurants in our markets will place downward pressure on our guest traffic and may prevent us from increasing or sustaining our revenues and profitability.

New iPic locations, once opened, may not be profitable.

Our results have been, and in the future may continue to be, significantly impacted by the timing of new location openings (often dictated by factors outside of our control), including landlord delays, associated pre-opening expenses and operating inefficiencies, as well as changes in our geographic concentration due to the opening of new locations. We typically incur the most significant portion of pre-opening expenses associated with a given location within the six months preceding the opening. Our experience has been that labor and operating costs associated with a newly opened location for the first several months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of sales. Our new locations commonly take 16 to 20 weeks to reach planned operating expense levels due to inefficiencies typically associated with new openings, including the training of new personnel, new market learning curves, inability to hire sufficient qualified staff and other factors. We may incur additional costs in new markets, particularly for transportation and distribution, which may impact the profitability of those locations. Accordingly, the volume and timing of new openings may have a material adverse impact on our profitability.

Although we target specified operating and financial metrics, new locations may not meet these targets or may take longer than anticipated to do so. Any new location we open may not be profitable or achieve operating results similar to those of our existing locations, which could adversely affect our business, financial condition or results of operations.

We may not achieve the expected benefits and performance from strategic theater acquisitions.

From time to time we evaluate strategic theater acquisitions. In any acquisition, we expect to benefit from cost savings through, for example, the reduction of overhead and theater level costs, and from revenue enhancements resulting from the acquisition. However, there can be no assurance that our lender would consent to any proposed acquisition, and even if it did consent to such acquisition, that we will be able to generate sufficient cash flow from these acquisitions to service any indebtedness incurred to finance such acquisitions or realize any other anticipated benefits, nor can there be any assurance that our profitability will be improved by any one or more acquisitions. Any acquisition may involve operating risks, such as:

- the difficulty of assimilating and integrating the acquired operations and personnel into our current business;
- the potential disruption of our ongoing business;
- the diversion of management's attention and other resources;
- the possible inability of management to maintain uniform standards, controls, procedures and policies;
- the risks of entering markets in which we have little or no experience;
- the potential impairment of relationships with employees;
- the possibility that any liabilities we may incur or assume may prove to be more burdensome than anticipated; and
- the possibility that the acquired theaters do not perform as expected.

We have no control over distributors of the films and our business may be adversely affected if our access to motion pictures is limited or delayed.

We rely on distributors of motion pictures, over whom we have no control, for the films that we exhibit. Major motion picture distributors are required by law to offer and license film to exhibitors, including us, on a film-by-film and theater-by-theater basis. Consequently, we cannot assure ourselves of a supply of motion pictures by entering into long-term arrangements with major distributors, but must compete for our licenses on a film-by-film and theater-by-theater basis. Our business depends on maintaining good relations with these distributors, as this affects our ability to negotiate commercially favorable licensing terms for first-run films or to obtain licenses at all. With only seven distributors representing approximately 87% of the U.S. box office in 2018, there is a high level of concentration in the industry. Our business may be adversely affected if our access to motion pictures is limited or delayed because of deterioration in our relationships with one or more distributors, or for some other reason. To the extent that we are unable to license a popular film for exhibition in our theaters, our operating results may be materially adversely affected. In addition, changes to our licensing terms may cause the performance of our theaters to be significantly and negatively impacted.

We depend on motion picture production and performance.

Our ability to operate successfully depends upon the availability, diversity and appeal of motion pictures, our ability to license motion pictures and the performance of such motion pictures in our markets. Our revenues are dependent upon the timing and popularity of film releases by distributors. The most marketable films are usually released during the summer and the calendar year-end holiday seasons. Therefore, our business is subject to significant seasonal fluctuations, with higher attendance and revenues generally occurring during the summer months and holiday seasons. We license first-run motion pictures, the success of which has increasingly depended on the marketing efforts of the major motion picture studios. Poor performance of, or any disruption in the production of these motion pictures (including by reason of a strike or lack of adequate financing), or a reduction in the marketing efforts of the major motion picture studios, could hurt our business and results of operations. Conversely, the successful performance of these motion pictures, particularly the sustained success of any one motion picture, or an increase in effective marketing efforts of the major motion picture studios, may generate positive results for our business and operations in a specific quarter or year that may not necessarily be indicative of, or comparable to, future results of operations. Given the relatively small number of theaters and screens that we operate (particularly when compared to our larger competitors), if a major motion picture studio decides to delay the release of a first-run motion picture from one quarter to a subsequent quarter, that could have a material adverse effect on our results of operations in the earlier quarter. As movie studios rely on a smaller number of higher grossing “tent pole” films, there may be increased pressure for higher film licensing fees. In addition, a change in the type and breadth of movies offered by motion picture studios may adversely affect the demographic base of moviegoers. As a result of the foregoing factors, our results of operations may vary significantly from quarter to quarter and from year to year.

The motion picture exhibition industry has experienced fluctuations in attendance during recent years.

The U.S. motion picture exhibition industry has been subject to periodic short-term increases and decreases in attendance and box office revenues. According to the Motion Picture Association of America, attendance at movies in the United States and Canada was 1.31 billion during 2018, 1.24 billion during 2017, and 1.32 billion during 2016. During the past ten years, attendance at movies in the United States and Canada has ranged from a high of 1.42 billion in 2009 to a low of 1.24 billion in 2017. We expect the cyclical nature of the U.S. motion picture exhibition industry to continue for the foreseeable future, and any decline in attendance could materially adversely affect our results of operations. To offset any decrease in attendance, we plan to offer products unique to the motion picture exhibition industry, such as specially selected alternative programming and a luxury in-theater dining experience. We cannot assure you, however, that our offering of such content and services will offset any decrease in attendance that the industry may experience.

An increase in the use of alternative film delivery methods or other forms of entertainment may drive down our attendance and limit our ticket prices.

We compete with other film delivery methods, including video streaming and downloads via the Internet, network, syndicated cable and satellite television and DVDs, as well as video-on-demand and pay-per-view services. We also compete for the public’s leisure time and disposable income with other forms of entertainment, including sporting events, amusement parks, live music concerts and live theater. An increase in the popularity of these alternative film delivery methods and other forms of entertainment could reduce attendance at our theaters, limit the prices we can charge for admission and materially adversely affect our business and results of operations.

Our results of operations may be impacted by shrinking video release windows.

Over the last decade, the average video release window, which represents the time that elapses from the date of a film's theatrical release to the date a film is available on subscription based video streaming services, DVD or similar on-demand release to an important downstream market, has decreased from approximately six months to approximately three months. If patrons choose to wait for a DVD release, video streaming or other home entertainment options rather than attend a theater for viewing the film, it may materially adversely impact our business and results of operations, financial condition and cash flows. Several major film studios have tested premium video-on-demand products released in homes approximately simultaneously with a movie's theatrical debut, which threatened the length of the release window. Additionally, for the past several years, Amazon Studios has been producing and acquiring original movies for theatrical release with video streaming available just four to eight weeks after their theatrical debut. We cannot assure you that the release window, which is determined by the film studios, will not shrink further or be eliminated altogether, which could have a material adverse impact on our business and results of operations.

Our continued success depends in part on the continued popularity of our menu and the experience we offer guests.

Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number, and location of competing restaurants often affect the restaurant business and our competitors may react more efficiently and effectively to those conditions. In addition, some of our competitors in the past have implemented programs that provide price discounts on certain menu offerings, and they may continue to do so in the future. If we are unable to continue to compete effectively, our traffic, sales and store-level operating profit margins could decline and our business, financial condition and results of operations would be materially adversely affected.

Food safety and food-borne illness incidents could adversely affect guests' perception of our brand, result in lower sales and increase operating costs.

Food safety is a top priority and we dedicate substantial resources to help ensure that our guests enjoy safe, quality food products. However, food-borne illnesses and other food safety issues have occurred in the food industry in the past, and could occur in the future. A negative report or negative publicity, whether or not related to one of our iPic locations, may have an adverse impact on demand for our food and could result in decreased guest traffic to our locations. A decrease in guest traffic to our iPic locations as a result of these health concerns or negative publicity could materially harm our brand, reputation, business, financial condition and results of operations.

Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple iPic locations would be affected. We cannot ensure that all food items will be properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used. If our guests become ill from food-borne illnesses, we could be forced to temporarily close some locations. Furthermore, any instances of food contamination, whether or not at iPic, could subject us or our suppliers to a food recall pursuant to the United States Food and Drug Administration's recently enacted Food Safety Modernization Act.

Restaurant companies have been the target of class action lawsuits and other proceedings that are costly, divert management attention and, if successful, could result in our payment of substantial damages or settlement costs.

Our business is subject to the risk of litigation by employees, guests, suppliers, licensees, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action and regulatory actions, is difficult to assess or quantify. In recent years, restaurant companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been instituted from time to time alleging violations of various federal and state wage and hour laws regarding, among other things, employee meal deductions, overtime eligibility and failure to pay for all hours worked. Along those lines, a class action lawsuit was filed against us in California state court in December 2017 asserting failure to pay minimum wage, pay overtime wages, provide meal breaks and rest periods, and provide accurate itemized wage statements with respect to certain workers. On February 6, 2019, the parties reached a preliminary agreement to settle the lawsuit for $1.5 million. The parties are in the process of negotiating a settlement agreement for submission to the court for preliminary approval of the settlement. See Note 15 to our consolidated financial statements for further discussion of the settlement.

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to one of our locations, including actions seeking damages resulting from food-borne illness or accidents at our locations. We are also subject to a variety of other claims from third parties arising in the ordinary course of our business, including contract claims.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations. In addition, they may generate negative publicity, which could reduce guest traffic and sales. Although we maintain what we believe to be adequate levels of insurance to cover any of these liabilities, insurance may not be available at all or in sufficient amounts with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims or any adverse publicity resulting from claims could materially adversely affect our business and results of operations.

Our plans to open new locations, and the ongoing need for capital expenditures at our existing locations, require us to expend capital.

Our growth strategy depends on opening new locations, which will require us to use cash flows from operations and raise additional capital. We cannot assure you that we will have sufficient capital to implement our growth strategy. If our cash is not allocated efficiently among our various projects, or if any of these initiatives prove to be unsuccessful, we may experience reduced profitability and we could be required to delay, significantly curtail or eliminate planned openings, which could have a material adverse effect on our business, financial condition, results of operations and the price of our Class A Common Stock.

In addition, as our locations mature, our business will require capital expenditures for the maintenance, renovation and improvement of existing locations to remain competitive and maintain the value of our brand standard. For example, in 2018 we invested $10.9 million to upgrade our Generation I theaters to Generation III theaters. This creates an ongoing need for capital, and, to the extent we cannot fund capital expenditures from cash flows from operations, funds will need to be borrowed or otherwise obtained. If we cannot access the capital we need, we may not be able to execute on our growth strategy, take advantage of future opportunities or respond to competitive pressures.

If the costs of funding new locations or renovations or enhancements at existing iPic locations exceed budgeted amounts, and/or the time for building or renovation is longer than anticipated, our financial condition and results of operations could be materially adversely affected.

We are subject to risks associated with leasing property subject to long-term non-cancelable leases.

We do not own any real property and all of our iPic locations are located in leased premises. The leases for our locations generally have initial terms of 15 to 25 years and typically provide for two to four renewal options in five-year increments as well as for rent escalations.

Generally, our leases are net leases that require us to pay our share of the costs of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. We generally cannot cancel these leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. If we close a unit, we nonetheless may be obligated to perform our monetary obligations under the applicable lease, including, among other things, payment of the base rent for the balance of the lease term. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close locations in desirable locations.

As of December 31, 2018, we were a party to operating leases associated with our iPic locations and administrative offices requiring future minimum lease payments of approximately $499 million, which minimum lease commitments are not reflected as liabilities on our balance sheet. The future minimum lease payments associated with locations that are under development as at December 31, 2018 is approximately $48.2 million. We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities and sufficient funds are not otherwise available to us from borrowings under the non-revolving credit facility (the "Non-Revolving Credit Facility") with RSA or other sources, we may not be able to service our lease expenses or fund our other liquidity and capital needs, which would have a material adverse effect on our business, our results of operations and our financial condition.

Our substantial debt could materially adversely affect our operations and prevent us from satisfying those debt obligations.

We have a significant amount of debt. As of December 31, 2018, we had outstanding $188 million of indebtedness under our Non-Revolving Credit Facility. As of December 31, 2018, we also had approximately $499 million of undiscounted rental payments under operating leases (with initial base terms generally between 15 to 25 years). The amount of our remaining indebtedness and lease and other financial obligations could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures, dividend payments, acquisitions, general corporate purposes or other purposes;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of lease rentals and principal and interest on our indebtedness, thereby reducing the funds available to us for operations and any future growth or other business opportunities;
- limit our planning flexibility for, or ability to react to, changes in our business and the industry; and
- place us at a competitive disadvantage with competitors who may have less indebtedness and other obligations or greater access to financing.

If we fail to make any required payment under our Non-Revolving Credit Facility or to comply with any of the financial and operating covenants contained therein, we would be in default. Lenders under our Non-Revolving Credit Facility could then vote to accelerate the maturity of the indebtedness under the Non-Revolving Credit Facility and foreclose upon the property that is pledged to secure the Non-Revolving Credit Facility, which property includes substantially all the assets of iPic-Gold Class and its wholly-owned subsidiaries, together with 100% of the equity interests of iPic-Gold Class. Other creditors might then accelerate other indebtedness. If the lenders under the Non-Revolving Credit Facility accelerate the maturity of the indebtedness thereunder, we might not have sufficient assets to satisfy our obligations under the Non-Revolving Credit Facility or our other indebtedness.

Limitations on the availability of capital may prevent deployment of strategic initiatives.

Our key strategic initiatives, including future upgrades of our Generation II locations into our latest Generation III furniture, fixture and equipment, require significant capital expenditures to implement. Our net capital expenditures aggregated approximately $23.2 million for the year ended December 31, 2018 and $16.5 million for the year ended December 31, 2017. For calendar year 2019, we estimate that our gross cash outflows for capital expenditures will be approximately $37.0 million to $39.0 million, inclusive of $11.0 million to $13.0 million expected to be supplied in the form of tenant improvement financing. The lack of available capital resources due to business performance or other financial commitments could prevent or delay the deployment of innovations in our theaters and restaurants. We may have to seek additional financing or issue additional securities to fully implement our growth strategy. We cannot be certain that we will be able to obtain new financing on favorable terms, or at all. In addition, covenants under our existing indebtedness limit our ability to incur additional indebtedness, and the performance of any additional or improved theaters and restaurants may not be sufficient to service the related indebtedness that we are permitted to incur.

The agreements governing our indebtedness contain covenants that may limit our ability to take advantage of certain business opportunities advantageous to us.

The agreements governing our indebtedness contain various covenants that limit our ability to, among other things:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions to our stockholders;
- make restricted payments;
- incur liens;
- engage in transactions with affiliates; and
- enter into business combinations.

These restrictions could limit our ability to obtain future financing, make acquisitions or needed capital expenditures, withstand economic downturns in our business or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise.

We have a limited operating history which provides limited reference for you to evaluate our ability to achieve our business objectives.

We were formed in September 2010. Since we have a limited operating history, we are subject to the risks and uncertainties associated with early stage companies and have historically operated at a loss. Accordingly, you will have a limited basis on which to evaluate our ability to achieve our business objectives. As of the date hereof, we have 16 locations and have an additional 3 locations under construction. Our financial condition, results of operations and our future success will, to a significant extent, depend on our ability to continue to open restaurants and theaters throughout the United States and internationally and to achieve economies of scale. We cannot assure you that more restaurants and theaters can be opened on terms favorable to us or at all, or that if we open those restaurants and theaters, we will be able to operate our expanded business profitably. If we fail to achieve our business objectives, then we may not be able to realize our expected revenue growth, maintain our existing revenue levels or operate at a profit. Even if we do realize our business objectives, our business may not be profitable in the future.

We have had significant financial losses in previous years.

Historically, we have had operating losses, negative cash flows from operations and working capital deficiencies. For the years ended December 31, 2018 and 2017, we reported net losses of $56.8 million and $44.5 million, respectively. We expect to have significant net losses and negative cash flow for at least the next several years, as we incur additional costs and expenses for the continued development of new iPic locations. Whether, and when, the Company can attain profitability and positive cash flows from operations is uncertain. If we experience losses in the future, we may be unable to meet our payment obligations on our existing indebtedness, while attempting to expand our theater circuit and withstand competitive pressures or adverse economic conditions.

Our sales growth and ability to achieve profitability could be adversely affected if comparable-store sales decline or are less than we expect.

Comparable-store sales, a non-GAAP measure, are a year-over-year comparison of sales at iPic locations open at the end of the period which have been open for at least 12 months prior to the start of such quarterly period. It is a key performance indicator used within the industry and is indicative of acceptance of our initiatives as well as local economic and consumer trends. The level of comparable-store sales will affect our sales growth and will continue to be a critical factor affecting our ability to generate profits because the profit margin on comparable-store sales is generally higher than the profit margin on new store sales. Our ability to increase comparable-store sales depends in part on our ability to successfully implement our initiatives to build sales. It is possible such initiatives will not be successful, and that we will not achieve our target comparable-store sales growth or that our comparable-store sales could decline, which may cause a decrease in sales growth and ability to achieve profitability that could materially adversely affect our business, financial condition and results of operations.

Our results of operations are subject to fluctuations due to the timing of new iPic location openings and the relatively small number of iPic locations currently in operation.

The timing of new iPic location openings may result in significant fluctuations in our quarterly performance. We typically incur most cash pre-opening expenses for a new iPic within the six months immediately preceding, and the month of, the iPic's opening. In addition, the labor and operating costs for a newly opened iPic during the first three to six months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Additionally, we typically incur capital expenditures related to new iPic locations in the year prior to opening. Due to these substantial up-front financial requirements to open new iPic locations, the investment risk related to any single iPic is much larger than that associated with many other restaurants or entertainment venues.

Similarly, with respect to revenues, there is some ramp-up time following the opening of a new iPic during which time revenues from that particular location have not yet achieved what is to be expected once the location has been open for a period of three years. This will affect our revenues during periods when we open up one or more new iPic locations.

Furthermore, because we currently operate at only 16 locations, a problem at any one location may have a significant impact on our results of operations from period to period. For example, Hurricane Harvey negatively impacted our location in Houston, TX and Hurricane Irma negatively impacted our locations in Miami, FL and Boca Raton, FL, during the six months ended December 31, 2017.

The impact that general economic, political and social conditions in the United States have on consumer discretionary spending could materially adversely affect our business and financial performance.

Our success depends on general economic, political and social conditions and the willingness of consumers to spend money at restaurants and movie theaters. Any significant decrease in consumer confidence, or periods of economic slowdown or recession, could lead to a curtailing of discretionary spending, which in turn could reduce our revenues and results of operations and materially adversely affect our financial position. Our business is dependent upon consumer discretionary spending and therefore is affected by consumer confidence as well as the future performance of the United States economy. As a result, our results of operations are susceptible to economic slowdowns and recessions. Increases in job losses, home foreclosures, energy prices, investment losses in the financial markets, personal bankruptcies, credit card debt and home mortgage and other borrowing costs, declines in housing values and reduced access to credit, among other factors, may result in lower levels of customer traffic to our iPic locations, a decline in consumer confidence and a curtailing of consumer discretionary spending. We believe that consumers generally are more willing to make discretionary purchases during periods in which favorable economic conditions prevail. If economic conditions worsen, whether in the United States or in the communities in which our iPic locations are located, we could see deterioration in customer traffic or a reduction in the average amount customers spend in our iPic locations.

Geopolitical events, including the threat of domestic terrorism, gun violence or cyber-attacks, could cause people to avoid our theaters or other public places where large crowds are in attendance. For example, in the United States over the past several years, there have been several high-profile incidents involving shootings at movie theaters. In addition, due to our concentration in certain markets, natural or man-made disasters such as hurricanes, earthquakes, severe weather conditions, local strikes or increases in energy prices in those markets could adversely affect our overall results of operations.

In the event of our expected international expansion, the risks of doing business internationally could lower our revenues, increase our costs, reduce our profits or disrupt our business.

In the future, we expect to open up iPic locations outside of the United States, including in the Kingdom of Saudi Arabia. If we expand internationally, we will become subject to the risks of doing business outside the United States, including:

- Our business model is unproven outside the United States;
- changes in foreign currency exchange rates or currency restructurings and hyperinflation or deflation in the countries in which we choose to operate;
- the imposition of restrictions on currency conversion or the transfer of funds or limitations on our ability to repatriate non-U.S. earnings in a tax effective manner;
- the presence and acceptance of varying levels of business corruption in international markets;
- the ability to comply with, or impact of complying with, complex and changing laws, regulations and policies of foreign governments that may affect investments or operations, including foreign ownership restrictions, import and export controls, tariffs, embargoes, intellectual property, licensing requirements and regulations, increases in taxes paid and other changes in applicable tax laws;
- the difficulties involved in managing an organization doing business in many different countries;
- the ability to comply with, or impact of complying with, complex and changing laws, regulations and economic and political policies of the U.S. government, including U.S. laws and regulations relating to economic sanctions, export controls and anti-boycott requirements;
- increases in anti-American sentiment and the identification of the licensed brand as an American brand;
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult; and
- political and economic instability.

Any or all of these factors may materially adversely affect the performance of our iPic locations located in international markets. In particular, Saudi Arabia, where the Company expects to open its first international iPic location, is a volatile region that is subject to geopolitical and sociopolitical factors that pose risk to our business operations. In addition, developing theaters in Saudi Arabia would require us to partner with a local developer with whom we have not done business before. Partnering with a local developer entails numerous risks and we would be reliant on such partner in our development efforts. Moreover, we rely on food and beverage sales to generate a majority of our revenue, and given the strict laws in Saudi Arabia governing the sale and consumption of alcohol, our theaters in Saudi Arabia would be reliant on theater revenue and food sales. Stricter censorship standards over film content will also impact the type of film genres that we can exhibit.

In addition, the economy of any region in which our iPic locations are located may be adversely affected to a greater degree than that of other areas of the country or the world by certain developments affecting industries concentrated in that region or country. While these factors and the impact of these factors are difficult to predict, any one or more of them could materially lower our revenues, increase our costs, reduce our profits or disrupt our business.

Our recurring operating losses, members' deficit, negative operating cash flows and working capital deficit have raised substantial doubt regarding our ability to continue as a going concern.

We have sustained recurring operating losses since our inception. In addition, we had a stockholders' / members' deficit, and a working capital deficit at December 31, 2018 and December 31, 2017 and negative operating cash flows for the year ended December 31, 2018, which raise substantial doubt about our ability to continue as a going concern. The perception of our ability to continue as a going concern may make it more difficult for us to obtain financing for the continuation of our operations and could result in the loss of confidence by investors, suppliers and employees. Our consolidated financial statements for all periods have been prepared assuming we will continue as a going concern. As discussed in the notes to the consolidated financial statements, our continuation as a going concern is dependent on refinancing of existing debt or obtaining additional equity. Historically, our main sources of funding have been the Non-Revolving Credit Facility, financing provided by the landlords at certain of our newly-developed locations, and funding from investors. We received capital contributions in April 2017, November 2017 and January 2018 that provided capital in the form of equity of approximately $12 million, $4 million and $2.5 million, respectively. We completed the IPO on February 1, 2018, raising approximately $13.6 million in proceeds, net of selling agent discounts and commission, but before offering expenses of approximately $1.5 million.

Management has concluded that there is substantial doubt about our ability to continue as a going concern. Our independent registered public accounting firm also included explanatory going concern language in their report accompanying our audited consolidated financial statements for the year ended December 31, 2018, included herein.

It is not possible at this time for us to predict with assurance the potential success of our business. The revenue and income potential of our business and operations are unknown. These uncertainties cast significant doubt upon our ability to continue as a going concern.

If our cash flows prove inadequate to service our debt and provide for our other obligations, we may be required to refinance all or a portion of our existing debt or future debt at terms unfavorable to us.

Our ability to make payments on and refinance our debt and other financial obligations and to fund our capital expenditures and acquisitions will depend on our ability to generate substantial operational performance improvements. This will depend on our future performance, which will be subject to prevailing economic conditions and to financial, business and other factors beyond our control. If our cash flows were to prove inadequate to meet our debt service, rental and other obligations in the future, we may be required to refinance all or a portion of our existing or future debt, on or before maturity, to sell assets or to obtain additional financing. We cannot assure you that we will be able to refinance any of our indebtedness, including our Non-Revolving Credit Facility, sell any such assets or obtain additional financing on commercially reasonable terms or at all. The terms of the agreements governing our indebtedness restrict, but do not prohibit us from incurring additional indebtedness. If we are in compliance with the financial covenants set forth in the Non-Revolving Credit Facility and our other outstanding debt instruments, we may be able to incur additional indebtedness. If we incur additional indebtedness, the related risks that we face may intensify.

We may suffer future impairment losses and theater and other closure charges.

The opening of new theaters by certain of our competitors has drawn audiences away from some of our older theaters. In addition, demographic changes and competitive pressures have caused some of our theaters to become unprofitable. Since not all theaters are appropriate for our new initiatives, we may have to close certain theaters or recognize impairment losses related to the decrease in value of particular theaters. We review long-lived assets, including intangibles, for impairment as part of an ongoing process and whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. Deterioration in the performance of our theaters could require us to recognize additional impairment losses and close additional theaters, which could have a material adverse effect on the results of our operations. We continually monitor the performance of our theaters, and factors such as changing consumer preferences for filmed entertainment and our inability to sublease vacant retail space could negatively impact operating results and result in future closures, sales, dispositions and significant theater and other closure charges prior to expiration of underlying lease agreements. In the year ended December 31, 2018, impairment of property and equipment was $4.4 million, this was due to (i) a $1.8 million impairment charge taken at our Scottsdale, AZ location; and (ii) a $2.6 million impairment charge related to our South Barrington, IL location.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks, trade dress, proprietary information and other intellectual property, including our name and logos and the unique character and atmosphere of our iPic locations. We rely on trademark, copyright, and trade secret laws, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions to protect our intellectual property. Nevertheless, our competitors may develop a similar character and atmosphere, menu items and concepts, and adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and other intellectual property.

The success of our business depends on our continued ability to use our existing trademarks and service marks to increase brand awareness and further develop our brand in the markets in which we operate. We have registered and applied to register trademarks and service marks in the United States. We may not be able to adequately protect our trademarks and service marks, and our competitors and others may successfully challenge the validity and/or enforceability of our trademarks and service marks and other intellectual property. We have several patents issued, as well as several pending patent applications in the United States. Such patent applications are subject to the review by and normal course prosecution before the U.S. Patent and Trademark Office, which may result in the application's revision or non-approval. As a result, we may not be able to adequately protect the inventions covered by these patent applications, and our competitors and others may benefit as a result of their publication. The steps we have taken to protect our intellectual property in the United States may not be adequate. In addition, in the event we expand internationally, the laws of some foreign countries do not protect intellectual property to the same extent as the laws of the United States.

If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance.

We may also from time to time be required to institute litigation to enforce our trademarks, service marks and other intellectual property. Such litigation could result in substantial costs and diversion of resources and could negatively affect our sales, profitability and prospects regardless of whether we are able to successfully enforce our rights.

Third parties may assert that we infringe, misappropriate or otherwise violate their intellectual property and may sue us for intellectual property infringement. Even if we are successful in these proceedings, we may incur substantial costs, and the time and attention of our management and other personnel may be diverted in pursuing these proceedings. If a court finds that we infringe a third party's intellectual property, we may be required to pay damages and/or be subject to an injunction. With respect to any third party intellectual property that we use or wish to use in our business (whether or not asserted against us in litigation), we may not be able to enter into licensing or other arrangements with the owner of such intellectual property at a reasonable cost or on reasonable terms.

Our business could be adversely affected if we incur legal liability.

We are subject to, and in the future may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. Regardless of the merits of the claims, the cost to defend current and future litigation may be significant, and such matters can be time-consuming and divert management's attention and resources. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages, penalties or injunctive relief against us. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if they prevail, the amount of our recovery.

Our business is subject to risks related to our sale of alcoholic beverages.

We serve alcoholic beverages at all of our locations. Alcoholic beverage control regulations generally require our locations to apply to a state authority and, in certain locations, county or municipal authorities for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our locations, including minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage and dispensing of alcoholic beverages. Any future failure to comply with these regulations and obtain or retain licenses could materially adversely affect our business, financial condition and results of operations.

We are also subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. We carry liquor liability coverage as part of our existing comprehensive general liability insurance. Recent litigation against restaurant chains has resulted in significant judgments and settlements under dram shop statutes. Because these cases often seek punitive damages, which may not be covered by insurance, such litigation could have a material adverse impact on our business, results of operations or financial condition. Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and resources away from operations and hurt our financial performance. A judgment significantly in excess of our insurance coverage or not covered by insurance could have a material adverse effect on our business, results of operations or financial condition.

Shortages or interruptions in the supply or delivery of food products could adversely affect our operating results.

We are dependent on frequent deliveries of food products that meet our exact specifications. Shortages or interruptions in the supply of food products caused by problems in production or distribution, inclement weather, unanticipated demand or other conditions could adversely affect the availability, quality and cost of ingredients, which would adversely affect our operating results.

Disruption of our relationships with various vendors could substantially harm our business.

We rely on our relationships with several key studios in the operations of our business. These relationships include:

- Paramount Pictures/DreamWorks
- Sony Pictures
- 20^{th} Century Fox
- Universal Film Exchanges
- Walt Disney Studio Pictures
- Warner Brothers

Although our senior management has long-standing relationships with each of these vendors, we could experience deterioration or loss of any of our vendor relationships, which would significantly disrupt our operations until an alternative source is secured.

We are subject to substantial government regulation, which could entail significant cost.

We are subject to various federal, state and local laws, regulations and administrative practices affecting our business, and we must comply with provisions regulating health and sanitation standards, equal employment, environmental, and licensing for the sale of food and, in some theaters, alcoholic beverages. Our new theater openings could be delayed or prevented, or our existing theaters could be impacted by difficulties or failures in our ability to obtain or maintain required approvals or licenses. Changes in existing laws or implementation of new laws, regulations and practices could have a significant impact on our business. A significant portion of our theater level employees are part time workers who are paid at or near the applicable minimum wage in the theater's jurisdiction. Continued increases in the minimum wage and implementation of reforms requiring the provision of additional benefits will increase our labor costs.

The restaurant industry is subject to extensive federal, state, local and international laws and regulations. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to building, zoning, land use, environmental, traffic and other regulations and requirements. We are subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards and the sale of alcoholic beverages. We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are subject to federal, state, and local laws governing employment practices and working conditions. These laws cover wage and hour practices, labor relations, paid and family leave, workplace safety, and immigration, among others. The myriad of laws and regulations being passed at the state and local level creates unique challenges for a multi-state employer as different standards apply to different locations, sometimes with conflicting requirements. We must continue to monitor and adapt our employment practices to comply with these various laws and regulations.

Provisions in the Affordable Care Act require restaurant companies such as ours to disclose calorie information on their menus and to make available more detailed nutrition information upon request. We do not expect to incur any material costs from compliance with these provisions, but cannot anticipate any changes to guest behavior resulting from the implementation of this portion of the law, which could have an adverse effect on our sales or results of operations.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information. Compliance with these laws and regulations can be costly, and any failure or perceived failure to comply with those laws or any breach of our systems could harm our reputation or lead to litigation, which could adversely affect our financial condition.

Our theaters that sell alcohol require each location to apply to a state authority and, in certain locations, county or municipal authorities for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our locations, including the minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage and dispensing of alcoholic beverages. We are also subject in certain states to “dram shop” statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. We may decide not to obtain liquor licenses in certain jurisdictions due to the high costs associated with obtaining liquor licenses in such jurisdictions.

We operate locations throughout the United States and are subject to the environmental laws and regulations of those jurisdictions, particularly laws governing the cleanup of hazardous materials and the management of properties. We might in the future be required to participate in the cleanup of a property that we lease, or at which we have been alleged to have disposed of hazardous materials from one of our locations. In certain circumstances, we might be solely responsible for any such liability under environmental laws, and such claims could be material.

Our theaters must comply with Title III of the ADA. Compliance with the ADA requires that public accommodations “reasonably accommodate” individuals with disabilities and that new construction or alterations made to “commercial facilities” conform to accessibility guidelines unless “structurally impracticable” for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, and an award of damages to private litigants or additional capital expenditures to remedy such noncompliance, any of which could have a material adverse effect on our operations and financial condition.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or an insufficient or ineffective response to significant regulatory or public policy issues, could negatively impact our cost structure, operational efficiencies and talent availability, and therefore have a material adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

We depend on key personnel for our current and future performance.

Our current and future performance depends to a significant degree upon the retention of our senior management team and other key personnel. The loss or unavailability to us, or damage to the reputation, of any member of our senior management team or a key employee — including, without limitation, Mr. Hamid Hashemi, our founder, President and CEO — could have a material adverse effect on our business, financial condition and results of operations. We believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for experienced, successful personnel in our industry. We cannot assure you that we would be able to locate or employ qualified replacements for senior management or key employees on acceptable terms.

We rely on our information systems to conduct our business, and any failure to protect these systems against security breaches or failure of these systems themselves could materially adversely affect our business, results of operations and liquidity and could result in litigation and penalties. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be materially harmed.

The efficient operation of our business is dependent on computer hardware and software systems. Among other things, these systems collect and store certain personal information from customers, vendors and employees and process customer payment information. Our mobile application allows patrons to purchase tickets, select seats and order food and beverage. Our information systems and the sensitive data they are designed to protect are vulnerable to security breaches by computer hackers, cyber terrorists and other cyber attackers, and employees exceeding their authorized access. We rely on security measures and technology typical of our industry to securely maintain confidential and proprietary information maintained on our information systems, and we rely on our third party vendors to take appropriate measures to protect the confidentiality of the information on those information systems. However, these measures and technology may not adequately prevent security breaches. Our information systems may become unavailable or fail to perform as anticipated for any reason, including viruses, loss of power or human error. Any significant interruption or failure of our information systems or those maintained by our third party vendors or any significant breach of security could materially adversely affect (i) our reputation with our customers, vendors and employees, (ii) our brand name, and (iii) our business, results of operations and financial condition. Any of the foregoing could result in litigation against us or the imposition of penalties. A significant interruption, failure or breach of the security of our information systems or those of our third party vendors could also require us to expend significant resources to upgrade the security measures and technology that guard sensitive data against computer hackers, cyber terrorists and other cyber attackers. We maintain cyber risk insurance coverage to protect against such risks, however, there can be no assurance that such coverage will be adequate.

Changes in privacy laws could adversely affect our ability to market our products effectively.

Our cinemas rely on a variety of direct marketing techniques, including email marketing. Any expansion on existing and/or new laws and regulations regarding marketing, solicitation or data protection could adversely affect the continuing effectiveness of our email and other marketing techniques and could result in changes to our marketing strategy which could adversely impact our attendance levels and revenues.

Risks Relating to Our Organizational Structure

Our principal asset is our interest in Holdings, and Holdings' principal asset is its interest in iPic-Gold Class, and, accordingly, we depend on distributions that iPic-Gold Class makes to Holdings and that Holdings makes to us to pay our taxes and expenses. iPic-Gold Class's ability to make such distributions may be subject to various limitations and restrictions.

We are a holding company and have no material assets other than our ownership of LLC Interests of Holdings, which is itself a holding company that has no material assets other than its ownership of limited liability company interests of iPic-Gold Class. As such, we have no independent means of generating revenue or cash flow, and our ability to pay our taxes and operating expenses or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of iPic-Gold Class and its subsidiaries and distributions we receive indirectly from iPic-Gold Class. There can be no assurance that our subsidiaries will generate sufficient cash flow to directly or indirectly distribute funds to us or that applicable state law and contractual restrictions, including negative covenants in our debt instruments, will permit such distributions.

Both Holdings and iPic-Gold Class are treated as pass-through entities for U.S. federal income tax purposes and, as such, will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of LLC Interests, including us. Accordingly, we incur income taxes on our allocable share of any net taxable income of Holdings. Under the terms of the amended and restated limited liability company agreement of Holdings ("Holdings LLC Agreement"), Holdings is obligated to make tax distributions to holders of LLC Interests, including us. In addition to tax expenses, we also incur expenses related to our operations, which we expect could be significant. We intend, as the sole manager of Holdings, which is itself the sole managing member of iPic-Gold Class, to cause iPic-Gold Class to make cash distributions to Holdings out of which (i) Holdings will make cash distributions to the owners of LLC Interests, in an amount sufficient to fund all or part of their tax obligations in respect of taxable income allocated to them and (ii) Holdings will make cash payments to us in an amount sufficient to cover our other expenses. However, Holdings' and iPic-Gold Class's ability to make such distributions and payments may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which Holdings or iPic-Gold Class is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering either Holdings or iPic-Gold Class insolvent. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition.

We are subject to taxation by U.S. federal, state and local tax authorities, and we may in the future be subject to taxation by foreign tax authorities. As a result, our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state and local taxing authorities, and we may in the future be subject to audits by foreign taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

If we were deemed to be an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), as a result of our direct ownership of Holdings and our indirect ownership of iPic-Gold Class, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

iPic is the sole manager of Holdings, and Holdings is the sole managing member of iPic-Gold Class. As a result, we will indirectly control and operate iPic-Gold Class. On that basis, we believe that our interest in iPic-Gold Class is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of iPic-Gold Class, our interest in iPic-Gold Class could be deemed an "investment security" for purposes of the 1940 Act.

We, Holdings and iPic-Gold Class intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

iPic is controlled by a small group of affiliates, whose interests may differ from those of our public stockholders.

As of March 1, 2019, our directors, officers and 10% or greater stockholders control approximately 87.7% of the combined voting power of all classes of our common stock through their ownership of Class A and Class B Common Stock. Such stockholders will, for the foreseeable future, have significant influence over our corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval. Such stockholders are able to, subject to applicable law, elect a majority of the members of our board of directors and control actions to be taken by us and our board of directors, including amendments to our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets. The directors so elected will have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. It is possible that the interests of such stockholders may in some circumstances conflict with our interests and the interests of our other stockholders, including you. For example, such stockholders that are also holders of LLC Interests may have different tax positions from us that could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness. In addition, the determination of future tax reporting positions, the structuring of future transactions and the handling of any future challenges by any taxing authority to our tax reporting positions may take into consideration these holders of LLC Interests' tax or other considerations, which may differ from the considerations of us or our other stockholders.

In addition, certain of such stockholders are in the business of making or advising on investments in companies and hold, and may from time to time in the future acquire, interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or the business of our suppliers. Our Amended and Restated Certificate of Incorporation provides that, to the fullest extent permitted by law, none of such stockholders or any director who is not employed by us or his or her affiliates will have any duty to refrain from engaging in a corporate opportunity in the same or similar lines of business as us. Such stockholders may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets may result in volatility of our operating results.

We are subject to income taxes in various U.S. jurisdictions. We record tax expense based on our estimates of future payments, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. We expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated.

In addition, our effective tax rate in a given financial statement period may be materially impacted by a variety of factors including but not limited to changes in the mix and level of earnings, varying tax rates in the different jurisdictions in which we operate, fluctuations in the valuation allowance or by changes to existing accounting rules or regulations. Further, tax legislation may be enacted in the future which could negatively impact our current or future tax structure and effective tax rates.

We are subject to complex taxation and could be subject to changes in our tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

We are subject to many different forms of taxation in the U.S. and, should we expand internationally, we will also be subject to different forms of taxation in those foreign jurisdictions where we operate. The tax authorities may not agree with the determinations that we made and such disagreements could result in lengthy legal disputes and, ultimately, in the payment of substantial amounts for tax, interest and penalties, which could have a material impact on our results. Additionally, current economic and political conditions make tax rates in any jurisdiction, including the U.S., subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. If the Company’s effective tax rates were to increase, or if the ultimate determination of the Company’s taxes owed in the U.S. or foreign jurisdictions is for an amount in excess of amounts previously accrued, the Company’s operating results, cash flows, and financial condition could be adversely affected.

Recently enacted changes to the U.S. tax laws may have a material adverse impact on our business or financial condition.

On December 20, 2017, the U.S. House of Representatives and the U.S. Senate each voted to approve the Tax Cut and Jobs Act and, on December 22, 2017, President Trump signed the Tax Cut and Jobs Act into law. The Tax Cut and Jobs Act includes provisions that, among other things, reduce the U.S. corporate tax rate, introduce a deduction for certain income earned through pass-through entities, introduce a capital investment deduction, limit the interest deduction, limit the use of net operating losses to offset future taxable income, and make extensive changes to the U.S. international tax system, including the taxation of the accumulated foreign earnings. The limitation on the use of net operating losses to offset future taxable income could result in iPic being required to pay cash taxes or Holdings’ being required to make tax distributions in earlier years than previously anticipated. In addition, the limitation on the interest deduction could result in the deferral of interest deductions on a portion of our indebtedness to subsequent years (in which our interest deductions would also be subject to limitation and potential deferral), which could materially increase iPic’s liability for taxes or the amount of tax distributions Holdings would be required to make in any affected years. Other provisions of the Tax Cut and Jobs Act, such as the reduction in the U.S. corporate tax rate and the capital investment deduction, could have the effect of reducing the amount of taxes to which iPic would otherwise have been subject or the amount of tax distributions Holdings would otherwise be required to make in a particular taxable year.

Risks Relating to Ownership of Our Class A Common Stock

The market price of our Class A common stock may be highly volatile, and the value of your investment may decline.

The trading price of our Class A Common Stock has been volatile since our IPO. Since shares of our Class A Common Stock began trading on NASDAQ in February 2018, the reported high and low sales prices of our Class A Common Stock have ranged from $17.00 to $2.02 through March 1, 2019. The following factors, in addition to other factors described in this "Risk Factors" section and elsewhere in this Annual Report on Form 10-K, may have a significant impact on the market price of our Class A Common Stock:

- announcements of innovations or new services by us or our competitors;
- any adverse changes to our relationship with our customers or suppliers;
- variations in the costs of products that we use in our restaurants or theaters;
- announcements concerning our competitors or the restaurant and movie theater industry in general;
- achievement of expected sales and profitability;
- supply or distribution shortages;
- adverse actions taken by regulatory agencies with respect to our services or the products we use;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial estimates or recommendations by securities analysts;
- trading volume of our Class A Common Stock;
- sales of our Class A Common Stock by us, our executive officers and directors or our stockholders in the future;
- general economic and market conditions and overall fluctuations in the U.S. equity markets;
- actual or perceived risks that our Class A Common Stock will be delisted; and
- changes in accounting principles.

In addition, broad market and industry factors may negatively affect the market price of our Class A Common Stock, regardless of our actual operating performance, and factors beyond our control may cause our stock price to decline rapidly and unexpectedly.

We have received delisting notices from NASDAQ in the past and our stock is subject to delisting risk in the future.

On December 28, 2018, we received a letter from the Listing Qualifications Department of The Nasdaq Stock Market stating that for the 30 consecutive business days prior to the date of the letter, we did not meet the minimum market value of listed securities of $35,000,000 required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(2). In accordance with Nasdaq Listing Rule 5810(c)(3)(C), Nasdaq provided us with 180 calendar days to regain compliance. On March 12, 2019, we received notice from NASDAQ that for ten consecutive business days, the Company's market value of listed securities had been $35,000,000 or greater and therefore the Company regained compliance with Nasdaq Listing Rule 5550(b)(2). In addition, we transferred our Class A common stock from The Nasdaq Global Select Market to The Nasdaq Capital Market effective August 10, 2018. As previously disclosed in a Form 8-K filing dated as of May 9, 2018, this transfer followed a letter from the Listing Qualifications Department of The Nasdaq Stock Market dated May 9, 2018 notifying us that for the past 30 consecutive business days prior to the date of the letter, the Company did not meet the minimum market value of publicly held shares of $15,000,000 required for continued listing on The Nasdaq Global Select Market pursuant to Nasdaq Listing Rule 5450(b)(3)(C).

There is no assurance that the Company will meet the minimum market value of listed securities for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(2) in the future or that we will continue to comply with other Nasdaq listing requirements. If our Class A Common Stock were to be delisted from the NASDAQ Capital Market, the liquidity of our Class A Common Stock would be materially impacted.

We may be subject to securities litigation, which is expensive and could divert management attention.

Our share price may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could adversely impact our business. Any adverse determination in litigation could also subject us to significant liabilities.

The holders of LLC Interests have the right to have their LLC Interests redeemed pursuant to the terms of the Holdings LLC Agreement.

As of March 1, 2019, we have an aggregate of 92,855,867 shares of Class A Common Stock authorized but unissued. The holders of our Class B Common Stock are generally entitled to have their corresponding LLC Interests redeemed for shares of our Class A Common Stock, subject to certain restrictions contained in the Holdings LLC Agreement. We cannot predict the size of future issuances of our Class A Common Stock or the effect, if any, that future issuances and sales of shares of our Class A Common Stock may have on the market price of our Class A Common Stock. Sales or distributions of substantial amounts of our Class A Common Stock, including shares issued in connection with an acquisition, or the perception that such sales or distributions could occur, may cause the market price of our Class A Common Stock to decline.

Sales of a substantial number of shares of our Class A Common Stock in the public market by our existing stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our Class A Common Stock in the public market or the perception that these sales might occur, could depress the market price of our Class A Common Stock and could impair our ability to raise capital through the sale of additional equity securities. The shares of Class A Common Stock issued in our IPO are freely tradable without restriction under the Securities Act.

On February 1, 2018, we filed a registration statement on Form S-8 under the Securities Act to register all shares of Class A Common Stock issued or issuable upon exercise of outstanding options under our stock plans and outstanding IPO Restricted Stock Units. Accordingly, shares registered under such registration statement will be available for sale in the open market following the expiration of the applicable lock-up period, upon exercise of options vested at such time.

Moreover, holders of an aggregate of 7,432,377 shares of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by our affiliates. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

In the future, we may also issue additional securities if we need to raise capital, which could constitute a material portion of our then-outstanding shares of common stock.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our markets, or if they adversely change their recommendations or publish negative reports regarding our business or our stock, our stock price and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our markets or our competitors. We do not have any control over these analysts and we cannot provide any assurance that analysts will cover us or provide favorable coverage. If any of the analysts who may cover us adversely change their recommendation regarding our stock, or provide more favorable relative recommendations about our competitors, our stock price could decline. If any analyst who may cover us were to cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Stockholders must rely on appreciation of the value of our common stock, if any, for any return on their investment because we do not intend to declare cash dividends on our shares of common stock in the foreseeable future.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. As a result, we expect that only appreciation of the price of our common stock, if any, will provide a return to investors in our common stock for the foreseeable future.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act and NASDAQ, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company, we are subject to the reporting requirements of Exchange Act, the corporate governance standards of the Sarbanes-Oxley Act of 2002, (the "Sarbanes-Oxley Act"), and NASDAQ. As a result, we will incur significant legal, accounting and other costs that we did not incur as a private company. These requirements will place a strain on our management, systems and resources and we will incur significant legal, accounting, insurance and other expenses that we have not incurred as a private company. The Exchange Act requires us to file annual, quarterly and current reports with respect to our business and financial condition within specified time periods and to prepare a proxy statement with respect to our annual meeting of stockholders. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. NASDAQ requires that we comply with various corporate governance requirements. To maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting and comply with the Exchange Act and NASDAQ requirements, significant resources and management oversight will be required. This may divert management's attention from other business concerns and lead to significant costs associated with compliance, which could have a material adverse effect on us and the price of our Class A Common Stock.

We have had difficulty and paid significantly more to obtain directors' and officers' liability insurance. Going forward we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Advocacy efforts by stockholders and third parties may also prompt even more changes in governance and reporting requirements. We cannot predict or estimate the amount of additional costs we may incur or the timing of these costs.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, we have identified the following material weaknesses in internal control:

- We do not have an effective control environment because we do not have formalized internal control policies and procedures. Specifically, the Company has not yet designed an effective system of internal control over financial reporting.

- We also identified material weaknesses related to our lack of adequate review of complex accounting matters. Specifically, we have not yet designed precise enough review controls in order to identify material misstatements relating to complex accounting matters, including review controls over the preparation of our long-lived asset impairment evaluation and other areas.

- We also identified material weaknesses relating to improperly designed period end financial reporting controls. Specifically, we have not yet designed suitable review controls governing the review of financial statements and accounting records. Additionally, the Company does not have adequate review controls over our periodic financial reporting including maintaining sufficient monitoring controls over the recording of journal entries and maintaining sufficient segregation of duties.

We are implementing measures designed to improve our internal control over financial reporting to remediate these material weaknesses, including controls designed to require reviews of complex areas in a timely manner. In addition, we are designing and implementing improved processes and internal controls throughout the organization, including enhancing our control environment and redesigning and implementing controls over information technology and our period end financial reporting process such as formalizing our internal control documentation and strengthening supervisory reviews by our management. While we are designing, documenting and implementing improved processes and internal controls, we have implemented processes to perform the evaluation required to comply with Section 404; however, we cannot predict the success of such measures or the outcome of our assessment of these measures at this time. We can give no assurance that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our financial statements that could result in a restatement of our financial statements or cause us to fail to meet our reporting obligations.

Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the date which is the later of the date we are an accelerated filer or a large accelerated filer or the date we are no longer an "emerging growth company," as defined in the JOBS Act. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. We have begun the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, when applicable, and we may not be able to complete our evaluation, testing and any required remediation in a timely fashion.

Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws contain provisions that make it more difficult to effect a change in control of the company.

Our Amended and Restated Certificate of Incorporation and our Amended and Restated contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions that:

- authorize blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limit the liability of, and provide indemnification to, our directors and officers;
- limit the ability of our stockholders to call and bring business before special meetings and to take action by written consent in lieu of a meeting;
- require advance notice of stockholder proposals and the nomination of candidates for election to our board of directors;
- require that directors only be removed from office for cause; and
- limit the determination of the number of directors on our board and the filling of vacancies or newly created seats on the board to our board of directors then in office.

Further, we are subject to the anti-takeover provisions of section 203 of the Delaware General Corporation Law, which prohibits us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of section 203 could have the effect of delaying or preventing a change of control that could be advantageous to the stockholders.

These provisions of our charter documents and Delaware law, alone or together, could delay or deter hostile takeovers and changes in control or changes in our management. Any provision of our Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Our Amended and Restated Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the DGCL or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. Holders of our common stock are deemed to have notice of and have consented to the provisions of our Amended and Restated Certificate of Incorporation related to choice of forum. The choice of forum provision in our Amended and Restated Certificate of Incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2018, the Company operated a total of fifteen theaters in the following locations throughout the United States, all of which are leased:

- Pasadena, California
- Austin, Texas
- Fairview, Texas
- Boca Raton, Florida
- Bethesda, Maryland
- North Miami, Florida
- Redmond, Washington
- Scottsdale, Arizona
- Bolingbrook, Illinois
- South Barrington, Illinois
- Los Angeles, California
- Houston, Texas
- Fort Lee, New Jersey
- Fulton Market, New York
- Dobbs Ferry, New York

We do not own any real property and all of our iPic locations are located in leased premises. The Company's operations are conducted on premises occupied under lease agreements with initial base terms of 15 to 25 years, with certain leases containing options to extend the leases for up to an additional 20 years. The Company does not believe that exercise of the renewal options in its leases is reasonably assured at the inception of the lease agreements and, therefore, considers the initial base term to be the lease term. We also lease our corporate headquarters located at Mizner Park, 433 Plaza Real, Ste. 335, Boca Raton, Florida.

Item 3. Legal Proceedings

The information required to be furnished by us under this Part I, Item 3 (Legal Proceedings) is incorporated by reference to the information contained in Note 7—Commitments and Contingencies to the Consolidated Financial Statements included in Part II, Item 8 on this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A common stock is traded on The NASDAQ Capital Market under the symbol "IPIC." Our Class B Common Stock is not publicly traded.

Common Stock

As of March 1, 2019, there were approximately 421 holders of our Class A Common Stock and 19 holders of our Class B Common Stock.

Dividends

Except as described in the following paragraph, we currently intend to retain all available funds and any future earnings for use in the operation of our business, and therefore iPic does not currently expect to pay any cash dividends on its Class A Common Stock. Holders of iPic Class B Common Stock are not entitled to participate in any dividends declared by iPic's board of directors. Any future determination to pay dividends to holders of Class A Common Stock will be at the discretion of iPic's board of directors and will depend upon many factors, including our results of operations, financial condition, capital requirements, restrictions in iPic-Gold Class's debt agreements and other factors that iPic's board of directors deems relevant.

iPic is a holding company whose principal asset is LLC interests of Holdings, which owns 100% of the limited liability company interests of, and controls, iPic-Gold Class. Accordingly, substantially all of iPic's operations are indirectly carried out by iPic-Gold Class and its subsidiaries. Additionally, under the Non-Revolving Credit Facility, iPic-Gold Class is currently restricted from paying cash distributions, and we expect these restrictions to continue in the future, which may in turn limit iPic's ability to pay dividends on its Class A Common Stock. iPic's ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of iPic or its subsidiaries.

Holdings is required to make tax distributions to its members under certain circumstances provided in the Holdings LLC Agreement. Any such tax distributions are required to be made pro rata in accordance with the members' percentage interests in Holdings and, accordingly, it is possible that iPic will receive tax distributions in excess of the amount required for iPic to pay its applicable tax liabilities. In such case, iPic may pay dividends out of all or a portion of such excess cash. However, there can be no assurance as to the timing or amount of any tax distributions from Holdings or whether such tax distributions will be in excess of iPic's applicable tax liabilities, and iPic is not required to pay dividends out of any such excess cash.

There were no cash distributions to holders of our common equity during the year ended December 31, 2018.

Unregistered Sales of Equity Securities

On January 31, 2018, Holdings entered into a subscription agreement (the "Subscription Agreement") with Regal/Atom Holdings, LLC, a Delaware limited liability company ("Regal"). Under the Subscription Agreement, Holdings issued to Regal 135,722 membership units of Holdings (the "Membership Units") at a price per Membership Unit of $18.42 for aggregate consideration of $2,499,999.20. The offer and sale of the Membership Units described above was completed pursuant to exemptions from the registration requirements of the Securities Act of 1933, as amended, Section 4(a)(2) thereof and Regulation D promulgated thereunder.

During the year ended December 31, 2018, certain holders of LLC Interests assigned 100% of their respective LLC Interests to iPic in exchange for an aggregate of 5,602,866 shares of iPic's Class A Common Stock. Such shares were issued in reliance on an exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933.

Issuer Purchase of Equity Securities

None.

Use of Proceeds from Initial Public Offering of Class A Common Stock

On February 1, 2018, the Company completed its IPO of 1,248,159 shares of Class A Common Stock at an offering price of $18.50 per share for gross proceeds of approximately $15.1 million. The offer and sale of the shares of Class A Common Stock was made pursuant to an Offering Circular, dated January 30, 2018, which formed part of the Offering Statement on Form 1-A (File No. 024-10773), which was most recently qualified by the SEC on January 29, 2018. TriPoint Global Equities, LLC, working with its online division BANQ® (www.banq.co), was the Lead Managing Selling Agent for the IPO. Roth Capital Partners, LLC was the Institutional Placement Book-Running Agent. Telsey Advisory Group LLC was the Co-Manager for the offering. The initial public offering commenced on January 29, 2018 and terminated upon the closing.

The Company received net proceeds from the IPO of approximately $13.6 million, after deducting selling agent discounts and commission of approximately $1.1 million, but before offering expenses of $1.5 million. None of the selling agent discounts and commissions or other offering expenses were incurred by or paid to directors or officers of the Company or their associates or persons owning 10 percent or more of the Company's common stock or to any of the Company's affiliates.

The Company used the net proceeds from our IPO to purchase 7.32% of newly issued Common Units of Holdings. Holdings transferred the proceeds it received from the sale of such Common Units to iPic-Gold Class. iPic-Gold Class has used approximately $10.9 million, the majority of which was used for remodels prior to expected loan advances, and used the remaining proceeds for general corporate purposes, including opening new iPic locations. There has been no material change in the Company's use of the net proceeds from the IPO as described in the Offering Circular.

Item 6. Selected Financial Data

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

iPic strives to be our guests' favorite local destination for a night out on the town. Our newest locations blend three distinct areas — a polished-casual restaurant, a farm-to-glass full-service bar, and our world-class luxury theater auditoriums with in-theater dining — into a one-of-a-kind experience. Our team endeavors to deliver world class hospitality in innovative, one-of-a-kind theaters which we believe are among the finest in the world. Our chefs and mixologists create craveable food and drink offerings that are outstanding on a standalone basis, but it is the interplay between our entertainment, dining and full-service bar areas that is the defining feature of a typical four-hour guest experience. We thoughtfully design the layout, ambiance, and energy-flow of each unit to maximize the crossover between these activities. With constantly changing movie content and menu offerings, each visit is different, providing our customers with a reason to visit us repeatedly. We believe that we deliver an experience that is innovative, unique and cannot be easily replicated at home or elsewhere without the hassle of having to visit multiple destinations. Our locations also act as great venues for private events, family and business functions and other corporate-sponsored events. We believe our concept is well-positioned within today's ever-increasing experiential economy.

We believe that we pioneered the concept of polished-casual dining in a luxury theater auditorium and are one of the largest combined movie theater and restaurant entertainment destinations with locations engineered from the ground up to provide our guests with a luxurious movie-going experience at an affordable price. We currently operate 123 screens at 16 locations in 9 states, with an additional 3 locations under construction, and a pipeline of an additional 12 sites that either have a signed lease or are in lease negotiations.

Growth Strategies and Outlook

Our growth strategy consists of the following components:

Opening new iPic locations. This is our greatest immediate opportunity for growth. We believe that we are still in the very nascent stage of our growth story. We currently operate 123 screens at 16 locations in 9 states with an additional 3 locations under construction and a pipeline of an additional 12 sites that either have a signed lease or are in lease negotiations. We believe that we currently control less than 0.5% market share of the theater business in the United States, based on data provided by the National Association of Theatre Owners and our financial results. We believe there is tremendous whitespace opportunity to expand in both existing and new U.S. markets, as well as overseas, and we have invested in our infrastructure through new hires at our home office to enable us to continue to grow with discipline. We have upgraded four Generation I locations and one Generation II location in 2018. We plan to open at least two new domestic locations in 2019. We will continue to pursue a disciplined new store growth strategy in both new and existing markets where we can achieve consistent high store revenues and attractive store-level cash-on-cash returns.

Growing our comparable-store sales. We intend to grow our comparable-store sales by continuing to differentiate the iPic brand from other food and entertainment alternatives, through the following strategies:

- *Differentiate our food and beverage offering*
- *Relentless efforts on hospitality*
- *Grow usage of alternative content*
- *Enhance brand awareness and drive incremental visits to our stores through innovative marketing and promotions*
- *Grow our special events usage*

Improving our margins. We believe we are well-positioned to increase margins and believe we have additional opportunities to reduce costs. Under our current cost structure, we generally estimate that about 30% of any comparable-store sales growth that exceeds the cost of inflation in that store would flow through to our Adjusted EBITDA. We also believe that improved labor scheduling technology will allow us to increase labor productivity in the future. We believe that our continued focus on operating margins at individual locations and the deployment of best practices across our store base is expected to yield incremental margin efficiencies.

Key Performance Indicators

We monitor and analyze many key performance measures to manage our business and evaluate financial and operating performance. These measures include:

New store openings. Our ability to expand our business and reach new customers is influenced by the opening of additional iPic locations in both new and existing markets. The success of our new iPic locations is indicative of our brand appeal and the efficacy of our site selection and operating models. We opened one new iPic location in 2017 and no new locations in 2018. We plan to open two new iPic locations in 2019; Delray Beach, FL and Irvine, CA. We recently signed leases for new stores at Atlanta, GA, Hicksville, NY and McLain, VA.

Comparable-store sales. Comparable-store sales are a year-over-year comparison of sales at iPic locations open at the end of the period which have been open for at least 12 months prior to the start of such quarterly period. It is a key performance indicator used within the industry and is indicative of acceptance of our initiatives as well as local economic and consumer trends. Our comparable stores consisted of 15 stores at the end of both December 2017 and December 2018. From period to period, comparable-store sales are generally impacted by attendance and average spend per person. Spend per person is, in turn, composed of pricing and sales mix changes.

In September 2018, we changed the way we calculate comparable-store sales to now include 100% of our revenue. Our prior calculation excluded most revenue that was not directly associated with on-site theater box-office sales and/or food-and-beverage sales, thus excluding our growing net revenue streams including amortization of membership fees and sponsorship income. We believe including 100% of our revenues in our comparable-store sales calculation provides better insight into the overall health of our business. The below table shows our quarterly comparable-store sales calculations for 2018 using our previous method and our new method.

	Q1 2018	**Q2 2018**	**Q3 2018**	**Q4 2018**	**FY 2018**
Previous Method	*-5.1%*	*7.6%*	*-3.5%*	*-2.5%*	*-1.0%*
New Method	**-2.9%**	***9.8%***	**0.0%**	**-0.6%**	**1.4%**

Financial Overview

Revenue: Total revenue consists of food and beverage, theater and other revenues. Our revenue growth is primarily influenced by the number of new iPic locations and growth in comparable store revenues.

Food and Beverage Revenue is our largest source of revenue. This includes all food and beverage sales within our restaurants, theaters and bars. Food revenues refer to food and non-alcoholic beverages, and food offerings vary based on regional preferences and concepts as described in our restaurant brands section. Beverage revenues refer to alcoholic beverages sold within our locations, all of which are fully licensed.

Theater Revenue is our second largest source of revenue. We predominantly license first-run films from major distributors through direct negotiation. All of our theaters are equipped to offer content in 2D and 3D format. Theater revenue depends largely on the timing and popularity of films released by distributors, so revenues attributed to any one particular distributor can vary significantly from year to year based on content. Theater revenue includes revenue from all sponsorship activities, advertising, rental of auditoriums for private functions, live shows, gaming events, academy screenings, corporate functions, corporate rentals, other revenue-generating showings, and other fees.

Other Revenue includes membership revenue, bowling, parking and valet, and gift card breakage.

Cost of food and beverage: Food and beverage costs are driven by supplier pricing movements and product mix. We continually strive to negotiate favorable pricing, select high-quality products, and monitor and control the use of our food and beverage products optimally.

Cost of theater: Film rental fees are paid based on box office receipts and are ordinarily paid from 20 to 35 days following receipt. These fees are negotiated directly with distributors and vary from film to film. We maintain strong relationships with the top film distributors, and our film buying group has decades of experience in the industry.

Result of Operations

The following table presents the results of operations for the periods indicated. The period-to-period comparisons of results are not necessarily indicative of results for future periods. The prior period has been revised, see subsection *Immaterial Error Correction* in Note 1 – Organization and Summary of Significant Accounting Policies of the audited consolidated financial statements.

($ in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues		
Food and beverage	$ 76,139	$ 75,731
Theater	68,760	66,891
Other	3,446	1,720
Total revenues	**148,345**	**144,342**
Operating expenses		
Cost of food and beverage	20,198	20,407
Cost of theater	28,396	28,801
Operating payroll and benefits	38,942	38,592
Occupancy expenses	18,625	17,896
Other operating expenses	29,803	26,653
General and administrative expenses	27,357	15,264
Depreciation and amortization expense	18,300	19,686
Pre-opening expenses	112	1,634
Impairment of property and equipment	4,430	3,760
Loss on abandonment of lease	1,839	-
Operating expenses	**188,002**	**172,693**
Operating loss	**(39,657)**	**(28,351)**
Other (expense) income		
Interest expense, net	(17,078)	(16,091)
Interest income	-	5
Total other (expense) income	**(17,078)**	**(16,086)**
Net loss before income tax expense	**(56,735)**	**(44,437)**
Income tax expense	30	87
Net loss	**(56,765)**	**(44,524)**
Less: Net loss attributable to non-controlling interests	(33,566)	-
Net loss attributable to iPic	**$ (23,199)**	**$ (44,524)**

Period-to-Period Comparisons

We have incurred net losses and currently have negative cash flows from operating activities. We anticipate this to continue in the near term as we continue to focus our efforts on expanding our customer base and theater locations.

Comparison of Years Ended December 31, 2018 versus December 31, 2017

Revenues

Total revenue for the year ended December 31, 2018 increased by $4.0 million to $148.3 million, which represented a 2.8% increase in total revenue as compared to $144.3 million of revenue in the year ended December 31, 2017. The $4.0 million increase in revenue was derived from the following sources: (i) $2.1 million from a net increase in year-over-year revenue from non-comparable stores, with increases at our Dobbs Ferry, NY location partially offset by decreases at our closed Glendale, WI location; and (ii) a $1.9 million or 1.4% increase in comparable-store sales.

Cost of Food and Beverage

In the year ended December 31, 2018, cost of food and beverage decreased by $0.2 million to $20.2 million (or to 26.5% of applicable revenue) from $20.4 million (or 26.9% of applicable revenue) in the year ended December 31, 2017. The decrease in food and beverage costs as a percent of applicable sales was driven by a same-store margin improvement of 48 basis points.

Cost of Theater

In the year ended December 31, 2018, cost of theater decreased by $0.4 million to $28.4 million (or to 41.3% of applicable revenue) from $28.8 million (or 43.1% of applicable revenue) in the year ended December 31, 2017. Cost of theater decreased as a percentage of applicable sales due to the differing mix of films between the two periods, as well as increased on-screen advertising revenue, which has a proportionately lower associated cost.

Operating Payroll and Benefits

In the year ended December 31, 2018, operating payroll and benefits increased by $0.4 million to $38.9 million (or to 26.3% of total revenue) from $38.5 million (or 26.7% of total revenue) in the year ended December 31, 2017. The increase in operating payroll and benefits was derived from the following sources: (i) $0.2 million higher year-over-year labor costs from non-comparable stores, with increases at our Dobbs Ferry, NY location partially offset by decreases at our former Glendale, WI location; and (ii) $0.2 million increase in labor costs at comparable stores.

Occupancy Expenses

In the year ended December 31, 2018, occupancy expenses increased by $0.7 million to $18.6 million (or to 12.6% of total revenue) from $17.9 million (or 12.4% of total revenue) in the year ended December 31, 2017. The increase in occupancy expenses was derived from the following sources: (i) $0.1 million increase in occupancy expenses associated with our non-comparable stores including Dobbs Ferry, NY; and (ii) $0.6 million increase in occupancy expenses at comparable stores.

Other Operating Expenses

Other operating expenses include both fixed and variable costs and primarily consist of utilities, restaurant and theater supplies, and repair and maintenance expenses. In the year ended December 31, 2018, other operating expenses increased by $3.1 million to $29.8 million (or to 20.1% of total revenue) from $26.7 million (or 18.5% of total revenue) in the year ended December 31, 2017. The increase in other operating expenses was derived from the following sources: (i) $0.1 million increase in other operating expenses associated at non-comparable stores; (ii) a $2.4 million increase in other operating expenses at comparable stores; and (iii) a $0.6 million increase non-recurring charges. The year-over-year increase in other operating expenses as a percentage of sales was due to increased non-recurring costs related to the IPO, increase in the provision for legal settlement of the California class action as described in Note 15 of our consolidated financial statements, as well as increased one-time production and staging costs for our live entertainment shows and a higher amount of repair and maintenance work performed across all the locations.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel, facilities and professional expenses for the various departments of our corporate headquarters. In the year ended December 31, 2018, general and administrative expenses increased by $12.1 million to $27.4 million (or 18.4% of total revenue) from $15.3 million (or 10.6% of total revenue) in the year ended December 31, 2017. General and administrative expenses increased due to (i) $9.4 million increase in equity-based compensation related to Non-Qualified Options and Restricted Stock Units issued to employees as part of the IPO; and (ii) $2.7 million of costs incurred as a result of becoming a publicly traded company (including director's fees, D&O insurance and professional fees).

Depreciation and Amortization Expense

Depreciation and amortization expense includes the depreciation of property and equipment. In the year ended December 31, 2018, depreciation and amortization expense decreased by $1.4 million to $18.3 million from $19.7 million in the year ended December 31, 2017. The majority of this decrease was due to certain asset groups, including furniture, fixtures, and office equipment, becoming fully depreciated before the start of the 2018 period.

Pre-Opening Expenses

Pre-opening expenses include costs associated with the opening and organizing of new stores, including pre-opening rent, staff training and recruiting, and travel costs for employees engaged in such pre-opening activities. In year ended December 31, 2018, pre-opening expenses decreased by $1.5 million to $0.1 million from $1.6 million in year ended December 31, 2017 as a result of the fact that we did not have any new store openings in 2018.

Impairment of Property and Equipment

In the year ended December 31, 2018, impairment of property and equipment increased by $0.6 million to $4.4 million from $3.8 million in the year ended December 31, 2017. This was due to (i) a $1.8 million impairment charge taken at our Scottsdale, AZ location; and (ii) a $2.6 million impairment charge related to our South Barrington, IL location. In the year ended December 31, 2017, a loss on impairment of $3.3 million was taken at our Scottsdale, AZ location and $0.5 million loss on impairment was also taken at our Glendale, WI location.

Loss on Abandonment of Lease

In the year ended December 31, 2018, a loss on abandonment of lease provision was incurred for $1.8 million associated with the lease abandonment at our former Glendale, WI location. The Company announced the closing of this location effective March 8, 2018. The events giving rise to that decision include the mall entering receivership during the last quarter of 2017 and the underperformance of site during the first quarter of 2018.

Interest Expense

Interest expense includes the cost of our debt obligations, including the amortization of loan fees and any interest income earned. In the year ended December 31, 2018, interest expense increased by $1.0 million to $17.1 million from $16.1 million in the year ended December 31, 2017. The increase in interest expense was a result of higher debt levels associated with the Non-revolving Credit Facility, the impact of full-period financing charges associated with our newest locations, as well as, the additional interest owed to comply with the minimum guaranteed interest payment required to settle the promissory note to Village Roadshow Attractions USA, Inc.

Income Tax Expense

In the year ended December 31, 2018, income tax expense decreased by $0.1 million to $0.0 million from $0.1 million in the year ended December 31, 2017 due to current state and local income taxes. Our effective tax rate differs from the statutory rate due to non-controlling interest, changes in the tax valuation allowance, state income taxes and the impact of certain expenses which are not deductible for income tax purposes.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating leases.

Liquidity and Capital Resources

Based upon our working capital deficiency of $14.7 million and net asset deficit of $119.2 million, as of December 31, 2018, we require and are actively exploring additional equity and/or debt financing to continue our operations. These conditions raise substantial doubt about our ability to continue as a going concern, see Note 9 – Management's Plan Regarding Future Operations in the consolidated financial statements for further discussion. Additionally, we are required to comply with SEC and NASDAQ rules and requirements when raising capital, which may make it more difficult for us to raise significant amounts of capital. If we cannot raise needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a company.

In the year ended December 31, 2018, working capital increased by $2.4 million, to a deficiency of $14.7 million at December 31, 2018, compared to a deficiency of $17.1 million at December 31, 2017. This increase stemmed largely from changes in accrued interest and deferred revenue during this period.

Summary of Cash Flows

Our primary sources of liquidity and capital resources have been cash on hand, contributions from owners and the Non-Revolving Credit Facility. Aside from capital expenditures, our primary requirements for liquidity are for lease obligations, working capital and general corporate needs. Guests pay for their food and beverage purchases in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the supplier of such items.

The following table and discussion presents, for the periods indicated, a summary of our key cash flows from operating, investing and financing activities.

$ in thousands

	Year ended	
	December 31, 2018	**December 31, 2017**
Net cash used in operating activities	$ (16,961)	$ (9,387)
Net cash used in investing activities	(22,920)	(16,752)
Net cash provided by financing activities	35,402	31,991
Net increase/(decrease) in cash	(4,479)	5,852
Cash at beginning of period	10,505	4,653
Cash at end of period	**$ 6,026**	**$ 10,505**

Operating Activities

Net cash used in operating activities for the year ended December 31, 2018 and for the year ended December 31, 2017 was $17.0 million and $9.4 million, respectively. The decrease in cash flows from operating activities for the 2018 period as compared to the 2017 period was caused by larger net losses and impacts of timing adjustments on accrued interest.

Investing Activities

During the year ended December 31, 2018, net cash in the amount of $22.9 million was used in investing activities, while during the year ended December 31, 2017, net cash used in investing activities was $16.8 million, primarily due to the remodeling of five existing sites and construction of one new site.

Financing Activities

Net cash provided by financing activities during the year ended December 31, 2018 and the year ended December 31, 2017 was $35.4 million and $32.0 million, respectively. During the year ended December 31, 2018, $12.3 million of financing was provided by the issuance of common stock sold in the initial public offering. During the year ended December 31, 2017, $16.1 million of financing was provided by capital contributions, while $17.8 million was provided by debt financing.

Critical Accounting Policies and Estimates

We make certain judgments and use certain estimates and assumptions when applying accounting principles in the preparation of our consolidated financial statements. The nature of the estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change. We have identified the accounting for long-lived assets, income taxes and stock-based compensation as critical accounting estimates, as they are the most important to our financial statement presentation and require difficult, subjective and complex judgments.

We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and, in certain situations, could have a material adverse effect on our consolidated financial condition.

Going Concern

We are responsible to evaluate conditions or events as related to uncertainties that raise substantial doubt about our ability to continue as a going concern and to provide related footnote disclosures, as applicable. Management's estimates and assumptions, used in the evaluation of our ability to meet our obligations as they become due within one year after the date our financial statements are issued, are based on the facts and circumstances at such date and are subject to a material and high level of subjectivity and uncertainty due to the matters themselves being uncertain and subject to modification. The effect of any individual or aggregate changes in the estimates and assumptions, or the facts and circumstances, could be material to the financial statements. Our financial statements have been prepared assuming we will continue as a going concern, do not include any adjustments that might result if we were unable to do so but, as we have stated under Part I, Item 1A. "Risk Factors—Risks Related to Our Business and Industry," we have concluded that there is substantial doubt about our ability to continue as a going concern.

Long-Lived Assets

We depreciate and amortize the components of our property and equipment on a straight-line basis over the estimated useful lives of the assets. The estimates of the assets' useful lives require our judgment and our knowledge of the assets being depreciated and amortized. When necessary, the assets' useful lives are revised and the impact on depreciation and amortization is recognized on a prospective basis. Actual economic lives may differ materially from these estimates. In addition, we review long-lived assets for possible impairment using a three-step approach. Under the first step, management determines whether an indicator of impairment is present (a "Triggering Event"). If a Triggering Event has occurred, the second step is to test for recoverability based on a comparison of the asset's carrying amount with the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the future undiscounted cash flows is less than the carrying amount of the asset, the third step is to recognize an impairment loss for the excess of the asset's carrying amount over its fair value. There are a number of estimates and significant judgments that are made by management in performing these impairment evaluations. Such judgments and estimates include estimates of future revenues, cash flows, capital expenditures, and the cost of capital, among others. We believe we have used reasonable and appropriate business judgments. There is considerable management judgment with respect to cash flow estimates and appropriate multiples and discount rates to be used in determining fair value, and, accordingly, actual results could vary significantly from such estimates, which fall under Level 3 within the fair value measurement hierarchy. These estimates determine whether impairments have been incurred, and quantify the amount of any related impairment charge. Given the nature of our business and our recent history, future impairments are possible and they may be material, based upon business conditions that are constantly changing and the competitive business environment in which we operate.

Income Taxes

We account for income taxes under Accounting Standards Codification 740 Income Taxes ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to impact taxable income. ASC 740 requires the establishment of a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Tax benefits claimed or expected to be claimed on a tax return are recorded in our consolidated financial statements. A tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, 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 fifty percent likelihood of being realized upon ultimate resolution. Uncertain tax positions have had no impact on our financial condition, results of operations or cash flows.

Stock-Based Compensation

We account for options granted to employees by measuring the cost of services received in exchange for the award of equity instruments based upon the fair value of the award on the date of grant. The fair value of that award is then ratably recognized as expense over the period during which the recipient is required to provide services in exchange for that award.

Options and warrants granted to consultants and other non-employees are recorded at fair value based on the value of the award or services received.

The compensation expense for restricted stock units awarded was based on the fair value of the awards on the IPO date. Compensation expense is recorded in the consolidated statements of comprehensive income (loss) and is recognized over the requisite service period. The determination of obligations and compensation expense requires the use of several mathematical and judgmental factors, including stock price, expected volatility, the anticipated life of the option, the estimated risk-free rate and the number of shares expected to vest.

Recent Accounting Pronouncements

Refer to Note 1 "Organization and Summary of Significant Accounting Policies" for a discussion of recent accounting pronouncements.

NON-GAAP FINANCIAL MEASURES

Certain financial measures presented in this Form 10-K, such as EBITDA, Adjusted EBITDA and Store-Level EBITDA are not recognized under accounting principles generally accepted in the United States, which we refer to as "GAAP." We define these terms as follows:

- "EBITDA" means, for any reporting period, net loss before interest, taxes, depreciation, and amortization,

- "Adjusted EBITDA" is a supplemental measure of our performance and is also the basis for performance evaluation under our executive compensation programs. Adjusted EBITDA is defined as EBITDA adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing operating performance. These items include, among other things, equity-based compensation expense, pre-opening expenses, other income and loss on disposal of property and equipment, impairment of property and equipment as well as certain non-recurring charges. We believe that Adjusted EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to our ongoing business performance.

- "Store-Level EBITDA" is a supplemental measure of our performance which we believe provides management and investors with additional information to measure the performance of our locations, individually and as an entirety. Store-Level EBITDA is defined by us as EBITDA adjusted for pre-opening expenses, other income, loss on disposal of property and equipment, impairment of property and equipment, non-recurring charges, and general and administrative expense. We use Store-Level EBITDA to measure operating performance and returns from opening new stores. We believe that Store-Level EBITDA is another useful measure in evaluating our operating performance because it removes the impact of general and administrative expenses, which are not incurred at the store level, and the costs of opening new stores, which are non-recurring at the store-level, and thereby enables the comparability of the operating performance of our stores for the periods presented. We also believe that Store-Level EBITDA is a useful measure in evaluating our operating performance within the entertainment and dining industry because it permits the evaluation of store-level productivity, efficiency and performance, and we use Store-Level EBITDA as a means of evaluating store financial performance compared with our competitors.

You are encouraged to evaluate the adjustments we have made to GAAP financial measures and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Store-Level EBITDA, you should be aware that in the future we may incur income and expenses that are the same as or similar to some of the adjustments in this Form 10-K.

EBITDA, Adjusted EBITDA and Store-Level EBITDA are included in this Annual Report because they are key metrics used by management and our board of directors to assess our financial performance. EBITDA and Adjusted EBITDA are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Store-Level EBITDA is utilized to measure the performance of our locations, both individually and in entirety.

EBITDA, Adjusted EBITDA and Store-Level EBITDA are not GAAP measures of our financial performance or liquidity and should not be considered as alternatives to net income (loss) as a measure of financial performance or cash flows from operations as measures of liquidity, or any other performance measure derived in accordance with GAAP. Our presentation of EBITDA, Adjusted EBITDA and Store-Level EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA, Adjusted EBITDA and Store-Level EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not reflect tax payments, debt service requirements, capital expenditures, iPic openings and certain other cash costs that may recur in the future, including, among other things, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. Management compensates for these limitations by relying on our GAAP results in addition to using EBITDA and Adjusted EBITDA. Our measures of EBITDA, Adjusted EBITDA and Store-Level EBITDA are not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

Non-GAAP Financial Measures
$ in thousands

	Year ended December 31, 2018	Year ended December 31, 2017
Net loss	$ (56,765)	$ (44,524)
Plus:		
Interest expense	17,078	16,091
Income tax expense	30	87
Depreciation and amortization expense	18,300	19,686
EBITDA	**(21,357)**	**(8,660)**
Plus:		
Pre-opening expenses	112	1,634
Other income	-	(5)
Equity-based compensation	9,380	-
Impairment of property and equipment	4,430	3,760
Loss on abandonment of lease	1,839	-
IPO-related and non-recurring legal costs	2,678	2,576
Adjusted EBITDA	**(2,918)**	**(695)**
Plus:		
Corporate general and administrative expense	17,977	15,264
Store-Level EBITDA	**$ 15,059**	**$ 14,569**

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, the Company is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors of iPic Entertainment Inc.
Boca Raton, Florida

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of iPic Entertainment Inc. (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in stockholders' / members' deficit, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered recurring losses from operations, had negative cash flows from operating activities and had working capital and stockholders' deficits that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Crowe LLP

We have served as the Company's auditor since 2011.

Fort Lauderdale, Florida
April 1, 2019

iPic Entertainment Inc.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 6,026	$ 10,505
Accounts receivable	3,874	5,313
Inventories	1,218	1,198
Prepaid expenses	3,808	3,423
Total current assets	14,926	20,439
Property and equipment, net	143,539	141,166
Deposits	259	218
Convertible note receivable	-	250
Total assets	$ 158,724	$ 162,073
Liabilities and Stockholders' / Members' Deficit		
Accounts payable	$ 12,629	$ 11,759
Accrued expenses	5,039	2,709
Accrued interest	-	7,078
Accrued payroll	4,048	5,361
Accrued insurance	1,392	1,214
Taxes payable – sales tax	958	1,232
Deferred revenue	5,541	8,144
Total current liabilities	29,607	37,497
Long-term debt – related party	188,261	142,603
Notes payable to related parties	-	50,242
Deferred rent	49,354	50,826
Accrued interest – long-term	9,398	5,130
Other long-term liabilities	1,325	-
Total liabilities	277,945	286,298
Commitments and Contingencies (Note 7)		
Members' deficit	-	(124,225)
Class A Common Stock; $0.0001 par value; 100,000,000 shares authorized; 7,144,133 issued and outstanding as of December 31, 2018	1	-
Class B Common Stock; $0.0001 par value; 25,000,000 shares authorized; 4,323,755 issued and outstanding as of December 31, 2018	-	-
Additional paid-in capital	(121,988)	-
Accumulated deficit	(18,757)	-
Total stockholders' / members' deficit attributable to iPic Entertainment Inc.	(140,744)	(124,225)
Non-controlling interests	21,523	-
Total stockholders' / members' deficit	(119,221)	(124,225)
Total Liabilities and Stockholders' / Members' Deficit	$ 158,724	$ 162,073

See accompanying notes to consolidated financial statements.

iPic Entertainment Inc.
Consolidated Statements of Operations
(In thousands, except share and per share data)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenues		
Food and beverage	$ 76,139	$ 75,731
Theater	68,760	66,891
Other	3,446	1,720
Total revenues	**148,345**	**144,342**
Operating expenses		
Cost of food and beverage	20,198	20,407
Cost of theater	28,396	28,801
Operating payroll and benefits	38,942	38,592
Occupancy expenses	18,625	17,896
Other operating expenses	29,803	26,653
General and administrative expenses	27,357	15,264
Depreciation and amortization expense	18,300	19,686
Pre-opening expenses	112	1,634
Impairment of property and equipment	4,430	3,760
Loss on abandonment of lease	1,839	-
Operating expenses	**188,002**	**172,693**
Operating loss	**(39,657)**	**(28,351)**
Other (expense) income		
Interest expense, net	(17,078)	(16,091)
Other income	-	5
Total other (expense) income	**(17,078)**	**(16,086)**
Net loss before income tax expense	**(56,735)**	**(44,437)**
Income tax expense	30	87
Net loss	**(56,765)**	**(44,524)**
Less: Net loss attributable to non-controlling interests	(33,566)	
Net loss attributable to iPic Entertainment Inc.	**$ (23,199)**	**$ (44,524)**
Net loss attributable to iPic Entertainment Inc. per Class A common share (Note 11)(1)		
Basic	$ (4.05)	
Diluted	$ (4.05)	
Weighted-average number of Class A common shares outstanding (Note 11)		
Basic	4,629,490	
Diluted	4,629,490	
Unaudited pro forma net loss per Class A common share (Note 12)		
Basic		$ (3.98)
Diluted		$ (3.98)
Unaudited pro forma weighted-average number of Class A common shares outstanding (Note 12)		
Basic		1,248,159
Diluted		1,248,159
Unaudited pro forma income tax expense (Note 12)		$ 87

(1) Basic and diluted net loss per Class A common share is applicable only for periods after the Company's IPO. See Note 11 "Net Loss per Share".

See accompanying notes to consolidated financial statements.

iPic Entertainment Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash flows from operating activities:		
Net loss	$ (56,765)	$ (44,524)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,300	19,686
Impairment of property and equipment	4,430	3,760
Loss on disposal of property and equipment	-	8
Amortization of deferred rent	(1,472)	(866)
Interest paid in kind	7,776	-
Equity-based compensation	9,478	-
Lease incentive payments received from lessors	-	123
Effective interest adjustment	(355)	(355)
Net changes in operating assets and liabilities:		
Accounts receivable	1,439	1,032
Inventories	(20)	29
Prepaid expenses	(385)	1,129
Deposits	(41)	14
Accounts payable	(1,064)	211
Accrued expenses and other liabilities	4,551	9,449
Accrued interest	(230)	-
Deferred revenue	(2,603)	917
Net cash used in operating activities	$ (16,961)	$ (9,387)
Cash flows from investing activities:		
Purchases of property and equipment	(23,170)	(16,502)
Repayment of (investment in) convertible note receivable	250	(250)
Net cash used in investing activities	(22,920)	(16,752)
Cash flows from financing activities:		
Members' contributions	2,500	16,057
Proceeds from issuance of common stock sold in initial public offering, net of offering costs	12,325	-
Repayment of notes payable to related parties	(15,000)	-
Borrowings on notes payable to related parties	-	2,891
Borrowings on long-term debt – related party	37,881	14,890
Net repayment of short-term borrowings	(2,304)	(1,847)
Net cash provided by financing activities	35,402	31,991
Net (decrease) increase in cash and cash equivalents	(4,479)	5,852
Cash and cash equivalents at the beginning of period	10,505	4,653
Cash and cash equivalents at the end of period	$ 6,026	$ 10,505

See accompanying notes to consolidated financial statements.

iPic Entertainment Inc.
Consolidated Statements of Cash Flows (continued)
(In thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 9,561	$ 7,723
Cash paid for income taxes	$ 30	$ 87
Supplemental disclosures of non-cash activity:		
Property and equipment financed through liabilities	$ 2,656	$ 723
Insurance premiums financed through short term borrowings	$ 2,304	$ 2,300
Interest payment-in-kind	$ 7,776	$ -
Conversion of notes payable to related parties to equity	$ 37,414	$ -
Non-cash capital distributions	$ -	$ (2,270)

See accompanying notes to consolidated financial statements.

iPic Entertainment Inc.
Consolidated Statements of Changes in Stockholders' / Members' Deficit
(In thousands, except share and per share data)

	Members' Deficit	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Total Stockholders'/ Members' Deficit Attributable to iPic Entertainment Inc.	Non-controlling Interests	Total Stockholders'/ Members' Deficit
Deficit – December 31, 2016	**$ (93,921)**	**-**	**$ -**	**-**	**$ -**	**$ -**	**$ -**	**$ (93,921)**	**$ -**	**$ (93,921)**
Net loss	(44,524)	-	-	-	-	-	-	(44,524)	-	(44,524)
Members' contributions	16,490	-	-	-	-	-	-	16,490	-	16,490
Non-cash distribution to members	(2,270)	-	-	-	-	-	-	(2,270)	-	(2,270)
Deficit – December 31, 2017	**(124,225)**	**-**	**-**	**-**	**-**	**-**	**-**	**(124,225)**	**-**	**(124,225)**
Activity prior to the initial public offering and related organizational transactions:										
Net loss	(4,442)	-	-	-	-		-	(4,442)	-	(4,442)
Members' contributions	2,500	-	-	-	-		-	2,500	-	2,500
Equity-based compensation	95	-	-	-	-		-	95	-	95
Effects of the initial public offering and related organizational transactions:										
Issuance of Class A common stock in the IPO, net of underwriting discount and offering costs	-	818,429	-	-	-	1,375	-	1,375	10,948	12,323
Issuance of common stock	-	429,730	-	9,926,621	1		-	1	-	1
Conversion of notes payable and accrued interest	-	-	-	-	-	4,151	-	4,151	33,006	37,157
Allocation of equity to non-controlling interests in iPic-Gold Class Holdings, LLC	126,072	-	-	-	-	(14,083)	-	111,989	(111,989)	-
Activity subsequent to the initial public offering and related organizational transactions:										
Net loss	-	-	-	-	-	-	(18,757)	(18,757)	(33,566)	(52,323)
Exchange of redeemable non-controlling interests for Class A common stock	-	5,602,866	1	(5,602,866)	(1)	47,232	-	47,232	(47,232)	-
Equity-based compensation	-	-	-	-	-	1,692		1,692	7,975	9,667
Issuance of Class A common stock	-	293,108	-	-	-	26	-	26	-	26
Remeasurement of redeemable non-controlling interests	-	-	-	-	-	(162,381)	-	(162,381)	162,381	-
Deficit – December 31, 2018	$ -	7,144,133	$ 1	4,323,755	$ -	$ (121,988)	$ (18,757)	$ (140,744)	$ 21,523	$ (119,221)

See accompanying notes to consolidated financial statements.

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

iPic Entertainment Inc. (“iPic”) was formed as a Delaware corporation on October 18, 2017. iPic was formed for the purpose of completing an initial public offering (“IPO”) and related transactions in order to carry on the business of iPic-Gold Class Entertainment, LLC (“iPic-Gold Class”) and its subsidiaries. The IPO occurred on February 1, 2018; refer to Note 2 “Initial Public Offering” for details of the IPO and the related transactions. Additionally, iPic-Gold Class Holdings LLC (“Holdings”) was formed as a Delaware limited liability company on December 22, 2017, to hold the equity interests in iPic-Gold Class. As of the completion of the IPO and related transactions, iPic is the sole managing member of Holdings, and Holdings is the sole managing member of iPic-Gold Class and its subsidiaries. iPic-Gold Class and its subsidiaries continue to conduct the business conducted by these subsidiaries prior to the IPO and related transactions. Prior to the consummation of the IPO, iPic had no operations or activities.

Holdings is considered a variable interest entity (“VIE”) of iPic. iPic is the primary beneficiary due to the following factors: it has an economic interest in Holdings, it is the sole managing member, and it has decision-making authority that significantly affects the economic performance of the entity, while the non-controlling interest holders have no substantive kick-out or participating rights. As a result, Holdings is consolidated as part of iPic. The assets and liabilities of Holdings represent substantially all of our consolidated assets and liabilities.

As a result of the IPO and the related transactions on February 1, 2018, iPic consolidates the financial results of Holdings and iPic-Gold Class and its subsidiaries with its financial results and reports non-controlling interests to reflect the interests of Common Units (as defined below in Note 2 “Initial Public Offering”) of Holdings held by parties other than iPic. iPic-Gold Class has been determined to be the predecessor for accounting purposes and, accordingly, the consolidated financial statements for periods prior to the IPO and Organizational Transactions (as defined below in Note 2 “Initial Public Offering”) have been adjusted to combine the previously separate entities for presentation purposes. Amounts as of December 31, 2017, for the period from January 1, 2017 to December 31, 2017, and for the for the period from January 1, 2018 to January 31, 2018 presented in the consolidated financial statements and notes to consolidated financial statements herein represent the financial position, results of operations and cash flows of iPic-Gold Class. The amounts as of December 31, 2018, and for the period from February 1, 2018 through December 31, 2018 represent the financial position, results of operations and cash flows of the Company. iPic and its subsidiaries are collectively referred to throughout the consolidated financial statements and related notes as the “Company”, “we”, “our” or “us”.

Principles of Consolidation

All significant intercompany balances and transactions have been eliminated in consolidation.

Revision of Prior Period Consolidated Financial Statements

The Company previously classified fees related to enhanced services and experiences within the Theater revenue line item on the consolidated statements of operations, net of certain costs. The Company has determined that certain costs related to these items should have been classified within the line item of Cost of theater within the grouping of Operating Expenses for all periods presented. Consequently, the Company has revised its consolidated financial statements in the period noted below to reflect the correction of this immaterial error. The Company considered SEC Staff Accounting Bulletin (“SAB”) 99, *Materiality* and SAB 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,* in assessing materiality. The revision had no impact on reported net loss in any of the periods impacted.

	As Previously Reported	Revision	As Revised
		(in thousands)	
Consolidated Statement of Operations December 31, 2017			
Revenue – Theater	$ 61,968	$ 4,923	$ 66,891
Total revenues	139,419	4,923	144,342
Cost of theater	23,878	4,923	28,801
Operating expenses	167,770	4,923	172,693

In addition, the following tables present expected revisions to previously filed unaudited interim condensed consolidated financial statements for the impact of this immaterial error on the first, second and third quarter 2018 information when it is presented in future Exchange Act reports (unaudited).

	As Previously Reported	Revision	As Revised
		(in thousands)	
Unaudited Condensed Consolidated Statement of Operations for the three month period ended March 31, 2018			
Revenue – Theater	$ 16,311	$ 1,442	$ 17,753
Total revenues	37,262	1,442	38,704
Cost of theater	6,245	1,442	7,687
Operating expenses	54,387	1,442	55,829
Unaudited Condensed Consolidated Statement of Operations for the three month period ended June 30, 2018			
Revenue – Theater	$ 16,462	$ 1,607	$ 18,069
Total revenues	37,519	1,607	39,126
Cost of theater	6,476	1,607	8,083
Operating expenses	42,161	1,607	43,768
Unaudited Condensed Consolidated Statement of Operations for the six month period ended June 30, 2018			
Revenue – Theater	$ 32,773	$ 3,049	$ 35,822
Total revenues	74,780	3,049	77,829
Cost of theater	12,721	3,049	15,770
Operating expenses	96,549	3,049	99,598
Unaudited Condensed Consolidated Statement of Operations for the three month period ended September 30, 2018			
Revenue – Theater	$ 14,160	$ 947	$ 15,107
Total revenues	31,742	947	32,689
Cost of theater	4,998	947	5,945
Operating expenses	39,646	947	40,593
Unaudited Condensed Consolidated Statement of Operations for the nine month period ended September 30, 2018			
Revenue – Theater	$ 46,933	$ 3,996	$ 50,929
Total revenues	106,522	3,996	110,518
Cost of theater	17,719	3,996	21,715
Operating expenses	136,195	3,996	140,191

Locations

At December 31, 2018 and 2017, the Company operated a total of fifteen and sixteen cinemas, respectively, in the following locations throughout the United States:

- Glendale, Wisconsin[1]
- Pasadena, California
- Austin, Texas
- Fairview, Texas
- Boca Raton, Florida
- Bethesda, Maryland
- North Miami, Florida
- Redmond, Washington
- Scottsdale, Arizona
- Bolingbrook, Illinois
- South Barrington, Illinois
- Los Angeles, California
- Houston, Texas
- Fort Lee, New Jersey
- New York, New York
- Dobbs Ferry, New York

1 Location was closed in the first quarter of 2018. Refer to Note 4 “Property and Equipment”.

New Accounting Pronouncements

As an emerging growth company, the Company has elected the option to defer the effective date for adoption of new or revised accounting guidance. This option allows the Company to adopt new guidance on the effective date for entities that are not public business entities.

Interim Reporting

In August 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The amendments are effective as of November 5, 2018. Among the amendments is the requirement for companies to present (either in a separate statement or in the notes to the consolidated financial statements) an analysis of the changes in each line item of stockholders' equity and non-controlling interests, presented in the balance sheets, for interim consolidated financial statements in quarterly reports on Form 10-Q.

The Company is required to present for the quarterly reports on Form 10-Q the following items:

- A reconciliation of the beginning balance to the ending balance of shareholders'/members' equity for each period for which a statement of operations is required to be filed, including all significant reconciling items. Contributions from and distributions to owners must be shown separately;

- Any adjustments to the balance at the beginning of the earliest period presented for items which were retroactively applied to periods prior to that period;

- With respect to any dividends, state the amount per share and in the aggregate dividends for each class of shares;

- Any changes in the registrant's ownership interest in a subsidiary on the equity attributable to the registrant.

These changes are to be adopted for interim periods beginning after the effective date of the amendments. Therefore, the Company will reflect the amendments to the reporting requirements for its unaudited condensed consolidated financial statements for the first quarter of 2019.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09")*. The purpose of ASU 2014-09 is to clarify the principles for recognizing revenue and create a common revenue standard for U.S. GAAP and International Financial Reporting Standards. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). The following subsequent Accounting Standards Updates either clarified or revised guidance set forth in ASU 2014-09:

- In August 2015, the FASB issued Accounting Standards Update 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14")*. ASU 2015-14 deferred the effective date of ASU 2014-09. The guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2017 for public business entities and for all other entities subsequent to December 15, 2018, including interim reporting periods within that reporting period. The Company has elected to defer the implementation to the first quarter of 2019.

- In March 2016, the FASB issued Accounting Standards Update 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenues Gross versus Net) ("ASU 2016-08")*. The purpose of ASU 2016-08 is to clarify the implementation of revenue recognition guidance for principal versus agent considerations.

- In April 2016, the FASB issued Accounting Standards Update 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10")*. The purpose of ASU 2016-10 is to clarify certain aspects of identifying performance obligations and licensing implementation guidance.

- In May 2016, the FASB issued Accounting Standards Update 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12")*. The purpose of ASU 2016-12 is to address certain narrow aspects of Accounting Standards Codification ("ASC") Topic 606 including assessing collectability, presentation of sales taxes, noncash considerations, contract modifications and completed contracts at transition.

- In December 2016, the FASB issued Accounting Standards Update 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers ("ASU 2016-20")*. The purpose of ASU 2016-20 is to amend certain narrow aspects of the guidance issued in ASU 2014-09 related to the disclosure of performance obligations, as well as other amendments related to loan guarantee fees, contract costs, refund liabilities, advertising costs and the clarification of certain examples.

In March 2016, the FASB issued Accounting Standards Update 2016-04, *Liabilities-Extinguishments of Liabilities (Subtopic 405-20)*. This amendment provides a narrow scope exception to Liabilities-Extinguishment of Liabilities (Subtopic 405-20) that requires breakage for those liabilities to be accounted for in accordance with the breakage guidance in Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under the new guidance, if an entity expects to be entitled to a breakage amount for a liability resulting from the sale of a prepaid stored-value product, the entity shall derecognize the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the product holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. If an entity does not expect to be entitled to a breakage amount for a prepaid stored-value product, the entity shall derecognize the amount related to the breakage when the likelihood of the product holder exercising its remaining rights becomes remote. The Accounting Standards Update is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2018.

The amendments in these accounting standards updates may be applied either using a modified retrospective transition method by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is effective or retrospectively to each period presented. Early adoption is permitted.

The Company will adopt the amendments within these accounting standards updates in the first quarter of 2019 using the modified retrospective transition method. The Company has completed its analysis and concluded the adoption of ASC 606 will not materially impact the timing of revenue recognition for food and beverage revenue, theater revenue, other revenue streams, including revenues for unredeemed gift cards and advance ticket sales.

Leases

In February 2016, the FASB codified Accounting Standards Codification ("ASC") Topic No. 842, *Leases*, which requires companies to present substantially all leases on their balance sheets but continue to recognize expenses on their income statements in a manner similar to today's accounting. The new guidance also will result in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of expenses expected to be recognized from existing leases. The new guidance requires companies to adopt its provisions by modified retrospective adoption and will be effective for public business entities for years beginning after December 15, 2018, including interim periods within those years. Nonpublic business entities should apply the amendments for years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. The Company will adopt ASC Topic 842 in the first quarter of 2020 using the modified retrospective transition method on the effective date. Early application is permitted for all entities upon issuance. In January 2018, the FASB issued ASU No. 2018-01, as an amendment to ASC Topic No. 842, *Leases*, which is a land easement practical expedient. If the Company elects to use this practical expedient, the Company would evaluate new or modified land easements under this ASU beginning at the date of adoption. The Company is currently evaluating the impacts this new guidance will have on its consolidated financial statements. The Company currently expects that the majority of its operating lease commitments will be recognized as operating lease liabilities and right-of-use assets upon adoption of the new guidance. The Company expects that adoption will result in a material increase in the assets and liabilities presented in its consolidated balance sheets. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842* and *ASU No. 2018-11, Targeted Improvements to Topic 842* . The amendments in ASU No. 2018-10 and ASU No. 2018-11 provide additional clarification and implementation guidance on certain aspects of the previously issued ASU No. 2016-02, *Leases (Topic 842)*, and have the same effective and transition requirements as ASU No. 2016-02.

Stock Compensation

In June 2018, FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718)*, to expand the scope of ASC Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU No. 2018-07 is effective for public business entities for years beginning after December 15, 2018, and interim periods within those years. For all other entities, the amendments are effective for years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. Early application is permitted, but the provisions of this ASU are not to be adopted before an entity adopts ASC Topic 606. The Company is evaluating the effects of adoption of ASU No. 2018-07 will have on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation – Stock Compensation (Topic 718),* to provide guidance on determining which changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted, and is applied prospectively to changes in terms or conditions of awards occurring on or after the adoption date. The Company adopted this pronouncement for the fiscal year beginning January 1, 2018. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

Earnings Per Share

In July 2017, the FASB issued ASU No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities From Equity (Topic 480) And Derivatives And Hedging (Topic 815).* The amendments in Part I of this ASU change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260, *Earnings Per Share*, to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, *Debt-Debt with Conversion and Other Options*), including related EPS guidance (in Topic 260). The amendments in Part II of ASU No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities From Equity (Topic 480) And Derivatives And Hedging (Topic 815)* recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments in Part I of the ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is evaluating the impact that ASU No. 2017-11 will have on its consolidated financial statements.

Consolidation

In October 2018, FASB issued ASU No. 2018-17, *Consolidation - Targeted Improvements to Related Party Guidance for Variable Interest Entities (Topic 810).* ASU No. 2018-17 guidance eliminates the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. Instead, the reporting entity will consider such indirect interests on a proportionate basis. This pronouncement is effective for public entities for fiscal years ending after December 15, 2019, with early adoption permitted. The Company is evaluating the impact that ASU No. 2018-17 will have on its consolidated financial statements.

Basis of Presentation and Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates include, breakage on gift cards, fair value of equity based compensation, realization of deferred tax assets and uncertain tax positions and the useful life and impairment of long-lived assets. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Fair Value of Financial Instruments

The fair value of accounts receivable and accounts payable approximate their respective carrying values due to the short-term nature of those instruments. The Company believes it is not practicable to determine the fair value of its debt without incurring excessive costs because interest rates and other terms for similar debt are not readily available.

Variable Interest Entities

A VIE is an entity (1) that has total equity at risk that is not sufficient to finance its activities without additional subordinated financial support from any entities; (2) where the group of equity holders does not have the power to direct the activities of the entity that most significantly impact the entity's economic performance, or the obligation to absorb the entity's expected losses or the right to receive the entity's expected residual returns, or both; or (3) where the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. To determine whether an entity is considered to be a VIE, the Company first performs a qualitative analysis, which requires certain subjective decisions regarding its assessments, including, but not limited to, the existence of a principal-agency relationship between the parties, the design of the entity, the variability that the entity was designed to create and pass along to its interest holders, the rights of the parties, and the purpose of the arrangement.

The Company would consolidate the results of any such entity in which it determined that it had a controlling financial interest. The Company would have a controlling financial interest in such an entity if the Company had both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb the losses of, or right to receive benefits from, the VIE that could be potentially significant to the VIE. The Company reassesses regularly whether it has a controlling financial interest in any such entities in which it has a variable interest.

See Note 3 – Variable Interest Entities for further discussion on the structure for building our new theater location and corporate office in Delray Beach, Florida.

Cash and Cash Equivalents

The Company considers all highly liquid instruments or investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at their estimated net realizable value. As of December 31, 2018 and 2017, the Company recorded $3,874 and $5,313, respectively, of accounts receivable, of which $1,339 and $2,773 relate to amounts owed by Vantiv/Worldplay and American Express for credit card transactions processed before December 31, 2018 and 2017, respectively. Such amounts were collected in early January 2019 and 2018, respectively. Receivables are written off when they are considered uncollectible. The Company does not accrue interest on its receivables. At December 31, 2018 and 2017, the Company determined that all receivables were fully collectible and therefore, no allowance for doubtful accounts has been recorded.

Revenue Recognition

The Company recognizes theater revenue at the time tickets are remitted to the theater for admission. Food and beverage revenue is recognized at the point of sale. The proceeds from advance ticket sales and the sale of gift certificates and gift cards are deferred and recognized as revenues once the respective admission ticket that was purchased in advance or gift certificate or gift card is received or tendered at the theaters.

The Company is required to collect certain taxes from customers on behalf of government agencies and remit these to the applicable government agencies on a periodic basis. These taxes are legal assessments on the customer and the Company has a legal obligation to act as a collection agent. Because the Company does not retain these taxes, the Company does not include such amounts in revenues. The Company records a liability when the amounts are collected and relieves the liability when payments are made to the applicable government agencies.

The Company maintains a membership program, whereby members earn and accrue points based on purchases, which are redeemable on future purchases of tickets or food and beverage. For every dollar a member spends, the member receives one point which is equal to one cent. Points are redeemable once a member earns 500 points or greater. The Company uses the deferred revenue model which results in the transaction price being allocated to the products and services sold and the award credits, with revenue recognized as each element is delivered. The portion of the theater and food and beverage revenues attributed to the rewards is deferred as a reduction of theater and food and beverage revenues, respectively. Upon redemption, deferred rewards are recognized as revenues along with associated cost of goods. The Company charges an annual fee for this membership program, which is recorded as deferred revenue and recognized as revenue ratably over the twelve-month membership period. The revenue from the annual fee is included in other revenues in the accompanying consolidated statements of operations.

The Company sells gift cards to its customers at its locations and through its website. There are no administrative fees charged nor do the gift cards have an expiration date. Revenues from gift cards are recognized when gift cards are redeemed. In addition, the Company recognizes "breakage" on unredeemed gift cards based upon historical redemption patterns and the time that has transpired since the card was last used. The Company recognizes breakage proportionally to the percentage of redemptions that historically occur in each year after a gift card is sold. Revenue from gift card breakage is included in other revenues in the accompanying consolidated statements of operations.

Film Exhibition Costs

Film exhibition costs are accrued based on the applicable theater receipts and estimates of the final settlement to the film licensors. Such amounts are included in cost of theater in the accompanying consolidated statements of operations.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

The Company places its cash with high credit quality financial institutions. The Company has never experienced any losses related to its uninsured balances. Cash accounts at each U.S. bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250 in the aggregate and may exceed federally insured limits. A total of approximately $6,433 was held in one financial institution, at December 31, 2018.

Inventories

Inventories are comprised of concession goods, which include food and beverage, and theater supplies. Inventories are stated at the lower of average cost or net realizable value.

Property and Equipment

Property and equipment is stated at fair value based on assets acquired at inception of iPic-Gold Class and historical cost for subsequent acquisitions, less accumulated depreciation and amortization. Depreciable assets are depreciated from the date of acquisition or, for constructed assets, from the time the asset is completed and held ready for use.

Depreciation of property and equipment is computed under the straight-line method over the expected useful lives of applicable assets. Useful lives by asset class are as follows.

Furniture, fixtures and office equipment	5-7 years
Projection equipment and screens	7 years
Computer hardware and software	2-5 years
Leasehold improvements	Lesser of term of lease or asset life

When property and equipment is sold or otherwise disposed of, the cost and related accumulated depreciation/amortization is removed from the accounts, and any resulting gain or loss is included in earnings. The costs of normal maintenance, repairs and minor replacements are charged to expense when incurred.

The Company capitalizes interest costs on borrowings incurred during the new construction or upgrade of qualifying assets. During the years ended December 31, 2018 and 2017, the Company incurred interest costs totaling $17,159 and $16,287, respectively, of which $81 and $196 was capitalized, respectively.

Long-Lived Assets

The Company reviews long-lived assets for possible impairment using a three-step approach. Under the first step, management determines whether an indicator of impairment is present (a “Triggering Event”). If a Triggering Event has occurred, the second step is to test for recoverability based on a comparison of the asset’s carrying value with the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the future undiscounted cash flows is less than the carrying value of the asset, the third step is to recognize an impairment loss for the excess of the asset’s carrying value over its fair value.

During the fourth quarter of 2018, the Company determined that our South Barrington and Scottsdale locations were impaired based on the forecasts for these locations over the balance of their lease terms. The events giving rise to these decisions include underperformance of the Barrington location during the last quarter of 2018 and the changing competitive landscape in the Scottsdale area. Accordingly, the Company evaluated the value of the South Barrington and Scottsdale locations. Based on this evaluation, the Company determined that the long-lived assets at our South Barrington and Scottsdale locations, with total carrying values of $4,205 and $3,491, respectively, were no longer recoverable. Consequently, the assets were written down to their estimated fair values of $1,650 and $1,617, respectively. Fair value was based on expected future cash flows using Level 3 inputs, as defined under FASB ASC Topic No. 820, Fair Value Measurements. The cash flows are those expected to be generated by market participants, discounted at market-participant weighted average cost of capital. Because of lower marketplace demand, it is reasonably possible that the estimate of expected future cash flows for these locations may change in the near term resulting in the need to adjust our determination of fair value. The impairment loss of $4,430 is included in the consolidated statements of operations.

During the second quarter of 2017, the Company determined our Scottsdale location recognized significant decreases in revenue as compared to the second quarter of 2016. Accordingly, the Company evaluated the value of the Scottsdale location. Based on this evaluation, the Company determined long-lived assets (leasehold improvements), with a total carrying value of $4,967, were no longer recoverable. Consequently, the assets were written down to their estimated fair value of $1,636. Fair value was based on expected future cash flows using Level 3 inputs, as defined under FASB ASC Topic No. 820, Fair Value Measurements. The cash flows are those expected to be generated by market participants, discounted at the risk-free rate of interest. Because of lower marketplace demand, it is reasonably possible that the estimate of expected future cash flows may change in the near term resulting in the need to adjust our determination of fair value. The impairment loss of $3,332 is included in the consolidated statements of operations.

During the fourth quarter of 2017, the Company determined that our Glendale location was impaired based on the forecast of the location for the next few years. During 2017, the management of the mall in which the theater operates changed hands several times. The general mismanagement of the mall, has led to a decline in the audience at this location leading to decreased profitability. Accordingly, the Company evaluated the value of the Glendale location (using the same methodology as describe in the previous paragraph for Scottsdale). Based on this evaluation, the Company determined long-lived assets, with a carrying value of $428, were no longer recoverable. Consequently, the assets were written down to $0 at December 31, 2017.

Income Taxes

We account for income taxes pursuant to the asset and liability method which requires the recognition of deferred income tax assets and liabilities related to the expected future tax consequences arising from temporary differences between the carrying amounts and tax bases of assets and liabilities based on enacted statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Any effects of changes in income tax rates or laws are included in income tax expense in the period of enactment. A valuation allowance is recognized if we determine it is more likely than not that all or a portion of a deferred tax asset will not be recognized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, the Company considers all available positive and negative evidence affecting specific deferred tax assets, including past and anticipated future performance, the reversal of deferred tax liabilities, the length of carry-back and carry-forward periods and the implementation of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. Cumulative tax losses in recent years are the most compelling form of negative evidence considered by management in this determination. Management determined that based on all available evidence, a full valuation allowance was required for all federal, state and local deferred tax assets due to losses incurred for the past several years.

A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. The Company's tax filings are generally subject to examination for a period of three years from the filing date. Management has not identified any tax position taken that require income tax reserves to be established.

The Company recognizes interest and penalties related to income tax matters in income tax expense. The Company has no amounts accrued for interest or penalties at December 31, 2018 and 2017. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Accrued Interest — Long-Term

Accrued interest — long-term includes deferred interest recorded on the Company's increasing-rate debt and accrued interest on related party notes that the Company does not expect to liquidate within one year of the date of the consolidated balance sheets. Accrued interest on long-term debt as of December 31, 2018 is also included in Accrued Interest – Long Term as it was paid in kind subsequent to the consolidated balance sheet date.

Equity-Based Compensation

Equity-based compensation costs for equity classified awards are measured on the grant date based on the fair value of the award at that date and are recognized over the requisite service period. Liability classified awards are remeasured at their fair-value-based measure as of each reporting date until settlement. In accordance with ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, the Company will account for forfeitures as they occur.

Pre-Opening Expenses

Pre-opening expenses consist primarily of advertising and other start-up costs incurred prior to the operation of new theaters and are expensed as incurred.

Advertising and Marketing Expenses

The Company expenses advertising and marketing costs as incurred. The Company incurred advertising and marketing expenses of $2,705 and $3,128 for the years ended December 31, 2018 and 2017, respectively. These expenses are included in other operating expenses in the accompanying consolidated statements of operations.

Leases

The Company's operations are conducted on premises occupied under lease agreements with initial base terms of 15 to 25 years, with certain leases containing options to extend the leases for up to an additional 20 years. The Company does not believe that exercise of the renewal options in its leases is reasonably assured at the inception of the lease agreements and, therefore, considers the initial base term to be the lease term.

Most of the Company's leases include escalation clauses. The Company records rent expense for its operating leases on a straight-line basis over the base term of the lease agreements commencing with the date the Company has control and access to the leased premises, which is generally a date prior to the lease commencement date contained in the lease agreement. The Company views "rent holidays" as an inducement contained in the lease agreement that provides for a period of "free rent" during the lease term. The Company records lease incentive payments received from lessors under operating lease agreements as deferred rent, which it amortizes on a straight-line basis as reductions to rent expense over the terms of the respective leases. If the Company concludes that it has substantially all of the construction-period risks, it records a construction asset and related liability for the amount of total project costs incurred during the construction period.

NOTE 2 — INITIAL PUBLIC OFFERING

Initial Public Offering

On February 1, 2018, iPic completed its IPO of 818,429 shares of Class A Common Stock at a price of $18.50 per share. iPic received approximately $13,600 in proceeds, net of underwriting discounts and commission, but before offering expenses of approximately $1,500. iPic used the proceeds to purchase 7.32% of newly issued common units of iPic-Gold Class Holdings LLC ("Common Units"), which became the sole managing member of iPic-Gold Class in a series of related transactions that occurred concurrently with the IPO, at a price per Common Unit equal to the IPO price per share of Class A Common Stock, less underwriting discounts and commissions. As a result of the IPO, the continuing owners of iPic-Gold Class Holdings LLC control approximately 92.68% of the combined voting power of all classes of iPic's common stock as a result of their ownership of 429,730 shares of iPic's Class A Common Stock and all of the outstanding shares of iPic's Class B Common Stock, each share of which is entitled to one vote on all matters submitted to a vote of iPic's stockholders.

Organizational Transactions

Immediately prior to or in connection with the closing of our IPO on February 1, 2018, we and the pre-IPO owners of iPic-Gold Class (the "Original iPic Equity Owners") consummated the following organizational transactions (the "Organizational Transactions"):

- All of the membership interests in iPic-Gold Class were contributed by the Original iPic Equity Owners to Holdings in exchange for all of the membership interests in Holdings (the "LLC Interests"), following which iPic-Gold Class became 100% owned and controlled by Holdings;

- We amended and restated the limited liability company agreement of Holdings (the "Holdings LLC Agreement"), to, among other things, provide for the organizational structure described below under "Organizational Structure Following the IPO";

- We amended and restated the limited liability company agreement of iPic-Gold Class to appoint Holdings as the sole managing member of iPic-Gold Class and to reflect iPic-Gold Class's status as a wholly-owned subsidiary of Holdings;

- Certain of the Original iPic Equity Owners transferred the LLC Interests that they held in Holdings to certain direct or indirect members of such Original iPic Equity Owners. The recipients of these LLC Interests, together with the Original iPic Equity Owners that did not transfer any of the LLC Interests that they held in Holdings, are collectively referred to herein as the "Continuing iPic Equity Owners";

- We amended and restated iPic's Certificate of Incorporation to, among other things, (i) provide for Class A Common Stock and Class B Common Stock and (ii) issue shares of Class B Common Stock to the Continuing iPic Equity Owners, on a one-to-one basis with the number of LLC Interests they owned, for nominal consideration;

- We issued 818,429 shares of our Class A Common Stock to the purchasers in the IPO in exchange for net proceeds of approximately $13,600 at $18.50 per share, after deducting selling agents' discounts and commissions but before offering expenses payable by us.

- We used all of the net proceeds from the IPO to purchase newly-issued LLC Interests from Holdings at a purchase price per interest equal to the net proceeds, before expenses, to us per share of Class A Common Stock, collectively representing 7.32% of Holdings' outstanding LLC Interests; and

- We issued 429,730 shares of our Class A Common Stock to certain Continuing iPic Equity Owners in exchange for an equivalent number our Class B Common Stock and LLC Interests they owned.

Organizational Structure Following the IPO

Immediately following the completion of the IPO:

- iPic is the sole manager of Holdings, and Holdings is the sole managing member of iPic-Gold Class. iPic, therefore, directly or indirectly controls the business and affairs of, and conducts its day-to-day business through, iPic-Gold Class and its subsidiaries;

- iPic's Amended and Restated Certificate of Incorporation and the Holdings LLC Agreement require that (i) we at all times maintain a ratio of one LLC Interest owned by us for each share of Class A Common Stock issued by us (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities), and (ii) Holdings at all times maintain (x) a one-to-one ratio between the number of shares of Class A Common Stock issued by us and the number of LLC Interests owned by us and (y) a one-to-one ratio between the number of shares of Class B Common Stock owned by the Continuing iPic Equity Owners and the number of LLC Interests owned by the Continuing iPic Equity Owners;

- Class A Common Stockholders own 1,248,159 shares of Class A Common Stock, representing approximately 11.17% of the combined voting power of our Class A and Class B Common Stock, and participate in approximately 11.17% of the economic interest in Holdings; and

- The Continuing iPic Equity Owners own (i) LLC Interests, representing 88.83% of the economic interest in Holdings, and (ii) through their ownership of Class A and Class B Common Stock, approximately 92.68% of the combined voting power of our Class A and Class B Common Stock. Following the IPO, each LLC Interest held by the Continuing iPic Equity Owners is redeemable, at the election of such members, for, at our option, newly-issued shares of Class A Common Stock on a one-for-one basis or a cash payment equal to a volume weighted average market price of one share of Class A Common Stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications). In the event of such election by a Continuing iPic Equity Owner, we may, at our option, instead effect a direct exchange of cash or Class A Common Stock for such LLC Interests in lieu of such a redemption. Any such redemption or exchange is required to be in accordance with the terms of the Holdings LLC Agreement. When a Continuing iPic Equity Owner's LLC Interests are redeemed or exchanged, we will cancel the number of shares of Class B Common Stock held by such Continuing iPic Equity Owner equal to the number of LLC Interests of such Continuing iPic Equity Owner that were redeemed or exchanged. The decisions made by us are made by our board of directors, which currently includes directors who hold LLC Interests or are affiliated with holders of LLC Interests and may include additional directors with similar affiliations in the future.

We have the sole voting interest in, and control the management of Holdings and, indirectly, iPic-Gold Class. As a result, we consolidated on February 1, 2018 both Holdings and iPic-Gold Class in our consolidated financial statements and will report non-controlling interests related to the remaining LLC Interests held by the Continuing iPic Equity Owners on our consolidated financial statements.

Issuance of Warrants

On February 1, 2018, upon the closing of the IPO, the Company issued certain warrants to the selling agents (the "Selling Agents' Warrants") to purchase a number of shares of the Class A Common Stock equal to 2.2% of the total shares of the Class A Common Stock sold in the IPO. This equated to a total of 18,005 shares. The Selling Agents' Warrants are exercisable commencing approximately 13 months after the date of the applicable closing and will be exercisable for three and a half years after such date. The Selling Agents' Warrants are not redeemable by the Company. The exercise price for the Selling Agents' Warrants is $23.125 which equals 125% of the public offering price of $18.50 per share. The fair value of the warrants of $90 was offset against the proceeds received from the IPO.

NOTE 3 — VARIABLE INTEREST ENTITIES

In May 2017, certain members of the Company established a limited liability company, iPic-Delray Investment, LLC ("Delray") which has a 50% ownership in a joint venture, Delray Beach 4th and 5th Avenue Developer, LLC ("Developer"). Developer owns 8% of a limited liability company, Delray Beach 4th and 5th Avenue Holdings, LLC ("4th and 5th Avenue Holdings") that is developing an area in Delray Beach, Florida to include a theater complex, office space, retail shops and parking garages. The Company will be the lessee of the theater and a portion of the office space, which will serve as the Company's new headquarters. In total, the Company will lease approximately 65% of the available property.

In May 2017, the Company distributed construction in progress with a cost basis of approximately $2,300, primarily consisting of pre-development costs that had been incurred to date, to certain of its members (the owners of Delray). Those members in turn contributed those assets to Delray in exchange for their ownership interest. Delray then contributed those assets to Developer and 4th and 5th Avenue Holdings in exchange for its ownership interests in those entities. These capital contributions were determined to have an estimated fair value of approximately $6,400. As the fair value exceeded the contribution required to acquire Delray's ownership in Developer and 4th and 5th Avenue Holdings, cash totaling approximately $4,000 was paid by the 92% owners of 4th and 5th Avenue Holdings to Developer as an initial distribution upon formation of the respective entities. Of this amount, approximately $3,400 was distributed by Developer to Delray, which Delray distributed to its owners. Delray's owners then contributed this cash back to the Company. The distribution of assets was accounted for by the Company at carryover basis with a resulting increase in equity resulting from the difference between the cash received from its members and the cost basis of the assets distributed.

Delray is not a business and was established to participate in the development of the theater and office space. The Company has a shared services agreement with Delray to provide Delray with employees, technical services, administrative and support services. Under this agreement the Company agreed to assume operating responsibility for Developer under the ultimate supervision and control of Delray pursuant to a development management agreement that Developer has with 4th and 5th Avenue Holdings to provide these services. These agreements will end upon completion of the development of the project, which is anticipated to occur in June 2019. The Company will be paid an annual fee for these services under the shared services agreement that equates to 50% of the fee paid to Developer under the development management agreement. The other 50% will be paid to the other 50% owner of Developer. In addition, the Company is obligated to cover certain losses or additional capital calls that may arise related to a completion guaranty on the development project. The Company has also signed an indemnification agreement, along with an affiliate of the other 50% owner of Developer, to indemnify 4th and 5th Avenue Holdings for certain conditions and to maintain a minimum aggregate net worth, on a combined basis, of $15,000 which shall include $1,650, on a combined basis, of liquid assets through the completion of the development of the project. Should the combined net worth of the Company and the affiliate of the other 50% owner in Developer fall below $15,000, the parties must provide additional collateral to 4th and 5th Avenue Holdings subject to their review and consent.

Delray was determined to be a VIE because its total equity at risk is not sufficient to finance its activities without additional subordinated financial support from any entities. Based on the Company's qualitative analysis, the Company made the determination that while it has the obligation to absorb losses of Delray that may be significant pursuant to the completion guaranty, it does not have the power to direct the activities of Delray that most significantly impact its economic performance. Therefore, consolidation of Delray by the Company is not required because the Company is not the primary beneficiary of Delray.

Developer and 4th and 5th Avenue Holdings were also determined by the Company to be VIE's because their total equity at risk is not sufficient to finance their activities without additional subordinated financial support from any entities. The Company's involvement with these entities consists of assisting in the formation and financing of the entities, providing recourse and/or liquidity support if necessary, and receiving fees for services provided under the shared services agreement through the development management agreement. Based on the Company's qualitative analysis, including consideration of the related party nature of the entities involved, the Company is not required to consolidate Developer because power is shared 50/50 under the terms of the joint venture agreement. In addition, based on the Company's qualitative analysis, the Company is not required to consolidate 4th and 5th Avenue Holdings because the nature of the Company's involvement with the activities of 4th and 5th Avenue Holdings does not give it the power over decisions that most significantly impact 4th and 5th Avenue Holdings' economic performance.

The Company's largest exposure to any single unconsolidated VIE is its responsibility to act under the completion guaranty whereby the Company is obligated to cover certain losses or additional capital calls required by Delray until the completion of the development of the project related to its ownership in Developer. Of this amount, the Company would be responsible for half with the other half being guaranteed by an affiliate of the other 50% owner of Developer. As of December 31, 2018 and December 31, 2017, the value of this potential guarantee was determined to be nominal, as the probability of the Company's requirement to act under the guarantee was determined to be remote. The Company did not hold any assets or liabilities in any of the unconsolidated VIEs as of December 31, 2018 and December 31, 2017. The Company will continue to evaluate its relationships to these VIEs on an ongoing basis.

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following:

	December 31, 2018	December 31, 2017
Leasehold improvements	$ 133,743	$ 137,675
Furniture, fixtures and office equipment	59,207	53,888
Construction in progress (site development)	11,968	2,124
Projection equipment and screens	11,125	12,330
Computer hardware and software	7,157	6,983
	223,200	213,000
Less: accumulated depreciation and amortization	(79,661)	(71,834)
Total	**$ 143,539**	**$ 141,166**

After a detailed review of all seven locations with Generation I auditoriums, the Company decided against reinvestment at its Glendale, Wisconsin location, where the Bayshore Mall was placed into receivership. The Company instead announced the closing of this location effective March 8, 2018. The events giving rise to that decision include the mall entering receivership during the last quarter of 2017 and the underperformance of the site during the first quarter of 2018. The Company evaluated the long-lived assets at its Glendale location at December 31, 2017 and determined that the long-lived assets with a carrying value of $428 were no longer recoverable. Consequently, the assets were written down to $0. The remaining minimum lease obligation at the date of closure was approximately $4,100 over the next seven years.

The Company has established a liability of $1,839 for the remaining lease obligation associated with the Glendale location in the accompanying consolidated balance sheets. The current portion of the lease liability is included with “Accrued expenses” and the long-term portion is included in “Other long-term liabilities”. As of December 31, 2018, the future lease obligation was recorded at present value and discounted at an annual rate of 13%. Sublease payments were anticipated to be received 24 months from the abandonment date. The sublease payments were estimated to be 50% less than the Company’s lease payment obligation through the remainder of the lease.

NOTE 5 — BORROWINGS

Notes Payable to Related Parties

Notes payable to related parties and their affiliates consist of the following:

	December 31, 2018	December 31, 2017
5.00% VR iPic Finance, LLC notes	$ -	$ 16,125
5.00% VR iPic Finance, LLC demand notes	-	14,461
10.50% Village Roadshow Attractions USA, Inc. notes	-	15,000
5.00% Village Roadshow Attractions USA, Inc. notes	-	1,071
5.00% iPic Holdings, LLC notes	-	547
5.00% Regal/Atom Holdings, LLC note	-	3,038
Total	$ -	$ 50,242

5.00% notes payable to VR iPic Finance, LLC, a joint venture between iPic Holdings, LLC and Village Roadshow Attractions USA, Inc. — Principal and interest were only paid if iPic Holdings, LLC and Village Roadshow Attractions USA, Inc. were due a distribution as outlined in the iPic-Gold Class Limited Liability Company Agreement (the “LLC Agreement”) and only to the extent of amounts so distributed. On the date of the IPO these notes were converted to equity and are no longer due.

5.00% demand notes payable to VR iPic Finance, LLC. — Interest was paid monthly. The notes had no stated maturity. On the date of the IPO these notes were converted to equity and are no longer outstanding.

10.50% notes payable to Village Roadshow Attractions USA, Inc. — The notes accrued interest on the unpaid principal amount at 10.50% per annum and were subject to minimum guaranteed interest of $3,000 over the life of the notes. Principal and interest were only paid if Village Roadshow Attractions USA, Inc. was due a distribution as outlined in the LLC Agreement and only to the extent of amounts such distributed. The notes had no stated maturity. On the date of the IPO these notes were refinanced through additional borrowings under the Non-revolving Credit Facility.

5.00% note payable to Village Roadshow Attractions USA, Inc. — Principal and interest were only paid if Village Roadshow Attractions USA, Inc. was due a distribution as outlined in the LLC Agreement and only to the extent of amounts so distributed. The notes had no stated maturity. On the date of the IPO these notes were converted to equity and are no longer outstanding.

5.00% note payable to iPic Holdings, LLC — Principal and interest were only paid if iPic Holdings, LLC was due a distribution as outlined in the LLC Agreement, and to the extent of the amount of so distributed. The notes had no stated maturity. On the date of the IPO these notes were converted to equity and are no longer outstanding.

5.00% note payable to Regal/Atom Holdings, LLC. — Principal and interest were only paid if Regal/Atom Holdings, LLC was due a distribution as outlined in the LLC Agreement, and only to the extent of amounts so distributed. The notes had no stated maturity. On the date of the IPO these notes were converted to equity and are no longer outstanding.

On February 1, 2018, the 5% notes plus accrued interest totaling $37,157 were converted to equity to satisfy the holders' capital call in accordance with the iPic-Gold Class LLC Agreement prior to the IPO.

The 10.50% Village Roadshow Attractions USA, Inc. note for $15,000 plus the minimum interest payable of $3,000 was refinanced through additional borrowings under the Non-revolving Credit Facility.

Long-Term Debt — Related Party

The Company has a $225,828 non-revolving credit facility (the "Non-revolving Credit Facility") with the Teachers' Retirement System of Alabama (the "TRSA") and The Employees' Retirement System of Alabama (the "ERSA") (the TRSA and the ERSA are known collectively as the "RSA"). The terms of the facility provide that the Company can borrow under the facility for a thirteen-year period commencing September 30, 2010 in three tranches (hereinafter, "Tranche 1", "Tranche 2", and "Tranche 3"). Proceeds of the loans were initially to be used for up to 80% of eligible construction costs. As a condition to any advance, the Company was required to provide funding for the applicable project costs in an amount equal to 25% of such advance, with the proceeds of either (x) contributions to the Company from certain shareholders (other than RSA) or (y) subordinated loans to the Company from certain shareholders (other than RSA) (the "Matching Requirement"). In addition, the remaining availability required the Company to achieve certain operating targets to continue borrowing (the "Operating Target Requirement"). On June 22, 2018 the Non-revolving Credit Facility was modified to remove the matching requirement and to permit us to borrow up to $17,923 on five planned remodeling projects. An amount equal to eighty percent (80%) of the total costs to develop each project constitutes a "Project Tranche". Any changes to the amount of a Project Tranche (either increases or decreases) are subject to prior written consent from the lender. On June 29, 2018 the Non-revolving Credit Facility was further modified to permit us to borrow funds up to $8,233 for working capital expenses (including, among other things, accrued interest on the Non-revolving Credit Facility, which may be paid in kind), in addition to the borrowing for planned 2018 remodeling projects. On June 29, 2018 the Non-revolving Credit Facility was amended to remove the Operating Target Requirement for planned remodeling and working capital advances.

The Tranche 1 and Tranche 2 commitment amounts of $15,828 and $24,000 respectively, were fully borrowed against as of December 31, 2018 and December 31, 2017. Of the total commitment amounts of $186,000 available in Tranche 3, $148,433 and $102,775 were borrowed as of December 31, 2018 and December 31, 2017, respectively. As of December 31, 2018 $37,567 remained available to borrow from Tranche 3 for the planned remodels and new construction, as well as, working capital requirements subject to certain limitations.

The effective interest rate on Tranche 1 and Tranche 2 borrowings is approximately 6.95% per annum. The cumulative difference between the interest computed using the stated interest rates (8.00% at December 31, 2018 and December 31, 2017) and the effective interest rate of 6.95% is $621 and $976 at December 31, 2018 and December 31, 2017, respectively, and is recorded in "Accrued interest - long-term" in the accompanying consolidated balance sheets. The interest rate on Tranche 3 borrowings is fixed at 10.50% per annum.

Short-Term Financing

The Company periodically enters into short-term financing arrangements to finance the costs of its property and casualty and Directors & Officers insurance premiums. The loans are due in equal monthly installments of principal and interest, generally paid over a period of less than one year. Interest accrues on the unpaid principal at 3.63% per annum. At December 31, 2018 and December 31, 2017, the Company's obligation under premium financing arrangements was $1,392 and $1,214, respectively, and is included in accrued insurance in the accompanying consolidated balance sheets.

NOTE 6 — DEFICIT

Non-controlling Interests

Immediately following the IPO, each LLC Interest held by the Continuing iPic Equity Owners is redeemable, at the election of such members, for, at the option of the majority of the Company's Board of Directors, newly-issued shares of Class A Common Stock on a one-for-one basis or a cash payment equal to a volume weighted average market price of one share of Class A Common Stock for each LLC Interest redeemed (subject to customary adjustments, including for stock splits, stock dividends and reclassifications). If iPic decides to make a cash payment, the Continuing iPic Equity Owners have the option to rescind the redemption request within a specified time period. Upon the exercise of the redemption right, the redeeming member will surrender its LLC Interests to Holdings for cancellation. If iPic does not make an election between share or cash settlement within a prescribed period, then it is deemed to have elected share settlement. Holders of the Class B Common Stock are not entitled to distributions or dividends, whether cash or stock, and have no economic interest in iPic. Holders of Class B Common Stock are entitled to cast one vote per share, with the number of shares of Class B Common Stock held by each Continuing iPic Equity Owner equivalent to the number of LLC Interests held by such Continuing iPic Equity Owner.

On July 12, 2018, in accordance with these provisions and other terms and conditions of the LLC Agreement, two non-controlling interest holders exchanged 100% of their respective membership interests (5,602,866 membership units) in Holdings for a corresponding number of shares of iPic's Class A common stock. As part of the exchange, each investor's shares of Class B common stock in iPic were canceled. Also, on July 20, 2018, Ajay Bijli, an independent director of the Board of Directors, (the "Board") resigned. The resignation of Mr. Bijli left the remaining Board with four directors. Prior to the resignation, the majority of the Board was comprised of non-controlling interest holders. Consequently, and in accordance with ASC 480-10-S99-3A, the Company was required to record the non-controlling interest outside of permanent equity and subsequently measure the non-controlling interests at the greater of their redemption price or carrying amount. However, upon resignation of Mr. Bijli, the criteria within ASC 480-10-S99-3A requiring classification outside of permanent equity was no longer met and, therefore the Company reclassified all remaining non-controlling interests to permanent equity. As of December 31, 2018, non-controlling interests were no longer considered to be redeemable, and the Company included all non-controlling interest within permanent equity.

Private Placement

On February 1, 2018, the Company closed a private placement of $2,500 from an affiliate of one of its existing investors, Regal Cinemas, which had previously invested $12,000 in April 2017.

2017 Equity Incentive Plan

In connection with the IPO and related transactions, the iPic-Gold Class Entertainment, LLC 2017 Equity Incentive Plan (or the "2017 Equity Incentive Plan"), was migrated to iPic and options granted under the 2017 Equity Incentive Plan were replaced with options to acquire Class A Common Stock of iPic. Under the plan, equity awards may be made in respect of 1,600,000 iPic shares, and the number of authorized shares is subject to automatic increases which begin in fiscal year 2019. Under the 2017 Equity Incentive Plan, awards may be granted in the form of options, restricted stock, restricted stock units, stock appreciation rights, performance awards, dividend equivalent rights and share awards. The migration of the 2017 Equity Incentive Plan did not result in any changes to the terms and conditions, therefore no modification was deemed to have occurred.

Each Incentive Option and Non-Qualified Option (as defined by Section 422 of the Internal Revenue Code of 1986, collectively "Options") contains the following material terms:

(i) the exercise price, which shall be determined by the Compensation Committee at the time of grant, shall not be less than the greater of (i) the par value of the stock and (ii) 100% of the Fair Market Value (defined as the closing price at the close of the primary trading session of the shares on the date immediately prior to the date of the grant on the principal national security exchange on which the common stock is listed or quoted, as applicable) of the common stock of the Company, *provided* that if there is a grant of an incentive option to a recipient who owns more than ten percent (10%) of the total combined voting power of all classes of securities of the Company, the exercise price shall be at least 110% of the Fair Market Value;

(ii) the term of each Option shall be fixed by the Committee, *provided* that such Option shall not be exercisable more than ten (10) years after the date such Option is granted, and *provided further* that with respect to an Incentive Option, if the recipient owns more than ten percent (10%) of the total combined voting power of the Company, the Incentive Option shall not be exercisable more than five (5) years after the date such Incentive Option is granted;

(iii) subject to acceleration in the event of a Change of Control of the Company (as further described in the 2017 Equity Incentive Plan), the period during which the Options vest shall be designated by the Committee;

(iv) no Option is transferable and each is exercisable only by the recipient of such Option except in the event of the death of the recipient;

(v) to the extent that the aggregate Fair Market Value of Incentive Options granted under the Plan are exercisable by a participant for the first time during any calendar year exceeds $100, such Incentive Options shall be treated as Non-Qualified Options; and

(vi) with respect to Options granted to a director, the aggregate number of shares that may be issued under the Plan in any calendar year to an individual Director may not exceed that number of shares representing a Fair Market Value equal to the positive difference, if any, between $300, and the aggregate value of any annual cash retainer paid to the director.

Incentive stock options

The following is a summary of the Company's Non-Qualified Options activity:

	Options	Weighted Average Grant Date Fair Value Per Option	Weighted Average Exercise Price per Option
Outstanding - December 31, 2017	**955,300**	**$ 4.58**	**$ 18.13**
Exercisable - December 31, 2017	**-**	**$ -**	**$ -**
Granted	149,120	$ 2.56	$ 8.26
Exercised	-	$ -	$ -
Forfeited/Cancelled	(63,996)	$ 4.28	$ 16.67
Outstanding – December 31, 2018	**1,040,424**	**$ 4.31**	**$ 16.80**
Exercisable – December 31, 2018	**346,749**	**$ 3.77**	**$ 14.15**

On July 10, 2018, 114,119 options were granted to certain employees related to the 2017 bonus payout in lieu of cash. The bonus awards for 2017 were settled in the form of 75% in cash and 25% in options. The options vested immediately upon issuance and the aggregate grant-date fair value was $382. On December 21, 2017 955,300 options were granted to certain employees. The aggregate grant-date fair value was $4,379.

At December 31, 2018, the total intrinsic value of the Options outstanding was $0. As of December 31, 2018, the weighted average remaining contractual term of Options outstanding was 9.25 years.

At December 31, 2018, the total intrinsic value of the Options exercisable was $0.

A total of 145,424 Options were vested as of December 31, 2018.

The Company recognized an aggregate of $1,145 and $0 in compensation expense during the year ended December 31, 2018 and 2017, respectively, related to the Options. At December 31, 2018, unrecognized stock-based compensation was $3,250 for the Options, which is expected to be recognized over a weighted average remaining life of approximately 2.63 years.

The fair value of the Options issued on July 10, 2018 and on December 21, 2017 were estimated using a Black-Scholes Options Pricing Model. The Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded and therefore the expected option term is calculated based on the simplified method, which results in an expected term based on the midpoint between the vesting date and the contractual term of the option.

Assumptions	**July 10, 2018**
Expected term (years)	2.5
Stock price	$ 8.26
Expected volatility	46.3%
Risk-free interest rate	2.63%
Dividend yield	0.00%

Assumptions	**December 21, 2017**
Expected term (years)	5.97
Stock price	$ 14.69
Expected volatility	35.50%
Risk-free interest rate	2.34%
Discount for lack of marketability	19.00%
Dividend yield	0.00%

Restricted stock units

On December 6, 2017 iPic granted 483,864 Restricted Stock Units ("RSUs") to our named executive officers and certain other employees. The awards contained no future service requirement and fully vested when the IPO occurred. Therefore, on February 1, 2018, the Company recognized compensation expense related to these RSUs of $8,235. The grant date fair value of the RSUs was $17.02 per unit, using the IPO price adjusted for a discount for the lack of marketability valuation method. At December 31, 2018 there were no unrecognized compensation costs related to the RSUs.

The RSUs will remain outstanding until the issuance of Class A shares on the different settlement dates. On May 15, 2018, 247,755 of the RSUs were exchanged for Class A shares. On June 29, 2018, 14,770 of the RSUs were exchanged for Class A shares. The remaining 221,339 RSUs will be exchanged for Class A shares on May 15, 2019.

Stock issuance

In accordance with the Holdings LLC Agreement, on July 12, 2018, each of Village Roadshow, Teachers' Retirement System of Alabama and Employees' Retirement System of Alabama assigned 100% of its respective membership units of Holdings to iPic in exchange for a corresponding number of shares of iPic's Class A Common Stock (2,801,433 shares, 1,876,960 shares and 924,473 shares of Class A Common Stock, respectively) (the "Exchange"). As part of the Exchange and in accordance with iPic's Amended and Restated Certificate of Incorporation, each such investor's Class B common stock were canceled.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Operating Leases

At December 31, 2018, future minimum payments under non-cancelable operating leases are as follows.

2019	$ 23,118
2020	25,646
2021	28,423
2022	30,108
2023	30,297
Thereafter	361,826
	$ 499,418

Certain operating leases require contingent rental payments based on a percentage of sales in excess of stipulated amounts. Rent expense during the years ended December 31 was as follows:

	2018	2017
Minimum rentals	$ 16,371	$ 15,013
Contingent rentals	-	(41)
	$ 16,371	$ 14,972

Litigation

The Company is exposed to litigation in the normal course of business.

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business.

The Company currently is a defendant in a class action lawsuit captioned Mary Ryan and Johanna Nielson v. iPic-Gold Class Entertainment, LLC, Case # BC 688633, which was filed in Superior Court of the State of California, County of Los Angeles, on December 29, 2017. This lawsuit asserts failure to pay minimum wage, pay overtime wages, provide meal breaks and rest periods, and provide accurate itemized wage statements with respect to certain workers. On February 6, 2019, the parties reached a preliminary agreement to settle the lawsuit for $1,500. The parties are in the process of negotiating a settlement agreement for submission to the court for preliminary approval of the settlement. For the year ended December 31, 2018 the legal settlement expense has been recorded in the consolidated statement of operations and recorded as part of accrued expenses in the consolidated balance sheets. See Note 15 to our consolidated financial statements for further discussion of the settlement.

Other than the lawsuit described above, the Company is currently not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the business, financial condition, operating results or cash flows. However, lawsuits or any other legal or administrative proceeding, regardless of the outcome, may result in diversion of resources, including management's time and attention.

NOTE 8 — INCOME TAXES

The Company is the sole managing member of Holdings, and Holdings is the sole managing member of iPic-Gold Class and its subsidiaries, and as a result, consolidates the financial results of Holdings and iPic-Gold Class. Both Holdings and iPic-Gold Class are treated as pass-through entities for U.S. federal income tax purposes and, as such, will not be subject to any entity-level U.S. federal income tax. Instead, taxable income is allocated to holders of LLC Interests, including the Company. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss of Holdings.

In December 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was enacted into law. The TCJA provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, including the reduction of the U.S. federal corporate income tax rate from 35% to 21%, among other provisions.

The provision for income taxes consists of the following:

For the year ended,	December 31, 2018	December 31, 2017
Current – state and local	$ 30	$ 87
Deferred – state and local	-	-
Total	$ 30	$ 87

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

For the year ended,	December 31, 2018	December 31, 2017
Statutory rate	21.00%	35.00%
State and local income taxes	1.92%	(0.20%)
Change in valuation allowance	(10.17%)	-
Non-controlling interests	(12.80%)	-
LLC flow-through structure	-	(35.00%)
Effective tax rate	(0.05%)	(0.20%)

Our effective income tax rates for 2018 and 2017 were (0.05)% and (0.20)%, respectively. Our effective tax rate differs from the statutory rate due to non-controlling interest, changes in the tax valuation allowance, state income taxes and the impact of certain expenses which are not deductible for income tax purposes.

The components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Deferred rent	$ 2,331	$ 47
Deferred revenue	-	2
Accrued expenses	913	31
Net operating loss – states	601	322
Tenant improvement allowance	5,669	128
Interest deduction limitation	3,331	-
Net operating loss – federal	2,907	-
Equity-based compensation	182	-
Other assets	50	1
Total deferred tax assets	15,984	531
Deferred tax liabilities:		
Property and equipment	(4,775)	(133)
Prepaid expenses	(297)	(6)
Partnership basis amortization on February 1, 2018	(126)	
Partnership basis amortization on July 12, 2018	(343)	
Total deferred tax liabilities	(5,541)	(139)
Total net deferred tax asset before valuation allowance	10,443	392
Valuation allowance	(10,443)	(392)
Net deferred tax asset	$ -	$ -

As of December 31, 2018, our federal and state net operating loss carryforwards for income tax purposes were $13,841. Due to the Tax Cuts and Jobs Act of 2017, the Federal operating loss carryforwards generated in 2018 do not expire.

We evaluate the realizability of our deferred tax assets on a quarterly basis and establish valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. As of December 31, 2018, we concluded, based on the weight of all available positive and negative evidence, that all our deferred tax assets do not meet the more likely than not threshold to be realized. As such, a full valuation allowance was recognized. The net change in valuation allowance for 2018 was an increase of $10,051.

Pursuant to our election under Section 754 of the Internal Revenue Code (the "Code"), we expect to obtain an increase in our share of the tax basis in the net assets of Holdings when LLC Interests are redeemed or exchanged by the non-controlling interest holders and other qualifying transactions. We intend to treat any redemptions and exchanges of LLC Interests by the non-controlling interest holders as direct purchases of LLC Interests for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that we would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

NOTE 9 — MANAGEMENT'S PLAN REGARDING FUTURE OPERATIONS

The Company incurred a net loss for the year ended December 31, 2018 of $56,765. In addition, the Company's liabilities exceeded its assets by $119,221 and the Company had a working capital deficit of $14,681 at December 31, 2018.

The Company had cash and cash equivalents of $6,026 at December 31, 2018 and used $16,961 in cash for operating activities for the year ended December 31, 2018.

The Company's ability to continue as a going-concern is dependent on refinancing of existing debt or obtaining additional equity. The main sources of funding are expected to be the RSA Non-revolving Credit Facility and new financing.

Management believes that growth into new locations is critical to the Company's ability to achieve profitability and generate cash from operating activities. Management considers the continued availability of the Non-revolving Credit Facility and obtaining new financing to be significant to its ability to satisfy its payment obligations as they become due, including but not limited to, planned remodeling of existing locations, construction of new locations and funding operations.

To meet our capital and operating needs, the Company is considering multiple alternatives, including, but not limited to, equity financings, debt financings and other funding transactions, as well as operational changes to increase revenues and contain costs. No assurance can be given that any future financing or funding transaction will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on operations in the case of debt financing or cause substantial dilution for stockholders in the case of equity financing.

Additionally, we are required to comply with Securities and Exchange Commission and NASDAQ rules and requirements when raising capital, which may make it more difficult for us to raise significant amounts of capital. If we cannot raise needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a company.

Management has determined that these conditions and events raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

NOTE 10 — NON-CONTROLLING INTERESTS

As of December 31, 2018, 62.30% of Holdings' ownership interests was held by iPic. The non-controlling interests represent the Holdings' ownership interests not held by iPic. The ownership is summarized as follows:

	December 31, 2018	
	Units	**Ownership %**
iPic's ownership of Common Units	7,144,133	62.30%
Non-controlling interest holders' ownership of Common Units	4,323,755	37.70%
Total Common Units	11,467,888	100.00%

The Company uses the weighted-average ownership percentages during the period to calculate the pretax income or loss attributable to iPic and the non-controlling interest holders of Holdings.

NOTE 11 — NET LOSS PER SHARE

The Company computed net loss per share only for the period our common stock was outstanding during 2018, referred to as the "Post-IPO Period". We have defined the Post-IPO Period as February 1, 2018, the date our shares began trading on the NASDAQ, through December 31, 2018, or 334 days of activity for the reporting period ended December 31, 2018. Basic net loss per share is computed by dividing the net loss attributable to Class A Common Stockholders for the Post-IPO Period by the weighted-average number of shares of Class A Common Stock outstanding during the Post-IPO Period. The weighted average number of Restricted Stock Units to be settled in shares of Class A Common Stock became fully vested on the IPO date and are included in the calculation below. Prior to the IPO, the iPic-Gold Class membership structure included membership units. The Company analyzed the calculation of earnings per unit for periods prior to the IPO and determined that it resulted in values that would not be meaningful to the users of these consolidated financial statements. Therefore, earnings per unit information has not been presented for periods prior to the IPO on February 1, 2018.

Diluted net loss per share is computed by adjusting the net loss available to Class A Common Stockholders and the weighted-average number of shares of Class A Common Stock outstanding to give effect to potentially dilutive securities. Shares of Class B Common Stock issued do not participate in earnings of the Company. As a result, the shares of Class B Common Stock are not considered participating securities and are not included in the weighted-average shares outstanding for purposes of computing net loss per share. Class B Common Stockholders have the option to exchange an equivalent number of LLC Interests of Holdings for Class A Common Stock of iPic maintaining a one-to-one ratio. Therefore, the equivalent number of shares of Class A Common Stock could be issuable in exchange for the Class B Common Stockholders' LLC Interests of Holdings.

Basic and diluted loss per share/unit for the period ended December 31, 2018:

	February 1, 2018 through December 31, 2018
Numerator:	
Net loss attributable to iPic Entertainment Inc. – Actual Dollars	$ (18,757,469)
Denominator:	
Class A Common Stock	4,325,202
Restricted Stock Units	304,288
Weighted-average Class A Common Stock and Restricted Stock Units	4,629,490
Net loss per Class A common share — basic and diluted	$ (4.05)

The Company has issued potentially dilutive instruments in the form of our Non-Qualified Options granted to our employees and directors. In addition, warrants were issued to selling agents upon completion of the IPO for services rendered. The Company did not include any of these instruments in its calculation of diluted net loss per share during the period because to include them would be anti-dilutive due to the Company's loss from operations during the period.

The following table summarizes the types of potentially dilutive securities outstanding as of December 31, 2018:

	December 31, 2018
LLC Interests	4,323,755
Non-Qualified Options	1,040,424
Selling Agents' Warrants	18,005
Total	5,382,184

NOTE 12 — UNAUDITED PRO FORMA INFORMATION FOR 2017 NET LOSS PER SHARE

Unaudited Pro Forma Net Loss Per Share

Unaudited pro forma basic net loss per share was computed by dividing the net loss attributable to Class A Common Stockholders by the weighted-average number of shares of Class A Common Stock issued in the initial public offering of iPic Entertainment Inc., as if such shares were issued and outstanding prior to the IPO.

Unaudited pro forma diluted net loss per share was computed by adjusting the net loss available to Class A Common Stockholders and the weighted-average number of shares of Class A Common Stock outstanding to give effect to potentially dilutive securities. Shares of Class B Common Stock issued in the initial public offering did not participate in earnings of iPic Entertainment Inc. As a result, the shares of Class B Common Stock are not considered participating securities and were not included in the weighted-average shares outstanding for purposes of computing pro forma net loss per share. Class B Common Stockholders have the option to exchange their membership interests in the Company for Class A Common Stock of iPic Entertainment Inc. maintaining a one-to-one ratio. Therefore, the equivalent number of shares of Class A Common Stock could be issuable in exchange for the Class B Common Stockholders' membership interests of the Company.

The Company has issued potentially dilutive instruments in the form of our Non-Qualified Options granted to our employees and directors. The Company did not include any of these instruments in its calculation of diluted net loss per share during the period because to include them would be anti-dilutive due to the Company's loss from operations during the period.

	December 31, 2017
Net loss (actual dollars)	$ (44,524,286)
Net loss attributable to Class A common shares (actual dollars)	$ (4,973,108)
Shares used in computing net loss per Class A common share, basic and diluted	1,248,159
Net loss per Class A common share	$ (3.98)

Unaudited Pro Forma Income Tax Expense

Pro forma income tax expense provides for corporate income taxes at an estimated effective rate of 0.20% for the year ended December 31, 2017, which includes a provision for U.S. federal income taxes, net of a valuation allowance of 100%, and assumes the highest statutory rates apportioned to each state and local jurisdiction.

NOTE 13 — 401(k) PLAN

The Company has a 401(k) Plan ("Plan") to provide retirement and incidental benefits for its employees who are 21 years of age and with one or more years of service. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. They may also make after-tax Roth deferrals to the Plan. Matching contributions are allowed under the Plan. There were no matching contributions made in either period.

NOTE 14 — ACCRUED EXPENSES

Components of accrued expenses are summarized as follows:

	December 31, 2018	December 31, 2017
Accrued merchant fees	$ 244	$ 291
Accrued film rental	459	479
Accrued utilities	-	403
Accrued cost of revenue	137	453
Accrued legal settlement costs	1,500	-
Accrued marketing	75	35
Accrued future lease payments-Bayshore	514	-
Accrued real estate tax	286	180
Accrued personal property tax	322	216
Accrued Texas franchise tax	73	98
Accrued expenses – other	1,429	554
Total	$ 5,039	$ 2,709

NOTE 15 — SUBSEQUENT EVENTS

The Company currently is a defendant in a class action lawsuit captioned Mary Ryan and Johanna Nielson v. iPic-Gold Class Entertainment, LLC, Case # BC 688633, which was filed in Superior Court of the State of California, County of Los Angeles, on December 29, 2017. This lawsuit asserted failure to pay minimum wage, pay overtime wages, provide meal breaks and rest periods, and provide accurate itemized wage statements with respect to certain workers. On February 6, 2019, the parties reached a preliminary agreement to settle the lawsuit for $1,500. The parties are in the process of negotiating a settlement agreement for submission to the court for preliminary approval of the settlement. The gross settlement amount will be used to satisfy all of the Company's liabilities arising from the settlement, including payment of employee-side taxes, interest, plaintiffs' attorneys' fees and costs, the incentive award for the plaintiffs, all costs of administration, and payments to all putative class members who do not opt out of the settlement. The preliminary agreement provides for a full release of claims by class members who do not opt out of the settlement. In the fourth quarter, the Company has recorded the legal settlement expense in the consolidated statement of operations and recorded the liability under the Accrual Expenses in the consolidated balance sheets.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In accordance with Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of its management, including its CEO and CFO, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 31, 2018. Based on that evaluation, the CEO and the CFO have concluded that as a result of the material weaknesses in our internal control described below, the Company’s current disclosure controls and procedures, as of December 31, 2018, were not effective to provide reasonable assurance that information required to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Notwithstanding the material weaknesses described below, based on the additional analysis and other post-closing procedures performed, management believes the financial statements included in this report are fairly presented, in all material respects, in conformity with U.S. GAAP.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements of the Company in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of our CEO and CFO, has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018 in accordance with the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes our internal control over financial reporting as of December 31, 2018 was not effective as a result of the material weaknesses described below.

Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the date which is the later of the date we are an accelerated filer or a large accelerated filer, and the date we are no longer an “emerging growth company,” as defined in the JOBS Act.

Material Weaknesses

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As disclosed in the prior year Form 10-K as of December 31, 2017, we have identified material weaknesses in internal control over financial reporting. In 2018, management remediated the improperly designed information technology controls, as discussed further below. However, we consider the other material weaknesses identified in the prior year to remain as of December 31, 2018, as described further below:

- We do not have an effective control environment because we do not have formalized internal control policies and procedures. Specifically, the Company has not yet designed an effective system of internal control over financial reporting.

- We also identified material weaknesses related to our lack of adequate review of complex accounting matters. Specifically, we have not yet designed precise enough review controls in order to identify material misstatements relating to complex accounting matters, including review controls over the preparation of our long-lived asset impairment evaluation and other areas.

- We also identified material weaknesses relating to improperly designed period end financial reporting controls. Specifically, we have not yet designed suitable review controls governing the review of financial statements and accounting records. Additionally, the Company does not have adequate review controls over our periodic financial reporting including maintaining sufficient monitoring controls over the recording of journal entries and maintaining sufficient segregation of duties.

The control deficiencies described above created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis and therefore we concluded that the deficiencies represent material weaknesses in the Company’s internal control over financial reporting and our internal control over financial reporting was not effective as of December 31, 2018.

We are implementing measures designed to improve our internal control over financial reporting to remediate these material weaknesses, including controls designed to require review of complex areas in a timely manner. In addition, we are designing and implementing improved processes and internal controls throughout the organization, including enhancing our control environment and redesigning and implementing controls over supervisory reviews by our management.

Management's Remediation Plan

During the third and fourth quarters of 2018, with assistance from external consultants, management reviewed in detail all business processes impacting financial results. Financial reporting risks were identified for each process and controls were newly designed, updated or modified as necessary to address those risks. New and enhanced internal controls were implemented throughout 2018, with the majority of the key controls being implemented in the third and fourth quarter. However, management is unable to conclude that internal control over financial reporting is effective as of December 31, 2018 as a result of the material weaknesses described above.

The Company plans to execute the following steps in 2019 to remediate the aforementioned material weaknesses in internal control over financial reporting:

- Continue to work with external consultants and train and retain individuals that have the appropriate skills and experience related to designing, operating and documenting internal control over financial reporting.

- Seek to attract, train and retain individuals that have the appropriate skills and experience related to complex accounting matters.

- Continue to enhance internal control policies and procedures developed and implemented during 2018 to ensure that a robust and effective internal control environment exists and persists across the organization; including ensuring effective risk assessments are performed to identify and assess necessary changes in the application of U.S. generally accepted accounting principles, financial reporting processes and the design and effective operation of internal controls.

- Monitor compliance and continue to enhance policies and procedures developed and implemented during 2018 to ensure that information needed for financial accounting and reporting purposes and to support the performance of key controls is accurate, complete, relevant and reliable, and communicated in a timely manner.

- Continue to evaluate and enhance the Company's monitoring activities to ensure the components of internal control are present and functioning related to all business processes.

- Continue to report regularly to the audit committee on the progress and results of the remediation plan, including the identification, status and resolution of internal control deficiencies.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of fiscal year 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Previously Reported Material Weakness (Remediated)

During 2018, management identified and remediated the cause of the previously reported information technology material weakness and conducted a review of user access to the Company's information systems. As a result, access was removed for users who should not have possessed access to the information systems.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC on or before April 30, 2019, or, if our proxy statement is not filed on or before April 30, 2019, will be filed by that date by an amendment to this Form 10-K.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC on or before April 30, 2019, or, if our proxy statement is not filed on or before April 30, 2019, will be filed by that date by an amendment to this Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC on or before April 30, 2019, or, if our proxy statement is not filed on or before April 30, 2019, will be filed by that date by an amendment to this Form 10-K.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC on or before April 30, 2019, or, if our proxy statement is not filed on or before April 30, 2019, will be filed by that date by an amendment to this Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2019 Annual Meeting of Stockholders to be filed with the SEC on or before April 30, 2019, or, if our proxy statement is not filed on or before April 30, 2019, will be filed by that date by an amendment to this Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Item 15(a)(1). List of Financial Statements

The following consolidated financial statements of the Company and its subsidiaries, and reports of our registered independent public accounting firm, are filed as a part of this report under Item 8 - Financial Statements and Supplementary Data:

Item 15(a)(2). Financial Statement Schedules

All financial statement schedules have been omitted because the necessary information is included in the Notes to the Consolidated Financial Statements.

Item 15(a)(3). List of Exhibits. The following exhibits are filed as a part of this report:

EXHIBIT INDEX

Exhibit No.	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of Current Report on Form 8-K (File No. 001-38380) filed on February 1, 2018).
3.2	Amended and Restated Bylaws of the Company, effective as of January 31, 2018 (incorporated by reference to Exhibit 3.2 of Current Report filed of Current Report on Form 8-K (File No. 001-38380) filed on February 1, 2018).
4.1	Specimen Class A Common Stock Certificate of the Registrant (incorporated by reference to Exhibit 4.1 of Registration Statement on Form S-8 (File No 333-222822) filed on February 1, 2018).
10.1 #	Form of iPic Entertainment Inc. Restricted Stock Unit Agreement (incorporated by reference to Exhibit 6.4 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on December 22, 2017).
10.2 #	Form of Nonqualified Option Agreement (incorporated by reference to Exhibit 6.6 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on December 22, 2017).
10.3	Office Lease between iPic and Delray Beach 4th & 5th Avenue, LLC (incorporated by reference to Exhibit 6.11 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on December 22, 2017).
10.4	Form of Indemnification Agreement (incorporated by reference to Exhibit 6.3 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.5	Form of Registration Rights Agreement between iPic Entertainment, Inc., Village Roadshow Attractions, Inc., The Teachers' Retirement System of Alabama and the Employees Retirement System of Alabama, and Hashemi Holdings, LLC (incorporated by reference to Exhibit 6.7 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.6	Form of Amended and Restated LLC Agreement of iPic Gold Class Holdings LLC (incorporated by reference to Exhibit 6.8 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.7	Form of Membership Unit Purchase Agreement between iPic Entertainment, Inc. and iPic Gold Class holdings LLC (incorporated by reference to Exhibit 6.9 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.8	Expense Reimbursement Agreement between iPic-Gold Class Entertainment, LLC, iPic Gold Class Holdings LLC and iPic Entertainment Inc. (incorporated by reference to Exhibit 6.10 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.9 #	Employment Agreement for Hamid Hashemi (incorporated by reference to Exhibit 6.14 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.10 #	Amendment to Employment Agreement for Hamid Hashemi (incorporated by reference to Exhibit 6.15 of Regulation A Offering Statement on Form 1-A, Amendment No. 1 (File No. 024-10773) filed on January 10, 2018).
10.11(a)	Second Amended and Restated Master Loan and Security Agreement with The Teachers' Retirement System of Alabama and the Employees Retirement System of Alabama, dated February 1, 2018 (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K (File No. 001-38380) filed on February 1, 2018).
10.11(b)	Modification Agreement, dated as of June 22, 2018 by and among iPic–Gold Class Entertainment LLC, iPic Gold Class Holdings, LLC, iPic Texas, LLC, iPic Media, LLC, Delray Beach Holdings, LLC, Bay Colony Realty, LLC, The Teachers' Retirement System of Alabama and The Employees' Retirement System of Alabama (incorporated by reference to Exhibit 10.1 of Quarterly Report on Form 10-Q (File No. 001-38380) filed on August 9, 2018).
10.11(c)	Second Modification Agreement, dated as of June 29, 2018 by and among iPic–Gold Class Entertainment LLC, iPic Gold Class Holdings, LLC, iPic Texas, LLC, iPic Media, LLC, Delray Beach Holdings, LLC, Bay Colony Realty, LLC, The Teachers' Retirement System of Alabama and The Employees' Retirement System of Alabama (incorporated by reference to Exhibit 10.2 of Quarterly Report on Form 10-Q (File No. 001-38380) filed on August 9, 2018).
10.12	Subscription Agreement by and between iPic Gold Class Holdings LLC and Regal/Atom Holdings, LLC, dated January 31, 2018 (incorporated by reference to Exhibit 10.2 of Current Report on Form 8-K (File No. 001-38380) filed on February 1, 2018).
10.13 #	iPic Entertainment Inc. 2017 Equity Incentive Plan (as the amendment and restatement of the iPic-Gold Class Entertainment, LLC 2017 Equity Incentive Plan) (incorporated by reference to Exhibit 4.2 of Registration Statement on Form S-8 (File No 333-222822) filed on February 1, 2018).
10.14 #	iPic Entertainment Inc. 2018 Annual Incentive Plan (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K (File No. 001-38380) filed on September 17, 2018).
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Crowe LLP, independent registered public accounting firm.
24.1*	Power of Attorney (included on signature page).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

\# Denotes management compensation plan or contract

Item 16. Form 10-K Summary

The Company has chosen not to include a summary of this Form 10-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 1, 2019	**iPic Entertainment Inc.**
	By: /s/ Hamid Hashemi Hamid Hashemi President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Date: April 1, 2019	**iPic Entertainment Inc.**
	By: /s/ Andre Loehrer Andre Loehrer Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

POWER OF ATTORNEY

We, the undersigned officers and directors of iPic Entertainment Inc., hereby severally constitute and appoint Hamid Hashemi and Andre Loehrer, our true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution in him for him and in his name, place and stead, and in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Hamid Hashemi Hamid Hashemi	Chief Executive Officer and Chairman of the Board (principal executive officer)	April 1, 2019
/s/ Andre Loehrer Andre Loehrer	Interim Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	April 1, 2019
/s/ Robert Kirby Robert Kirby	Director	April 1, 2019
/s/ George M. Philip George M. Philip	Director	April 1, 2019
/s/ Andrew Essex Andrew Essex	Director	April 1, 2019
/s/ Dana Messina Dana Messina	Director	April 1, 2019

Exhibit 21.1

Subsidiary Listing of iPic Entertainment Inc.

1. iPic Gold Class Holdings LLC
2. iPic-Gold Class Entertainment, LLC
3. Ipic Media, LLC
4. Delray Beach Holdings, LLC
5. Ipic Texas, LLC
6. Bay Colony Realty, LLC

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-222822 on Form S-8 of iPic Entertainment Inc. of our report dated April 1, 2019 relating to the consolidated financial statements, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Fort Lauderdale, Florida
April 1, 2019

EXHIBIT 31.1

CERTIFICATION

I, Hamid Hashemi, certify that:

1. I have reviewed this annual report on Form 10-K of iPic Entertainment Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2019

/s/ Hamid Hashemi
Hamid Hashemi
Chief Executive Officer
iPic Entertainment Inc.

EXHIBIT 31.2

CERTIFICATION

I, Andre Loehrer, certify that:

1. I have reviewed this annual report on Form 10-K of iPic Entertainment Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2019

/s/ Andre Loehrer
Andre Loehrer
Interim Chief Financial Officer
iPic Entertainment Inc.

EXHIBIT 32.1

CERTIFICATION

In connection with the Annual Report of iPic Entertainment Inc. (the "Company") on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company as of the dates and for the periods expressed in the Report.

This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Date: April 1, 2019

/s/ Hamid Hashemi
Hamid Hashemi
Chief Executive Officer

Date: April 1, 2019

/s/ Andre Loehrer
Andre Loehrer
Interim Chief Financial Officer