

# CONVERTIBLE PROMISSORY NOTE AND EQUITY CONVERSION AGREEMENT

## THE AMERICAN HOMETOWN ENTERTAINMENT FUND, INC.

905 Kilbourn Ave, Tomah, WI 54660

THE SECURITIES DESCRIBED HEREIN ARE NOT REGISTERED UNDER THE SECURITIES ACT OF 1933. THIS INVESTMENT INVOLVES A RISK OF TOTAL LOSS AND RESTRICTIONS ON TRANSFER. NO GOVERNMENT AGENCY HAS APPROVED THE INVESTMENT OR GUARANTEED PAYMENT.

This Convertible Promissory Note and Equity Conversion Agreement (this "Agreement" or "Note") is entered into by The American Hometown Entertainment Fund, Inc., a Wisconsin corporation (the "Company"), and the purchaser identified in Schedule 1 (the "Investor"), together the "Parties," as of the Execution Date defined in Section B.1. Schedules 1 and 2 form part of this Agreement.

### RECITALS

The Company conducts an entertainment business involving the financing and commissioning of film and television production through production companies, acquisition of content rights, and distribution, including through the Hometown Stream platform, as described in its offering disclosures. The Company seeks capital for its initial offering and business-launch expenses. The Investor desires to acquire a contractual investment in the Company on the terms below. References to the "Fund" mean the Company, not an investment in a specific production or a separate trust. In consideration of the investment and mutual promises, the Parties agree as follows.

### A. OFFERING AND ECONOMIC TERMS

| Term                     | Agreed framework                                                                                                              |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Aggregate offering       | Up to \$360,000 in principal amount of Notes.                                                                                 |
| Reference allocation     | 4,800 base allocation units at \$75 per unit; units are calculation measures, not issued stock.                               |
| Minimum investment       | \$7,500: 100 base units, converting into 200 Class C common shares if outstanding at conversion.                              |
| Full-offering conversion | \$360,000 of outstanding principal converts into 9,600 shares in total.                                                       |
| Timing                   | Automatic conversion on the second anniversary; repurchase eligibility begins on the third anniversary of the Execution Date. |
| Interest and security    | 0% stated cash interest; unsecured; no personal guaranty.                                                                     |
| Early repayment          | Company may prepay principal before conversion; conversion rights terminate for the amount actually repaid.                   |
| Cash-out value           | Then-current Class C fair market value under Section F; no guaranteed \$75 share value or \$720,000 payment.                  |

**A.1. Nature of investment.** The security purchased at closing is this Note, not immediately issued Class C common stock. The \$75 reference price determines base units only. The \$37.50 conversion price, rather than an increase in the debt principal to \$720,000, implements the agreed one-to-two allocation.

**A.2. Individual subscriptions.** The Investor purchases only the principal amount stated in Schedule 1. The minimum subscription is \$7,500; additional subscriptions shall be in whole \$75 increments. Aggregate principal issued under this offering shall not exceed \$360,000 without revised offering documents and required approvals. Any platform fees charged separately to the Investor are not principal and do not purchase additional shares.

**A.3. No guaranteed valuation.** The reference price is not an appraisal, a representation of current market value, or a promise of resale value. The figure \$720,000 is solely the arithmetic product of 9,600 shares multiplied by an assumed \$75 per share. It is not the initial investment value, a maturity debt, or a guaranteed return. Neither a fixed ownership percentage nor protection against ordinary financing dilution is promised.

**A.4. Purpose.** Net proceeds shall be used for setting up and launching the Company's initial capital-raising activities and for related legal, accounting, marketing, and operational expenses, consistently with the use-of-proceeds disclosure in the Form C and accompanying offering materials (the "Offering Materials"). Proceeds shall not be used for personal expenses or undisclosed related-party payments.

## **B. CLOSING; PAYMENT OBLIGATION; INTEREST**

**B.1. Execution and funding.** The "Execution Date" is the date on which the Company countersigns this Agreement at a lawful funded closing after the Investor has signed and the subscription funds have become releasable to the Company through the offering intermediary. That date, the principal, and both anniversary dates shall be entered in Schedule 1. A preliminary signature or investment commitment does not start either anniversary period or waive statutory cancellation rights. The Company shall not countersign before the closing conditions in Section I have been satisfied.

**B.2. Promise to pay or convert.** For value received, the Company promises to pay the outstanding principal in U.S. dollars when payment becomes due under Section E or G, unless that principal has been repaid or validly converted under this Agreement. In the ordinary course, the outstanding principal is satisfied by mandatory conversion on the second anniversary (the "Maturity Date"), not by a mandatory cash payment of \$360,000 or \$720,000 at maturity.

**B.3. Interest and tax treatment.** The stated cash interest rate is zero percent (0%); no periodic or compounded contractual interest accrues. Interest required by nonwaivable law or imposed by a court remains payable as legally required and does not itself change the agreed share count. This clause does not determine whether tax law imputes interest, original issue discount, or another taxable amount, or whether this instrument is classified as debt or equity for tax or accounting purposes.

**B.4. Ranking.** This Note is a general unsecured obligation of the Company. It grants no lien and is not contractually subordinated by this Agreement. Actual recoveries remain subject to valid creditor priorities and applicable insolvency law. Existing material indebtedness and security interests must be disclosed in the Offering Materials.

**B.5. No personal guarantee.** No officer, director, shareholder, affiliate, or other person provides a personal guaranty. Nothing here releases any person from liability for that person's own fraud or other nonwaivable legal obligations.

## **C. EQUITY CONVERSION**

**C.1. Mandatory two-year conversion.** On the Maturity Date, all then-outstanding principal shall automatically convert into fully paid and nonassessable shares of the Company's Class C common stock (the "Conversion Shares"), without additional investment or a new Investor election, subject to

lawful issuance. No subsequent financing, minimum valuation, or future board discretion is a condition to the Company's conversion obligation.

**C.2. Share calculation.** The number of Conversion Shares equals the principal being converted at a 1:2 ratio; 100 shares will convert to 200 shares after the term of this Note.

**C.3. Future financings.** A later equity financing does not automatically change the conversion date, price, or stock class. The Parties may agree in writing to earlier conversion on the same economic terms, or to a disclosed amendment complying with Section J. No valuation cap, next-round percentage discount, most-favored-nation right, or entitlement to preferred shares is included.

**C.4. Capitalization adjustments.** Stock splits, reverse splits, same-class stock dividends, reclassifications, and comparable recapitalizations shall proportionately adjust the conversion price and deliverable securities to preserve the agreed economic allocation. Ordinary issuances of additional shares, options, or convertible securities do not cause an adjustment. Any unavoidable fractional share shall be recorded if lawful and administratively practicable; otherwise it shall be rounded up to the next whole share.

**C.5. Authorization and reserve.** Before accepting this investment, the Company shall obtain the corporate approvals necessary to authorize this Note, its conversion, the repurchase undertaking, and the required Class C shares. It shall reserve sufficient authorized and unissued Class C shares for all outstanding Notes and maintain that reserve. Schedule 2 shall identify the governing stock terms and approvals, and the Company shall supply the referenced documents before closing.

**C.6. Issuance and discharge.** The Company shall record a valid conversion as of the conversion date and deliver an updated ownership statement or certificate within ten business days. The principal is discharged only to the extent shares have been validly issued in exchange for it. An invalid or uncompleted issuance does not extinguish the debt or permit the Company to postpone conversion indefinitely; the remedies in Section G apply. Conversion does not require the Investor to accept undisclosed waivers or new economic terms.

**C.7. Rights before and after conversion.** Before conversion, this Note confers no shareholder voting, dividend, board-seat, management, or operational-control rights. After conversion, the shares carry the Class C rights established by the Articles of Incorporation and applicable law, together with the contractual rights here. This Agreement grants no separate board seat or management authority and does not eliminate any nonwaivable statutory right. Class C is not deemed nonvoting merely because this Note grants no management rights.

## **D. PREPAYMENT**

**D.1. Company option.** Before principal has converted or become due under Section E or G, the Company may prepay all or part of it without penalty by giving at least fifteen calendar days' written notice identifying the amount and payment date. Prepayment equals the principal actually repaid, plus only any additional amount legally required under Section B.3. Partial prepayments shall be in whole \$75 increments unless the Investor agrees otherwise.

**D.2. Effect on equity benefit.** Upon receipt of cleared funds, the repaid principal and its corresponding conversion rights terminate. An Investor repaid in full before conversion receives no Conversion Shares and no contractual investment return beyond any legally required amount. There is no automatic right to require early conversion in response to a prepayment notice. The Parties may

instead agree in writing to convert before payment. Unpaid principal retains its original conversion and anniversary dates.

**D.3. No post-conversion prepayment.** The prepayment option ends for principal already validly converted. The Company may not use this section to cancel issued shares or replace the repurchase valuation provisions with a repayment at the original principal amount.

## **E. CHANGE OF CONTROL OR DISSOLUTION**

**E.1. Transaction before conversion.** A "Change of Control" means a merger or transaction transferring more than fifty percent of the Company's voting power, or a sale of substantially all its assets, excluding a bona fide capital-raising transaction. Before an unconverted Note is affected, the Company shall give at least twenty calendar days' notice. If a successor assumes all obligations under this Agreement without reducing the Investor's rights, the Note continues on its existing terms. Otherwise, the Investor may elect conversion under Section C immediately before closing to receive the consideration payable on those shares, or repayment of outstanding principal at closing. The election is due within ten calendar days after notice; absent an election, principal repayment applies. There is no additional two-times cash premium. The Company shall arrange lawful payment or conversion as a condition of the transaction.

**E.2. Dissolution and equity treatment.** In a liquidation or dissolution before conversion, outstanding principal becomes due, subject to applicable creditor priorities and available assets, unless the Investor timely elects lawful conversion before distributions. After conversion, the Investor participates according to Class C rights and applicable law, not as a holder of the former Note. Transaction or liquidation proceeds may be distributed before the third anniversary; that exception does not guarantee recovery.

## **F. THREE-YEAR CASH-OUT AND VALUATION**

**F.1. Investor repurchase election.** Beginning on the third anniversary of the Execution Date (the "Liquidity Eligibility Date"), the Investor may require the Company to repurchase all or part of the Conversion Shares then held by the Investor, at their then-current fair market value determined under this section. This is a contractual Company repurchase obligation, subject to Section F.5, not merely permission to seek a third-party buyer. A written election shall identify the shares to be sold. The Company shall acknowledge it within ten business days.

**F.2. Meaning of current value.** Fair market value means the cash price per Class C share agreed by a willing, informed buyer and seller, neither under compulsion. It shall reflect the Company's then-current finances, prospects, outstanding debt, all share classes and their preferences, fully diluted capitalization, and restrictions affecting Class C. A price paid for preferred shares is not automatically a Class C value. There is no valuation floor. The value can be zero, and proceeds may be less than the original investment.

**F.3. Valuation process.** The Company shall engage **dbb McKennon** to determine the fair market value per share of Class C common stock, subject to the firm's acceptance and applicable professional independence requirements. Within thirty calendar days after receiving a repurchase election, the Company shall provide the Investor with the written per-share valuation and a supporting summary.

**F.4. Closing mechanics.** Subject to Section F.5, the Company shall pay cash and the Investor shall transfer the selected shares within thirty calendar days after value is finalized. The valuation date shall be reasonably close to closing and no more than sixty days before it; material intervening

developments require an update using the same process. Shares remain outstanding in the Investor's name until payment and transfer occur. If value is zero, the Investor may withdraw the election rather than surrender shares for no proceeds. No installment obligation or replacement promissory note may be imposed without the Investor's written agreement.

**F.5. Mandatory legal limitations.** No repurchase or payment shall be required to the extent it would be unlawful, including under Wis. Stat. section 180.0640 or applicable insolvency law. The Company shall obtain necessary corporate authorizations before issuing this Note; the repurchase right is not subject to later discretionary board approval. For a legally prohibited payment, the Company shall provide a written explanation with reasonable supporting financial information, pay any lawful portion, and review the remaining obligation at least quarterly. Concurrent requests shall be paid proportionately by requested repurchase value to the extent lawful. Deferred shares remain with the Investor, are revalued near the eventual closing, and may be withdrawn from the request before payment. The Company shall not create new charter or contractual restrictions for the purpose of defeating this right.

**F.6. No guaranteed liquidity or return.** A documented inability to make a lawful distribution is not by itself a payment default, but a failure to comply with the notice, valuation, review, or lawful-payment duties remains enforceable. Deferral may last indefinitely, and no personal source of payment, outside buyer, public listing, or recovery of principal is guaranteed. This section survives conversion and does not revive the discharged Note or create an unconditional \$720,000 debt.

## **G. DEFAULT AND REMEDIES**

**G.1. Events of Default.** An Event of Default occurs if the Company fails to pay an amount lawfully due and does not cure within ten business days after written notice; fails to complete required conversion and does not cure within ten business days after written notice; commits a material breach or material misrepresentation and does not cure a curable breach within thirty calendar days after notice; voluntarily enters bankruptcy or receivership; or becomes subject to an involuntary insolvency proceeding not dismissed within sixty calendar days.

**G.2. Before conversion.** While principal remains unconverted, the Investor may, after an Event of Default, demand its repayment or elect lawful conversion at the Section C price. No double recovery of principal and shares is permitted. Fraud and other remedies supplied by law remain available. Bankruptcy stays, distribution limits, creditor priorities, and other mandatory law control enforcement. No contractual penalty interest or automatic doubling of cash principal applies.

**G.3. After conversion.** After valid conversion, a breach is enforceable as an equity or contractual claim, including lawful enforcement of Section F; it does not automatically restore the old principal debt. A decline in share value, failure to declare dividends, or absence of a third-party buyer alone is not a default.

## **H. REPRESENTATIONS AND RISK ACKNOWLEDGMENTS**

**H.1. Company representations.** As of closing, the Company represents that it is duly organized and validly existing under Wisconsin law; its signatory has authority; it has obtained the corporate approvals required here; and its Offering Materials disclose material indebtedness, related-party arrangements, capitalization, and material legal or regulatory noncompliance. Except as specifically disclosed, it holds the material permits and licenses required for its current operations and is in

material compliance with applicable business, tax, and reporting obligations. These statements are Company representations, not a governmental approval or assurance of future compliance.

**H.2. Investor representations.** The Investor represents that the Investor has legal capacity and authority, has reviewed the Offering Materials and incorporated documents, has had an opportunity to ask questions and consult independent advisers, and can bear the economic risk of losing the entire investment. The Investor shall provide truthful eligibility and investment-limit information to the intermediary. The purchase is for investment and not as part of an unlawful distribution.

**H.3. Specific risks; preserved rights.** The Investor acknowledges early-stage business risk, possible production and distribution failures, reliance on additional financing, dilution, unsecured-credit risk before conversion, common-stock risk afterward, uncertain valuation, and potentially indefinite illiquidity. No dividend, profit, doubling of money, or future financing is promised. The Investor's acknowledgments do not waive claims for fraud, misleading disclosures, or rights that securities or other law makes nonwaivable.

## **I. SECURITIES COMPLIANCE AND TRANSFERS**

**I.1. Intended exemption and closing conditions.** The offering is intended to rely on Securities Act section 4(a)(6) and Regulation Crowdfunding, 17 C.F.R. Part 227. Before any Note is issued, the Company shall establish issuer eligibility, file the required Form C with accurate terms and required financial statements, identify an SEC-registered and FINRA-member broker-dealer or funding portal in Schedule 2, and complete the investment through that intermediary's platform and lawful funds-handling process. Eligibility review shall include whether the Company's Investment Company Act status prevents reliance on Regulation Crowdfunding. Merely signing this Agreement does not establish an exemption. If Regulation Crowdfunding is unavailable, no closing may occur under this form unless the Parties approve amended documents identifying a legally available alternative.

**I.2. Offering administration.** The disclosed offering target, maximum amount, deadline, investor limits, cancellation and reconfirmation procedures, and closing conditions govern acceptance. The Company shall comply with required annual and other reporting and lawful advertising limits. The \$7,500 minimum does not override any Investor's legal limit. Company and other issuers' sales shall be aggregated to the extent the applicable rules require. No direct off-platform subscription is authorized by this Note.

**I.3. Statutory transfer restrictions.** Securities issued under Regulation Crowdfunding are generally subject to the one-year transfer restriction in 17 C.F.R. section 227.501, with its specified exceptions. Transfers of this Note and the Conversion Shares must comply with applicable securities law, the exemption applicable to conversion, and disclosed governing-document restrictions. No automatic holding-period treatment or freely tradable status is promised on conversion or after either anniversary. The Company may request reasonable evidence of compliance and shall cooperate with lawful transfers.

**I.4. Contractual holding period.** Separately from any statutory restriction, Conversion Shares may not be sold for value before the Liquidity Eligibility Date without the Company's written consent, except under Section E. Lawful gifts, estate transfers, and comparable non-sale transfers may occur if the transferee accepts this Agreement and the original anniversary dates. After the Liquidity Eligibility Date, this contractual holding restriction expires, but applicable law and previously disclosed transfer restrictions remain. A lawful transferee succeeds to the transferred rights; neither Party promises that a third-party market will exist.

## **J. GENERAL PROVISIONS**

**J.1. Governing law and forum.** Wisconsin law governs this Agreement, without displacing applicable federal law. Proceedings may be brought in the Wisconsin state courts in Monroe County or, if federal jurisdiction exists, the United States District Court for the Western District of Wisconsin, subject to nonwaivable jurisdictional requirements.

**J.2. Notices and dates.** Notices shall be in writing to the addresses in Schedule 1, as updated by written notice, by personal delivery, tracked courier, certified mail, or email with confirmed receipt. Receipt controls notice periods. Calendar days apply unless business days are specified; business days exclude weekends and U.S. federal banking holidays. Anniversary dates are the corresponding calendar dates; for February 29, the anniversary is the last day of February in a non-leap year.

**J.3. Amendments and waivers.** An amendment or waiver affecting this Investor requires the written agreement of the Company and Investor and compliance with applicable disclosure and reconfirmation requirements. Silence is not consent. No marketing statement, future financing, or other holder's side agreement changes these terms. A delay in enforcement is not a waiver.

**J.4. Complete agreement and consistency.** This Agreement, its completed schedules, and specifically incorporated documents contain the Parties' agreement concerning this investment and supersede prior unsigned drafts and discussions, but do not cancel any separately executed security unless expressly identified in a signed amendment. Mandatory law controls. Governing corporate documents control lawful share-class rights; they do not excuse a breach of the Company's promise to make those documents consistent with this Agreement before closing. No incorporation clause waives liability for Offering Materials or changes economic terms without the consent required here.

**J.5. Severability; successors; signatures; survival.** An unenforceable provision shall be limited only to the extent required by law, preserving the remaining provisions where lawful. This Agreement binds permitted successors and transferees. It may be executed in counterparts and by legally valid electronic signatures. Provisions concerning issued shares, repurchase, transfers, representations, remedies, and general terms survive conversion to the extent applicable.

## SCHEDULE 1 | INDIVIDUAL SUBSCRIPTION AND EXECUTION

Investor legal name: \_\_\_\_\_

SSN/TIN \_\_\_\_\_

Entity type / authorized representative, if applicable: \_\_\_\_\_

Mailing address: \_\_\_\_\_

City, state, postal code: \_\_\_\_\_

Email for notices: \_\_\_\_\_ Telephone: \_\_\_\_\_

| Individual Note term       | Complete at funded closing |
|----------------------------|----------------------------|
| Note number                | _____                      |
| Principal amount           | \$ _____                   |
| Base allocation units      | Principal / \$75 = _____   |
| Execution Date             | _____                      |
| Maturity Date              | Second anniversary: _____  |
| Liquidity Eligibility Date | Third anniversary: _____   |

For the entire \$360,000 offering: 4,800 base units and 9,600 Conversion Shares. For the \$7,500 minimum: 100 base units and 200 Conversion Shares. These counts assume no prepayment, earlier conversion, or capitalization adjustment.

The Investor acknowledges that early principal prepayment eliminates the corresponding share-conversion benefit and that a third-year repurchase is at then-current value, subject to lawful payment capacity. The Investor has received the documents identified in Schedule 2.

### INVESTOR

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

Printed name / title: \_\_\_\_\_

### THE AMERICAN HOMETOWN ENTERTAINMENT FUND, INC.

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

Peter Malinger, Chief Executive Officer

Company notice address: 905 Kilbourn Ave, Tomah, WI 54660

Company email for notices: \_\_\_\_\_

## SCHEDULE 2 | OFFERING DOCUMENTS AND CORPORATE APPROVALS

Complete and provide the referenced documents before the Company countersigns. Referenced attachments form part of this Agreement only as specified below; no blank entry represents approval, filing, or authorization.

| Offering administration             | Required entry |
|-------------------------------------|----------------|
| Intermediary legal name             |                |
| Registration / FINRA identification |                |
| Offering platform / page            |                |
| Form C filing date and accession    |                |
| Offering deadline                   |                |
| Minimum offering target to close    | \$             |
| Maximum aggregate Note principal    | \$360,000      |
| Offering Materials version / date   |                |

The minimum offering target is the aggregate amount required for a crowdfunding closing, not the \$7,500 minimum individual subscription. Closing and any rolling closings must follow the Form C and intermediary procedures.

## CORPORATE RECORDS AND CLASS C RIGHTS

| Document or authorization                                     | Identify and attach                 |
|---------------------------------------------------------------|-------------------------------------|
| Articles of Incorporation and amendments                      | Date(s): _____                      |
| Class C voting, dividend, liquidation and transfer terms      | Article / attachment: _____         |
| Applicable shareholder agreement, if any                      | Title / date, or "None": _____      |
| Board approval of Notes, conversion and repurchase obligation | Resolution date: _____              |
| Other required approvals or charter amendments                | Approval / date, or "None": _____   |
| Authorized Class C shares / conversion reserve                | Authorized: _____ Reserved: _____   |
| Capitalization and outstanding convertible securities         | Capitalization schedule date: _____ |

The Company shall supply a capitalization schedule showing the effect of full conversion of this offering, including 9,600 shares for \$360,000 of principal, as adjusted where required. No percentage ownership should be inserted without accounting for the applicable fully diluted capitalization.

The Parties incorporate the specifically identified Articles, applicable shareholder agreement, and disclosed stock restrictions for defining Conversion Share rights. The Offering Materials are acknowledged disclosures, not authority for unilateral changes to this Note. Any inconsistency affecting conversion or repurchase shall be resolved in signed documents and required corporate actions before closing.

Investor initials: \_\_\_\_\_ Company initials: \_\_\_\_\_