FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 25, 2000

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 1-12604

THE MARCUS CORPORATION
(Exact name of registrant)

Wisconsin	39-1139844
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
250 East Wisconsin Avenue - Suite 1700 Milwaukee, Wisconsin	53202-4220
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (414) 905-1000 Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $1 par value	New York Stock Exchange
(Title of class)	(Name of exchange on which registered)

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

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|X| No|_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.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. |_|

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of August 11, 2000: $275,292,023.

Number of shares outstanding of each of the classes of the registrant's capital stock as of August 11, 2000:

Common Stock, $1 par value: 17,368,976 shares
Class B Common Stock, $1 par value: 11,900,760 shares

DOCUMENTS INCORPORATED BY REFERENCE:

2000 Annual Report to Shareholders (incorporated by reference into Parts I, II and IV); Proxy Statement for 2000 Annual Meeting of Shareholders (to be filed with the Commission under Regulation 14A within 120 days after the end of the registrant's fiscal year and, upon such filing, to be incorporated by reference into Part III).

PART I

Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Annual Report on Form 10-K are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995.

These forward-looking statements may generally be identified as such because the context of such statements will include words such as the Company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the following: (i) the Company's ability to identify properties to acquire, develop and/or manage and continuing availability of funds for such development; (ii) the Company's ability to attract potential partners to assist in the acquisition and/or development of properties; (iii) the limited-service lodging division's ability to attract and retain quality franchise operators and to effectively execute its Baymont repositioning strategy; (iv) continuing consumer demand as a result of general economic conditions with respect to the hotels and resorts and limited-service lodging divisions; (v) continuing availability, in terms of both quality and quantity, of films for the theatre division; and (vi) competitive conditions in the markets served by the Company. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this Form 10-K and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business.

The Marcus Corporation through its subsidiaries (collectively, the "Company") is primarily engaged in three business segments: limited-service lodging; movie theatres; and hotels and resorts. As a result of the Company's stated intention to dispose of its KFC restaurants, the Company's restaurant business segment has been presented as discontinued operations in the Company's financial statements.

The Company's limited-service lodging operations include a chain of 171 Baymont Inns & Suites limited-service facilities in 30 states and seven Woodfield Suites all-suite hotels in Wisconsin, Colorado, Ohio, Illinois and Texas. Of the 171 Baymont Inns & Suites, 86 are owned or operated by the Company, nine are operated under joint venture agreements and 76 are franchised.

The Company operates 50 movie theatres with an aggregate of 470 screens throughout Wisconsin, Ohio, Illinois and Minnesota. The Company also operates a family entertainment center, Funset Boulevard, in Appleton, Wisconsin.

The Company's hotel and resort operations include the Pfister Hotel and the Hilton Milwaukee City Center, which are full-service hotels in Milwaukee, Wisconsin, and the Grand Geneva Resort & Spa and the Miramonte Resort, which are full-facility destination resorts in Lake Geneva, Wisconsin and Indian Wells, California, respectively. In May 2000, the Company

purchased the Hotel Phillips, a downtown Kansas City, Missouri landmark hotel. The Company also manages three hotels for third parties: the Hotel Mead in Wisconsin Rapids, Wisconsin, the Crowne-Plaza Northstar in Minneapolis, Minnesota and Beverly Garland's Holiday Inn in North Hollywood, California.

The Company's restaurant division includes 27 KFC (Kentucky Fried Chicken) restaurants and three KFC/Taco Bell 2-in-1 restaurants in Wisconsin, which the Company announced its intention to sell in September 1999.

The Company's current expansion plans include the following goals:

- Continuing to define and build the Baymont Inns & Suites brand, with a goal to be the "best in class" in the mid-price without food and beverage segment of the lodging industry. The Company currently believes that most of its anticipated future growth will ultimately come from its emphasis on opening new franchised Baymont Inns and Baymont Inns & Suites. As of the end of fiscal 2000, one new Company-owned and 26 new franchised properties were under development, the majority of which are expected to open during fiscal 2001. The Company currently believes that it will add 25 to 35 new franchised properties per year over the next few years. By emphasizing franchising, the Company believes the Baymont brand may grow more rapidly, conserving capital for other strategic purposes within the Company. In addition to the development of new franchised properties, the Company plans to further emphasize franchising in the future by exploring the potential sale of approximately 20 Company-owned properties to new and existing franchisees over the next three years, with the Company possibly retaining a management contract in some cases. The Company also anticipates exploring additional growth of the Baymont brand through potential acquisitions and joint venture investments.

o Reaching its target of 500 movie theatre screens during fiscal 2001. The Company plans to open up to 36 new screens during fiscal 2001, including 19 new screens to be added to existing locations in Wisconsin, Illinois and Minnesota. The Company's second large UltraScreen(TM) opened in June 2000 at a Madison, Wisconsin location. The Company also has plans to complete its stadium seating retrofit program, resulting in stadium seating in approximately 90% of its first-run screens by the end of 2001.

o Increasing the number of rooms managed by the hotel and resort division to 10,000 rooms over the next five years, either Company-owned or managed for others. The Company anticipates that the majority of this growth will come from management contracts for other owners. In some cases, the Company may own a partial interest in the new properties. The Company opened an extensive addition to the Hilton Milwaukee City Center in June 2000. In addition, the Company currently has two Company-owned projects under construction or in development: the Hilton Madison at Monona Terrace - a 238-room public/private endeavor with the City of Madison, Wisconsin scheduled to open late in fiscal 2001; and the Hotel Phillips - a 240-room public/private project in Kansas City, Missouri. The Company purchased

the Hotel Phillips in May 2000 and currently plans to close the property this fall in order to undertake a complete restoration of this landmark property.

o Evaluating additional growth opportunities. The Company opened its seventh Woodfield Suites during fiscal 2000 and is evaluating additional sites and franchising opportunities. The Company began selling units of a vacation ownership development at the Grand Geneva Resort & Spa during fiscal 2000 and recently opened its first 18 units and a sales center, representing the Company's entrance into the timesharing business. The Company expects to continue growing this business in fiscal 2001 and beyond.

The actual number, mix and timing of potential future new facilities and expansions will depend in large part on continuing favorable industry and economic conditions, the Company's financial performance and available capital, the competitive environment, evolving customer needs and trends, customer acceptance of the new Baymont brand, the Company's ability to increase the number of franchised locations at a pace faster than that achieved under the Budgetel name and the continued availability of attractive opportunities. It is likely that the Company's expansion goals will continue to evolve and change in response to these and other factors with no assurance that these current goals will be achieved.

Business Segment Data

Certain business segment data for the Company's three most recent fiscal years relating to the Company's three industry segments is set forth in footnote 12 to the Notes to Consolidated Financial Statements included on Page 28 of the Company's 2000 Annual Report to Shareholders, which pages are incorporated by reference herein.

Limited-Service Lodging Operations

Baymont Inns & Suites

The Company owns, operates or franchises 171 limited-service facilities, with over 16,000 available rooms, under the names "Baymont Inns" and "Baymont

Inns & Suites" in 30 states. Of this total, 76 Baymont Inns & Suites are operated by franchisees, 86 are Company-owned or operated and nine are operated under joint venture agreements. During fiscal 2000, 14 new franchised properties were opened, with an additional 26 new franchised properties and one new Company-owned property under construction or in development at fiscal year-end. During fiscal 2000, the Company sold four Baymont Inns & Suites, including one to a franchisee.

Targeted at the business traveler, Baymont Inns & Suites feature an upscale, contemporary exterior appearance, are generally located in high traffic commercial areas in close proximity to interstate highway exits and major thoroughfares and vary in size between 57 and 191 rooms. The Company believes that providing amenities typically associated with full-service hotels distinguishes Baymont Inns & Suites from many of its competitors. These amenities include executive conference centers, king-sized beds, free local telephone calls, incoming fax transmissions, non-smoking rooms, in-room coffee makers, remote control cable televisions, extra-long telephone cords and large working desks. Additional amenities that have been introduced

include lobby breakfasts, two-room suites, 25-inch televisions, fitness facilities, voice mail, hair dryers, irons and ironing boards, complimentary copies of USA Today and high speed Internet access. To enhance customer security, all Baymont Inns & Suites feature "card key" room locking systems and provide well-lighted parking areas and all-night front desk staffing. The interior of each Baymont Inns & Suites is refurbished in accordance with a strict periodic schedule.

Baymont Inns & Suites has a national franchise program and has increased its emphasis on opening more franchised Baymont Inns & Suites. Sales offices in Wisconsin, Texas, Florida, Tennessee, South Dakota, New Jersey and Oregon and service offices in Florida and Tennessee are intended to help support expansion of the Baymont Inns & Suites franchise. Franchisees pay an initial franchise fee and annual marketing assessments, reservation system assessments and royalty fees based on room revenues. The Company is qualified to sell, and anticipates ultimately selling, franchises in all 50 states. The Company plans to further emphasize franchising in the future by exploring the potential sale of approximately 20 Company-owned properties to new and existing franchisees over the next three years as a part of the Company's strategy to emphasize growth through franchising. In some cases, the Company may continue to manage a sold property for a new owner under the terms of a management contract. The Company believes that the sale of selected properties will allow its franchise partners to develop a significant market presence and the Company to use the proceeds from such sales for other growth opportunities, including developing Baymont properties in new markets.

Woodfield Suites

The Company operates seven mid-priced, all-suite hotels under the name "Woodfield Suites" in Illinois, Wisconsin, Colorado, Ohio and Texas. In fiscal 2000, the Company opened a new Company-owned property near the River Walk in San Antonio, Texas.

Woodfield Suites offers all of its guests the use of a centrally-located swimming pool, whirlpool and game room. Most suites have a bedroom and separate living room and feature an extra-length bed, sleeper sofa for additional guests, microwave, refrigerator, wet bar, television and hair dryer. Some suites also have a kitchenette. All guests receive a complimentary continental breakfast and are invited to a complimentary cocktail hour. Meeting rooms and two-line telephones equipped with dataports in every suite enhance Woodfield Suites' appeal to business travelers. Woodfield Suites is installing high speed Internet access to all properties.

Hotels and Resorts Operations

The Pfister Hotel

The Company owns and operates the Pfister Hotel in downtown Milwaukee. The Pfister Hotel, a full service, luxury hotel, has 307 rooms (including 82 luxury suites), three restaurants, two cocktail lounges (one of which was recently opened) and a 275-car parking ramp. The Pfister has 24,000 square feet of banquet and convention facilities. Banquet and meeting rooms accommodate up to 3,000 persons, and the hotel features two large ballrooms, including one of the largest ballrooms in the Milwaukee metropolitan area, with banquet seating for 1,200 people. In addition, the Pfister opened a new indoor swimming pool and state of the art fitness center in June 2000. A portion of the Pfister's first-floor space is leased for use by retail tenants. In fiscal

2000, the Pfister Hotel earned its 24th consecutive four-diamond award from the American Automobile Association. The Pfister is also a member of Preferred Hotels and Resorts Worldwide Association, an organization of independent luxury hotels and resorts, and the Association of Historic Hotels of America.

The Hilton Milwaukee City Center

The Company owns and operates the 730-room Hilton Milwaukee City Center. The Hilton franchise affiliation has benefited the Hilton Milwaukee City Center through Hilton's international centralized reservation and marketing system, advertising cooperatives and frequent stay programs. In June 2000, the Company completed construction on the rooms and expanded meeting space portion of an extensive addition, increasing the number of rooms by 175 to the current total of 730 rooms. The addition will also include an indoor water park and family fun center that features water slides, swimming pools, a sand beach, lounge and restaurant.

The Grand Geneva Resort & Spa

The Grand Geneva Resort & Spa in Lake Geneva, Wisconsin is a full-facility destination resort located on 1,300 acres. The largest convention resort in Wisconsin includes 355 guest rooms, 50,000 square feet of banquet, meeting and exhibit space, 6,600 square feet of ballroom space, three specialty restaurants, two cocktail lounges, two championship golf courses, several ski-hills, four indoor and five outdoor tennis courts, three swimming pools, a spa and fitness complex, horse stables and an on-site airport.

The Company began selling units of a vacation ownership development during fiscal 2000 and recently opened its first 18 units and a sales center, representing the Company's entrance into the timesharing business. Condominium owners will be able to participate in exchange programs through Resort Condominiums International.

Miramonte Resort

The Miramonte Resort in Indian Wells, California, a boutique luxury resort located on 11 landscaped acres, opened in 1998 following an extensive renovation. The resort includes 14 two-story Tuscan style buildings housing 226 guest rooms, one restaurant, one lounge and 9,500 square feet of banquet, meeting and exhibit space, including a 5,000 square foot grand ballroom. Additionally, there is a fully equipped fitness center and two outdoor swimming pools, each with an adjacent jacuzzi spa and sauna. New amenities include outdoor meeting facilities and a golf concierge. During fiscal 2000, the Miramonte Resort earned its second consecutive four-diamond award from the American Automobile Association.

Operated and Managed Hotels

The Company operates the Crowne Plaza-Northstar Hotel in Minneapolis, Minnesota. The Crowne Plaza-Northstar Hotel is located in downtown Minneapolis and has 226 rooms, 13 meeting rooms, 6,370 square feet of ballroom and convention space, one restaurant, one cocktail lounge and an exercise facility.

The Company manages the Hotel Mead in Wisconsin Rapids, Wisconsin. The Hotel Mead has 157 guest rooms, 10 meeting rooms totaling 14,000 square feet of meeting space, two cocktail lounges, two restaurants and an indoor pool with a sauna and whirlpool.

The Company manages Beverly Garland's Holiday Inn in North Hollywood, California. The Beverly Garland has 257 rooms, including 12 suites, meeting space for up to 600, including an amphitheater and ballroom, and an outdoor swimming pool and lighted tennis courts. The mission-style hotel is located on seven acres near Universal Studios.

New Developments

Late in fiscal 2000, the Company purchased the Hotel Phillips, a 240-room hotel in Kansas City, Missouri. The Company plans to close the property during Fall 2000 and undertake a complete restoration of the landmark hotel. In late fiscal 1999, the Company also commenced construction on the Company's new Hilton Madison at Monona Terrace, a 238-room hotel that will be connected by skywalk to the new Monona Terrace Convention Center in Madison, Wisconsin and is scheduled to open in late fiscal 2001.

Theatre Operations

At the end of fiscal 2000, the Company operated 50 movie theatre locations with an aggregate of 470 screens in Wisconsin, Illinois, Minnesota and Ohio for an average of 9.4 screens per location, compared to an average of 8.9 screens per location at the end of fiscal 1999 and 7.8 at the end of fiscal 1998. The Company's facilities include 16 megaplex theatres (12 or more screens), representing 54% of the Company's total screens, 32 multiplex theatres (2 to 11 screens) and two single-screen theatres. The theatre division's long-term growth strategy is to focus on megaplex theatres having between 12 and 20 screens which typically vary in seating capacity from 150 to 450 seats per screen. Multi-screen theatres allow the Company to offer a more diversified selection of films to attract additional customers, exhibit movies in larger or smaller auditoriums within the same theatre depending on the popularity of the movie and benefit from the economies of having common box office, concession, projection and lobby facilities. Most of the Company's movie theatres feature exclusively first-run films.

The Company added 42 screens in fiscal 2000, including a new 16-screen UltraPlex(TM) in Oakdale, Minnesota, 19 screens to four existing theatres and the Company's second large screen IMAX(R) 2D/3D theatre at its Addison, Illinois location. The Company also purchased a six-screen theatre in Shakopee, Minnesota. At fiscal year-end, the Company operated 445 first-run screens and 25 budget-oriented screens.

The results of the Company's movie theatre business and the motion picture industry in general are largely dependent upon the box office appeal and marketing of available first-run films, factors over which the Company has no control. Movie production has been stimulated by additional demand from ancillary markets such as home video, pay-per-view and cable television, as well as increased demand from foreign film markets. Fiscal 2000 featured such box office hits as Star Wars I: The Phantom Menace, The Sixth Sense, Austin Powers 2: The Spy Who Shagged Me, Runaway Bride, Tarzan, Big Daddy, Toy Story 2 and The Green Mile.

The Company obtains its films from the national motion picture production and distribution companies and is not dependent on any single motion picture supplier. Booking, advertising, concession purchases and promotion are handled centrally by an administrative staff.

The Company strives to provide its movie patrons with high-quality picture and sound presentation in clean, comfortable, attractive and contemporary theatre environments. Substantially all of the Company's movie theatre complexes feature either digital sound, Dolby or other stereo sound systems; acoustical ceilings; side wall insulation; engineered drapery folds to eliminate sound imbalance, reverberation and distortion; tiled floors; loge seats; cup-holder chair-arms; and computer-controlled heating, air conditioning and ventilation. Computerized box offices permit all of the Company's movie theatres to sell tickets in advance. The Company's theatres are accessible to persons with disabilities and provide wireless headphones for hearing-impaired moviegoers. Other amenities at certain theatres include THX auditoriums, which allow customers to hear the softest and loudest sounds, and touch-screen, computerized, self-service ticket kiosks, which simplify advance ticket purchases. The Company also operates an exclusive customer information telephone system in Milwaukee and Madison, allowing customers to call for information regarding the locations, times and titles of movies being shown by the Company throughout each metropolitan area. The Company also operates the Marcus Movie Hitline, which is a satellite-based automated telephone ticketing system enabling moviegoers to buy tickets to movies at any of 12 Marcus first-run theatres in the metropolitan Milwaukee area and its two theatres in Columbus, Ohio using a credit card. In fiscal 2000, the Company announced plans to acquire a small equity interest in MovieTickets.com, a joint venture of movie and entertainment companies representing nearly 5,500 screens throughout the United States and Canada created to sell movie tickets over the Internet. As a result of its association with MovieTickets.com, the Company expects to introduce on-line ticketing during fiscal 2001, allowing moviegoers to buy tickets at certain theatres via the Internet.

The Company has enhanced its offerings of amenities at over 77% of its first-run theatres with stadium seating, a tiered seating system that permits unobstructed viewing. The Company is continuing an extensive program to add stadium seating to approximately 90% of its existing first-run screens by the end of 2001.

The Company sells food and beverage concessions at all of its movie theatres. The Company believes that a wide variety of food and beverage items, properly merchandised, increases concession revenue per patron. Although popcorn remains the traditional favorite with moviegoers, the Company continues to upgrade its available concessions by offering varied choices. For example, some of the Company's theatres offer hot dogs, pizza, ice cream, pretzel bites, frozen yogurt, coffee, mineral water and juices.

The Company also owns a family entertainment center, Funset Boulevard, adjacent to its 11-screen movie theatre in Appleton, Wisconsin. Funset Boulevard features a 40,000 square foot Hollywood-themed indoor amusement facility, including a restaurant, party room, a laser tag center, virtual reality games, an arcade, an outdoor miniature golf course and batting cages.

Discontinued Restaurant Operations

In September 1999, the Company announced its intention to sell its 30 KFC and KFC/Taco Bell 2-in-1 restaurants. The Company decided to dispose of its restaurant business in order to concentrate on its core lodging and theatre operations. An agreement entered into by the Company in September 1999 to sell the KFC restaurants was subsequently terminated during the second quarter. The Company is currently actively pursuing the sale of the KFC assets, which consist primarily of land, buildings and equipment.

The Company has non-exclusive franchise rights to operate KFC restaurants in the Milwaukee metropolitan area and in northeast Wisconsin. The Company currently operates 27 KFC restaurants and three KFC/Taco Bell 2-in-1 restaurants. The Company is the largest operator of KFC restaurants in Wisconsin, based on the number of facilities operated. The restaurants feature Kentucky Fried Chicken and other franchisor-authorized food items.

Virtually all of the Company's KFC restaurants feature inside seating for approximately 24 to 54 customers, drive-thru windows and updated electronic equipment to better facilitate food preparation and order processing. Twelve locations in the Fox Valley and Milwaukee metropolitan areas offer home delivery.

The Company's KFC locations operate under individual franchise agreements, all of which were renewed in early fiscal 1998 for a term of 20 years. Franchise royalties approximate 4% of net sales and, in addition, an initial flat fee of $14,000 is payable for each new KFC restaurant. The KFC franchisor specifies certain product requirements and provides for certain approved suppliers of products and supplies in order to maintain quality standards.

Competition

In each of its businesses, the Company experiences intense competition from national and/or regional chain and franchise operations, some of which have substantially greater financial and marketing resources than the Company. Most of the Company's facilities are located in close proximity to other facilities which compete directly with those of the Company.

The Company's Baymont Inns & Suites compete with such national limited-service lodging chains as Hampton Inn (owned by Hilton Hotels Corporation), Fairfield Inn (owned by Marriott Corporation), Holiday Inn Express, Comfort Inn and others, as well as a large number of regional and local chains. The Company's Woodfield Suites compete with such national chains as Embassy Suites, Comfort Suites, AmeriSuites and Courtyard by Marriott, as well as other regional and local all-suite facilities.

The Company's hotels and resorts compete with the hotels and resorts operated by Hyatt Corporation, Marriott Corporation, Ramada Inns, Holiday Inns, Wyndham Hotels and others, along with other regional and local hotels and resorts.

In the restaurant business, the Company's KFC restaurants compete locally with Hardee's, Boston Market, Popeye's and similar national and regional fast food chains and individual restaurants offering chicken.

The Company's movie theatres compete with large national movie theatre operators, such as AMC Entertainment, General Cinemas, Cinemark, Regal Cinemas, Loews Cineplex and Carmike Cinemas, as well as with a wide array of smaller first-run and discount exhibitors. Although movie exhibitors also generally compete with the home video, pay-per-view and cable television markets, the Company believes that such ancillary markets have assisted the growth of the movie theatre industry by encouraging the production of first-run movies released for initial movie theatre exhibition, which establishes the demand for such movies in these ancillary markets.

The Company believes that the principal factors of competition in each of its businesses, in varying degrees, are the price and quality of its product, quality and location of its facilities and customer service. The Company believes that it is well positioned to compete on the basis of these factors.

Seasonality

Historically, the Company's first fiscal quarter has produced the strongest operating results, because this period coincides with the typical summer seasonality of the movie theatre industry and the summer strength of the Company's lodging and food service businesses. The Company's third fiscal quarter has historically produced the weakest operating results, primarily due to the effects of reduced travel during the winter months on the Company's lodging businesses.

Research and Development

Research and development expenditures for the Company are not material.

Environmental Regulation

The Company does not expect federal, state or local environmental legislation to have a material effect on the Company's capital expenditures, earnings or competitive position. However, the Company's activities in acquiring and selling real estate for business development purposes have been complicated by the continued emphasis placed by Company personnel on properly analyzing real estate sites for potential environmental problems. This circumstance has resulted in, and is expected to continue to result in, greater time and increased costs involved in acquiring and selling properties associated with the Company's various businesses.

Employees

As of the end of fiscal 2000, the Company had approximately 7,300 employees, a majority of whom were employed on a part-time basis. A majority of the Company's hotel employees in Milwaukee, Wisconsin are covered by collective bargaining agreements which expire in June 2002. A number of the Company's hotel employees in Minneapolis, Minnesota are covered by collective bargaining agreements which expire in April 2005. Relations with employees have been satisfactory, and the Company has experienced no material work stoppages due to labor disputes.

Item 2. Properties.

The Company owns a substantial portion of its facilities, including the Pfister Hotel, the Hilton Milwaukee City Center, the Grand Geneva Resort and Spa, the Miramonte Resort and the Hotel Phillips, all of the Company-owned Baymont Inns & Suites and Woodfield Suites, the majority of its theatres and restaurants, and leases the remainder. The Company also manages three hotel properties for third parties. Additionally, the Company owns properties acquired for the future construction and operation of new Company operating facilities. Some of its properties are leased from entities owned by principal shareholders of the Company. All of the Company's properties are suitably maintained and adequately utilized to cover the respective business segment served.

The operating properties owned, leased and franchised by the Company are summarized in the following table:

Business Segment	Total Number of Facilities in Operation	Owned(1)	Leased from Unrelated Parties	Leased from Related Parties	Managed for Related Parties	Managed for Unrelated Parties	Owned By Franchisees(2)
Restaurants:							
KFC	30	29	1	0	0	0	0
Movie Theatres:	50	37	12	1	0	0	0
Hotels and Resorts:							
Hotels	6	3	0	0	0	3	0
Resorts	2	2	0	0	0	0	0
Limited-Service Lodging:							
Baymont Inns & Suites	171	85	0	0	9	1	76
Woodfield Suites	7	7	0	0	0	0	0
TOTALS	266	163	13	1	9	4	76

(1) One of the KFC restaurants, two of the movie theatres and two of the Baymont Inns & Suites are on land leased from unrelated parties under long-term leases. One of the Baymont Inns & Suites and one of the Woodfield Suites are located on land leased from related parties. The Company's partnership interests in nine Baymont Inns & Suites that it manages and one movie theatre that it leases are not included in this column.

(2) The Company manages three Baymont Inns & Suites for franchisees.

Certain of the above individual properties or facilities are subject to purchase money or construction mortgages or commercial lease financing arrangements; none of these encumbrances are considered in the aggregate to be material to the Company.

The terms of over 90% of the Company's operating property leases expire on various dates after fiscal 2001 (assuming exercise by the Company of all renewal and extension options).

Item 3. Legal Proceedings.

The Company does not believe that any pending legal proceeding involving the Company is material to its business. No legal proceeding required to be disclosed under this item was terminated during the fourth quarter of the Company's 2000 fiscal year.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of the Company's 2000 fiscal year.

EXECUTIVE OFFICERS OF COMPANY

Each of the current executive officers of the Company is identified below together with information about each such officer's age, current position with the Company and employment history for at least the past five years:

Name	Position	Age
Stephen H. Marcus	Chairman of the Board, President and Chief Executive Officer	65
Bruce J. Olson	Group Vice President	50
James R. Abrahamson	President and Chief Operating Officer, Baymont Inns & Suites	44
H. Fred Delmenhorst	Vice President-Human Resources	59
Thomas F. Kissinger	General Counsel and Secretary	40
Douglas A. Neis	Chief Financial Officer and Treasurer	41

Stephen H. Marcus has been Chairman of the Board of the Company since December 1991 and President and Chief Executive Officer since December 1988. Mr. Marcus has been employed by the Company for 39 years.

Bruce J. Olson has been employed in his present position with the Company since July 1991. He was elected to serve on the Company's Board of Directors in April 1996. Mr. Olson previously served as Vice President-Administration and Planning for the Company from September 1987 until July 1991 and as Executive Vice President and Chief Operating Officer of Marcus Theatres Corporation from August 1978 until October 1988, when he was appointed President of that corporation. Mr. Olson joined the Company in 1974.

James R. Abrahamson joined the Company in April 2000 as President and Chief Operating Officer of Baymont Inns & Suites. Mr. Abrahamson previously served as Executive Vice President of the Franchise Hotel Group of Hilton Hotels Corporation from January 1995 until April 2000.

H. Fred Delmenhorst has been the Vice President-Human Resources since he joined the Company in December 1984.

Thomas F. Kissinger joined the Company in August 1993 as Secretary and Director of Legal Affairs and in August 1995 was promoted to General Counsel and Secretary. Prior thereto, Mr. Kissinger was associated with the law firm of Foley & Lardner for five years.

Douglas A. Neis joined the Company in February 1986 as Controller of the Marcus Theatres division and in November 1987 he was promoted to Controller of Marcus Restaurants. In July 1991, Mr. Neis was appointed Vice President of Planning and Administration for Marcus Restaurants. In September 1994, Mr. Neis was also named Director of Technology for the Company and in September 1995 he was elected Corporate Controller for the Company. In September 1996, Mr. Neis was promoted to Chief Financial Officer and Treasurer of the Company.

The executive officers of the Company are generally elected annually by the Board of Directors after the annual meeting of shareholders. Each executive officer holds office until his successor has been duly qualified and elected or until his earlier death, resignation or removal.

PART II

Item 5. Market for the Company's Common Equity and Related Shareholder Matters.

The information required by this item is incorporated by reference to the information pertaining thereto included on Pages 30, 31 and 33 of the Company's 2000 Annual Report to Shareholders.

Item 6. Selected Financial Data.

The information required by this item is incorporated by reference to the information pertaining thereto included on Page 30 of the Company's 2000 Annual

Report to Shareholders.

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

The information required by this item is incorporated by reference to the information pertaining thereto included on Pages 10 through 17 of the Company's 2000 Annual Report to Shareholders.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is incorporated by reference to the information pertaining thereto included on Page 17 of the Company's 2000 Annual Report to Shareholders.

Item 8. Financial Statements and Supplementary Data.

The information required by this item is incorporated by reference to the information pertaining thereto included on Pages 18 through 29 and 31 of the Company's 2000 Annual Report to Shareholders.

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Company.

The information required by this item with respect to directors is incorporated herein by reference to the information pertaining thereto set forth under the caption entitled "Election of Directors" in the definitive Proxy Statement for the Company's 2000 Annual Meeting of Shareholders scheduled to be held September 25, 2000 (the "Proxy Statement"). The required information with respect to executive officers appears at the end of Part I of this Form 10-K. The required information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 by directors and executive officers is incorporated by reference to the information pertaining thereto set forth under the caption entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to the information pertaining thereto set forth under the caption entitled "Executive Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is incorporated herein by reference to the information pertaining thereto set forth under the caption entitled "Stock Ownership of Management and Others" in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

The information required by this item, to the extent applicable, is incorporated herein by reference to the information pertaining thereto set forth under the caption entitled "Certain Transactions" in the Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a)(1) Financial Statements.

The consolidated financial statements of the Company as of May 25, 2000 and May 27, 1999 and for each of the three years in the period ended May 25, 2000, together with the report thereon of Ernst & Young LLP, dated July 14, 2000, appear on Pages 18 through 29 of the Company's 2000 Annual Report to Shareholders, and are incorporated herein by reference.

(a)(2) Financial Statement Schedules.

All schedules are omitted because they are inapplicable, not required under the instructions or the financial information is included in the consolidated financial statements or notes thereto.

(a)(3) Exhibits.

The exhibits filed herewith or incorporated by reference herein are set forth on the attached Exhibit Index.*

(b) Reports on Form 8-K.

The Company did not file a Form 8-K with the Securities and Exchange Commission during the fourth quarter of fiscal 2000.

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* Exhibits to this Form 10-K will be furnished to shareholders upon advance payment of a fee of $0.20 per page, plus mailing expenses. Requests for copies should be addressed to Thomas F. Kissinger, General Counsel and Secretary, The Marcus Corporation, 250 East Wisconsin Avenue, Suite 1700, Milwaukee, Wisconsin 53202.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MARCUS CORPORATION

Date: August 23, 2000

By: /s/ Stephen H. Marcus

Stephen H. Marcus,
Chairman of the Board and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities as of the date indicated above.

By:/s/ Stephen H. Marcus

Stephen H. Marcus, Chairman of the Board and President (Chief Executive Officer)

By:/s/ Daniel F. McKeithan

Daniel F. McKeithan, Jr., Director

By:/s/ Douglas A. Neis

Douglas A. Neis, Treasurer and Controller (Chief Financial and Accounting Officer)

By:/s/ Diane Marcus Gershowitz

Diane Marcus Gershowitz, Director

By:/s/ Bruce J. Olson

Bruce J. Olson, Director

By:/s/ Timothy E. Hoeksema

Timothy E. Hoeksema, Director

By:/s/ Philip L. Milstein

Philip L. Milstein, Director

By:/s/ Allan H. Selig

Allan H. Selig, Director

By:/s/ Bronson J. Haase

Bronson J. Haase, Director

EXHIBIT INDEX

3.1 Restated Articles of Incorporation. [Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended November 13, 1997.]

3.2* Bylaws, as amended as of December 17, 1998. [Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended November 26, 1998.]

4.1 Senior Note Purchase Agreement dated May 31, 1990, between the Company and The Northwestern Mutual Life Insurance Company. [Incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1990.]

4.2 The Marcus Corporation Note Purchase Agreement dated October 25, 1996. [Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended November 14, 1996.]

4.3 First Supplement to Note Purchase Agreements dated May 15, 1998. [Incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the fiscal year ended May 28, 1998.]

4.4 Second Supplement to Note Purchase Agreements dated May 7, 1999. [Incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended May 27, 1999.]

4.5 Credit Agreement dated as of April 29, 1999, among the Company, Bank of America National Trust and Savings Association, as Administrative Agent, Bank One, Wisconsin, as Documentation Agent, the other financial institutions parties thereto and Nationsbanc Montgomery Securities LLC, as Sole Arranger and Sole Book Manager. [Incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended May 27, 1999.]

4.6 Other than as set forth in Exhibits 4.1, 4.2, 4.3, 4.4 and 4.5, the Company has numerous instruments which define the rights of holders of long-term debt. These instruments, primarily promissory notes, have arisen from the purchase of operating properties in the ordinary course of business. These instruments are not being filed with this Annual Report on Form 10-K in reliance upon Item 601(b)(4)(iii) of Regulation S-K. Copies of these instruments will be furnished to the Securities and Exchange Commission upon request.

10.1 The Company is the guarantor and/or obligor under various loan agreements in connection with operating properties (primarily Baymont Inns & Suites) which were financed through the issuance of industrial development bonds. These loan agreements and the additional documentation relating to these projects are not being filed with this Annual Report on Form 10-K in reliance upon Item 601(b)(4)(iii) of Regulation S-K. Copies of these documents will be furnished to the Securities and Exchange Commission upon request.

10.2 Comprehensive Image Enhancement Agreement, dated October 12, 1988, between the Company and KFC Corporation. [Incorporated by reference to

Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended May 25, 1989.]

10.3 Form of individual Kentucky Fried Chicken franchise agreement between the Company and KFC Corporation. [Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended May 29, 1997.]

10.4* The Marcus Corporation 1995 Equity Incentive Plan, as amended. [Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended May 27, 1999.]

10.5* The Marcus Corporation 1994 Nonemployee Director Stock Option Plan. [Incorporated by reference to Exhibit A to the Company's 1994 Proxy Statement.]

13 The Company's 2000 Annual Report to Shareholders, to the extent incorporated by reference herein.

21 Subsidiaries of the Company as of May 25, 2000.

23 Consent of Ernst & Young LLP.

27 Financial Data Schedule for the fiscal year ended May 25, 2000.

99 Proxy Statement for the 2000 Annual Meeting of Shareholders. (The Proxy Statement for the 2000 Annual Meeting of Shareholders will be filed with the Securities and Exchange Commission under Regulation 14A within 120 days after the end of the Company's fiscal year. Except to the extent specifically incorporated by reference, the Proxy Statement for the 2000 Annual Meeting of Shareholders shall not be deemed to be filed with the Securities and Exchange Commission as part of this Annual Report on Form 10-K.)

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* This exhibit is a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14(c) of Form 10-K.

management's discussion and analysis

Forward-Looking Statements

Certain matters discussed in this annual report to shareholders, particularly in the Shareholders' Letter and Management's Discussion and Analysis, are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as the Company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the following: (i) the Company's ability to identify properties to acquire, develop and/or manage and continuing availability of funds for such development; (ii) the Company's ability to attract potential partners to assist in the acquisition and/or development of properties; (iii) the limited-service lodging division's ability to attract and retain quality franchise operators and to effectively execute its Baymont repositioning strategy; (iv) continuing consumer demand as a result of general economic conditions with respect to the hotels and resorts and limited-service lodging divisions; (v) continuing availability, in terms of both quality and quantity, of films for the theatre division; and (vi) competitive conditions in the markets served by the Company. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this report and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Results of Operations

GENERAL

The Marcus Corporation reports consolidated and individual segment results of operations on a 52-or-53-week fiscal year ending on the last Thursday in May. Fiscal 2000 and fiscal 1999 were 52-week years for the Company and each of its divisions. Fiscal 1998 was a 53-week fiscal year for the Company's restaurant division, while the Company and each of its other divisions reported on a 52-week fiscal year. Fiscal 2001 will be a 53-week year for the Company and each of its divisions and the Company anticipates that its reported results for fiscal 2001 will be increased proportionately by the additional week of operations.

The Company divides its fiscal year into three 13-week quarters and a final quarter consisting of 13 or 14 weeks. The Company's primary operations are reported in the following three business segments: limited-service lodging, theatres and hotels/resorts. As a result of the Company's stated intention to dispose of its KFC restaurants, the restaurant business segment has been presented as discontinued operations in the accompanying financial statements and prior year financial results have been restated to conform with the current year presentation.

Total revenues for fiscal 2000 were $352.1 million, an increase of $16.1 million, or 4.8%, compared to fiscal 1999 revenues of $336.0 million. Fiscal 1999 revenues increased $27.2 million, or 8.8%, from fiscal 1998 revenues. The Company's theatre and hotel/resort divisions contributed to the increase in revenues during both fiscal years. The Company's limited-service lodging division revenues decreased during both fiscal years.

Earnings from continuing operations for fiscal 2000 were $21.2 million, or $.71 per share, an increase of 1.3% and 1.4%, respectively, from earnings from continuing operations of $21.0 million, or $.70 per share, for fiscal 1999. Fiscal 1999 earnings from continuing operations decreased $7.7 million, or 26.9%, from fiscal 1998 earnings from continuing operations of $28.7 million, or $.95 per share, excluding the after-tax charge of $2.34 million, or $.08 per share, in fiscal 1998 resulting from the Company's decision to change the name of Budgetel Inns to Baymont Inns & Suites. The Company recorded a $2.34 million after-tax charge ($3.9 million before-tax) to earnings for the write-off of existing signage and other one-time expenses associated with the name change during the fourth quarter of fiscal 1998. Including the name change charge, earnings from continuing operations were $26.3 million, or $.87 per share, for fiscal 1998.

Net earnings for fiscal 2000 were $22.6 million, or $.76 per share. This represented a $522,000, or 2.3% decrease, from fiscal 1999 net earnings of $23.1 million, or $.77 per share. Fiscal 1999 net earnings decreased $7.6 million, or 24.8%, from comparable fiscal 1998 earnings of $30.7 million, or $1.02 per share, excluding the after-tax charge for the Baymont name change. Including the name change charge, net earnings were $28.4 million, or $.94 per share, for fiscal 1998. Weighted average shares outstanding were 29.8 million for fiscal 2000, 30.1 million for fiscal 1999 and 30.3 million for fiscal 1998. All per share and share data in this discussion have been adjusted to reflect the Company's three-for-two stock split effected in the form of a 50% stock dividend on December 5, 1997. All per share data presented herein is on a diluted basis.

The Company's net interest expense, net of investment income, totaled $16.5 million for fiscal 2000. This represented an increase of $459,000, or 2.9%, over fiscal 1999 net interest expense of $16.1 million. Fiscal 1999 net interest expense increased $4.3 million, or 36.4%, over fiscal 1998 net interest expense of $11.8 million. These increases were the result of additional borrowings in fiscal 2000 and fiscal 1999 used to help finance the Company's capital expansion program and stock repurchase program, partially offset by increased investment income and capitalized interest.

The Company's income tax expense on continuing operations for fiscal 2000 was $14.6 million, an increase of $356,000 from

fiscal 1999. The Company's effective tax rate for fiscal 2000 was 40.7%, compared to 40.5% in fiscal 1999 and 40.0% in fiscal 1998. The increased effective tax rate during fiscal 2000 and fiscal 1999 was the result of increased state income taxes, net of federal income tax benefits. The Company believes that its effective tax rate may decrease slightly in fiscal 2001 as the Company reorganizes and consolidates some of its operating subsidiaries.

Historically, the Company's first fiscal quarter has produced the strongest operating results because this period coincides with the typical summer seasonality of the movie theatre industry and the summer strength of the Company's lodging businesses. The Company's third fiscal quarter has historically produced the weakest operating results primarily due to the effects of reduced travel during the winter months on the Company's lodging businesses.

The Company incurred approximately $100 million in aggregate capital expenditures during fiscal 2000 and over $500 million during the last five fiscal years. The Company's current expansion plans include the following goals:

- Continuing to define and build the Baymont Inns & Suites brand, with a goal to be the "best in class" in the mid-price without food and beverage segment of the lodging industry. The Company currently believes that most of its anticipated future growth will ultimately come from its emphasis on opening new franchised Baymont Inns and Baymont Inns & Suites. As of the end of fiscal 2000, one new Company-owned and 26 new franchised properties were under development, the majority of which are expected to open during fiscal 2001. The Company currently believes that it will add 25 to 35 new franchised properties per year over the next few years. By emphasizing franchising, the Company believes the Baymont brand may grow more rapidly, conserving capital for other strategic purposes within the Company. In addition to the development of new franchised properties, the Company plans to further emphasize franchising in the future by exploring the potential sale of approximately 20 Company-owned properties to new and existing franchisees over the next three years, with the Company possibly retaining a management contract in some cases. The Company also anticipates exploring additional growth of the Baymont brand through potential acquisitions and joint venture investments.

- Reaching its target of 500 movie theatre screens during fiscal 2001. The Company plans to open up to 36 new screens during fiscal 2001, including 19 new screens to be added to existing locations in Wisconsin, Illinois and Minnesota. The Company's second large UltraScreen(TM) opened in June 2000 at a Madison, Wisconsin location. The Company also has plans to complete its stadium seating retrofit program, resulting in stadium seating in approximately 90% of its first-run screens by the end of 2001.

- Increasing the number of rooms managed by the hotel and resort division to

10,000 rooms over the next five years, either Company-owned or managed for others. The Company anticipates that the majority of this growth will come from management contracts for other owners. In some cases, the Company may own a partial interest in the new properties. The Company opened an extensive addition to the Hilton Milwaukee City Center in June 2000. In addition, the Company currently has two Company-owned projects under construction or in development: the Hilton Madison at Monona Terrace - a 238-room public/private endeavor with the City of Madison, Wisconsin scheduled to open late in fiscal 2001; and the Hotel Phillips - a 240-room public/private project in Kansas City, Missouri. The Company purchased the Hotel Phillips in May 2000 and currently plans to close the property this fall in order to undertake a complete restoration of this landmark property.

o Evaluating additional growth opportunities. The Company opened its seventh Woodfield Suites during fiscal 2000 and is evaluating additional sites and franchising opportunities. The Company began selling units of a vacation ownership development at the Grand Geneva Resort & Spa during fiscal 2000 and recently opened its first 18 units and a sales center, representing the Company's entrance into the timesharing business. The Company expects to continue growing this business in fiscal 2001 and beyond.

The actual number, mix and timing of potential future new facilities and expansions will depend in large part on continuing favorable industry and economic conditions, the Company's financial performance and available capital, the competitive environment, evolving customer needs and trends, customer acceptance of the new Baymont brand, the Company's ability to increase the number of franchised locations at a pace faster than that achieved under the Budgetel name and the continued availability of attractive opportunities. It is likely that the Company's expansion goals will continue to evolve and change in response to these and other factors with no assurance that these current goals will be achieved.

LIMITED-SERVICE LODGING

The Company's largest division is its limited-service lodging division, which contributed 39.2% of the Company's consolidated revenues and 39.0% of Company consolidated operating income, excluding corporate items, during fiscal 2000. The division's primary business consists of owning and franchising Baymont Inns & Suites and Woodfield Suites, which respectively operate in the segments of the lodging industry designated as "limited-service mid-price without food and beverage" and "limited-service all-suites." The following tables set forth revenues, operating income, operating margin, number of units and rooms data for the limited-service lodging division for the last three fiscal years:

(in millions)	2000	1999	1998
Revenues	$138.2	$141.6	$144.7
Operating income	21.0	25.5	35.4*
Operating margin (% of revenues)	15.2%	18.0%	24.4%*

* Excludes $3.9 million before-tax charge for Baymont name change.

	Number of units at year-end		
	2000	1999	1998
Baymont Inns & Suites			
Company-owned or operated	95	99	106
Franchised	76	65	50
Total Baymont Inns & Suites	171	164	156
Woodfield Suites			
Company-owned	7	6	5
Total number of units	178	170	161

	Available rooms at year-end		
	2000	1999	1998
Baymont Inns & Suites			
Company-owned or operated	9,877	10,380	11,326
Franchised	6,775	5,984	4,766

Total Baymont Inns & Suites	16,652	16,364	16,092
Woodfield Suites	889	737	610
Total available rooms	17,541	17,101	16,702

Total revenues in the limited-service lodging division decreased 2.4% during fiscal 2000 due primarily to the reduction in the number of Company-owned Baymont Inns & Suites. Total revenues decreased 2.2% during fiscal 1999 principally as a result of reduced occupancy at the Company's comparable Inns. Average daily room rates at Baymont Inns & Suites increased 7.9% during fiscal 2000 and 3.1% during fiscal 1999 compared to the respective prior years. Baymont's occupancy percentage decreased 2.5 and 3.9 percentage points during fiscal 2000 and fiscal 1999, respectively. The primary factor contributing to the decline in occupancy in both fiscal years was the significant increase in the industry supply of limited-service lodging rooms. The increased room supply was especially prevalent in the Midwestern and Southern portions of the country, where the Company has a large number of properties. Occupancy was also negatively impacted during the second half of fiscal 1999 and first half of fiscal 2000 by the name change from Budgetel to Baymont. The result of the average daily rate increases and occupancy declines was a 2.4% increase and a 3.7% decrease in Baymont Inns & Suites revenue per available room, or RevPAR, for comparable Inns for fiscal 2000 and 1999, respectively. RevPAR for comparable Woodfield Suites increased 2.2% during fiscal 2000 and 7.9% during fiscal 1999 compared to the prior fiscal years, respectively.

During the third quarter of fiscal 1999, the Company officially changed the name of its Budgetel Inns to Baymont Inns and Baymont Inns & Suites. As the Company expected, the Baymont introduction did not immediately alter the trends being experienced by the Company and others in the limited-service segment of the lodging industry and may have actually contributed to a decline in occupancy during the name change transition, as customers were not yet familiar with the new name. The division's quarterly RevPAR trends for the last two fiscal years have been as follows:

	RevPAR % change 2000	1999
1st Quarter	-2.9%	+0.9%
2nd Quarter	-0.6%	-0.9%
3rd Quarter	+5.9%	-7.3%
4th Quarter	+7.2%	-5.0%

As the above table indicates, the percentage change in RevPAR at comparable Baymont Inns & Suites has improved each quarter since the initial introduction of the new brand during the third quarter of fiscal 1999. The improvement in RevPAR is attributable primarily to increased market awareness of the Baymont brand and the addition of lobby breakfasts at the majority of the Company-owned Baymont locations. Inns with lobby breakfasts consistently performed significantly better than Inns without the lobby breakfast, due to favorable guest response to the new amenity and increased average rates implemented in conjunction with such installations. The Company completed installation of the lobby breakfasts at its Company-owned Inns during the third quarter of fiscal 2000. Subject to changes in economic and industry conditions, the Company believes that RevPAR should continue to improve during fiscal 2001 as market awareness of the Baymont brand continues to increase and the Company benefits from a full year of the lobby breakfast program.

No Company-owned Baymont Inns & Suites were opened during fiscal 2000 or fiscal 1999, while two new Budgetel Inns were opened in fiscal 1998. One new Woodfield Suites was opened during each of the last three fiscal years. The Company's newly opened Woodfield Suites contributed additional revenues of $3.2 million and nominal operating income during fiscal 2000. Newly opened properties contributed additional revenue of $2.4 million and nominal operating income during fiscal 1999. During the first half of fiscal 2000, the Company sold four Baymont Inns, including one to a franchisee. Pre-tax gains of approximately $2.4 million were recognized during fiscal 2000 as a result of the sale of these Inns. Late in fiscal 1999, the Company sold seven Baymont Inns & Suites, including five to a new franchisee. A pre-tax gain of approximately $1.3 million was recognized during fiscal 1999 as a result of those sales. As a result of the sale of these 11 Inns, fiscal 2000 and fiscal 1999 revenues were negatively impacted by $7.9 million and $800,000, respectively, compared to the prior years. The Company has identified up to 20 additional Baymont Inns & Suites that will be considered for sale to new and existing franchisees over the next three years as part of the Company's strategy to emphasize growth through franchising. In some cases, the Company may continue to manage a sold property for a new owner under the terms of a management contract. The Company believes that this strategy will give its franchise partners the opportunity to develop a significant market presence and will allow the Company to utilize the sales proceeds for other growth opportunities, including developing Baymont properties in new markets. Although this strategy will result in reduced revenues until the sales proceeds are reinvested, the Company expects that profitability will increase over time as a result.

The limited-service lodging division's operating income decreased 17.7% and 27.9% during fiscal 2000 and fiscal 1999, respectively, excluding the fiscal 1998 $3.9 million before-tax charge for Baymont name-change costs. Operating margins, excluding the Baymont name-change costs, declined to 15.2%, compared to 18.0% and 24.4% in fiscal 1999 and 1998, respectively, due primarily to the reductions in RevPAR during fiscal 1999 and first half of fiscal 2000, increased payroll costs from a tight labor market, combined with increased costs of additional guest amenities and marketing costs associated with the re-branding effort. In addition, administrative costs have increased due to recent investments in information technology and personnel, including sales staff, incurred in association with the Baymont re-branding. Partially offsetting the reduced operating income from Baymont Inns & Suites operations were improved franchise revenues and increased operating income from the division's Woodfield Suites properties. Overall limited-service lodging division operating margins increased slightly during the second half of fiscal 2000 compared to the same period during the prior year and the Company currently expects margins to continue to stabilize and improve during fiscal 2001 if economic and industry conditions do not worsen.

THEATRES

The Company's oldest and second largest division is its theatre division. The theatre division contributed 34.7% of the Company's consolidated revenues and 40.9% of its consolidated operating income, excluding corporate items, during fiscal 2000. The theatre division operates motion picture theatres in Wisconsin, Illinois, Ohio and Minnesota, and a family entertainment center in Wisconsin. The following tables set forth revenues, operating income, operating margin, screens and theatres for the last three fiscal years:

(in millions)	2000	1999	1998
Revenues	$122.3	$111.2	$91.8
Operating income	22.0	20.4	19.7
Operating margin (% of revenues)	18.0%	18.3%	21.4%

		Number of screens and locations at year-end	
	2000	1999	1998
Theatre screens	470	428	361
Theatre locations	50	48	46
Average screens per location	9.4	8.9	7.8

Total revenues in the theatre division increased 9.9% and 21.2% during fiscal years 2000 and 1999, respectively, principally as a result of adding additional screens. Consistent with the Company's long-term strategic plan to focus on operating large multi-screen theatres, the Company added 42 new screens during fiscal 2000, including a new 16-screen ultraplex in Oakdale, Minnesota. In addition, the Company added 19 screens to four existing theatres during fiscal 2000 and added the Company's second large screen IMAX(R) 2D/3D theatre at its Addison, Illinois location.

The Company also purchased a six-screen theatre during fiscal 2000 in Shakopee, Minnesota. As of May 25, 2000, the Company operated 445 first-run screens and 25 budget screens. Compared to first-run theatres, budget theatres generally have lower box office revenues and associated film costs, but higher concession sales as a percentage of box office revenue.

The Company added 73 new screens during fiscal 1999, including a new 17-screen ultraplex in suburban Columbus, Ohio. This ultraplex represented the Company's second theatre in the Columbus market and included the Company's first IMAX(R) theatre. The Company also purchased three theatres during fiscal 1999 - a 10-screen theatre in Milwaukee; a 14-screen theatre in Elgin, Illinois; and a 10-screen theatre in Wausau, Wisconsin. In addition, the Company added 23 screens to seven existing theatres during fiscal 1999 and converted two screens at a suburban Milwaukee theatre into its first UltraScreen(TM) - a 75-foot wide, 32-foot high screen nearly three times the size of traditional theatre screens. The new screens added during fiscal 2000 and fiscal 1999 generated additional revenues of $13.0 million and $21.9 million, respectively, compared to the previous years.

Two theatres with a total of six screens were closed during fiscal 1999. These closed theatres had minimal impact on operations in fiscal 1999.

Revenues for the theatre business and the motion picture industry in general are heavily dependent on the general audience appeal of available films, together with studio marketing, advertising and support campaigns, factors over which the Company has no control. This was particularly evident during the last two fiscal years. Theatre division revenues were up 27.0% over the prior year at the end of the first quarter of fiscal 2000, due to the strong summer box office performance of films such as Star Wars I: The Phantom Menace, The Sixth Sense, Austin Powers 2: The Spy Who Shagged Me, Runaway Bride, Tarzan and Big Daddy. With the exception of the films Toy Story 2 and The Green Mile, however, there was a lack of quality film product during the last three quarters of fiscal 2000, resulting in an increase in total theatre revenues of only 2.6% during the last three quarters of fiscal 2000 compared to the same period during the prior year. Similarly, theatre division revenues during fiscal 1999 were up 36% over the prior year at the end of the second quarter of fiscal 1999, but the lack of quality and quantity of film product during the second half of fiscal 1999 eliminated the majority of the division's earlier increases. The highest grossing films during fiscal 1999 included Saving Private Ryan, There's Something About Mary, Armageddon, Star Wars I: The Phantom Menace, A Bug's Life, Waterboy, Patch Adams and The Matrix. Comparisons of fiscal 1999 to fiscal 1998 results were also greatly affected by the record-setting box office performance of the film Titanic during fiscal 1998. Each of the fiscal 2000 films identified produced box office receipts in excess of $1.7 million for the theatre division during fiscal 2000. Each of the fiscal 1999 films identified produced box office receipts in excess of $1.5 million for the theatre division during fiscal 1999.

The Company played 172, 153 and 162 films at its theatres during fiscal years 2000, 1999 and 1998, respectively. Included in the total films played were 10 IMAX(R) films during fiscal 2000 and 4 IMAX(R) films during fiscal 1999.

Total box office receipts during fiscal 2000 were $81.6 million, an increase of $7.6 million, or 10.3%, from $74.0 million during fiscal 1999. Fiscal 1999 box office receipts increased $14.0 million, or 23.4%, compared to fiscal 1998. These increases were attributable to 3.6% and 21.8% increases in attendance during fiscal years 2000 and 1999, respectively. The increases in attendance were due to the increase in new screens each year. Attendance at the Company's comparable locations decreased 8.4% during fiscal 2000 and 4.1% during fiscal 1999, compared to the previous year. Attendance during both fiscal years was negatively impacted by additional theatre screens in several of the Company's markets and the lack of quality and quantity of film product during significant portions of the year. Attendance during fiscal 1999 was also negatively impacted by a major winter storm on New Year's weekend during what is traditionally the largest theatre attendance week of the year. The Company estimates that it lost approximately $2 million in revenues due to the storm.

The theatre division's average ticket price increased 6.5% and 1.3% during fiscal 2000 and fiscal 1999, respectively, compared to the prior year. Ticket prices were increased during fiscal 2000 in order to reflect the significant investments in stadium seating and digital sound that have been made in the majority of the division's theatres. First-run theatre average ticket prices increased 5.6% during fiscal 2000 and 2.2% during fiscal 1999, compared to the respective prior years.

Concession revenues during fiscal 2000 were $36.5 million, an increase of $3.1 million, or 9.2%, from $33.4 million during fiscal 1999. Fiscal 1999 concession revenues increased $6.4 million, or 23.9%, from fiscal 1998 concession revenues of $27.0 million. Concession revenues increased due to increased theatre attendance from the Company's added screens and the 5.6% and 1.9% increase in average concession sales per person during fiscal years 2000 and 1999, respectively. Average concession sales per person are impacted by changes in concession pricing, types of films played and changes in the Company's geographic mix of theatre locations.

The theatre division's operating income increased 7.9% during fiscal 2000 and 3.7% during fiscal 1999, compared to the respective prior year's results. The division's operating margin decreased to 18.0% during fiscal 2000, compared to 18.3% and 21.4% in fiscal 1999 and 1998, respectively. Fiscal 2000 and fiscal 1999 operating margins were impacted by the disappointing film product and increased occupancy expenses associated with recent capital investments in the division. The Company believes, however, that its long-term competitive position has been strengthened as a result of these capital investments. Fiscal 2000 was further negatively impacted by high film costs associated with the fiscal year's highest grossing film, Star Wars I: The Phantom Menace and an overall disappointing performance by the Company's two IMAX(R) theatre screens. Fiscal 2000 and fiscal 1999 operating income was reduced by pre-opening expenses for new screens of over $400,000 and $700,000, respectively.

HOTELS AND RESORTS

The Company's hotels and resorts division contributed 25.5% of the Company's consolidated revenues and 20.1% of the Company's consolidated operating income, excluding corporate items, during fiscal 2000. The hotel and resort division owns and operates two full-service hotels in downtown Milwaukee, Wisconsin, a full-facility destination resort in Lake Geneva, Wisconsin, a boutique luxury resort in Indian Wells, California and a full-service hotel in downtown Kansas City, Missouri. In addition, the Company managed three hotels and a resort during the majority of the fiscal years presented. The following table sets forth revenues, operating income, operating margin and rooms data for the hotels and resorts division for the last three fiscal years:

(in millions)	2000	1999	1998
Revenues	$89.9	$81.2	$70.3
Operating income	10.8	8.1	7.9
Operating margin (% of revenues)	12.0%	10.0%	11.2%

		Available rooms at year-end	
	2000	1999	1998
Company-owned	1,683	1,388	1,388
Management contracts	640	879	879
Total rooms managed	2,323	2,267	2,267

Total revenues in the hotels and resorts division increased 10.7% and 15.5% during fiscal 2000 and fiscal 1999, respectively, compared to the prior year. The division's operating income increased 33.4% during fiscal 2000 and 2.9% during fiscal 1999, compared to the respective previous years. Division revenues increased during fiscal 2000 due to increased RevPAR at the Company-owned properties and the first year of sales of vacation ownership units at the Grand Geneva Resort & Spa in Lake Geneva, Wisconsin. Improved performance at the Company's two resorts, the Grand Geneva Resort & Spa and the Miramonte Resort in Indian Wells, California, contributed to the majority of the increased operating income during fiscal 2000. Increased RevPAR at the Company-owned properties and increased management fees, due to improved results at the Company's managed properties, contributed to the improved operating results during fiscal 1999. Operating margin declined in fiscal 1999 due to the impact of the first full year of operation at the Miramonte Resort in Indian Wells, California.

Occupancy and average daily rate increases at the division's comparable owned properties, in particular the Miramonte Resort, contributed to the increase in revenues and operating income in both fiscal 2000 and fiscal 1999. As a result of the

occupancy and average daily rate increases, the division's total RevPAR for comparable properties increased 3.2% and 10.5% during fiscal 2000 and 1999, respectively, compared to the prior year. Prior to fiscal 2000, the hotels and resorts division had experienced double-digit increases in RevPAR for three consecutive years. This was primarily because, unlike the limited-service segment of the lodging industry, strong consumer demand in conjunction with a relatively small increase in industry room supply has resulted in strong operating results for owners and operators of upper-end hotels and resorts. During fiscal 2000, there were some minor increases in room supply in the Company's markets and average daily rate increases slowed, resulting in an overall RevPAR increase that more closely reflected annual inflation trends. The Company currently believes that its RevPAR for comparable properties in the hotel and resort division will continue to increase in fiscal 2001, but at a rate more reflective of fiscal 2000 results. As a result, operating margins at comparable properties are not expected to increase significantly during fiscal 2001.

The division acquired a resort in Indian Wells, California in fiscal 1997 and closed the facility for an extensive renovation. The Company reopened the property in January 1998 under the name Miramonte Resort. Fiscal 1999 and 1998 results were negatively impacted by approximately $2.0 million and $1.2 million, respectively, of pre-opening costs and start-up operating losses at the Miramonte. All pre-opening expenses were fully amortized during fiscal 1999, which contributed to more favorable comparisons in operating income during fiscal 2000. During fiscal 1998, the Company entered into a management contract to operate the Mission Point Resort on Mackinac Island, Michigan. The Mission Point Resort was a seasonal property and did not materially impact the Company's fiscal 1998 operating results. The Company discontinued management of the Mission Point Resort during the third quarter of fiscal 2000. The impact on future operating results will not be material.

The Company began construction during fiscal 1999 on an extensive addition to the Hilton Milwaukee City Center. The rooms portion of the addition was opened during the first quarter of fiscal 2001, making it the largest hotel in Wisconsin with 730 rooms. The addition will also include a family water park fun center, scheduled to open in September 2000, and a skywalk to Milwaukee's new Midwest Express Convention Center. Construction also commenced late in fiscal 1999 on the division's new Hilton Madison at Monona Terrace, a 238-room hotel connected by skywalk to the Monona Terrace Convention Center in Madison, Wisconsin and scheduled to open late in fiscal 2001. The Company expects that its pre-opening expenses during fiscal 2001 related to the opening of this new hotel will have an adverse impact on fiscal 2001 division operating results. Late during fiscal 2000, the Company purchased the 240-room Hotel Phillips, a downtown Kansas City, Missouri landmark property. The Company plans to close the property during the fall of 2000 and undertake a complete restoration of the hotel. The Company expects interim operating losses and pre-opening expenses during fiscal 2001 to have an adverse impact on fiscal 2001 operating results.

The Company began sales and construction of a vacation ownership development at the Grand Geneva Resort & Spa during fiscal 1999, representing the Company's entrance into the timesharing business. The first 18 units, a sales center and a model unit opened in June 2000. During the first three quarters of fiscal 2000, the Company accounted for all sales of vacation intervals using the deposit method, deferring all revenue because certain minimum sales levels had not been reached. During the fourth quarter of fiscal 2000, minimum sales levels were met and revenues were recognized on the percentage-of-completion method, as construction was not substantially completed by May 25, 2000. Under this methodology, the vacation ownership development contributed revenues of $3.9 million during fiscal 2000 and negatively impacted operating income in fiscal 2000 by approximately $500,000 due to start-up selling costs and the fact that initial sales efforts were limited while the Company obtained the necessary approvals to sell to Illinois residents. The Company expects the vacation ownership development to add to division operating income in fiscal 2001.

DISCONTINUED OPERATIONS

In September 1999, the Company announced its intention to sell its 30 KFC and KFC/Taco Bell 2-in-1 restaurants. The Company decided to dispose of its restaurant business in order to concentrate on its core lodging and theatre operations. In fiscal years 1995 and 1996, respectively, the Company had divested its family restaurant business and its Applebee's restaurants. An agreement entered into by the Company in September 1999 to sell the KFC restaurants was subsequently terminated during the second quarter. The Company is currently actively pursuing the sale of the KFC assets, which consist primarily of land, buildings and equipment. If a sale is consummated, the Company anticipates that a significant gain from the sale of the assets would be recognized. Fiscal 2000 results of the restaurant operations have been accounted for as discontinued operations in the Company's consolidated financial statements. Rental revenues and operating income resulting from the leasing of several Company-owned restaurants to restaurant operators, which had previously been included in restaurant segment results, is now included in corporate items.

Prior year financial results have been restated to conform with the current year presentation.

The Company has non-exclusive franchise rights to operate KFC restaurants in the Milwaukee metropolitan area and in northeast Wisconsin. The Company operated 27 KFC restaurants and 3 KFC/Taco Bell 2-in-1 restaurants at the end of fiscal 2000 and fiscal 1999 and 30 KFC restaurants and 1 KFC/Taco Bell 2-in-1 restaurant at the end of fiscal 1998. The following table sets forth revenues, income from discontinued operations, net of applicable income taxes, and after-tax operating margin for the discontinued operations for the last three fiscal years.

(in millions)	2000	1999	1998
Revenues	$24.4	$26.9	$26.1
Income from discontinued operations, net of applicable income taxes	1.4	2.0	2.1
After-tax operating margin(% of revenues)	5.7%	7.4%	8.0%

Total revenues from discontinued operations decreased 9.3% during fiscal 2000 and increased 3.3% during fiscal 1999, compared to the respective previous years. Included in fiscal 1999 revenues was approximately $500,000 of revenues from a Milwaukee summer festival beer tent previously operated by the Company's restaurant division. The Company discontinued operation of this tent during fiscal 2000. Excluding the revenues from the beer tent and $300,000 of revenues from a KFC restaurant that was sold during fiscal 1999, same store KFC revenues decreased $1.7 million, or 6.3%, during fiscal 2000 compared to fiscal 1999 KFC same store revenues of $26.1 million. The decrease in revenues during fiscal 2000 was due primarily to a series of national advertising lunch promotions for sandwiches that were not as effective as anticipated, the temporary dissolution of a local advertising co-op due to a dispute among its members, discontinuance of delivery at several locations and an ineffective national Star Wars promotion. The co-op has since been reinstated and recent national advertising is once again focusing on KFC's core chicken-on- the-bone products and specialty chicken products. During fiscal 2000, same store KFC guest counts decreased 2.5% and the average guest check decreased 4.4% due primarily to the sandwich promotions, which emphasized lower priced items yet did not result in incremental increases in customer counts. Excluding the revenues from the sold restaurant, same store KFC restaurant revenues increased 5.0% during fiscal 1999. Fiscal 1999 same store KFC guest counts increased 1.9% and average guest checks increased due to increased snack and lunch-time traffic, the consumer appeal of the KFC/Taco Bell 2-in-1 concept and the introduction of several new franchisor products.

The Company's income from discontinued operations, net of applicable income taxes, decreased 30.2% and 4.9% during fiscal years 2000 and 1999, respectively, compared to the previous year. Fiscal 2000 income from discontinued operations decreased due to the reduction in sales, higher chicken prices and higher food costs associated with selling sandwiches. Although operating income from the Company's KFC restaurants increased during fiscal 1999, the Company's reported income from discontinued operations decreased due primarily to a one-time insurance adjustment from a prior year claim that was settled during fiscal 1999. The Company's comparable KFC restaurants experienced a 2.4% increase in aggregate operating income during fiscal 1999. Increased food costs resulting from higher chicken prices limited the increase in operating income in fiscal 1999. The Company converted two KFC restaurants into KFC/Taco Bell 2-in-1 units and sold one KFC restaurant during fiscal 1999 and converted one KFC restaurant into a KFC/Taco Bell 2-in-1 unit during fiscal 1998.

Financial Condition

The Company's lodging and movie theatre businesses each generate significant and consistent daily amounts of cash because each segment's revenue is derived predominantly from consumer cash purchases. The Company believes that these consistent and predictable cash sources, together with the availability to the Company of $45 million of unused credit lines at fiscal 2000 year end, should be adequate to support the ongoing operational liquidity needs of the Company's businesses. The Company increased its credit lines during fiscal 1999, replacing several separate lines totaling $90 million with a new five-year $125 million revolving credit agreement and a separate $5 million line.

Net cash provided by operating activities increased by $7.4 million, or 12.3%, to $67.3 million in fiscal 2000, compared to $59.9 million in fiscal 1999. The increase was primarily the result of timing differences in payments of accounts payable and taxes other than income taxes, net of receipts of accounts and notes receivable. Development costs incurred during fiscal 2000 associated with the Company's vacation ownership business reduced the net increase in cash provided by operating activities. Depreciation and amortization (a non-cash expense) increased as a result of the Company's increased capital spending program.

Net cash used in investing activities during fiscal 2000 decreased by $22.6 million, or 21.2%, to $84.0 million. The reduction in net cash used in investing activities was primarily the result of reduced capital expenditures and increased net proceeds from disposals of property, equipment and other assets. Total capital expenditures (including normal continuing capital maintenance projects and business acquisitions) of $99.5 million and $111.8 million were incurred in fiscal 2000 and 1999, respectively. Capital expenditures and business acquisitions during fiscal 2000 included $21.2 million incurred on limited-service lodging division projects, $39.6 million on theatre division projects and $33.6 million on hotel and resort division projects. During fiscal 1999, $29.7 million was incurred on limited-service lodging division projects, $64.5 million on theatre division projects and $14.1 million on hotel and resort division projects. Total capital expenditures in fiscal 2001 are currently not expected to exceed fiscal 2000 expenditures and are expected to be funded by cash generated from operations, net proceeds from the disposal of selected assets and additional debt, including, but not limited to, additional institutional debt from the Company's private placement program and borrowings under the Company's revolving credit facility. Fiscal 2001 capital expenditures on theatre division projects are anticipated to be significantly less than the prior year and fiscal 2001 capital expenditures on hotels and resorts division projects may increase. The Company's ability to attract potential partners to assist in the acquisition and/or development of hotel and resort properties will impact total capital expenditures during fiscal 2001 for the hotel and resort division.

Cash proceeds from the disposals of property, equipment and other assets totaled $15.9 million and $10.5 million during fiscal 2000 and 1999, respectively. The cash proceeds received during fiscal 2000 were primarily the result of the sale of four Baymont Inns & Suites, five former restaurant locations and several parcels of land. The cash proceeds received during fiscal 1999 were primarily the result of the sale of seven Baymont Inns & Suites, one KFC restaurant and one bowling alley. During fiscal 1999, the Company expended $3.2 million for the purchase of interests in several joint ventures in the limited-service lodging division.

Principally as a result of borrowing a portion of the Company's fiscal 2000 funding used in facility expansions and renovations, the Company's total debt increased to $302.6 million at the close of fiscal 2000, compared to $274.7 million at the end of fiscal 1999. Net cash provided by financing activities in fiscal 2000 totaled $16.1 million, compared to $45.5 million in fiscal 1999. During fiscal 2000, the Company received $38.5 million of net proceeds from the issuance of notes payable and long-term debt, compared to $76.9 million during fiscal 1999. Included in the fiscal 1999 proceeds was $40 million in principal of senior unsecured long-term notes privately placed with two institutional lenders. The Company has the ability to issue up to $45 million of additional senior notes under its private placement program. The Company used a portion of the proceeds from its issued senior notes during fiscal 1999 to pay off existing short-term debt, resulting in total principal payments on notes payable and long-term debt of $18.9 million in fiscal 1999 compared to $10.9 million in fiscal 2000. The Company's debt-capitalization ratio was 0.48 at May 25, 2000, compared to 0.47 at the prior fiscal year end.

During fiscal 2000, the Company repurchased 528,000 of its common shares for approximately $5.6 million in the open market compared to 490,000 of common share repurchases for approximately $7.2 million during fiscal 1999. As of July 20, 2000, the Company had repurchased an additional 214,000 of its common shares during the first quarter of fiscal 2001. The Company also announced in the first quarter of fiscal 2001 that its Board of Directors had authorized the repurchase of up to 2 million additional shares of the Company's outstanding common stock. If a sale of the restaurant business is consummated, the Company will consider using a portion of the anticipated proceeds from the sale for its stock repurchase program. Any such repurchases are expected to be executed on the open market or in privately negotiated transactions depending upon a number of factors, including prevailing market conditions.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk related to changes in interest rates. The Company manages its exposure to this market risk through the monitoring of available financing alternatives.

Variable interest rate risk: The Company's earnings are affected by changes in short-term interest rates as a result of its borrowings under its revolving credit agreements, floating-rate mortgages/industrial development revenue bonds and unsecured term notes not subject to interest rate swap agreements. Based upon the Company's variable rate debt for such borrowings at May 25, 2000, a 100 basis point increase in market rates would increase interest expense and decrease earnings before income taxes by approximately $500,000. This sensitivity analysis does not consider any actions management might take to mitigate its exposure in the event of a change of such magnitude. The Company's commercial paper outstanding at May 25, 2000 has been excluded from the above sensitivity analysis. Although commercial paper is classified as long-term debt based upon the Company's ability and intent to replace it with long-term borrowings, all outstanding commercial paper matures within three months of year-end. As a result, there would be no expected material change in interest expense or fair market value following a reasonably expected change in interest rates.

Fixed interest rate risk: The fair value of long-term fixed interest rate debt may also be subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. Based upon the respective rates and prepayment provisions of the Company's fixed interest rate senior notes and mortgages at May 25, 2000, the carrying amounts of such debt approximates their fair value.

Interest rate swaps: The Company enters into interest rate swap agreements to manage its exposure to interest rate changes. The swaps involve the exchange of fixed and variable interest rate payments without exchanging the notional principal amount. Payments or receipts on the agreements are recorded as adjustments to interest expense. At May 25, 2000, the Company had interest rate swap agreements of $1.5 million, expiring on October 2, 2000, and $7.5 million, expiring August 6, 2001. The Company pays a defined fixed rate while receiving a defined variable rate based on LIBOR. Together, these swap agreements effectively convert $9.0 million of the Company's variable rate unsecured term notes to a fixed rate. The additional net interest expense recorded in fiscal 2000 and 1999 as a result of the swap agreements was not material. The fair value of these interest rate swap agreements represents the estimated receipts or payments that would be made to terminate the agreements. At May 25, 2000, the fair market value of the Company's swap agreements, as determined by the lender, is an asset of approximately $69,000.

consolidated statements of earnings

(in thousands, except per share data)	Year ended May 25, 2000	May 27, 1999	May 28, 1998
Revenues:			
Rooms and telephone	$170,597	$173,305	$171,668
Theatre admissions	81,637	74,011	59,969
Theatre concessions	36,482	33,413	26,968
Food and beverage	26,614	25,075	22,314
Other income	36,788	30,195	27,864
Total revenues	352,118	335,999	308,783
Costs and expenses:			
Rooms and telephone	71,238	70,117	66,644
Theatre operations	63,999	58,150	46,231
Theatre concessions	8,887	8,419	7,321
Food and beverage	20,363	19,446	17,652
Advertising and marketing	25,969	24,535	21,301
Administrative	39,654	37,134	30,403
Depreciation and amortization	40,458	37,205	31,865
Rent (Note 10)	2,954	2,853	2,340
Property taxes	14,066	13,498	11,948
Pre-opening expenses	1,004	1,769	2,041
Other operating expenses	15,438	14,368	13,012
Baymont name change (Note 3)	-	-	3,900
Total costs and expenses	304,030	287,494	254,658
Operating income	48,088	48,505	54,125
Other income (expense):			
Investment income	1,453	783	834
Interest expense	(17,975)	(16,846)	(12,612)
Gain on disposition of property and equipment	4,266	2,754	1,537

	(12,256)	(13,309)	(10,241)
Earnings from continuing operations before income taxes	35,832	35,196	43,884
Income taxes (Note 9)	14,594	14,238	17,541
Earnings from continuing operations	21,238	20,958	26,343
Discontinued operations (Note 4):			
Income from discontinued operations, net of income taxes of $951, $1,346 and $1,395, respectively	1,384	1,982	2,095
Gain on disposal of discontinued operations, net of income taxes of $139 and $4 in 1999 and 1998, respectively	-	204	6
Net earnings	$ 22,622	$ 23,144	$ 28,444
Earnings per common share - basic:			
Continuing operations	$ .71	$ .70	$ .88
Discontinued operations	.05	.07	.07
Net earnings per share - basic	$ .76	$ .77	$ .95
Earnings per common share - diluted:			
Continuing operations	$ .71	$ .70	$ .87
Discontinued operations	.05	.07	.07
Net earnings per share - diluted	$ .76	$ .77	$ .94
Weighted average shares outstanding:			
Basic	29,796	30,005	30,046
Diluted	29,828	30,105	30,293

See accompanying notes.

consolidated balance sheets

(in thousands, except share and per share data)	May 25, 2000	May 27, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,935	$ 3,499
Accounts and notes receivable (Note 5)	11,908	11,059
Receivables from joint ventures (Note 11)	2,468	1,739
Refundable income taxes	3,020	6,041
Real estate and development costs	3,917	-
Other current assets	4,147	4,400
Total current assets	28,395	26,738
Property and equipment, net (Note 5)	658,317	611,213
Other assets:		
Investments in joint ventures (Notes 10 and 11)	2,025	2,045
Other (Note 5)	35,039	36,120
Total other assets	37,064	38,165
Total assets	$723,776	$676,116
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable (Note 11)	$ 4,228	$ 4,479
Accounts payable	24,463	22,958
Taxes other than income taxes	11,219	9,575
Accrued compensation	4,307	2,617
Other accrued liabilities	10,026	9,287
Current maturities of long-term debt (Note 6)	16,228	10,470
Total current liabilities	70,471	59,386
Long-term debt (Note 6)	286,344	264,270
Deferred income taxes (Note 9)	32,602	31,405
Deferred compensation and other (Note 8)	9,112	7,481
Commitments, license rights and contingencies (Note 10)		
Shareholders' equity (Note 7):		
Preferred Stock, $1 par; authorized 1,000,000 shares; none issued		
Common Stock:		
Common Stock, $1 par; authorized 50,000,000 shares; issued 19,072,617 shares in 2000 and 18,680,508 shares in 1999	19,073	18,681
Class B Common Stock, $1 par; authorized 33,000,000 shares; issued and outstanding 12,116,896 shares in 2000 and 12,509,005 shares in 1999	12,117	12,509
Capital in excess of par	40,774	40,685
Retained earnings	268,808	252,498
Accumulated other comprehensive loss	(257)	(214)
	340,515	324,159

Less cost of Common Stock in treasury (1,708,247 shares in 2000 and 1,280,676 shares in 1999)	(15,268)	(10,585)
Total shareholders' equity	325,247	313,574
Total liabilities and shareholders' equity	$723,776	$676,116

See accompanying notes.

consolidated statements of shareholders' equity

Three years ended May 25, 2000

(in thousands, except per share data)	Common Stock	Class B Common Stock	Capital in Excess of Par	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
BALANCES AT MAY 29, 1997	$17,518	$13,062	$29,277	$220,860	$ -	$ (3,424)	$277,293
Cash dividends:							
$.20 per share Class B Common Stock	-	-	-	(2,522)	-	-	(2,522)
$.22 per share Common Stock	-	-	-	(3,756)	-	-	(3,756)
Exercise of stock options	-	-	339	-	-	1,107	1,446
Purchase of treasury stock	-	-	-	-	-	(2,504)	(2,504)
Savings and profit-sharing contribution	-	-	464	-	-	118	582
Reissuance of treasury stock	-	-	266	-	-	71	337
Conversions of Class B Common Stock	384	(384)	-	-	-	-	-
Guest House Inn, Inc. acquisition (Note 2)	610	-	9,919	(7,318)	-	-	3,211
Net earnings	-	-	-	28,444	-	-	28,444
BALANCES AT MAY 28, 1998	18,512	12,678	40,265	235,708	-	(4,632)	302,531
Cash dividends:							
$.20 per share Class B Common Stock	-	-	-	(2,524)	-	-	(2,524)
$.22 per share Common Stock	-	-	-	(3,830)	-	-	(3,830)
Exercise of stock options	-	-	54	-	-	592	646
Purchase of treasury stock	-	-	-	-	-	(7,169)	(7,169)
Savings and profit-sharing contribution	-	-	208	-	-	438	646
Reissuance of treasury stock	-	-	158	-	-	186	344
Conversions of Class B Common Stock 169	(169)	-	-	-	-	-	-
Components of comprehensive income (loss):							
Net earnings	-	-	-	23,144	-	-	23,144
Change in unrealized loss on available for sale investments, net of tax	-	-	-	-	(214)	-	(214)
Total comprehensive income							22,930
BALANCES AT MAY 27, 1999	18,681	12,509	40,685	252,498	(214)	(10,585)	313,574
Cash dividends:							
$.20 per share Class B Common Stock	-	-	-	(2,464)	-	-	(2,464)
$.22 per share Common Stock	-	-	-	(3,848)	-	-	(3,848)
Exercise of stock options	-	-	2	-	-	107	109
Purchase of treasury stock	-	-	-	-	-	(5,565)	(5,565)
Savings and profit-sharing contribution	-	-	6	-	-	544	550
Reissuance of treasury stock	-	-	81	-	-	231	312
Conversions of Class B Common Stock	392	(392)	-	-	-	-	-
Components of comprehensive income (loss):							
Net earnings	-	-	-	22,622	-	-	22,622
Change in unrealized loss on available for sale investments, net of tax	-	-	-	-	(43)	-	(43)
Total comprehensive income							22,579
BALANCES AT MAY 25, 2000	$19,073	$12,117	$40,774	$268,808	$(257)	$(15,268)	$325,247

See accompanying notes.

consolidated statements of cash flows

(in thousands)	Years ended May 25, 2000	May 27, 1999	May 28, 1998
Operating Activities			
Net earnings	$ 22,622	$ 23,144	$ 28,444
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) losses on investments in joint ventures, net of distributions	20	221	(57)
Gain on disposition of property and equipment	(4,266)	(3,096)	(1,547)
Impairment of property and equipment	-	-	1,521
Depreciation and amortization	41,485	38,258	32,904
Deferred income taxes	1,197	4,926	4,054
Deferred compensation and other	1,631	1,712	400
Contribution of Company stock to savings and profit-sharing plan	550	646	582
Changes in operating assets and liabilities:			
Accounts and notes receivable	(849)	2,489	(8,763)
Real estate and development costs	(3,917)	-	-
Other current assets	253	(627)	(182)
Accounts payable	1,505	(3,427)	16,094
Income taxes	3,021	(1,656)	(4,437)

Taxes other than income taxes	1,644	(1,829)	2,107
Accrued compensation	1,690	(26)	1,373
Other accrued liabilities	739	(785)	(814)
Total adjustments	44,703	36,806	43,235
Net cash provided by operating activities	67,325	59,950	71,679
Investing Activities			
Capital expenditures, including business acquisitions	(99,492)	(111,843)	(115,880)
Net proceeds from disposals of property, equipment and other assets	15,905	10,509	6,093
Purchase of interest in joint ventures	-	(3,178)	-
(Increase) decrease in other assets	302	(1,688)	1,280
Cash acquired pursuant to Guest House Inn, Inc. acquisition	-	-	2,589
Cash advanced to joint ventures	(729)	(451)	(222)
Net cash used in investing activities	(84,014)	(106,651)	(106,140)
Financing Activities			
Debt transactions:			
Net proceeds from issuance of notes payable and long-term debt	38,513	76,944	54,665
Principal payments on notes payable and long-term debt	(10,932)	(18,889)	(16,518)
Equity transactions:			
Treasury stock transactions, except for stock options	(5,253)	(6,825)	(2,167)
Exercise of stock options	109	646	1,446
Dividends paid	(6,312)	(6,354)	(6,278)
Net cash provided by financing activities	16,125	45,522	31,148
Net decrease in cash and cash equivalents	(564)	(1,179)	(3,313)
Cash and cash equivalents at beginning of year	3,499	4,678	7,991
Cash and cash equivalents at end of year	$ 2,935	$ 3,499	$ 4,678

See accompanying notes.

notes to consolidated financial statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business - The Marcus Corporation and its subsidiaries (the Company) operate principally in three business segments:

Limited-Service Lodging: Operates and franchises lodging facilities, under the names Baymont Inns, Baymont Inns & Suites and Woodfield Suites, primarily located in the eastern half of the United States.

Theatres: Operates multi-screen motion picture theatres in Wisconsin, Illinois, Ohio and Minnesota, and a family entertainment center in Wisconsin.

Hotels/Resorts: Owns and operates full service hotels and resorts in Wisconsin, Missouri and California, manages full service hotels in Wisconsin, Minnesota and California and operates a vacation ownership development in Wisconsin.

In addition, the Company operates KFC restaurants under a license agreement for certain areas in the state of Wisconsin. The Company has classified the restaurant operations as discontinued (See Note 4).

Principles of Consolidation - The consolidated financial statements include the accounts of The Marcus Corporation and all of its subsidiaries. Investments in 50%-owned affiliates are accounted for on the equity method. All intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year - The Company reports on a 52/53-week year ending the last Thursday of May. The discontinued Restaurant segment had a 53-week year in fiscal 1998. All other segments had 52-week years in each period.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents - The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates market.

Long-Lived Assets - The Company periodically considers whether indicators of impairment of long-lived assets held for use (including goodwill) are present.

If such indicators are present, the Company determines whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amounts. The Company recognizes any impairment losses based on the excess of the carrying amount of the assets over their value. The Company evaluated the ongoing value of its property and equipment and other long-lived assets as of May 25, 2000, May 27, 1999 and May 28, 1998, and determined that there was no significant impact on the Company's results of operations, other than the Baymont name change costs described in Note 3.

Capitalization of Interest - The Company capitalizes interest during construction periods by adding such interest to the cost of property and equipment. Interest of approximately $2,161,000, $761,000 and $1,601,000 was capitalized in fiscal 2000, 1999 and 1998, respectively.

Investments - Available for sale securities are stated at fair market value, with unrealized gains and losses reported as a component of shareholders' equity. The cost of securities sold is based upon the specific identification method. Realized gains and losses and declines in value judged to be other than temporary are included in investment income.

Revenue Recognition - The Company recognizes revenue from its rooms as earned on the close of business each day. Revenues from theatre admissions, concessions and food and beverage sales are recognized at the time of sale. Revenues from advanced ticket and gift certificate sales are recorded as deferred revenue and are recognized when tickets or gift certificates are used or expire.

The following are included in other income:

The Company has entered into franchise agreements that grant to franchisees the right to own and operate a Baymont Inn or Baymont Inn & Suites at a particular location for a specified term, as defined in the license agreement. An initial franchise fee, as defined in the license agreement, is collected upon receipt of a prospective licensee's application. A portion of the initial franchise fee is nonrefundable and recorded as revenue by the Company upon receipt. The remainder of the initial franchise fee is deferred until operations commence. Direct costs relating to franchise sales are also recognized when operations commence. Royalty and marketing fee assessments are recognized when actually earned and are receivable from the franchisee.

Management fees for hotels and resorts under management agreements are recognized as earned based on the terms of the agreement.

Sale of vacation intervals are recognized on an accrual basis after a binding sales contract has been executed, a 10% minimum down payment is received, the rescission period has expired, construction is substantially complete and certain minimum sales levels have been reached. If all the criteria are met except that construction is not substantially complete, revenues are recognized on the percentage-of-completion basis. For sales that do not qualify for either accrual or percentage-of-completion accounting, all revenue is deferred using the deposit method. Deferred revenue is included in other accrued liabilities. During the first three quarters of fiscal 2000, the Company accounted for all sales using the deposit method, since certain minimum sales levels had not been reached. During the fourth quarter of fiscal 2000, when minimum sales levels were met, revenues have been recognized on the percentage-of-completion method. Development costs including construction costs, interest and

other carrying costs, which are allocated based on relative sales values, are included as real estate and development costs in the accompanying consolidated balance sheets.

Advertising and Marketing Costs - Deferred selling and marketing costs related to the sale of vacation intervals under the percentage-of-completion method are included in other current assets. The Company expenses all other advertising and marketing costs as incurred.

Depreciation and Amortization - Depreciation and amortization of property and equipment are provided using the straight-line method over the following estimated useful lives:

	Years

Land improvements	15 - 39
Buildings and improvements	25 - 39
Leasehold improvements	3 - 39
Furniture, fixtures and equipment	3 - 20

Pre-opening Expenses - Costs incurred prior to opening new or remodeled facilities are expensed as incurred.

Net Earnings Per Share - The numerator for the calculation of basic and diluted earnings per share is net earnings and the denominator is the respective weighted average shares outstanding. The difference between basic and diluted weighted average shares outstanding is the dilutive effect of employee stock options.

Options to purchase 961,403 shares and 499,994 shares of common stock at prices ranging from $12.00 to $18.13 per share and $14.94 to $18.13 per share were outstanding at May 25, 2000 and May 27, 1999, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Comprehensive Income - Accumulated other comprehensive loss presented in the accompanying balance sheets consists of the accumulated net unrealized losses on available for sale securities.

New Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 2000. The Statement will require the Company to recognize all derivatives, including interest rate swaps, on the balance sheet at fair value, with offset going through income or other comprehensive income based on the nature of the hedged item. Because of the Company's minimal use of derivatives, management does not anticipate that the adoption of the new Statement will have a significant effect on the Company's financial condition or results of operations.

2. Acquisition

On October 1, 1997, the Company issued 610,173 shares of Common Stock to Guest House Inn, Inc. (GHI) in exchange for all of the net operating assets of GHI and issued 449,320 new shares of Class B Common Stock to GHI in exchange for the cancellation of the existing 449,320 shares of Class B Common Stock owned by GHI. Share data has been adjusted to reflect the three-for-two stock split (see Note 7). GHI was owned and controlled by certain officers, directors and/or principal controlling shareholders of the Company. Based on this common ownership and control, for financial reporting purposes the assets acquired from GHI were recorded at the historical book value of GHI rather than fair value. The common shares issued to complete this transaction were recorded at their fair value and the excess of this fair value over the historical book value of the assets acquired was recorded as a distribution.

3. Baymont Name Change

On February 10, 1998, the Company announced the name change of its Budgetel Inns to Baymont Inns and Baymont Inns & Suites. This change was effective in January 1999. As a result of the name change, the Company recorded a $3.9 million pre-tax charge in fiscal 1998 for the write-off of existing signage ($1.5 million), assistance provided to franchisees ($1.4 million) and other one-time expenses associated with the name change.

4. Discontinued Operations

In September 1999, the Company announced its intention to sell its 30 KFC and KFC/Taco Bell 2-in-1 restaurants. The Company is currently actively pursuing a sale of the assets, which consist primarily of land, buildings and equipment. In accordance with the provisions of Accounting Principles Board Opinion No. 30 concerning reporting the effect of disposal of a segment of a business, the results of operations of the Restaurant division have been classified as discontinued in the statement of operations for fiscal 2000. Prior period financial statements have been restated to conform to the current year presentation. Restaurant revenues for the years ended May 25, 2000, May 27, 1999 and May 28, 1998, were $24,425,000, $26,928,000 and $26,056,000, respectively.

5. Additional Balance Sheet Information

The composition of accounts and notes receivable is as follows:

(in thousands)	May 25, 2000	May 27, 1999
Trade receivables	$ 4,924	$ 5,888
Notes receivable for interval ownership	195	-
Other notes receivables	3,238	2,176
Employee advances	12	14
Other receivables	3,539	2,981
	$11,908	$11,059

The Company also has notes receivable for interval ownership totaling $1,899,000 which are included in other long-term assets, net of a reserve for uncollectible amounts of $217,000 as of May 25, 2000. The notes bear fixed-rate interest between 11.0% and 15.9% over the seven-year terms of the loans. The weighted-average rate of interest on outstanding notes receivable for interval ownership is 14.9%. The notes are collateralized by the underlying vacation intervals.

The composition of property and equipment, which is stated at cost, is as follows:

(in thousands)	May 25, 2000	May 27, 1999
Land and improvements	$ 96,158	$ 88,221
Buildings and improvements	514,734	481,517
Leasehold improvements	7,649	6,963
Furniture, fixtures and equipment	231,643	213,408
Construction in progress	48,152	28,620
	898,336	818,729
Less accumulated depreciation and amortization	240,019	207,516
	$658,317	$611,213

6. Long-Term Debt

Long-term debt is summarized as follows:

(in thousands, except payment data)	May 25, 2000	May 27, 1999
Mortgage notes due to 2009	$ 4,836	$ 5,768
Industrial Development Revenue Bonds due to 2006	5,748	6,250
Senior notes due May 31, 2005, with monthly principal and interest payments of $362,346, bearing interest at 10.22%	17,183	19,637
Senior notes	155,000	155,000
Unsecured term notes	34,967	40,621
Commercial paper	59,838	37,464
Revolving credit agreements	25,000	10,000
	302,572	274,740
Less current maturities	16,228	10,470
	$286,344	$264,270

Substantially all of the mortgage notes, both fixed rate and adjustable, bear interest from 6.50% to 9.50% at May 25, 2000. The Industrial Revenue Bonds, both fixed rate and adjustable, bear interest from 4.50% to 8.77%. The mortgage notes and the Industrial Development Revenue Bonds are secured by the related land, buildings and equipment.

The $155 million of senior notes maturing in 2008 through 2014 require annual principal payments in varying installments beginning October 15, 2000, and bear interest payable semiannually at fixed rates ranging from 6.66% to 7.51% with a weighted average fixed rate of 7.13%.

The Company has unsecured term notes outstanding as follows:

(in thousands, except payment data)	May 25, 2000	May 27, 1999
Note due May 31, 2004, with quarterly principal payments of $781,250. The variable interest rate is based on the LIBOR rate with an effective rate of 7.40% at May 25, 2000, and is payable quarterly.	$12,500	$14,844
Note due February 1, 2004. The variable interest rate is based on the LIBOR rate with an effective rate of 7.23% at May 25, 2000, and is payable quarterly.	20,000	20,000
Note due October 1, 2000, with quarterly principal payments of $750,000. The variable interest rate is based on the LIBOR rate with an effective rate of 6.28% at May 25, 2000, and is payable quarterly.	1,500	4,500
Note due April 28, 2003, with monthly payments of $20,267, including interest at 2%.	650	893
Note due March 25, 2004, with monthly payments of $7,733, including interest at 6%.	317	384
	$34,967	$40,621

The Company issues commercial paper through an agreement with three banks, up to a maximum of $70,000,000, which bears interest at rates ranging from 6.20% to 6.85% at May 25, 2000. The agreements require the Company to maintain unused bank lines of credit at least equal to the principal amount of outstanding commercial paper.

At May 25, 2000, the Company had credit lines totaling $130,000,000 in place. Borrowings on the $125,000,000 line, which total $25,000,000 at May 25, 2000, bear interest at LIBOR plus a margin which adjusts based on the Company's borrowing levels (effectively 7.08% at May 25, 2000). This agreement matures in 2004 and requires an annual facility fee of .2% on the total commitment. Based on borrowings and commercial paper outstanding, availability under this line at May 25, 2000, totaled $40,162,000. There are no borrowings outstanding on the remaining $5,000,000 line at May 25, 2000, which bears interest at the bank's prime reference rate (effectively 9.5% at May 25, 2000).

The Company has the ability and intent to replace commercial paper borrowings with long-term borrowings under its $125,000,000 revolving credit facility agreement. Accordingly, the Company has classified these borrowings at May 25, 2000, as long-term.

Scheduled annual principal payments on long-term debt for the five years subsequent to May 25, 2000, are:

Fiscal Year	(in thousands)
2001	$ 16,228
2002	18,053
2003	16,836
2004	103,255
2005	15,682

Interest paid, net of amounts capitalized, in 2000, 1999 and 1998 totaled $17,906,000, $16,363,000 and $13,179,000, respectively.

The Company has a swap agreement covering $1,500,000, which is reduced by $750,000 quarterly, expires October 2, 2000, and requires the Company to pay interest at a defined fixed rate of 5.08% while receiving interest at a defined variable rate of three-month LIBOR (6.83% at May 25, 2000). The Company also has a swap agreement covering $7,500,000 which expires August 6, 2001, and requires the Company to pay interest at a defined fixed rate of 6.56% while receiving interest at a defined variable rate of three-month LIBOR (6.83% at May 25, 2000). Together, these swap agreements effectively convert $9,000,000 of the Company's variable rate unsecured term notes to a fixed rate. The Company recorded net interest expense related to these swap agreements as incurred, totaling $21,000, $63,000 and $3,000 in 2000, 1999 and 1998, respectively. The accompanying consolidated balance sheet at May 25, 2000, does not reflect the fair market value of the remaining swap agreements as determined by the lender, which totals an asset of approximately $69,000.

The fair value of the Company's $155 million of senior notes is approximately $145 million. The carrying amounts of the Company's remaining long-term debt, based on the respective rates and prepayment provisions of the senior notes due May 31, 2005, approximate their fair value.

7. Shareholders' Equity

The Company's Board of Directors declared a three-for-two stock split, effected in the form of a 50% stock dividend, which was distributed on December 5, 1997, to all holders of common and Class B common stock. Shareholders' equity and all share and per share amounts have been adjusted to reflect these dividends.

Shareholders may convert their shares of Class B Common Stock into shares of Common Stock at any time. Class B Common Stock shareholders are substantially restricted in their ability to transfer their Class B Common Stock. Holders of Common Stock are entitled to cash dividends per share equal to 110% of all dividends declared and paid on each share of the Class B Common Stock. Holders of Class B Common Stock are entitled to ten votes per share while holders of Common Stock are entitled to one vote per share on any matters brought before the shareholders of the Company. Liquidation rights are the same for both classes of stock.

Shareholders have approved the issuance of up to 3,237,500 shares of Common Stock under various stock option plans. The options generally become exercisable 40% after two years, 60% after three years and 80% after four years. The remaining options are exercisable five years after the date of the grant. At May 25, 2000, there were 2,466,233 shares available for grants under the plans.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), in accounting for its employee stock options. Under APB No. 25, because the number of shares is fixed and the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net earnings and earnings per share required by SFAS No. 123, "Accounting for Stock Based Compensation," has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 2000, 1999 and 1998, respectively: risk-free interest rates of 6.0%, 4.6% and 5.2%; dividend yield of 1.3% in all years; volatility factors of the expected market price of the Company's common stock of 49% for 2000 and 1999 and 48% for 1998, and an expected life of the option of approximately six years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Had compensation cost been determined based upon the fair value at the grant date for awards under the plans based on the provisions of SFAS No. 123, the Company's pro forma net earnings and earnings per share would have been as follows:

(in thousands, except per share data)	Year ended May 25, 2000	May 27, 1999	May 28, 1998
Pro forma net earnings:			
Pro forma earnings from continuing operations	$20,440	$20,391	$25,941
Discontinued operations:			
Income from discontinued			

operations, net of applicable income taxes	1,384	1,982	2,095
Gain on disposal of discontinued operations, net of applicable income taxes	-	204	6
Pro forma net earnings	$21,824	$22,577	$28,042
Pro forma earnings per common share - basic and diluted:			
Continuing operations	$.68	$.68	$.86
Discontinued operations	.05	.07	.07
Pro forma net earnings per share - basic and diluted	$.73	$.75	$.93

A summary of the Company's stock option activity and related information follows:

	May 25, 2000		May 27, 1999		May 28, 1998	
(options in thousands)	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	947	$14.17	840	$13.04	828	$11.72
Granted	404	12.06	203	16.83	180	16.52
Exercised	(11)	9.61	(79)	8.54	(145)	9.48
Forfeited	(138)	15.11	(17)	16.41	(23)	15.34
Outstanding at end of year	1,202	$13.37	947	$14.17	840	$13.04
Exercisable at end of year	543	$12.53	458	$11.91	389	$10.66
Weighted-average fair value of options granted during year	$5.89		$7.88		$7.77	

Exercise prices for options outstanding as of May 25, 2000, ranged from $6.67 to $18.13. The weighted-average remaining contractual life of those options is 6.7 years. Additional information related to these options segregated by exercise price range is as follows:

	Exercise price range		
(options in thousands)	$6.67 to $10.875	$10.876 to $14.50	$14.51 to $18.125
Options outstanding	161	639	402
Weighted-average exercise price of options outstanding	$9.10	$12.32	$16.74
Weighted-average remaining contractual life of options outstanding	5.0	6.8	7.2
Options exercisable	111	311	121
Weighted-average exercise price of options exercisable	$8.55	$12.33	$16.67

Through May 25, 2000, the Company's Board of Directors has approved the repurchase of up to 2,687,500 shares of Common Stock to be held in treasury. The Company intends to reissue these shares upon the exercise of stock options and for savings and profit-sharing contributions. The Company purchased 527,617, 490,360 and 145,297 shares pursuant to these authorizations during 2000, 1999 and 1998, respectively. At May 25, 2000, there were 344,496 shares available for repurchase under these authorizations. Subsequent to May 25, 2000, the Company's Board of Directors approved the repurchase of an additional 2,000,000 shares of Common Stock to be held in treasury.

The Company's Board of Directors has authorized the issuance of up to 750,000 shares of Common Stock for The Marcus Corporation Dividend Reinvestment and Associate Stock Purchase Plan. At May 25, 2000, there were 670,794 shares available under this authorization.

The Company's loan agreements include, among other covenants, restrictions on retained earnings and maintenance of certain financial ratios. At May 25, 2000, retained earnings of approximately $73,078,000 were unrestricted.

8. Employee Benefit Plans

The Company has a qualified profit-sharing savings plan (401(k) plan) covering eligible employees. The 401(k) plan provides for a contribution of a minimum of 1% of defined compensation for all plan participants and matching of 25% of employee contributions up to 6% of defined compensation. In addition, the Company may make additional discretionary contributions. The Company also sponsors unfunded nonqualified defined benefit and deferred compensation plans. Pension and profit-sharing expense for all plans was $1,805,000, $1,825,000 and $1,814,000 for fiscal 2000, 1999 and 1998, respectively.

9. Income Taxes

Income tax expense consists of the following:

		Year ended	
(in thousands)	May 25, 2000	May 27, 1999	May 28, 1998
Currently payable:			
Federal	$11,031	$ 8,616	$12,173
State	3,317	2,181	2,713
Deferred	1,197	4,926	4,054
	$15,545	$15,723	$18,940

Income tax expense is included in the accompanying consolidated statements of earnings as follows:

		Year ended	
(in thousands)	May 25, 2000	May 27, 1999	May 28, 1998
Continuing operations	$14,594	$14,238	$17,541
Discontinued operations	951	1,485	1,399
	$15,545	$15,723	$18,940

The Company recognizes deferred tax assets and liabilities based upon the expected future tax consequences of events that have been included in the financial statements or tax returns. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse.

The components of the net deferred tax liability were as follows:

(in thousands)	May 25, 2000	May 27, 1999
Deferred tax assets:		
Accrued employee benefits	$ 2,689	$ 2,586
Other	295	813
Total deferred tax assets	2,984	3,399

Deferred tax liability - Depreciation and amortization	35,586	34,804
Net deferred tax liability included in balance sheet	$32,602	$31,405

A reconciliation of the statutory federal tax rate to the effective tax rate follows:

	Year ended		
	May 25, 2000	May 27, 1999	May 28, 1998
Statutory federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	5.9	5.5	5.1
Other	(.2)	-	(.1)
	40.7%	40.5%	40.0%

Income taxes paid, net of refunds received, in 2000, 1999 and 1998 totaled $11,484,000, $11,760,000 and $19,323,000, respectively.

10. Commitments, License Rights and Contingencies

Lease Commitments - The Company leases real estate under various noncancellable operating leases with an initial term greater than one year. Percentage rentals are based on the revenues at the specific rented property. Certain sublease agreements include buyout incentives. Rent expense charged to operations under these leases, including rent for discontinued operations, was as follows:

	Year ended		
(in thousands)	May 25, 2000	May 27, 1999	May 28, 1998
Fixed minimum rentals	$2,966	$3,231	$2,733
Percentage rentals	174	203	188
Sublease rental income	(130)	(131)	(182)
	$3,010	$3,303	$2,739

Payments to affiliated parties for lease obligations were approximately $176,000, $44,000 and $144,000 in fiscal 2000, 1999 and 1998, respectively.

Aggregate minimum rental commitments at May 25, 2000, are as follows:

Fiscal Year	(in thousands)
2001	$ 2,318
2002	2,230
2003	1,987
2004	1,372
2005	1,399
After 2005	17,687
	$26,993

Included in the above commitments is $2,741,000 in minimum rental commitments to affiliated parties.

Commitments - The Company has commitments for the completion of construction at various properties and the purchase of various properties totaling approximately $24,755,000 at May 25, 2000.

License Rights - The Company owns the license rights in certain areas to operate its restaurants and to sell products using the KFC trademark. In addition, the Company has license rights to operate a hotel using the Hilton trademark. Under the terms of the licenses, the Company is obligated to pay fees based on defined gross sales. The KFC license also requires the Company to pay an additional fee for each new location established.

Contingencies - The Company guarantees the debt of joint ventures and other entities totaling approximately $20,982,000 at May 25, 2000. The debt of the joint ventures is collateralized by the real estate, buildings and improvements and all equipment of each joint venture.

11. Joint Venture Transactions

At May 25, 2000 and May 27, 1999, the Company held investments of $2,025,000 and $2,045,000, respectively, in various 50%-owned affiliates (joint ventures) which are accounted for under the equity method.

The Company has receivables from the joint ventures of $2,468,000 and $1,739,000 at May 25, 2000 and May 27, 1999, respectively. The Company earns interest on $1,528,000 and $907,000 of the receivables at approximately prime to prime plus 1.5% at May 25, 2000 and May 27, 1999, respectively.

Included in notes payable at May 25, 2000 and May 27, 1999, is $1,178,000 and $1,276,000, respectively, due to joint ventures in connection with cash advanced to the Company. The Company pays interest on the cash advances based on the 90-day certificate of deposit rates.

12. Business Segment Information

The Company evaluates performance and allocates resources based on the operating income (loss) of each segment. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Following is a summary of business segment information for 1998 through 2000:

(in thousands)	Limited-Service Lodging	Theatres	Hotels/ Resorts	Corporate Items	Continuing Operations Total	Discontinued Restaurants	Total
2000							
Revenues	$138,183	$122,254	$ 89,854	$ 1,827	$352,118	$24,425	$376,543
Operating income (loss)	20,993	22,007	10,806	(5,718)	48,088	2,342	50,340
Depreciation and amortization	19,041	11,696	7,962	1,759	40,458	1,027	41,485
Assets	284,698	234,317	141,027	51,979	712,021	11,755	723,776
Capital expenditures, including business acquisitions	21,215	39,559	33,562	4,204	98,540	952	99,492
1999							
Revenues	$141,577	$111,249	$ 81,169	$ 2,004	$335,999	$26,928	$362,927
Operating income (loss)	25,509	20,395	8,103	(5,502)	48,505	3,331	51,836
Depreciation and amortization	18,922	9,505	7,369	1,409	37,205	1,053	38,258
Assets	290,878	203,737	107,367	61,994	663,976	12,140	676,116
Capital expenditures, including business acquisitions	29,730	64,525	14,060	2,192	110,507	1,336	111,843
1998							
Revenues	$144,713	$ 91,825	$ 70,305	$ 1,940	$308,783	$26,056	$334,839
Operating income (loss)	31,479	19,676	7,874	(4,904)	54,125	3,494	57,619
Depreciation and amortization	17,910	6,069	6,649	1,237	31,865	1,039	32,904
Assets	292,571	149,491	102,923	51,210	596,195	12,309	608,504
Capital expenditures, including business acquisitions	25,241	59,440	24,903	5,727	115,311	569	115,880

(1) Includes a $3.9 million charge related to the Baymont name change.

Corporate items include amounts not allocable to the business segments. Corporate revenues consist principally of rent and the corporate operating loss includes general corporate expenses. Corporate assets primarily include cash and cash equivalents, notes receivable, receivables from joint ventures and land held for development. Rental revenues, operating income, depreciation and amortization and assets resulting from the leasing of several Company-owned restaurants to restaurant operators, which had previously been included in restaurant segment results, are now included in corporate items.

auditor's report and management statement

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of The Marcus Corporation

We have audited the accompanying consolidated balance sheets of The Marcus Corporation (the Company) as of May 25, 2000 and May 27, 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended May 25, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at May 25, 2000 and May 27, 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 25, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young

Milwaukee, Wisconsin
July 14, 2000

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of The Marcus Corporation and its subsidiaries is responsible for the preparation of the financial and operating information contained in this annual report, including the consolidated financial statements audited by Ernst & Young LLP, independent auditors. These statements were prepared in conformity with accounting principles generally accepted in the United States and include amounts that are based on the best estimates and judgments of management.

A system of internal financial controls provides management with reasonable assurance that transactions are recorded and executed as authorized, that assets are properly safeguarded and accounted for, and that records are maintained to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States. The Company also has policies and guidelines that require employees to maintain a high level of ethical standards.

The Audit Committee of the Board of Directors is composed entirely of outside directors and has unrestricted access to representatives of Ernst & Young LLP.

/s/ Stephen H. Marcus	/s/ Douglas A. Neis
Stephen H. Marcus	Douglas A. Neis
Chairman and Chief Executive Officer	Chief Financial Officer and Treasurer

eleven-year financial summary

	2000	1999	1998(2)	1997	1996(3)	1995	1994(4)	1993	1992	1991	1990
OPERATING RESULTS (in thousands)											
Revenues(6)	$352,118	335,999	308,783	277,643	237,937	204,627	172,210	153,896	148,187	133,368	122,237
Earnings from continuing operations(6)	$ 21,238	20,958	26,343	29,254	27,885	-	-	-	-	-	-
Net earnings	$ 22,622	23,144	28,444	30,881	42,307	24,136	22,829	16,482	13,289	11,618	10,781
COMMON STOCK DATA(1)											
Earnings per share - continuing operations(6)	$ .71	.70	.87	.98	.94	-	-	-	-	-	-
Net earnings per share	$ .76	.77	.94	1.04	1.42	.82	.77	.63	.52	.45	.42
Cash dividends per share	$ .22	.22	.22	.20	.23	.15	.13	.11	.10	.09	.08

Weighted average shares outstanding (in thousands)	29,828	30,105	30,293	29,745	29,712	29,537	29,492	26,208	25,325	25,569	25,839
Book value per share	$ 11.03	10.48	10.00	9.37	8.51	7.29	6.61	5.95	4.97	4.54	4.17
FINANCIAL POSITION (in thousands)											
Total assets	$723,776	676,116	608,504	521,957	455,315	407,082	361,606	309,455	274,394	255,117	230,789
Long-term debt	$286,344	264,270	205,632	168,065	127,135	116,364	107,681	78,995	100,032	96,183	85,563
Shareholders' equity	$325,247	313,574	302,531	277,293	251,248	214,464	193,918	173,980	124,874	114,697	106,983
Capital expenditures, including business acquisitions	$ 99,492	111,843	115,880	107,514	83,689	77,083	75,825	47,237	27,238	39,861	42,385
FINANCIAL RATIOS											
Current ratio	.40	.45	.43	.39	.62	.41	.67	.90	.73	.65	.91
Debt/capitalization ratio	.48	.47	.42	.39	.35	.37	.37	.34	.46	.47	.45
Return on average shareholders' equity	7.1%	7.5%	9.8%	11.7%	18.2%	11.8%	12.4%	11.0%	11.1%	10.5%	10.5%

(1) All per share and shares outstanding data is on a diluted basis and has been adjusted to reflect stock splits in 1998, 1996 and 1993.
(2) Includes charge of $2.34 million or $0.08 per share for costs associated with the Baymont name change.
(3) Includes gain of $14.8 million or $0.49 per share on sale of certain restaurant locations.
(4) Includes gain of $1.8 million or $0.06 per share for cumulative effect of change in accounting for income taxes.
(5) Includes annual dividend of $0.18 per share and one quarterly dividend of $0.05 per share.
(6) Restated to conform to the fiscal 2000 presentation of restaurant operations as discontinued operations. Earnings from continuing operations and earnings per share - continuing operations were restated for 1996 through 1999.

quarterly information and stock prices

SUPPLEMENTARY QUARTERLY FINANCIAL DATA (UNAUDITED)
(in thousands except per share data)

	13 Weeks Ended			
Fiscal 2000	August 26, 1999	November 25, 1999	February 24, 2000	May 25, 2000
Revenues	$107,717	$80,244	$77,439	$86,718
Operating incom	24,500	9,854	5,197	8,537
Net earnings	13,170	5,588	881	2,983
Net earnings per diluted share	.44	.19	.03	.10

	13 Weeks Ended			
Fiscal 1999	August 27, 1998	November 26, 1998	February 25, 1999	May 27, 1999
Revenues(1)	$ 99,978	$78,641	$75,519	$81,861
Operating income(1)	25,162	11,703	4,640	7,000
Net earnings	14,191	5,889	513	2,551
Net earnings per diluted share	.47	.20	.02	.09

(1) Revenues and operating income as previously reported in the Company's quarterly reports differ from amounts set forth above because of the classification of the Company's restaurant operations as discontinued operations as more fully described in Note 4 of the Notes to Consolidated Financial Statements. The quarterly revenue and operating income have been restated to reflect only the Company's continuing operations. In addition, certain other reclassifications were made to revenues in order to conform to the current year presentation. There was no effect on previously reported net earnings.

	13 Weeks Ended			
	August 27, 1998	November 26, 1998	February 25, 1999	May 27, 1999
Revenues as previously reported	$107,360	$87,994	$82,269	$85,304
Less revenues of discontinued operations	(7,382)	(6,796)	(6,246)	(6,504)
Other reclassifications	-	(2,557)	(504)	3,061
Revenues as restated	$99,978	$78,641	$75,519	$81,861

Operating income as previously reported	$26,098	$12,711	$5,280	$7,747
Less operating income of discontiued operations	(936)	(1,008)	(640)	(747)
Operating income as restated	$25,162	$11,703	$4,640	$7,000

LAST SALE PRICE RANGE OF COMMON STOCK

Fiscal 2000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	$13.25	$14.25	$14.06	$12.94
Low	11.44	10.75	9.50	8.38

Fiscal 1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
High	$18.19	$16.56	$16.25	$14.19
Low	14.00	12.50	12.50	10.94

On August 11, 2000, there were 2,253 shareholders of record for the Common Stock and 49 shareholders of record for the Class B Common Stock.

corporate information

ANNUAL MEETING

Shareholders are invited to attend The Marcus Corporation's 2000 Annual Meeting at 10:00 a.m. on Monday, September 25, 2000, at the Hilton Milwaukee City Center, 509 West Wisconsin Avenue, Milwaukee, Wisconsin.

DIVIDEND REINVESTMENT PLAN

The Marcus Corporation has a dividend reinvestment plan through which shareholders of record may invest their cash dividends and make supplemental cash investments in additional shares. There are no commissions or service charges to purchase shares. For additional information, write or call:

Firstar Bank, N.A.
P.O. Box 2077
Milwaukee, WI 53201-2077
(800) 637-7549

Members of the National Association of Investors Corporation (NAIC) may also participate in The Marcus Corporation's Dividend Reinvestment Plan through the NAIC Low Cost Investment Plan.

STOCK LISTING AND SYMBOL
The Marcus Corporation common stock is traded on the New York Stock Exchange under the symbol MCS.

FORM 10-K REPORT
A copy of the company's fiscal 2000 Form 10-K annual report (without exhibits) filed with the Securities and Exchange Commission is available to shareholders, without charge, by contacting the corporate secretary at the company's address.

TRANSFER AGENT
Firstar Bank, N.A.
P.O. Box 2077
Milwaukee, WI 53201-2077
(800) 637-7549

LEGAL COUNSEL
Foley & Lardner o Milwaukee, Wisconsin

INDEPENDENT AUDITORS
Ernst & Young LLP o Milwaukee, Wisconsin

CORPORATE HEADQUARTERS
The Marcus Corporation
250 East Wisconsin Avenue Suite 1700
Milwaukee, Wisconsin 53202-4220
(414) 905-1000

Exhibit 21

Subsidiaries of the Company
as of July 31, 2000

The Company owns all of the stock of the following corporations:

Name	State of Incorporation
Marcus Theatres Corporation	Wisconsin
Marcus Restaurants, Inc.	Wisconsin
B & G Realty, Inc.	Wisconsin
First American Finance Corporation	Wisconsin
Marcus Geneva, Inc.	Wisconsin
Marcus Hotels, Inc.	Wisconsin
Baymont Inns, Inc.	Wisconsin
Woodfield Suites, Inc.	Wisconsin

Woodfield Suites, Inc. owns all of the stock of the following corporations:

Name	State of Incorporation
Woodfield Suites Hospitality Corporation	Wisconsin
Woodfield Suites Franchises International Inc.	Wisconsin

Woodfield Suites Hospitality Corporation owns all of the stock of the following corporation:

Name	State of Incorporation
Woodfield Refreshments, Inc.	Wisconsin

Woodfield Refreshments, Inc. owns all of the stock of the following corporation:

Name	State of Incorporation
Woodfield Refreshments of Texas, Inc.	Texas

Marcus Theatres Corporation owns all of the stock or units of the following corporations and limited liability companies:

Name	State of Incorporation or Organization
Marcus Cinemas of Minnesota & Illinois, Inc.	Illinois
Marcus Cinemas of Ohio, LLC	Wisconsin
Family Entertainment, LLC	Wisconsin

Except as set forth below, Marcus Cinemas of Minnesota & Illinois, Inc. owns all of the units of the following limited liability company:

Name	State of Organization
Marcus Cinemas of Wisconsin, LLC (1% is owned by Marcus Theatres Corp.)	Wisconsin

Baymont Inns, Inc. owns all of the stock of the following corporations:

Name	State of Incorporation
Baymont Partners, Inc.	Wisconsin
Baymont Inns Hospitality Corporation	Wisconsin
Baymont Franchises International, Inc.	Wisconsin
Woodfield Refreshments of Colorado, Inc.	Colorado
Woodfield Refreshments of Ohio, Inc.	Ohio

Marcus Restaurants, Inc. owns all of the stock of the following corporations:

Name	State of Incorporation
Marc's Carryout Corporation	Wisconsin
Captains-Kenosha, Inc.	Wisconsin
Colony Inns Restaurant Corporation	Wisconsin
Cafe Refreshments, Inc.	Wisconsin

Marcus Hotels, Inc. owns all of the stock or units of the following corporations and limited liability companies:

Name	State of Incorporation or Organization
Marcus Northstar, Inc.	Minnesota
Marcus Hotels of California, Inc.	California
Marcus Hotel Partners, Inc.	Wisconsin
Marcus Hotels Associates, Inc.	Wisconsin
Grand Geneva, LLC	Wisconsin
Milwaukee City Center, LLC	Wisconsin
Pfister, LLC	Wisconsin
HPG Laundry, LLC	Wisconsin
Marcus Hotels Hospitality, LLC	Wisconsin
Resort Missouri, LLC	Delaware
Resort California, LLC	Delaware

Exhibit 23

Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in Registration Statements (Forms S-8 No. 33-63299, No. 33-55695 and No. 333-93345) of The Marcus Corporation of our report, dated July 14, 2000, with respect to the consolidated financial statements of The Marcus Corporation incorporated by reference in the Annual Report (Form 10-K) for the year ended May 25, 2000.

/s/ ERNST & YOUNG LLP

Milwaukee, Wisconsin
August 21, 2000

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE MARCUS CORPORATION'S FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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